

**NEW ISSUE BOOK-ENTRY ONLY**

**Ratings: Moody's: Aa3  
S&P: AA-  
(See "RATINGS" herein)**

*In the opinion of Bond Counsel and subject to the qualifications described in this Official Statement, interest on the 2024 Bonds is not includable in gross income for federal income tax purposes, and interest on the 2024 Bonds is exempt from current State of North Carolina income taxes. See "TAX TREATMENT" herein for additional information regarding tax consequences arising from ownership or receipt of interest on the 2024 Bonds.*

**\$58,205,000  
PENDER COUNTY, NORTH CAROLINA  
LIMITED OBLIGATION BONDS, SERIES 2024A**

**Dated:** Date of Delivery

**Due:** April 1, as shown on the inside front cover

This Official Statement has been prepared by Pender County, North Carolina (the "County") to provide information on the Pender County, North Carolina Limited Obligation Bonds, Series 2024A (the "2024 Bonds"). Selected information is presented on this cover page for the convenience of the user. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

**Security:**

The payment by the County of the principal of and interest on the 2024 Bonds is limited to funds appropriated for that purpose by the Board of Commissioners for the County in its sole discretion, except to the extent payable from proceeds of the 2024 Bonds, investment earnings, Net Proceeds related to casualty or condemnation proceeds, or amounts derived from the enforcement of remedies on default.

As security for the 2024 Bonds, the County has executed and delivered a deed of trust, granting, among other things, a lien of record on the Mortgaged Property subject to Permitted Encumbrances (as such terms are defined herein).

**THE OBLIGATION TO MAKE PAYMENTS WITH RESPECT TO THE 2024 BONDS IS NOT A GENERAL OBLIGATION OF THE COUNTY, AND THE TAXING POWER OF THE COUNTY IS NOT PLEDGED DIRECTLY OR INDIRECTLY TO SECURE ANY MONIES DUE TO THE OWNERS OF THE 2024 BONDS. See "SECURITY AND SOURCES OF PAYMENT OF 2024 BONDS" herein.**

**Redemption:**

The 2024 Bonds are subject to optional redemption as described herein.

**Purpose:**

Proceeds of the 2024 Bonds will be used (i) to finance the acquisition and construction of a law enforcement center, including a detention center, a sheriff's office, a 911 operations center, an evidence storage facility, and an area to house the County's information technology operations, and (ii) to pay certain costs incurred in connection with the issuance of the 2024 Bonds.

**Interest Payment Dates:**

April 1 and October 1 of each year, commencing April 1, 2025

**Denomination:**

\$5,000 or integral multiples thereof

**Delivery:**

On or about August 29, 2024

**Bond Counsel:**

Sanford Holshouser LLP

**County Attorney:**

Carl W. Thurman, III, Esq.

**Financial Advisor:**

Davenport & Company LLC

**Underwriters' Counsel:**

Pope Flynn, LLC

**Trustee:**

U.S. Bank Trust Company, National Association

**Baird**

**Wells Fargo Securities**

The date of this Official Statement is August 7, 2024.

## MATURITY SCHEDULE

**\$58,205,000**  
**Pender County, North Carolina**  
**Limited Obligation Bonds, Series 2024A**

Due April 1	Principal Amount	Interest Rate	Yield	CUSIP <sup>+</sup>
2026	\$3,065,000	5.000%	2.730%	706716DB0
2027	3,065,000	5.000	2.700	706716DC8
2028	3,065,000	5.000	2.700	706716DD6
2029	3,065,000	5.000	2.700	706716DE4
2030	3,065,000	5.000	2.720	706716DF1
2031	3,060,000	5.000	2.760	706716DG9
2032	3,065,000	5.000	2.800	706716DH7
2033	3,060,000	5.000	2.850	706716DJ3
2034	3,065,000	5.000	2.940	706716DK0
2035	3,060,000	5.000	3.010*	706716DL8
2036	3,065,000	5.000	3.040*	706716DM6
2037	3,060,000	5.000	3.090*	706716DN4
2038	3,065,000	5.000	3.150*	706716DP9
2039	3,065,000	5.000	3.230*	706716DQ7
2040	3,065,000	5.000	3.310*	706716DR5
2041	3,065,000	5.000	3.400*	706716DS3
2042	3,065,000	4.000	3.890*	706716DT1
2043	3,060,000	4.000	3.950*	706716DU8
2044	3,060,000	4.000	4.000	706716DV6

\* Yield to April 1, 2034 par call.

<sup>+</sup> CUSIP numbers have been assigned by an organization not affiliated with the County or the Underwriters, and are included solely for the convenience of the holders of the 2024 Bonds. Neither the County nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the 2024 Bonds or as indicated above.

IN CONNECTION WITH THIS OFFERING, ROBERT W. BAIRD & CO. INCORPORATED AND WELLS FARGO BANK, NATIONAL ASSOCIATION (THE "UNDERWRITERS") MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2024 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement in connection with the offering described herein, and, if given or made, such other information or representation must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the 2024 Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the 2024 Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the County and other sources that are deemed to be reliable.

The electronic distribution of this Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the 2024 Bonds described herein to the residents of any particular state and is not specifically directed to the residents of any particular state. The 2024 Bonds will not be offered or sold in any state unless and until they are either registered pursuant to the laws of such state, or qualified pursuant to an appropriate exemption from registration in such state.

NEITHER THE 2024 BONDS NOR THE TRUST AGREEMENT HAVE BEEN REGISTERED OR QUALIFIED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(A)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED AND SECTION 304(A)(4) OF THE TRUST INDENTURE ACT OF 1939, AS AMENDED. THE REGISTRATION OR QUALIFICATION OF THE 2024 BONDS OR THE TRUST AGREEMENT IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE 2024 BONDS HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

All quotations from and summaries and explanations of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE OF THE 2024 BONDS SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COUNTY SINCE THE DATE HEREOF.

The information set forth herein has been obtained from sources which are believed to be reliable and is in a form deemed final by the County for the purpose of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for certain information permitted to be omitted under Rule 15c2-12(b)(1)). The information contained herein is subject to change after the date of this Official Statement, and this Official Statement speaks only as of its date.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 (as defined herein).

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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**\$58,205,000**  
**Pender County, North Carolina**  
**Limited Obligation Bonds, Series 2024A**

**INTRODUCTION**

The purpose of this Official Statement, which includes the Appendices hereto, is to provide certain information in connection with the Pender County, North Carolina Limited Obligation Bonds, Series 2024A in the aggregate principal amount of \$58,205,000 (the “2024 Bonds”).

The 2024 Bonds will be issued pursuant to a Trust Agreement dated as of August 1, 2024 (the “Trust Agreement”), between Pender County, North Carolina (the “County”) and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). Capitalized terms used in this Official Statement, unless otherwise defined herein, have the meanings set out in Appendix C hereto.

This Introduction provides only certain limited information with respect to the contents of this Official Statement and is expressly qualified by the Official Statement as a whole. Prospective investors should review the full Official Statement and each of the documents summarized or described herein. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

**THE COUNTY**

The County is a political subdivision of the State of North Carolina (the “State”). See Appendix A, “**THE COUNTY**,” hereto for certain information regarding the County. The County’s most recent audited financial statements are contained in Appendix B hereto.

**PURPOSE**

The 2024 Bonds are being issued in order (i) to finance the acquisition and construction of an approximately 100,000 square-foot law enforcement center, including a detention center, a sheriff’s office, a 911 operations center, an evidence storage facility, and an area to house the County’s information technology operations (the “Project”), and (ii) to pay certain costs incurred in connection with the issuance of the 2024 Bonds. See “**THE PLAN OF FINANCE**” and “**ESTIMATED SOURCES AND USES OF FUNDS**” herein.

**SECURITY**

The payment by the County of the principal of and interest on the 2024 Bonds is limited to funds appropriated for that purpose by the Board of Commissioners for the County (the “Board of County Commissioners”) in its sole discretion, except to the extent payable from proceeds of the 2024 Bonds, investment earnings, Net Proceeds related to casualty or condemnation proceeds, or amounts derived from the enforcement of remedies on default.

As security for the 2024 Bonds and any additional bonds issued under the Trust Agreement on a parity therewith (the “Additional Bonds” and together with the 2024 Bonds, the “Bonds”), the County will execute and deliver to a deed of trust trustee (the “Deed of Trust Trustee”), for the benefit of the Trustee, a Deed of Trust and Security Agreement dated as of August 1, 2024 (the “Deed of Trust”) granting a lien of record on the site of the Project and the real estate improvements thereon and appurtenances thereto (collectively, the “Mortgaged Property”), all as more particularly described in the Deed of Trust, subject only to Permitted Encumbrances (as defined in Appendix C hereto). The Deed of Trust authorizes future obligations evidenced by Additional Bonds (as described below) to be secured by the Deed of Trust,

provided that the total amount of present and future obligations secured by the Deed of Trust at any one time does not exceed \$140,000,000 and such future obligations are incurred not later than 30 years from the date of the Deed of Trust.

In addition, the County will grant to the Trustee a lien on and security interest in all moneys held by the Trustee in the funds and accounts created under the Trust Agreement.

If a default occurs under the Trust Agreement, the Trustee is authorized to direct the Deed of Trust Trustee to foreclose on the Mortgaged Property and apply the proceeds received as a result of any such foreclosure to the payment of the amounts due to the owners of the 2024 Bonds, subject to the rights of the owners of any other Bonds. No assurance can be given that any such proceeds will be sufficient to pay the principal of and the interest on the Bonds. In addition, no deficiency judgment can be rendered against the County if the proceeds from any such foreclosure sale (together with other funds that may be held by the Trustee under the Trust Agreement) are insufficient to pay the Bonds in full. The 2024 Bonds do not constitute a pledge of the County's faith and credit within the meaning of any constitutional provision. See **"SECURITY AND SOURCES OF PAYMENT OF 2024 BONDS"** herein.

### **THE 2024 BONDS**

The 2024 Bonds will be dated as of their date of delivery. Interest is payable on April 1 and October 1 of each year, beginning April 1, 2025, at the rates set forth on the inside front cover page of this Official Statement. Principal is payable, subject to redemption as described herein, on April 1 in the years and in the amounts set forth on the inside front cover page of this Official Statement.

### **ADDITIONAL BONDS**

Under the conditions described in the Trust Agreement, without the approval or consent of the Owners of the then-outstanding Bonds and without notice to such Owners, Additional Bonds may be delivered and secured on parity with the 2024 Bonds to provide funds (a) to expand or improve the Pledged Facilities (as defined in the Deed of Trust), (b) to construct further improvements to the Pledged Sites (as defined in the Deed of Trust), (c) to refund any Outstanding Bonds, (d) to pay financing costs or establish reserves in connection with the issuance of Additional Bonds, (e) for any other purpose that may be allowed by law from time to time, including the acquisition and construction of additional public facilities, whether or not any such facility is related to the Pledged Facilities or the Pledged Sites, or (f) for any combination of these purposes. See **"SECURITY AND SOURCES OF PAYMENT OF 2024 BONDS—ADDITIONAL BONDS"** herein.

### **BOOK-ENTRY ONLY**

The 2024 Bonds will be delivered in book-entry form only without physical delivery of certificates to beneficial owners of the 2024 Bonds. Payments to beneficial owners of the 2024 Bonds will be made by The Depository Trust Company ("DTC") and its participants. See Appendix E, **"BOOK-ENTRY ONLY SYSTEM"** hereto. So long as Cede & Co. is the registered owner of the 2024 Bonds, references herein to registered owner or Owners of the 2024 Bonds means Cede & Co. and not the beneficial owners of the 2024 Bonds.

### **TAX STATUS**

In the opinion of Bond Counsel and subject to the qualifications described in this Official Statement, interest on the 2024 Bonds is not includable in gross income for federal income tax purposes, and interest on the 2024 Bonds is exempt from current State of North Carolina income taxes. See **"TAX TREATMENT"** herein for additional information regarding tax consequences arising from ownership or



receipt of interest on the 2024 Bonds, including information regarding the application of federal alternative minimum tax provisions to the Bonds and certain other federal, State and local tax consequences.

## **PROFESSIONALS**

Robert W. Baird & Co. Incorporated and Wells Fargo Bank, National Association (the “Underwriters”) are underwriting the 2024 Bonds. U.S. Bank Trust Company, National Association is serving as Trustee with respect to the 2024 Bonds. Davenport & Company LLC is serving as financial advisor. Sanford Holshouser LLP is serving as Bond Counsel. Carl W. Thurman, III, Esq. is the County Attorney. Pope Flynn, LLC is serving as counsel to the Underwriters.

## **ADDITIONAL INFORMATION**

Summaries of the Trust Agreement and the Deed of Trust, including a list of definitions of certain terms, are included as Appendix C. All quotations from and summaries and explanations of the Trust Agreement and the Deed of Trust contained in this Official Statement, including in Appendix C, do not purport to be complete. Reference is made to such documents for full and complete statements of their respective provisions.

Additional information and copies in reasonable quantity of the principal financing documents may be obtained from the County at 805 S. Walker St., Burgaw, North Carolina 28425, Attention: Finance Director. Copies of such documents can also be obtained during the offering period from Robert W. Baird & Co. Incorporated at 380 Knollwood Street, Suite 440, Winston-Salem, North Carolina 27103. After the offering period, copies of such documents may be obtained from the Trustee at 214 North Tryon Street, 27<sup>th</sup> Floor, Charlotte, North Carolina 28202.

## **THE 2024 BONDS**

### **AUTHORIZATION**

The County is issuing the 2024 Bonds pursuant to the provisions of Section 20 of Chapter 160A of the North Carolina General Statutes and Article 8 of Chapter 159 of the North Carolina General Statutes, each as amended (collectively, the “Act”), and a resolution of the Board of County Commissioners adopted on July 15, 2024. Each 2024 Bond will be deemed an “installment contract” under the Act.

In addition, the County’s issuance of the 2024 Bonds was approved by the North Carolina Local Government Commission (the “LGC”) on August 6, 2024. The LGC is a division of the State Treasurer’s office charged with general oversight of local government finance in the State. LGC approval is required for substantially all bond issues and other local government financing arrangements in the State. Before approving an installment financing (which includes the financing arrangement for the 2024 Bonds), the LGC must determine, among other things, that (1) the proposed financing is necessary and expedient, (2) the financing, under the circumstances, is preferable to a general obligation or revenue bond issue for the same purpose, and (3) the sums to fall due under the proposed financing are not excessive for the local government.

### **GENERAL**

**Payment Terms.** The 2024 Bonds will be dated their date of delivery. Interest on the 2024 Bonds is payable on each April 1 and October 1 (the “Payment Dates”), beginning April 1, 2025, at the rates set forth on the inside front cover page of this Official Statement (calculated on the basis of a 360-day year

consisting of twelve 30-day months). Interest payments will be made to the person shown as the owner of the 2024 Bond as of the applicable Record Date. “Record Date” means the end of the calendar day on the 15th day of the month (whether or not a Business Day) preceding a Payment Date. Principal on the 2024 Bonds is payable on April 1 in the years and amounts set forth on the inside front cover page of this Official Statement. Payments will be effected through DTC. See Appendix E, “**BOOK-ENTRY ONLY SYSTEM**” hereto.

**Registration and Exchange.** So long as DTC or its nominee is the registered owner of the 2024 Bonds, transfers and exchanges of beneficial ownership interests in the 2024 Bonds will be available only through DTC Participants and DTC Indirect Participants. See Appendix E, “**BOOK-ENTRY ONLY SYSTEM**” hereto. The Trust Agreement describes provisions for transfer and exchange applicable if a book-entry system is no longer in effect. These provisions generally provide that the transfer of the 2024 Bonds is registrable by the Owners thereof, and the 2024 Bonds may be exchanged for an equal aggregate, unredeemed principal amount of 2024 Bonds of the authorized denomination and of the same maturity and interest rate, only upon presentation and surrender of the 2024 Bonds to the Trustee at the principal corporate trust office of the Trustee together with an executed instrument of transfer in a form approved by the Trustee in connection with any transfer. The Trustee may require the person requesting any transfer or exchange to reimburse it for any shipping and tax or other governmental charge payable in connection therewith.

## **REDEMPTION PROVISIONS**

**Optional Redemption.** The 2024 Bonds maturing on or after April 1, 2035 are subject to redemption at the County’s option, in whole or in part on any date on or after April 1, 2034, upon payment of the principal amount to be redeemed plus interest accrued to the redemption date, without any prepayment penalty or premium.

**Selection.** If less than all of the 2024 Bonds are to be optionally redeemed as described above, the County in its discretion may elect which maturities of 2024 Bonds are to be redeemed. If less than all the 2024 Bonds of any maturity are to be redeemed, the Trustee shall select the 2024 Bonds to be redeemed by lot; provided, however, that so long as a book-entry system with DTC is used for determining beneficial ownership of 2024 Bonds, if less than all the 2024 Bonds within a maturity are to be redeemed, the parties agree that DTC may determine which of the 2024 Bonds within the maturity are to be redeemed in accordance with DTC’s then-current rules and procedures.

In any case, (1) the portion of any 2024 Bond to be redeemed must be in the principal amount of \$5,000 or some integral multiple thereof, and (2) in selecting 2024 Bonds for redemption, each 2024 Bond will be considered as representing that number of 2024 Bonds which is obtained by dividing the principal amount of that 2024 Bond by \$5,000. If a portion of a 2024 Bond is called for redemption, a new 2024 Bond of the same maturity in principal amount equal to the unpaid portion will be delivered to the registered owner upon the surrender of the 2024 Bond.

**Effect of Call for Redemption.** If on or before the date fixed for redemption funds are deposited with the Trustee to pay the principal and interest accrued to the redemption date with respect to the 2024 Bonds called for redemption, the 2024 Bonds or portions of the 2024 Bonds called for redemption cease to accrue interest from and after the redemption date, and thereafter those 2024 Bonds (1) are no longer entitled to the benefits provided by the Trust Agreement and (2) are not deemed to be Outstanding under the Trust Agreement.

**Notice of Redemption.** The Trustee, at the County’s direction, upon being satisfactorily indemnified with respect to expenses and with at least two Business Days’ notice, shall send notice of

redemption no less than 30 nor more than 60 days prior to the redemption date, as follows: (1) with respect to any 2024 Bonds being called for redemption for which DTC or its nominee is the registered owner, to DTC, in whatever manner may be provided for under DTC's standard operating rules as then in effect (and if the Trustee is unable to determine those rules, by registered or certified mail, return receipt requested); (2) with respect to any 2024 Bonds for which no book-entry only system of registration is in effect, to each of the registered owners of those 2024 Bonds at their addresses as shown on the Trustee's registration books, by registered or certified mail; and (3) in any case, both (A) to the Municipal Securities Rulemaking Board for posting on its "EMMA" continuing disclosure system, or any successor system, and (B) to the LGC.

Failure to give any notice specified in (1) or (2) above, as applicable, or any defect in that notice, will not affect the validity of any proceedings for the redemption of any 2024 Bonds with respect to which no failure has occurred. Failure to give any notice specified in (3) above, or any defect in that notice, will not affect the validity of any proceedings for the redemption of any 2024 Bonds with respect to which the notice specified in (1) or (2) above is correctly given. Any notice mailed as provided in the Trust Agreement will conclusively be presumed to have been given regardless of whether received by any Owner.

Any redemption notice may state that the redemption to be effected is conditioned upon (1) the Trustee's receipt on or prior to the redemption date of moneys sufficient to pay the principal of and interest on the 2024 Bonds to be redeemed; or (2) any other condition not unacceptable to the Trustee. If a notice contains a condition and the Trustee either (i) does not receive moneys sufficient to pay the principal of and interest on the 2024 Bonds on or prior to the redemption date, or (ii) the stated condition is not fulfilled, in either case on or prior to the redemption date, then redemption will not be made and the Trustee must, within a reasonable time, give notice in a manner in which the redemption notice was given that the moneys were not so received (or condition was not fulfilled) and the redemption was not made.

## **SECURITY AND SOURCES OF PAYMENT OF 2024 BONDS**

### **GENERAL**

The 2024 Bonds are payable from payments to be made by the County pursuant to the Trust Agreement and from certain other moneys, including certain Net Proceeds, if any, and certain amounts realized from any sale or lease of the Mortgaged Property, which payments and other moneys have been pledged to such payment as provided in the Trust Agreement.

### **PAYMENT OF BONDS; LIMITED OBLIGATION; BUDGET AND APPROPRIATIONS**

The County shall cause to be paid, when due, the principal of (whether at maturity, by acceleration, or otherwise) and the interest on the 2024 Bonds at the places, on the dates and in the manner described in the Trust Agreement. The County is obligated to pay Additional Payments in amounts sufficient to pay the fees and expenses of the Trustee, taxes or other expenses required to be paid pursuant to the Trust Agreement. Additional Payments are to be paid by the County directly to the person or entity to which such Additional Payments are owed.

In the Trust Agreement, the County agrees to include in the initial proposal for each of the County's annual budgets for review and consideration by the Board of County Commissioners, in any Fiscal Year, items for all Bond Payments and the reasonably estimated Additional Payments coming due in such Fiscal Year. Notwithstanding that the initial proposed budget includes an appropriation for Bond Payments and Additional Payments, the Board of County Commissioners may determine not to include such an appropriation in the final County budget for such Fiscal Year; further, the Board of County Commissioners

may amend an adopted budget to reduce or delete an approved appropriation. If for any Fiscal Year the County adopts an annual budget that does not appropriate (for that purpose) an amount equal to the Bond Payments and estimated Additional Payments for that Fiscal Year, fails to adopt an annual budget that appropriates (for that purpose) an amount equal to the Bond Payments and estimated Additional Payments coming due during that Fiscal Year within 15 days after the beginning of any Fiscal Year, or amends the annual budget to reduce the amounts appropriated for Bond Payments and Additional Payments below the amounts expected to be required for the remainder of that Fiscal Year, then the County must provide notice of such event to the Trustee and the LGC and post such notice on the MSRB's EMMA system. An Event of Nonappropriation constitutes an Event of Default under the Trust Agreement, which entitles the Trustee to exercise its remedies under the Trust Agreement, including its rights to foreclose on the Mortgaged Property under the Deed of Trust.

IN CONNECTION WITH THE BOND PAYMENTS AND THE ADDITIONAL PAYMENTS, THE APPROPRIATION OF FUNDS THEREFOR IS WITHIN THE SOLE DISCRETION OF THE BOARD OF COUNTY COMMISSIONERS.

### **TRUST AGREEMENT**

Under the Trust Agreement, the County has granted to the Trustee for the benefit of the Owners of the 2024 Bonds a lien on and security interest in all moneys and securities from time to time held by the Trustee under the Trust Agreement.

### **DEED OF TRUST**

**General.** In connection with the execution and delivery of the 2024 Bonds, the County will execute the Deed of Trust to provide security for its obligations under the Trust Agreement by granting a lien of record on the Mortgaged Property. The Deed of Trust secures the 2024 Bonds and any Additional Bonds issued under the Trust Agreement.

ONLY THE SITE OF THE PROJECT AND ALL IMPROVEMENTS THEREON WILL BE INCLUDED IN THE DEFINITION OF "MORTGAGED PROPERTY" AND SUBJECT TO THE LIEN CREATED BY THE DEED OF TRUST. See "**THE PLAN OF FINANCE**" herein.

The Deed of Trust authorizes future obligations evidenced by Additional Bonds executed and delivered under the Trust Agreement to be secured by the Deed of Trust, provided that the total amount of present and future obligations secured thereby at any one time does not exceed \$140,000,000 and such future obligations are incurred not later than 30 years from the date of the Deed of Trust.

The Deed of Trust will be recorded in the office of the Register of Deeds of Pender County, North Carolina, and the liens created thereby will be insured by a title insurance policy.

**Release of Security.** The Trustee is required, upon the County's direction and at any time, to execute and deliver all documents necessary to effect the release all or a portion of the Mortgaged Property from the lien of the Deed of Trust upon the County's compliance with the following requirements:

- (a) The County must file with the Trustee a certificate signed by an appropriate County representative (i) stating that (A) no Event of Default is continuing, (B) the release will not materially impair the intended use of the property remaining subject to the Deed of Trust, and (C) the release complies with the requirements of the Deed of Trust, (ii) providing a copy of the proposed instrument of release, (iii) directing the execution and delivery of the instrument, and (iv) providing evidence of compliance with (b) or (c) below. The Trustee

may not release any property pursuant to such terms during the continuation of an Event of Default.

(b) In the case of a proposed release of all the Mortgaged Property, the County must pay to the Trustee (or other fiduciary) an amount (i) that is sufficient to provide for the payment in full of all Outstanding Bonds in accordance with the Trust Agreement and (ii) that is required to be used for such payment.

(c) In connection with the release of a portion (but less than all) of the Mortgaged Property, the County must provide evidence to the Trustee that the appraised, tax or insured value of that portion of the Mortgaged Property that is proposed to remain subject to the lien of the Deed of Trust is not less than 50% of the aggregate principal component of the Bonds Outstanding at the time the release is effected.

In addition to the provisions for release described above, so long as the grant or disposition will not materially impair the intended use of the Project, the County may from time to time grant easements, licenses, rights-of-way and other similar rights with respect to any part of the Mortgaged Property, and the County may release such interests, with or without consideration, and the County may dispose of any undesirable or unnecessary fixture.

See “**THE DEED OF TRUST—No Transfers; Releases; Grants of Easements**” in Appendix C hereto.

#### **ENFORCEABILITY**

The enforceability of the parties’ obligations under the Trust Agreement and the Deed of Trust is subject to bankruptcy, insolvency, reorganization and other laws related to or affecting the enforcement of creditors’ rights generally and, to the extent that certain remedies under such instruments require or may require enforcement by a court, to such principles of equity as the court having jurisdiction may impose.

NOTWITHSTANDING ANYTHING THEREIN TO THE CONTRARY, THE DELIVERY OF THE 2024 BONDS SHALL NOT BE CONSTRUED OR INTERPRETED AS CREATING A PLEDGE OF THE FAITH AND CREDIT OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL DEBT LIMITATION. IN ADDITION, NEITHER THE 2024 BONDS NOR THE TRUST AGREEMENT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATES THE COUNTY TO MAKE ANY PAYMENTS BEYOND THOSE APPROPRIATED IN THE SOLE DISCRETION OF THE BOARD OF COUNTY COMMISSIONERS FOR ANY FISCAL YEAR IN WHICH THE 2024 BONDS ARE OUTSTANDING. IF THE COUNTY FAILS TO MAKE PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE 2024 BONDS, THE TRUSTEE MAY DECLARE THE ENTIRE UNPAID PRINCIPAL OF THE 2024 BONDS TO BE IMMEDIATELY DUE AND PAYABLE AND DIRECT THE DEED OF TRUST TRUSTEE TO INSTITUTE FORECLOSURE PROCEEDINGS UNDER THE DEED OF TRUST AND PROCEED IN ACCORDANCE WITH LAW TO ATTEMPT TO DISPOSE OF THE MORTGAGED PROPERTY AND APPLY THE PROCEEDS OF SUCH DISPOSITION TOWARD ANY BALANCE, OWING BY THE COUNTY ON THE 2024 BONDS. NO ASSURANCE CAN BE GIVEN THAT SUCH PROCEEDS WILL BE SUFFICIENT TO PAY ALL PRINCIPAL OF AND INTEREST ON THE 2024 BONDS. IN ADDITION, SECTION 160A-20(f) OF THE NORTH CAROLINA GENERAL STATUTES PROVIDES THAT NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY FOR BREACH OF ANY CONTRACTUAL OBLIGATION AUTHORIZED UNDER SECTION 160A-20 AND THAT THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY TO SECURE ANY MONEYS DUE FROM THE COUNTY. See “**THE TRUST AGREEMENT—Defaults and Remedies under Trust Agreement - Acceleration**” and “**—Other Remedies**” and “**THE DEED OF TRUST—Defaults and Remedies; Foreclosure**” in Appendix C hereto and the caption “**CERTAIN RISKS OF 2024 BOND OWNERS**” herein.

## **ADDITIONAL BONDS**

Under the conditions described in the Trust Agreement, without the approval or consent of the Owners of the then Outstanding 2024 Bonds, Additional Bonds may be delivered and secured on parity with the 2024 Bonds to provide funds (a) to expand or improve the Pledged Facilities, (b) to construct further improvements to the Pledged Sites, (c) to refund any Outstanding Bonds, (d) to pay financing costs or establish reserves in connection with the issuance of Additional Bonds, (e) for any other purpose that may be allowed by law from time to time, including the acquisition and construction of additional public facilities, whether or not any such facility is related to the Pledged Facilities or the Pledged Sites, or (f) for any combination of such purposes. Neither the Trust Agreement nor the Deed of Trust require that additional collateral be added to the Deed of Trust in connection with the issuance of Additional Bonds. See “**THE TRUST AGREEMENT—Additional Bonds**” in Appendix C hereto.

## **USE OF NET PROCEEDS**

The County must elect to use Net Proceeds and other funds available therefor, subject to provisions of the Trust Agreement, to repair and restore the Mortgaged Property or to redeem or defease the 2024 Bonds in whole (but not in part) pursuant to the optional redemption provisions described above or the defeasance provisions of the Trust Agreement, as appropriate. The County has no option to redeem the 2024 Bonds from Net Proceeds other than in accordance with the optional redemption provisions described in “**THE 2024 BONDS—REDEMPTION PROVISIONS**” herein.

## **AVAILABLE SOURCES FOR PAYMENT**

### **GENERAL**

The County may pay its obligations under the Trust Agreement from any source of funds, including revenues generated by the projects financed under the Trust Agreement and other facilities in the County, available to it in each year and appropriated therefor until maturity of the 2024 Bonds.

### **GENERAL FUND REVENUES**

The County’s general fund revenues for the Fiscal Year ended June 30, 2023 were \$99,880,035. The County’s general fund revenues for the Fiscal Year ended June 30, 2024 were budgeted to be \$100,365,047 and are budgeted to be \$106,355,051 for the Fiscal Year ending June 30, 2025. General fund revenues are derived from various sources, including property taxes (which generated approximately 58.5% of the general fund revenues in the Fiscal Year ended June 30, 2023 and are budgeted to generate approximately 67.8% of general fund revenues in the Fiscal Year ending June 30, 2025), sales taxes, intergovernmental revenues, and fines and forfeitures. For the Fiscal Years ended June 30, 2023 and June 30, 2024, the County imposed a property tax of \$0.645 and \$0.7375, respectively, per \$100 of assessed value. For the Fiscal Year ending June 30, 2025, the County will impose a property tax of \$0.7373 per \$100 of assessed value. A rate of \$0.01 per \$100 of assessed value in the Fiscal Year ended June 30, 2024 generated approximately \$948,156. In the Fiscal Year ending June 30, 2025, a rate of \$0.01 per \$100 of assessed value is expected to generate approximately \$969,371. The General Statutes of North Carolina permit counties to impose property taxes of up to \$1.50 per \$100 of assessed value for certain purposes without the requirement of a voter referendum. See Appendix B hereto for a description of the uses of the County’s general fund revenues for the Fiscal Year ended June 30, 2023.

## THE PLAN OF FINANCE

The 2024 Bonds are being issued to provide funds (i) to finance the acquisition and construction of the Project, and (ii) to pay certain costs incurred in connection with the issuance of the 2024 Bonds.

The Project consists of the acquisition and construction of an approximately 100,000 square-foot law enforcement center, including a detention center, a sheriff's office, a 911 operations center, an evidence storage facility, and an area to house the County's information technology operations. The estimated cost of the Project is approximately \$65 million, including a federal E-911 grant of \$2,548,628. The Project is expected to be completed in October 2026.

**ONLY THE PROJECT WILL BE INCLUDED AS PART OF THE MORTGAGED PROPERTY.**

### ESTIMATED SOURCES AND USES OF FUNDS

The County estimates the sources and uses of funds for the plan of finance to be as follows:

Sources:	
Par Amount of the 2024 Bonds	\$58,205,000
Original Issue Premium	6,326,233
Federal Grant	<u>2,548,628</u>
Total Sources of Funds	\$67,079,861
Uses:	
Deposit to Project Fund	\$66,502,091
Costs of Issuance <sup>1</sup>	<u>577,770</u>
Total Uses of Funds	\$67,079,861

<sup>1</sup> Includes legal fees, underwriters' compensation, financial advisor fees, rating agency fees, fees and expenses of the Trustee and miscellaneous fees and expenses.

**TOTAL ANNUAL DEBT SERVICE REQUIREMENTS**

The following table sets forth the debt service requirements on the 2024 Bonds for each Fiscal Year of the County.

Fiscal Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 0	\$ 1,659,724	\$ 1,659,724
2026	3,065,000	2,818,400	5,883,400
2027	3,065,000	2,665,150	5,730,150
2028	3,065,000	2,511,900	5,576,900
2029	3,065,000	2,358,650	5,423,650
2030	3,065,000	2,205,400	5,270,400
2031	3,060,000	2,052,150	5,112,150
2032	3,065,000	1,899,150	4,964,150
2033	3,060,000	1,745,900	4,805,900
2034	3,065,000	1,592,900	4,657,900
2035	3,060,000	1,439,650	4,499,650
2036	3,065,000	1,286,650	4,351,650
2037	3,060,000	1,133,400	4,193,400
2038	3,065,000	980,400	4,045,400
2039	3,065,000	827,150	3,892,150
2040	3,065,000	673,900	3,738,900
2041	3,065,000	520,650	3,585,650
2042	3,065,000	367,400	3,432,400
2043	3,060,000	244,800	3,304,800
2044	<u>3,060,000</u>	<u>122,400</u>	<u>3,182,400</u>
Total	\$58,205,000	\$29,105,724	\$87,310,724



## **CERTAIN RISKS OF 2024 BOND OWNERS**

### **INSUFFICIENCY OF PAYMENTS**

If the County fails to pay any payments on the 2024 Bonds as the same become due or if another event of default occurs under the Trust Agreement, the Trustee may accelerate the principal with respect to the 2024 Bonds, direct the Deed of Trust Trustee to foreclose on the Mortgaged Property under the Deed of Trust, take possession of the Mortgaged Property and attempt to dispose of the Mortgaged Property. See “**THE DEED OF TRUST**” in Appendix C hereto. Zoning restrictions and other land use factors relating to the Mortgaged Property may limit the use of the Mortgaged Property and may affect the proceeds obtained on any disposition by the Deed of Trust Trustee. THERE CAN BE NO ASSURANCE THAT THE MONEYS AVAILABLE IN THE FUNDS AND ACCOUNTS HELD BY THE TRUSTEE AND THE PROCEEDS OF ANY SUCH DISPOSITION OF THE MORTGAGED PROPERTY WILL BE SUFFICIENT TO PROVIDE FOR THE PAYMENT OF THE PRINCIPAL AND INTEREST WITH RESPECT TO THE BONDS. SECTION 160A-20(f) OF THE GENERAL STATUTES OF NORTH CAROLINA PROVIDES THAT NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY FOR ANY AMOUNTS THAT MAY BE OWED BY THE COUNTY UNDER THE TRUST AGREEMENT, AND THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONEYS OWING BY THE COUNTY UNDER THE TRUST AGREEMENT. THE REMEDIES AFFORDED TO THE TRUSTEE AND THE OWNERS OF THE BONDS ON A DEFAULT BY THE COUNTY UNDER THE TRUST AGREEMENT ARE LIMITED TO THOSE OF A SECURED PARTY UNDER THE LAWS OF THE STATE OF NORTH CAROLINA, INCLUDING FORECLOSING ON THE DEED OF TRUST.

### **RISK OF NONAPPROPRIATION**

The appropriation of moneys to make payments pursuant to the Trust Agreement is within the sole discretion of the Board of County Commissioners. If the Board of County Commissioners fails to appropriate such moneys, the only sources of payment for the Bonds will be the moneys, if any, available in certain funds and accounts held by the Trustee under the Trust Agreement and the proceeds of any attempted foreclosure on the County’s interest in the Mortgaged Property under the Deed of Trust.

### **VALUE OF COLLATERAL**

The County’s estimated value of the Mortgaged Property upon completion is currently \$65,297,500, which includes an estimated value of \$297,500 for the 98.81 acres included in the Mortgaged Property. This value is based in part on the County’s own estimates, and the County has not commissioned or obtained any appraisals for the purpose of this valuation. The amount of proceeds received through foreclosure of the County’s interest in the Mortgaged Property may be affected by a number of factors, including (1) the costs and expenses in enforcing the lien and security, (2) the condition of the Mortgaged Property, (3) the occurrence of any damage, destruction, loss or theft of the Mortgaged Property which is not repaired or replaced and for which there are not received from insurance policies or appropriated moneys from any risk management program, (4) problems relating to the paucity of alternative uses of the facilities arising from their design, zoning restrictions, use restrictions, easements and encumbrances on the Mortgaged Property and (5) environmental problems and risks with respect to the Mortgaged Property.

The Trust Agreement permits the issuance of Additional Bonds without regard to the value of the Mortgaged Property, and the Deed of Trust allows for up to \$140,000,000 in principal amount of present and future obligations to be secured thereby. To the extent that Additional Bonds are issued and no additional property is subject to the Deed of Trust, the value of the collateral as a percentage of the outstanding principal amount of Bonds should be expected to decrease, which decrease may be material.

NO REPRESENTATION IS MADE AS TO THE VALUE OF, OR THE AMOUNT OF PROCEEDS THAT MAY BE REALIZED FROM, THE COUNTY'S INTEREST IN THE MORTGAGED PROPERTY IN THE EVENT OF A FORECLOSURE.

### **UNINSURED CASUALTY**

If all or any part of the Mortgaged Property is damaged or destroyed by any casualty or taken by any governmental authority, the County is obligated under the Trust Agreement to apply any Net Proceeds from insurance or condemnation (1) to repair, restore or rebuild the Mortgaged Property or (2) to provide for the redemption or defeasance of all, but not less than all, of the Bonds. If the County applies any Net Proceeds to repair, restore or rebuild the Mortgaged Property and such Net Proceeds are not sufficient to repair, restore or rebuild the Mortgaged Property to its condition prior to such damage, destruction or taking, then the value of the Mortgaged Property would be reduced. The Trust Agreement requires that certain insurance be maintained with respect to the Mortgaged Property. Such insurance may not, however, cover all perils to which the Mortgaged Property is subject.

### **OUTSTANDING GENERAL OBLIGATION DEBT OF THE COUNTY**

The County has issued general obligation bonds and may issue general obligation bonds and notes in the future. The County will pledge its faith and credit and taxing power to the payment of its general obligation bonds and notes to be issued. See Appendix A, "**THE COUNTY—DEBT INFORMATION**" attached hereto. FUNDS WHICH MAY OTHERWISE BE AVAILABLE TO PAY BOND PAYMENTS OR ADDITIONAL PAYMENTS OR TO MAKE OTHER PAYMENTS TO BE MADE BY THE COUNTY UNDER THE TRUST AGREEMENT MAY BE SUBJECT TO SUCH FAITH AND CREDIT PLEDGE BY THE COUNTY AND THEREFORE MAY BE REQUIRED TO BE APPLIED TO THE PAYMENT OF ITS GENERAL OBLIGATION INDEBTEDNESS.

### **ENVIRONMENTAL RISKS**

The State conveyed the site of Project to the County in 2019 for use as a jail and law enforcement center. The County is not aware of any material environmental contamination on the site of Project. Undiscovered or future environmental contamination could have a material adverse effect on the value of the Mortgaged Property; however, the County is required under the Trust Agreement to undertake whatever environmental remediation may be required by law.

### **ADDITIONAL BONDS**

The County may execute and deliver Additional Bonds under the Trust Agreement that are secured by the Mortgaged Property, thereby diluting the relative value of the collateral with respect to the 2024 Bonds. In addition, remedies under the Trust Agreement and the Deed of Trust are controlled by the Majority Owners. Upon issuance of the 2024 Bonds, the Owners of the 2024 Bonds will collectively be Majority Owners, but may not continue to be the Majority Owners if Additional Bonds are issued or if a portion of the 2024 Bonds are redeemed or discharged prior to maturity.

### **BANKRUPTCY**

Chapter 9 of Title 11 of the United States Code (as amended, the "Bankruptcy Code") provides a process for a political subdivision of a state to voluntarily adjust its debts. An involuntary bankruptcy case may not be commenced against a political subdivision under Chapter 9. Section 109(c) of the Bankruptcy Code sets forth certain conditions that must be met for an entity to be a debtor under Chapter 9, including that the entity is specifically authorized to be a debtor under Chapter 9 by state law (or by a governmental officer or organization empowered by state law to authorize the entity to be a debtor under Chapter 9). Section 23-48 of the North Carolina General Statutes (the "NC Authorizing Statute") authorizes any

county or city in the State to file a Chapter 9 bankruptcy case, but only with the approval of the LGC. While the 2024 Bonds are outstanding, the provisions of the Bankruptcy Code and applicable State law, including the NC Authorizing Statute, may be amended, supplemented or repealed; therefore, it is not possible to predict whether and under what conditions the County may be authorized to become a debtor in a bankruptcy case and how any such bankruptcy case might affect holders of the 2024 Bonds in the future.

If the County were to initiate bankruptcy proceedings under Chapter 9 with the consent of the LGC, the bankruptcy proceedings could have material and adverse effects on holders of the 2024 Bonds, including (1) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County; (2) the incurrence of additional debt, including the claims of those supplying goods and services to the County after the initiation of bankruptcy proceedings and the expenses of administering the bankruptcy case, which may have a priority of payment superior to that of the bondholders; and (3) the possibility of the adoption of a plan for the adjustment of the County's debt without the consent of all of the Owners of the 2024 Bonds, which plan may restructure, delay, compromise or reduce the amount of the claim of the Owners of the 2024 Bonds. In addition, the Bankruptcy Code might invalidate any provision of the documents that makes the bankruptcy or insolvency of the County an event of default.

The effect of the Bankruptcy Code on the rights and remedies of the Owners of the 2024 Bonds cannot be predicted with certainty and may be affected significantly by judicial interpretation, general principles of equity and considerations of public policy. Regardless of any specific adverse determinations in a bankruptcy case of the County, the fact of such a bankruptcy case could have an adverse effect on the liquidity and value of the 2024 Bonds.

## **CYBERSECURITY**

The County, like many other public and private entities, relies on a robust and complex technology environment to conduct its operations and faces multiple cybersecurity threats involving, but not limited to, hacking, phishing viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "Systems Technology"). As a recipient and provider of personal, private, or sensitive information, the County may be the target of cybersecurity incidents that could result in adverse consequences to the County and its Systems Technology, requiring a response action to mitigate the consequences.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the County's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the County invests in various forms of cybersecurity and operational safeguards. These safeguards include a cybersecurity policy applying to all County data, systems, communications, activities, and assets owned, leased, acquisitioned, controlled, or used by the County, its agents, contractors, or other business partners on behalf of the County, as well as all County employees, contractors and subcontractors. The County maintains cyber liability insurance coverage.

While the County's cybersecurity and operational safeguards are periodically tested, the County cannot give any assurances that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could cause material disruption to the County's finances or operations. The costs of remedying any such damage or obtaining insurance related thereto or protecting against future attacks could be substantial and insurance may not be adequate to cover such losses or other consequential County costs and expenses. Further, cybersecurity breaches could expose the County to material litigation

and other legal risks, which could cause the County to incur material costs related to such legal claims or proceedings.

## **CLIMATE CHANGE AND WEATHER RELATED RISKS**

The County is located on the North Carolina coast and is therefore particularly susceptible to the effects of extreme weather events and natural disasters, especially floods and hurricanes. While not a yearly occurrence historically, the County has been impacted by hurricanes, tropical storms, and other severe weather events numerous times per decade. The high winds, storm surge and flooding related to those severe weather events have caused significant property damage on occasion and could adversely impact the County. These effects may be amplified by a prolonged global temperature increase over the next several decades (commonly referred to as “climate change”). No assurances can be given that a future extreme weather event will not adversely affect the County.

Hurricane Florence caused widespread damage and flooding throughout the County in September 2018. There were significant recovery costs associated with property damage and debris management following Hurricane Florence that the County had to initially cashflow, and full reimbursement from insurance carriers and FEMA took a number of years. The County maintains a healthy reserve in fund balance in order to be adequately prepared for such weather events. The County’s fiscal policies require unassigned fund balance to be 20% of general fund expenditures at a minimum, but unassigned fund balance is typically maintained at around 60% or above to stay prepared for unpredictable but likely weather events.

## **THE COUNTY**

### **GENERAL**

See Appendix A for a description of the County.

### **FINANCIAL INFORMATION**

The financial statements of the County have been audited by certified public accountants for the Fiscal Year ended June 30, 2023. Excerpts from the financial statements of the County for the Fiscal Year ended June 30, 2023 are available in Appendix B hereto.

## **LEGAL MATTERS**

### **LITIGATION**

To the best of the knowledge of the County, no litigation is now pending or threatened against or affecting the County which seeks to restrain or enjoin the authorization, execution or delivery of the 2024 Bonds, the Trust Agreement or the Deed of Trust, or which contests the County’s creation, organization or corporate existence, or the title of any of the present officers thereof to their respective offices or the authority or proceedings for the County’s authorization, execution and delivery of the 2024 Bonds, the Trust Agreement or the Deed of Trust, or the County’s authority to carry out its obligations thereunder or which would have a material adverse impact on the County’s condition, financial or otherwise.

### **OPINIONS OF COUNSEL**

Legal matters related to the execution, sale and delivery of the 2024 Bonds are subject to the approval of Sanford Holshouser LLP. Certain legal matters will be passed upon for the County by its

counsel, Carl W. Thurman, III, Esq., and for the Underwriters by their counsel, Pope Flynn, LLC. The opinion of Sanford Holshouser LLP, as Bond Counsel, substantially in the form set forth in Appendix D hereto, will be delivered at the time of the delivery of the 2024 Bonds.

Bond Counsel's approving legal opinion expresses Bond Counsel's professional judgment as to the legal issues explicitly addressed in the opinion. By rendering a legal opinion, an opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Additionally, the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction, and a bond opinion is not a statement (either expressly or by implication) concerning the marketability, value or likelihood of payment of the 2024 Bonds.

Bond Counsel has not been engaged to investigate the County's operations or condition or the County's ability to provide for payments on the 2024 Bonds. Bond Counsel will express no opinion (1) as to the County's financial condition or its ability to provide for payments on the 2024 Bonds, or (2) as to the accuracy, completeness or fairness of any information that may have been relied on by anyone in making a decision to purchase 2024 Bonds, including this Official Statement. Bond counsel has, however, provided the sample legal opinion form that appears as Appendix D, prepared the document summaries that appear as Appendix C, and approved the descriptions in the Official Statement of the terms of the 2024 Bonds and the financing documents. In this transaction, Bond Counsel serves only as bond counsel to the County.

## **TAX TREATMENT**

### **OPINION OF BOND COUNSEL**

***Tax Treatment of 2024 Bonds.*** In the opinion of Sanford Holshouser LLP, Carrboro, North Carolina, Bond Counsel for the County ("Bond Counsel"), under existing law, interest on the 2024 Bonds (1) will not be included in gross income for federal income tax purposes, and (2) will be exempt from existing State of North Carolina income taxation. Interest on the 2024 Bonds is not a separate tax preference item for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the "Code," as defined below) for the purpose of computing the alternative minimum tax imposed on corporations.

The County has covenanted to comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), regarding, among other matters, the use, expenditure and investment of the proceeds derived from the sale of the 2024 Bonds and the timely payment to the United States of any arbitrage profit with respect to the 2024 Bonds. The County's failure to comply with such covenants could cause interest on the 2024 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2024 Bonds.

In addition to the matters addressed above, prospective purchasers of the 2024 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, certain S corporations, certain foreign corporations subject to the branch profits tax, corporations subject to the environmental tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the 2024 Bonds should consult their tax advisors as to the applicability and impact of such consequences.

*Other Matters.* Bond Counsel will give its opinions in reliance upon certifications by County representatives and others as to certain facts relevant to the opinion.

Bond Counsel’s opinions do not address the tax-exempt status of payments on the 2024 Bonds derived from parties other than the County, even if those payments are denominated as interest with respect to the 2024 Bonds. Bond Counsel will express no other opinion regarding the federal or North Carolina tax consequences of the ownership of or the receipt or accrual of interest on the 2024 Bonds.

Interest on the 2024 Bonds may or may not be subject to state or local taxation in jurisdictions other than North Carolina. Prospective purchasers of the 2024 Bonds should consult their own tax advisors as to the status of interest on the 2024 Bonds under the tax laws of any such jurisdiction other than North Carolina.

### **ORIGINAL ISSUE PREMIUM**

The 2024 Bonds maturing on April 1, 2026 through 2043, inclusive (collectively, the “Premium Bonds”), are being sold at an initial offering price in excess of the principal amounts payable at maturity. Under the Code, the difference between (a) the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the Premium Bonds is sold and (b) the principal amount payable at maturity of such Premium Bonds constitutes “original issue premium”. Original issue premium is not deductible for federal income tax purposes.

For an owner of a Premium Bond, the amount of the original issue premium which is treated as having accrued over the term of such Premium Bond is reduced from the owner’s cost basis of such Premium Bond in determining, for federal income tax purposes, the gain or loss upon the sale, redemption or other disposition of such Premium Bond (whether upon its sale, redemption or payment at maturity).

Bond Counsel’s opinion will not specifically address any issues relating to the treatment of premiums paid on Premium Bonds. **Owners of Premium Bonds should consult their tax advisors with respect to the tax consequences of owning or disposing of a Premium Bond.**

### **CONTINUING DISCLOSURE OBLIGATION**

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), the County has undertaken in the Trust Agreement to provide, or cause to be provided through the Trustee, to the Municipal Securities Rulemaking Board (the “MSRB”):

(1) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ended June 30, 2024, the audited financial statements of the County for such Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or if such audited financial statements are not then available, unaudited financial statements of the County for such Fiscal Year to be replaced subsequently by audited financial statements of the County to be delivered within 15 days after such audited financial statements become available for distribution;

(2) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ended June 30, 2024, the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included under the captions “**THE COUNTY—DEBT INFORMATION**” and “**—TAX INFORMATION**” in Appendix A relating to the 2024 Bonds (excluding

any information on overlapping or underlying debt) to the extent such items are not included in the audited financial statements referred to in (1) above;

(3) in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the 2024 Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2024 Bonds, or other material events affecting the tax status of the 2024 Bonds;
- (g) modifications to rights of holders of the 2024 Bonds, if material;
- (h) calls for redemption of 2024 Bonds (other than calls pursuant to sinking fund redemption), if material, and tender offers;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the 2024 Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar proceedings related to the County or any other person or entity that may at any time become legally obligated to make payments on the 2024 Bonds (collectively, the “Obligated Persons”);
- (m) the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) incurrence of a financial obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County or any Obligated Person, any of which affect security holders, if material; and

- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the County, any of which reflect financial difficulties.

(4) in a timely manner, not in excess of ten business days after the occurrence of the failure, notice of a failure of the County to provide required annual financial information described in (1) or (2) above on or before the date specified.

“Financial obligation” means, for purposes of the foregoing, (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of an obligation described in either clause (a) or (b). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

For the purposes of the event identified in subparagraph (3)(l) above, the event is considered to occur when any of the following occurs: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

The County shall provide the document referred to above to the MSRB in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

The County may discharge its undertaking described above by transmitting the documents referred to above to any entity and by any method authorized by the U.S. Securities and Exchange Commission.

At present, Section 159-34 of the General Statutes of North Carolina requires that the County’s financial statements be prepared in accordance with generally accepted accounting principles and that they be audited in accordance with generally accepted auditing standards.

The County has acknowledged in the Trust Agreement that its undertaking pursuant to Rule 15c2-12 is intended to be for the benefit of the registered owners of the 2024 Bonds and is enforceable by the Trustee or by any registered owner of the 2024 Bonds. THE RIGHT TO ENFORCE THE PROVISIONS OF THE COUNTY’S RULE 15C2-12 UNDERTAKINGS IS LIMITED TO A RIGHT TO OBTAIN SPECIFIC PERFORMANCE OF THE COUNTY’S OBLIGATIONS AND A FAILURE BY THE COUNTY TO COMPLY WITH ITS RULE 15C2-12 UNDERTAKINGS WILL NOT BE AN EVENT OF DEFAULT UNDER THE TRUST AGREEMENT AND WILL NOT RESULT IN ACCELERATION OF THE INSTALLMENT PAYMENTS.

The County may modify from time to time, consistent with Rule 15c2-12, the information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the County; provided that (1) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the County; (2) the information to be provided, as modified, would have complied with the requirements of the Rule 15c2-12 as of the date of this Official Statement, after taking into account any amendments or interpretations of the Rule 15c2-12, as well as any changes in circumstances; and (3) any such modification does not materially impair the interest of the Owners or the beneficial owners, as determined by the Trustee or nationally recognized bond counsel or by the approving vote of the Owners of a majority in principal amount of the 2024 Bonds. Any annual financial information containing modified



operating data or financial information will explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The County's Rule 15c2-12 undertakings will terminate upon payment in full, or provision having been made for payment in full, of the principal and interest on the 2024 Bonds.

For the Fiscal Years ended June 30, 2019 through 2023, the County did not include certain debt information, tax information or information regarding three water and sewer districts previously created by the County (the "Districts") in its required annual continuing disclosure filings. Such information for the Fiscal Year ended June 30, 2019, as well as a Notice of Failure to Timely File Annual Financial Information, was filed on October 14, 2020. Such information for the Fiscal Years ended June 30, 2020 through June 30, 2023, as well as a Notice of Failure to Timely File Annual Financial Information, was filed on July 26, 2024. The County filed its audited financial statements for the Fiscal Year ended June 30, 2019, including annual financial and statistical data, on June 23, 2020 and noted such late filing in a Notice of Failure to Timely File Annual Financial Information filed on October 14, 2020. The County did not timely file the combined budget of the County for the Fiscal Year ended June 30, 2020, but filed such budget and noted the late filing in a Notice of Failure to Timely File Annual Financial Information filed on October 14, 2020. The County filed its audited financial statements for the Fiscal Year ended June 30, 2020, including annual financial and statistical data, on August 18, 2021. The County filed an unaudited trial balance sheet and year-to-date budget report for the Fiscal Year ended June 30, 2021 on January 31, 2022, and the County filed its audited financial statements for the Fiscal Year ended June 30, 2021, which were completed on June 6, 2022, including annual financial and statistical data, on July 1, 2022. Other than as noted above, the County has not provided notice of its failure to timely provide (i) audited financial statements, (ii) annual information regarding certain debt information and tax information, or (iii) financial and statistical data of the Districts. The County, through the Maple Hill Water District, incurred a revolving loan from the North Carolina Department of Environmental Quality in the amount of \$131,528 on December 7, 2020, but did not provide notice of such loan. Except as described above, the County is not aware of any instances of its failure in the previous five years to comply in all material respects with its existing continuing disclosure undertakings pursuant to Rule 15c2-12.

## UNDERWRITING

The Underwriters have agreed under the terms of a Bond Purchase Agreement (the "Purchase Agreement") to purchase all of the 2024 Bonds, if any of the 2024 Bonds are to be purchased, at a purchase price equal to 100% of the principal amount of the 2024 Bonds, plus original issue premium of \$6,326,233.45, less an Underwriters' discount of \$245,170.55. The Underwriters' obligation to purchase the 2024 Bonds is subject to certain terms and conditions set forth in the Purchase Agreement.

The Underwriters may offer and sell the 2024 Bonds to certain dealers (including dealers depositing the 2024 Bonds into investment trusts) and others at prices lower than the initial public offering prices stated on the inside front cover page hereof. The public offering prices may be changed from time to time by the Underwriters.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group (“WFBNA”), one of the underwriters of the 2024 Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the 2024 Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2024 Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the 2024 Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

## **RATINGS**

Moody’s Investors Service, Inc. and S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, have assigned ratings of “Aa3” and “AA-,” respectively, to the 2024 Bonds. These ratings reflect only the view of such rating agencies, and an explanation of the significance of such ratings may be obtained from such rating agencies. Certain information and materials not included in this Official Statement were furnished to such rating agencies. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2024 Bonds.

## **MISCELLANEOUS**

All quotations from and summaries and explanations of the Trust Agreement and the Deed of Trust contained herein or in Appendix C hereto do not purport to be complete, and reference is made to such documents for full and complete statements of their respective provisions. The Appendices attached hereto are a part of this Official Statement.

The information contained in this Official Statement has been compiled or prepared from information obtained from the County and other sources deemed to be reliable and, although not guaranteed as to completeness or accuracy, is believed to be correct as of this date. Any statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

**APPENDIX A**

**THE COUNTY**

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## **THE COUNTY**

### **GENERAL DESCRIPTION**

Pender County (the “County”) is located in southeastern North Carolina (the “State”) and encompasses approximately 875 square miles. Burgaw, the County seat, is approximately 100 miles southeast of Raleigh, the State capital, on a section of Interstate 40 which opened in 1991 connecting Raleigh and the Port of Wilmington, which lies 26 miles to the south of Burgaw. The County is a combination of primarily rural inland areas and resort-vacation areas along the coast and on the Atlantic barrier islands, including Topsail Island which includes the towns of Topsail Beach and Surf City.

The County is a large coastal county in the Cape Fear Region (bordered by seven counties) of southeastern North Carolina. It is bounded on the north by Duplin County, on the west by Sampson and Bladen Counties, on the south by Columbus, Brunswick and New Hanover Counties, and on the east by Onslow County and the Atlantic Ocean. Approximately 15 miles of the County fronts on the ocean. The elevation of the County ranges from sea level to 110 feet above sea level, and the topography is level to gently rolling, with dominantly flat upland areas. The coastal corridor is traversed by the Atlantic Intracoastal Waterway and a coastal habitat playground.

The first explorers to see what is now called Pender County coasted onshore in 1524. They reported on the numerous varieties of game, particularly wild turkeys, found in the area. A century later in 1663, the Barbados Commissioners, in attempting to settle the Lower Cape Fear, explored the northeast branch of the Cape Fear River. The Commissioners named the community “Rocky Point,” the name which it retains today. Although settled by 1725, the land comprising the County was located in New Hanover County and the County itself was not formed until 150 years later. By popular vote, the County was created in 1875 with the City of Watha as the first County seat. Burgaw, the present County seat, was chartered in 1879.

50 MILE RADIUS

New York, New York 500 Miles

Washington, D.C. 315 Miles

Raleigh, N. C. 85 Miles



Atlanta, Georgia 375 Miles

## DEMOGRAPHIC CHARACTERISTICS

The County has been one of the most rapidly growing counties in North Carolina (in terms of percentage population growth) over the last several years. According to the United States Department of Commerce, Bureau of the Census, the population of the County has been recorded to be as follows:

<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>
28,855	41,082	52,217	60,203

In addition, the North Carolina Office of State Budget and Management has estimated the County's population as of July 1, 2022 to be 64,971. The County's substantial tourist industry results in the County's having a large seasonal population. The influx of tourists in the summer months increases the County population by approximately 50% at peak periods.

Per capita income figures for the County, the State and the United States are presented in the following table:

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2018	\$39,220	\$46,040	\$53,309
2019	42,326	48,366	55,547
2020	45,161	51,781	59,153
2021	49,607	56,705	64,430
2022	49,887	58,109	65,470

Source: United States Department of Commerce, Bureau of Economic Analysis. Most recent available data.

## COMMERCE AND INDUSTRY

The County is primarily rural and agricultural. Its industrial base lies in diversified light manufacturing, including wood products, plastic components, urethane foam, emergency lighting and safety systems and food processing and packaging. Tourism is important throughout the County and is the major economic base for the coastal areas. As indicated by rapid, increasing population and student enrollment growth, the County is changing from a retirement community to one with a younger, working populace.

Total taxable sales in the County for the five fiscal years ended June 30, 2019 through 2024 are shown in the following table:

<u>Fiscal Year Ended June 30</u>	<u>Total Taxable Sales</u>	<u>Increase (Decrease) Over Previous Year</u>
2019	\$552,711,300	13.36%
2020	582,065,651	5.31
2021	752,628,521	29.30
2022	873,643,738	16.08
2023	958,583,497	9.72
2024 (10 months) <sup>1</sup>	852,860,873	--

<sup>1</sup> Taxable sales for the comparable 10-month period ended April 30, 2023 were \$799,865,538.  
Source: North Carolina Department of Revenue, Sales and Use Tax Division.

The following table illustrates building activity in the County:

Calendar Year	Permits Issued			Total Value
	Residential	Commercial	Total	
2020	2,924	199	3,123	\$242,861,130
2021	3,397	219	3,616	349,578,843
2022	3,245	230	3,475	310,498,372
2023	3,151	313	3,464	349,023,023
2024 <sup>1</sup>	1,452	183	1,635	147,092,535

Source: County Staff.

<sup>1</sup> Permits issued through June 20, 2024.

**Economic Outlook.** According to the North Carolina Office of State Budget and Management, the 2022 population estimate for the County is 64,971, up from 63,060 in 2019, a 3.0% increase in 3 years. The County’s unemployment rate was 2.9% in April 2024. The County’s poverty rate was 11.7% in 2022 according to the U.S. Census Bureau, American Community Survey.

The Board of County Commissioners (the “Board”) has committed to making investments and policy decisions to put the County in a position to accommodate and attract new growth and development in the future. Developing industrial product to market, expanding water and sewer utilities, putting into place new land use plans and regulations, and taking a positive approach to business and industry development are proactive measures the Board has initiated in the past few years. These efforts combined with the County’s assets including major highways, a skilled labor force, access to airport and seaport facilities, and lower cost land, put the County in a position to take advantage of an uptick in the economy.

Economic development is a vital element in the County’s prospects for long-term success. 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. The County’s proximity to major transportation corridors, the Port of Wilmington, Wilmington International Airport, and the Wilmington metropolitan area is a major asset for economic development.

The Board has been committed to creating industrial product to attract industrial clients, evidenced by the development by the County of a 450-acre industrial park on the US 421 corridor near the New Hanover County line named Pender Commerce Park (the “Commerce Park”). Tenants at the Commerce Park currently include Acme Smoked Fish, Empire Distributors, Inc., FedEx Freight, Coastal Beverage Co., Maersk, Amazon, Home Depot and Polyhose Inc.

Coastal Beverage Co. completed its move into a 162,000 square-foot facility located at the Commerce Park in February 2020. The facility serves as the company’s headquarters and distribution center. Coastal Beverage Co. has invested approximately \$20 million in the facility and created 220 jobs.

Polyhose Inc. (“Polyhose”), the U.S. unit of Polyhose India Private Limited, established its first North American industrial facility at the Commerce Park and began operations in a 52,500 square-foot facility on nine acres in 2021. In order to double the size of its current facility, Polyhose is expected to complete a new facility on eight additional acres in the Commerce Park in the first quarter of 2025.

Maersk operates a 285,000 square-foot facility in the Commerce Park. The \$110 million facility was opened in late 2023 and was constructed speculatively to cater to a growing demand for refrigerated storage for transportation through the Port of Wilmington.



In January 2020, the Cape Fear Industrial Complex (the “Industrial Complex”) was sold for \$8.3 million to a group that includes the owner of Fine Fixtures Inc., one of the tenants of the Industrial Complex. The Industrial Complex is located on a 38-acre campus in Rocky Point on the Cape Fear River. The Industrial Complex includes 128,000 square feet of manufacturing space, 256,000 square feet of warehouse space, 55,000 square feet of office space and boat dock access to the Cape Fear River.

The Pender Progress Industrial Park (the “Industrial Park”) is located within the Burgaw limits. Some of the top employers within the Industrial Park are Mojotone, Cardinal Foods, Hood Container, American Skin, 151 Packing, Windsor Fiberglass and W.R. Rayson. In February 2021, Cardinal Foods, LLC, an agribusiness company that provides products and services across the eastern United States, announced plans to expand its County operations. The \$15.5 million expansion is expected to create 48 new jobs.

The County is home to approximately 354 farms comprising over 78,903 acres, according to the 2022 Census of Agriculture from the United States Department of Agriculture. The County farm operations cover a wide range of activities, with hog and blueberry production ranking among the highest in the United States. Overall, cash receipts from farming in the County totaled over \$246 million in 2022.

**Employment.** The County is currently the location of the United States headquarters of two international companies and the home location for several other firms. The employment mix for these companies includes management, engineering, marketing and production positions. Approximately 60% of the County’s labor force, however, commutes to work in neighboring counties.

The following table provides information about 20 current major employers located in the County.

Company/Institution	Product/Service	Approximate Number of Full-time Employees
Pender County Board of Education	Education & Health Services	1000+
Pender County, NC	Public Administration	500-999
Wal-Mart Associates, Inc.	Trade, Transportation & Utilities	250-499
Pender Memorial Hospital Inc.	Education & Health Services	250-499
Pender EMS and Fire Inc.	Education & Health Services	100-249
Food Lion	Trade, Transportation & Utilities	100-249
Lowe's Home Centers Inc.	Trade, Transportation & Utilities	100-249
NC Department of Adult Corrections	Public Administration	100-249
Woodbury Wellness Center Inc.	Education & Health Services	100-249
Harris Teeter	Trade, Transportation & Utilities	100-249
Publix North Carolina Employee Services	Trade, Transportation & Utilities	100-249
The Laurels of Pender, LLC	Education & Health Services	100-249
Town of Surf City, NC	Public Administration	100-249
Ust Select Inc.	Finance and Insurance	100-249
Hood Container Corp.	Manufacturing	100-249
McDonald's Restaurants	Leisure & Hospitality	50-99
Aramark Food and Support Services	Accommodation and Food Services	50-99
Lowe's Foods, LLC	Retail Trade	50-99
US Postal Service	Trade, Transportation & Utilities	50-99
American Skin Food Group, LLC	Manufacturing	50-99

Source: NC Department of Commerce, Labor and Economic Analysis, most current data available – 2023, 3<sup>rd</sup> Quarter.

The following table lists the 20 major employers located in neighboring New Hanover County:

Company/Institution	Product/Service	Approximate Number of Full-time Employees
Novant Health New Hanover Regional	Healthcare and Social Assistance	1000+
New Hanover County School System	Educational Services	1000+
University of North Carolina at Wilmington	Educational Services	1000+
County of New Hanover, NC	Public Administration	1000+
PPD Development, LLC	Professional & Technical Services	1000+
Wal-Mart Associates Inc.	Trade, Transportation & Utilities	1000+
Mastec Services Company Inc.	Construction	1000+
City of Wilmington, NC	Public Administration	1000+
Payroll Department	Educational Services	1000+
Harris Teeter	Trade, Transportation & Utilities	1000+
WHA Medical Clinic PLLC	Education & Health Services	500-999
Corning Incorporated	Manufacturing	500-999
Real Time Staffing Services Inc.	Administrative and Support	500-999
Ncino, Inc.	Information	500-999
Live Oak Bank	Finance and Insurance	500-999
GE Hitachi Nuclear Americas LLC	Manufacturing	500-999
Carolina Healthcare Associates Inc.	Education & Health Services	500-999
Food Lion	Trade, Transportation & Utilities	500-999
Global Nuclear Fuel Holding Co., LLC	Manufacturing	500-999
General Electric Co.	Manufacturing	500-999

Source: NC Department of Commerce, Labor and Economic Analysis, most current data available – 2023, 3<sup>rd</sup> Quarter.

The North Carolina Employment Security Commission has estimated the percentage of unemployment in the County to be as follows:

Year	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec
2019	4.8%	4.3%	4.2%	3.6%	3.9%	4.1%	4.1%	4.2%	3.4%	3.6%	3.6%	3.5%
2020	4.2	3.8	4.6*	13.4*	10.4*	8.2	7.7	5.8	5.2	4.6	4.7	5.1
2021	5.6	5.3	4.7	4.3	4.5	5.0	4.5	4.4	3.6	3.7	3.5	3.0
2022	3.7	3.6	3.3	3.0	3.3	3.8	3.7	3.9	3.3	3.6	3.5	3.2
2023	3.6	3.5	3.1	2.7	3.1	3.3	3.3	3.5	3.0	3.2	3.1	3.0
2024	3.3	3.3	3.3	2.9	3.2							

\*Onset of the COVID-19 Pandemic.

Source: North Carolina Employment Security Commission website.

## GOVERNMENT AND MAJOR SERVICES

**Government Structure.** The County has the Commissioner/County Manager form of government with five commissioners who file by district but run County-wide and serve four-year staggered terms. Partisan elections are held in even-numbered years; the Chairman serves as presiding officer and is a voting member as well as ceremonial leader. The County’s government is a full service one. There are 19 County departments. The County Manager serves as the coordinative and catalytical arm for the effective interface amongst departments.

**Education.** The County has a single public school system. An elected, non-partisan, five-member Board of Education serves as its policy making authority. The administrative responsibility is vested in a Board-appointed superintendent, who is the chief executive officer and secretary to the Board of Education.

The following table illustrates the number of schools and school enrollment, by average daily membership (ADM), in the County system:

School Year	Grades K-8		Grades 9-12	
	Number	ADM	Number	ADM
2019-20	12	6,398	4	3,007
2020-21	12	6,921	4	3,052
2021-22	12	6,649	4	3,073
2022-23	14	7,222	4	3,302
2023-24	14	7,887	4	3,581

Note: ADM is determined by actual records at each school. ADM is computed in North Carolina on a uniform basis for all public school units. The ADM computations are used as a basis for teacher allotments.

The Board of Education operates 18 schools, two central office sites, a maintenance department, and a transportation department. There are 68 permanent buildings and 69 modular classrooms located on a combined total of approximately 703 acres of land. The total value of all school facilities and equipment is estimated at June 30, 2023 by the North Carolina Division of Insurance at \$315,241,092.

In November 2022, County voters authorized the issuance of nearly \$178 million in County general obligation bonds for school projects across the County. The first planned project is a new K-8 school to serve the expanding population in the southeastern part of the County. The site has been acquired, and the issuance of approximately \$138 million in general obligation bonds is scheduled for October 2024 to fund design and construction. The new K-8 school is scheduled to be completed and in service for the 2027 school year.

Funds for operating the County schools are allocated from Federal, State, and local sources. For the fiscal year ending June 30, 2023, State funds provided approximately 59% of total operating funds, Federal funds provided approximately 21%, and local funds provided the remaining 20%. The County appropriated \$23,497,509 and \$25,041,518 for school system current expenses in the fiscal years ended June 30, 2023 and 2024, respectively. The County appropriated an additional \$2,917,084 and \$2,917,084 in the fiscal years ended June 30, 2023 and 2024, respectively, for capital outlay projects. These funds came from a combination of State sales tax revenues allocated to the County for capital projects for public schools and ad-valorem taxes.

North Carolina law provides for a basic minimum educational program for each school administrative unit or district. The minimum program provides funds for operational costs only; therefore, the operation of public school facilities is primarily the responsibility of the local Board of Education. Local funds for educational facilities and supplemental operational costs are budgeted to the Board of Education by the Board of County Commissioners.

Cape Fear Community College serves the County and industries by offering classes at several locations in the County. Many County residents also attend classes on the College's campuses in New Hanover County.

Some County residents also enroll in classes at other community colleges in adjacent counties including James Sprunt Community College (Duplin County) and Coastal Carolina Community College (Onslow County.) The University of North Carolina at Wilmington provides County residents with opportunities for undergraduate and graduate education.

All the above-referenced institutions are supported by the State. The County has no obligation to provide support for any campuses located outside the County. The County provides maintenance, housekeeping, and other expenses such as electricity, telephones, etc., incidental to the operation of the County satellite campus of Cape Fear Community College, and the County's annual obligation for operations was approximately \$620,286 for the fiscal year ended June 30, 2023.

**Transportation.** The County is accessible by several main routes. Interstate 40 ("I-40") runs through the middle of the County. There are three interchanges along this route. Exit #390 provides access to US 117, which in turn leads to the Wallace and Wilmington areas. Exit #398 provides access to NC 53, which is a primary east-west route through the County. This route can be used to reach Jacksonville, Burgaw, or other western locations. Exit #408 provides access to NC 210 and the County's Beach communities. Other primary routes include US 421, NC 50, NC 11 and NC 133. US 17 runs north-south through the County and is a multi-lane facility that connects to the Wilmington Outer Loop. Recent construction on US 17 is part of the long term effort of the North Carolina Department of Transportation (the "NCDOT") to widen it to multi-lanes from the Virginia to South Carolina state lines.

The NCDOT is responsible for major expansion, maintenance and betterment of primary and secondary highways and roads within the County. The State maintains approximately 200 miles of primary roads and 500 miles of secondary roads in the County. The County has no financial obligation with respect to the construction and maintenance of roads.

Commercial air service is available approximately 35 miles south of Burgaw in Wilmington, North Carolina. Wilmington International Airport (ILM) is served by American Airlines, United Airlines and Delta Air Lines. General aviation facilities are provided through the Henderson Field Airport, which is located in the County, outside the Town of Wallace. Greyhound provides bus service in the County. A wide variety of commercial carriers provide freight service.

**Hospital and Medical Services.** Novant Health Pender Medical Center (the "Hospital"), formerly known as Pender Memorial Hospital, was sold by the County to Novant Health in 2023. The Hospital has 43 general acute care beds, of which four are intensive care unit beds. In addition, the Hospital has a 43-bed skilled nursing facility and a home health care unit. The Hospital provides 24-hour emergency service. The Hospital was founded in 1951 and expanded its skilled nursing facility in 1996 to its present 43 beds. Additionally, Novant Health Scotts Hill Medical Center currently serves as an emergency department and outpatient clinic along the border with New Hanover County. Novant Health broke ground in May 2023 on a new hospital on the same site to be called Scott Hill Medical Center, which will be a one-stop healthcare destination for residents for the eastern portion of the County and northern New Hanover County.

Mental health services are provided by Trillium Health Resources, which is the local management entity for the County and 45 other counties. The program provides evaluation, treatment, consultation and education in a multitude of areas, including mental health, developmental disabilities, substance abuse and other specialty disability programs. The operations located in the County provide primarily outpatient, consultation and education services, but inpatient, crisis services, hospital psychiatric services and all other mental health services are available and arranged by the program's staff.

**Human Services.** Human services programs in the State are financed by a combination of Federal, State and local funds. On the County level, these services are classified as public assistance, public health services and mental health services. In the fiscal year ended June 30, 2024, the County appropriated funds from the general fund in the amount of \$9,241,418 to human services programs.

**Public Service Enterprises.** Two incorporated towns in the County, Surf City and Burgaw, provide water and sewer service to their citizens, and one incorporated town, Topsail Beach, provides water service to its citizens.

Electric service is provided by the Jones-Onslow Electric Membership Corporation in the extreme northern portion of the County, by the Four County Electric Membership Corporation in the central rural portions, and by Duke Energy in the remainder of the County.

Pender Solid Waste serves as the management and administrative organization responsible for the collection, hauling and proper disposal of approximately 35,000 tons per year of municipal solid waste and construction and demolition debris in the County. There are 12 trash and recycling convenience centers located throughout the County and one transfer station. Recycling is sent to a separation center in Jacksonville, North Carolina. Per a contract with GFL Environmental, County waste is disposed of in a landfill in Sampson County, North Carolina.

**Water and Sewer Infrastructure.** Pender County Utilities (“PCU”) serves as the administrative body responsible for managing and overseeing the five Water and Sewer Districts within the County, which collectively provide services to more than 11,000 residents. The Water and Sewer Districts under PCU’s purview are Rocky Point/Topsail, Scott’s Hill, Maple Hill, Central Pender and Moore’s Creek. PCU is dedicated to maintaining high standards in service delivery, focusing on exceptional customer service, community-wide environmental improvements and the proactive maintenance of County infrastructure assets. The goal is to operate as efficiently and cost-effectively as possible.

Since 2012, the County’s Surface Water Treatment Plant has been the primary source of potable water for the County. Located on Highway 421, just north of the New Hanover County border, the plant has a finished water capacity of 4 million gallons per day (“MGD”), recently expanded from 2 MGD. This plant employs a conventional treatment process, incorporating four Granular Activated Carbon containers to address concerns related to PFASs, GenX, taste and odor, ensuring the provision of clean and safe water to the County’s residents.

To meet increasing water demand, particularly in the Hampstead area, two groundwater wells, Annex Well 6 and Kiwanis Well 4, were integrated into the water system in 2020. Furthermore, in April 2024, the water system was enhanced with the addition of three operational wells and a 500,000-gallon elevated tank in the Scott’s Hill/Hampstead area. In 2023, 75 miles of new water mains and services were installed, significantly improving system looping by eliminating dead ends and extending service to new areas, in preparation for anticipated future population growth in the eastern part of the County.

On the wastewater front, the Melinda K. Knoerzer Adaptive Ecosystem Wastewater Treatment Facility, established in 2017, serves the Pender Commerce Park by treating both domestic and industrial wastewater. This facility has an existing effluent discharge capacity of 0.5 MGD and collaborates with the Lower Cape Fear River Program to ensure that all discharged effluent adheres to State and federal standards.

Looking ahead, PCU is planning significant infrastructure developments to accommodate growth in the western part of the County. This includes the installation of an 8.5-mile sewer force main and a 0.75 MGD sewer pump station in the Moores Creek district, along with the addition of 5 miles of new

water mains on Blueberry Road. Additionally, future plans include the potential construction of a membrane wastewater treatment plant in the Rocky Point district on the eastern side of the County to service the expanding population there, with a projected completion date in the winter of 2027.

Through these ongoing and future initiatives, PCU remains committed to enhancing service delivery and infrastructure to support the County’s growing needs and ensure sustainable, high-quality utilities management.

**Cultural, Arts, and Recreational Facilities.** The County includes the beaches of Topsail Island and Surf City, the intracoastal waterway behind the beaches, and over 100 miles of largely undeveloped shoreline along the Cape Fear River and its tributaries.

Pender Arts Council offers classes and sponsors Spring Fling each May on the Courthouse Square in Burgaw.

Historical societies are active in Burgaw and on Topsail Island gathering artifacts, sponsoring exhibits and lectures. The Pender County Historical Museum in Burgaw contains important papers and artifacts, while a barn on the grounds contains a permanent exhibit of antique farming implements, including displays regarding Pender County’s robust blueberry farming. Poplar Grove Plantation, in Scott’s Hill, is an antebellum mansion featuring crafts demonstrations of life in the 1800’s, and a full calendar of regular historic and cultural offerings annually.

The County has many small communities which host numerous events and festivals to benefit local causes and support regional agriculture and tourism. The North Carolina Spot Festival in Hampstead has been a local draw for more than 20 years, followed by Autumn in Topsail Festival and Sunfest featuring the best in local flavor and artistry. The North Carolina Blueberry Festival is the largest festival held in the County and showcases the County’s largest fruit crop. NC Blueberry Festival attracts an estimated 50,000 attendees and provides a sizable economic impact on the Town of Burgaw. The County is home to the annual *Ghost Walk: Ghosts of Pender’s Past*, a two-time national award-winning sell-out event.

The County residents also have access to the cultural amenities of Wilmington and New Hanover County.

**DEBT INFORMATION**

**Legal Debt Limit.** In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, the County had the statutory capacity to incur general obligation debt in the approximate amount of \$591,388,585 as of June 30, 2023. For a summary of certain constitutional, statutory and administrative provisions governing or relating to the incurrence of debt by units of local government of the State, see *Appendix B*.

**Outstanding General Obligation Debt.**

	June 30, <u>2021</u>	June 30, <u>2022</u>	June 30, <u>2023</u>	June 30, <u>2024</u>
General Obligation Bonds				
Refunding Bonds	\$34,070,000	\$30,045,000	\$26,045,000	\$22,080,000
School Bonds	58,775,000	55,025,000	51,275,000	47,525,000
Water Bonds	<u>882,000</u>	<u>863,000</u>	<u>844,000</u>	<u>824,000</u>
Total Bonds	<u>\$93,727,000</u>	<u>\$85,933,000</u>	<u>\$78,164,000</u>	<u>\$70,429,000</u>

**General Obligation Debt Ratios.**

<u>At July 1</u>	<u>Total GO Debt</u>	<u>Assessed Valuation</u>	<u>Total GO Debt to Assessed Valuation</u>	<u>Population<sup>1</sup></u>	<u>Total GO Debt Per Capita</u>
2020	\$102,757,000	\$7,561,721,691	1.36%	60,719	\$1,692.34
2021	93,727,000	8,310,640,785	1.13	62,250	1,506.14
2022	85,933,000	8,722,623,715	0.96	64,971	1,322.64
2023	78,164,000	9,101,988,842	0.86	64,971 <sup>2</sup>	1,203.06
2024	70,429,000	9,101,988,842 <sup>3</sup>	0.77 <sup>3</sup>	64,971 <sup>2</sup>	1,084.01

<sup>1</sup> Estimated by North Carolina Office of State Budget and Management (latest available).

<sup>2</sup> For purposes of this table, the 2022 population is used.

<sup>3</sup> For purposes of this table, the 2023 assessed valuation is used.

**General Obligation Debt Service Requirements.**

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 7,700,000	\$ 2,446,073	\$10,146,073
2026	6,431,000	2,160,548	8,591,548
2027	5,751,000	1,876,420	7,627,420
2028	5,792,000	1,614,593	7,406,593
2029	4,128,000	1,387,488	5,515,488
2030	4,143,000	1,243,605	5,386,605
2031	4,164,000	1,089,973	5,253,973
2032	4,180,000	948,775	5,128,775
2033	4,195,000	813,263	5,008,263
2034	4,211,000	683,275	4,894,275
2035	4,227,000	552,660	4,779,660
2036	4,247,000	425,918	4,672,918
2037	3,033,000	298,575	3,331,575
2038	524,000	245,530	769,530
2039	540,000	229,883	769,883
2040	551,000	213,758	764,758
2041	571,000	197,305	768,305
2042	587,000	180,253	767,253
2043	603,000	162,723	765,723
2044	624,000	144,715	768,715
2045	645,000	126,080	771,080
2046	661,000	106,818	767,818
2047	682,000	87,078	769,078
2048	703,000	66,710	769,710
2049	724,000	45,715	769,715
2050	745,000	24,093	769,093
2051	41,000	1,843	42,843
2052	26,000	715	26,715
<b>Total</b>	<b>\$70,429,000</b>	<b>\$17,374,378</b>	<b>\$87,803,378</b>

**General Obligation Bonds Authorized and Unissued.**

Purpose	Date Approved	Authorized and Unissued
Schools	11/8/2022	\$178,000,000

**General Obligation Debt Information for Underlying Units as of June 30, 2023.**

Unit	2022 Population <sup>1,2</sup>	Assessed Valuation	Tax Rate Per \$100	Bonds Authorized and Unissued		Total GO Debt <sup>3</sup>		Total GO Debt Per Capita
				Utility	Other	Utility	Other	
Atkinson	312	\$16,075,985	\$0.37	--	--	\$--	616,500	\$1,975.96
Burgaw	4,145	375,303,013	0.48	--	--	--	--	--
Central Pender Water & Sewer District	7,760	738,630,827	--	--	--	5,466,000	--	704.38
Maple Hill Water District	798	82,804,572	--	--	--	95,000	--	119.05
Moore's Creek Water & Sewer District	4,877	397,370,744	--	--	--	4,770,000	--	978.06
Rocky Point/Topsail Water & Sewer District	39,500	4,920,315,674	--	--	--	16,115,000	--	407.97
Scott's Hill Water and Sewer District	1,836	305,147,472	--	--	--	2,020,000	--	1,100.22

<sup>1</sup> Estimate of North Carolina Office of State Budget and Management for the Towns and estimate of the County for the districts (latest available).

<sup>2</sup> Estimate of the County.

<sup>3</sup> Does not include obligations other than general obligation bonds.



**Other Long-Term Commitments.** The majority of the County’s debt consists of installment financing contracts and related limited obligation bonds. At July 1, 2024, the County had \$49,003,536 in principal amount of non-general obligation long-term debt. A table showing the amount of principal and interest required to be paid with respect to the 2024 Bonds is shown under “**TOTAL ANNUAL DEBT SERVICE REQUIREMENTS**” in the Official Statement. The County’s combined non-general obligation long-term debt commitments are shown below.

<u>Fiscal Year</u>	<u>Existing Other Long-Term Obligations<sup>1</sup></u>	<u>Enterprise Debt<sup>2</sup></u>	<u>Aggregate Total Debt Service</u>
	<u>Principal &amp; Interest</u>	<u>Principal &amp; Interest</u>	
2025	\$746,888	\$ 3,370,955	\$ 4,117,843
2026	511,025	3,347,079	3,858,104
2027	479,919	3,338,776	3,818,695
2028	469,802	3,318,616	3,788,418
2029	468,611	3,310,265	3,778,876
2030	457,370	3,268,698	3,726,068
2031	455,056	3,276,597	3,731,653
2032	448,384	3,244,298	3,692,682
2033	443,517	3,222,554	3,666,071
2034	438,227	3,223,478	3,661,705
2035	432,210	3,188,094	3,620,304
2036	0	1,982,975	1,982,975
2037	0	1,968,815	1,968,815
2038	0	1,936,815	1,936,815
2039	0	1,918,363	1,918,363
2040	0	1,910,256	1,910,256
2041	0	1,851,173	1,851,173
2042	0	1,459,643	1,459,643
2043	0	1,421,054	1,421,054
2044	0	1,392,700	1,392,700
2045	0	634,264	634,264
2046	0	633,187	633,187
2047	0	633,887	633,887
2048	0	632,318	632,318
2049	0	632,526	632,526
2050	0	632,467	632,467
2051	0	633,138	633,138
2052	0	632,513	632,513
2053	0	421,619	421,619
2054	0	422,231	422,231
2055	0	421,694	421,694
2056	0	273,025	273,025
Total	\$5,351,009	\$58,554,073	\$63,905,802

<sup>1</sup> Includes non-general obligation debt expected to be paid from the County’s Governmental Funds.

<sup>2</sup> Includes non-general obligation debt expected to be paid from the County’s Enterprise Funds.

Note: Totals may not foot due to rounding.

***Debt Outlook.***

The County plans to issue its Limited Obligation Bonds, Series 2024B in the principal amount of approximately \$40,000,000 in October 2024 to finance the construction of a new 85,000 square-foot Health and Human Services building. The County also anticipates issuing general obligation bonds in the aggregate principal amount of \$178,000,000 over the next four years to finance k-12 school projects, with \$138,000,000 issued in the fourth quarter of 2024, approximately \$28,000,000 in the summer of 2026 and approximately \$12,000,000 in early 2028.

Other improvements to County facilities are likely to be made on a “pay-as-you-go” basis, as planned in the County’s five-year capital improvement program and related five-year financial forecast. The County actively reviews its capital needs on a continuing basis, however, and other projects requiring financing may become evident in the future.

**TAX INFORMATION**

***General Information.***

	2019	2020	2021	2022	2023
Assessed Valuation:					
Assessment Ratio <sup>1</sup>	100%	100%	100%	100%	100%
Real Property	\$6,193,861,893	\$6,891,950,281	\$7,545,526,353	\$7,451,320,135	\$7,679,174,509
Personal Property	224,496,712	529,295,259	622,327,379	314,800,556	1,260,770,969
Public Service Companies <sup>2</sup>	120,124,917	140,476,151	142,787,053	956,503,024	162,043,364
Total Assessed Valuation	<u>\$6,538,483,522</u>	<u>\$7,561,721,691</u>	<u>\$8,310,640,785</u>	<u>\$8,722,623,715</u>	<u>\$9,101,988,842</u>
Rate per \$100	0.685	0.645	0.645	0.645	0.645
Levy	\$ 44,788,612	\$ 48,773,105	\$ 53,603,633	\$ 56,260,923	\$ 58,707,828

<sup>1</sup> Percentage of appraised value has been established by statute.

<sup>2</sup> Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

Note: The next revaluation of real property will become effective with the 2026 tax levy.

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

	2019	2020	2021	2022	2023
County-wide	\$44,788,612	\$48,773,105	\$53,603,633	\$56,260,923	\$58,707,828
Special Fire Districts	<u>12,991,019</u>	<u>12,351,250</u>	<u>13,204,334</u>	<u>14,001,912</u>	<u>14,636,201</u>
Total Levy	\$57,779,631	\$61,124,355	\$66,807,967	\$70,262,835	\$73,344,029

***Tax Collections.***

Fiscal Year Ended June 30	Prior Years' Levies Collected	Current Year's Levy Collected	Percentage of Current Year's Levy Collected
2019	\$ 47,059	\$48,161,478	98.05%
2020	135,287	50,100,494	96.03
2021	232,619	52,136,878	97.26
2022	828,971	54,492,196	96.86
2023	--	56,847,096	96.83

***Ten Largest Taxpayers for the Fiscal Year Ended June 30, 2023.***

Name	Type of Business	2022 Assessed Valuation	Percentage of Total Assessed Valuation
Duke Energy Progress Inc.	Utilities	\$73,754,360	0.90%
Four County EMC	Utilities	31,515,366	0.38
Crooked Run Solar LLC	Engineering	25,853,916	0.32
Red Mountain Timber Co. LLC	Timber Management	21,289,775	0.26
LL Building Products Inc.	Manufacturing	18,696,799	0.23
Surf City Crossing LLC	Development	18,301,660	0.22
Filmwerks, LLC	Entertainment	16,980,123	0.21
HM Bend LLC	Development	16,674,456	0.20
Piedmont Natural Gas Co. Inc.	Utilities	15,146,539	0.18
Tamarack Timber Co. NC LLC	Timber Management	12,420,614	<u>0.15</u>
			3.06%

**BUDGET RESULTS AND OUTLOOK**

The County is in sound financial health due to prudent decision-making and controlled spending over the last several years. The total available fund balance for the County’s General Fund increased from \$50,263,592 in the fiscal year ended June 30, 2022 to \$63,186,193 in the fiscal year ended June 30, 2023 (a 25.7% increase).

The County currently projects that for the fiscal year ending June 30, 2024, revenues will come in over budget by 9.23% and expenditures will come in under budget by 7.37%, resulting in a positive variance of \$5,741,801 against the operating budget. For the fiscal year ended June 30, 2024, the County expects the total fund balance for the County’s General Fund to increase to \$80,346,016.

The County’s approved and adopted General Fund budget for the fiscal year ending June 30, 2025 includes a \$0.7375 per \$100 assessed valuation property tax rate. The property tax levy is projected to remain the same from the fiscal year ended June 30, 2024 adopted budget levels to the newly adopted fiscal year ending June 30, 2025 budget.

The Board adopted a fund balance goal in the fiscal year ended June 30, 2014 providing that undesignated fund balance be maintained at a level of 20% of the General Fund budget. This policy also has a provision that the percentage may fall below that level to protect or enhance the long-term fiscal security of the County. In the fiscal year ended June 30, 2024, the undesignated fund balance was 62.9% of general fund expenditures.

**PENSION PLANS**

The County participates in the North Carolina Local Governmental Employees’ Retirement System “LGERS”).

***North Carolina Local Governmental Employees’ Retirement System.*** LGERS is a service agency administered through a board of trustees by the State for public employees of counties, cities, boards, commissions and other similar governmental entities. While the State Treasurer is the custodian of LGERS funds, administrative costs are borne by the participating employer governmental entities. The State makes no contributions to LGERS.

LGERS provides, on a uniform LGERS-wide basis, retirement and, at each employer's option, death benefits from contributions made by employers and employees. Employee members contribute 6% of their individual compensation. Each new employer makes a normal contribution plus, where applicable, a contribution to fund any accrued liability over a 24-year period. The contribution rate for the County was 12.10% of eligible payroll for general employees and 13.10% of eligible payroll for law enforcement officers for the fiscal year ended June 30, 2023. The accrued liability contribution rate is determined separately for each employer and covers the liability of the employer for benefits based on employees' service rendered prior to the date the employer joins LGERS.

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 any age with 30 years of creditable service. 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). Benefit payments are computed by taking an average of the annual compensation for the four consecutive years of membership service yielding the highest average. This average is then adjusted by a percentage formula, by a total years of service factor, and by an age service factor if the individual is not eligible for unreduced benefits.

Contributions to LGERS are determined on an actuarial basis.

Financial statements and required supplementary information for LGERS are included in the Annual Comprehensive Financial Report ("ACFR") for the State. Please refer to the State's ACFR for additional information.

For additional information concerning the County's participation in LGERS, and other pension plans which the County administers or in which the County participates (the Law Enforcement Officers' Special Separation Allowance, the Supplemental Retirement Income Plan of North Carolina and the Register of Deeds Supplemental Pension Fund) see the Notes to the County's Audited Financial Statements in Appendix A.

#### **OTHER POST-EMPLOYMENT BENEFITS**

Under the terms of a County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (the "HCB Plan") to retirees of the County who participate in LGERS and have at least 20 years of creditable service with the County. The County pays the full cost of coverage for these benefits through private insurers, and retirees can purchase coverage for their dependents at the County's group rates. The County will reimburse the cost of health insurance in an amount equal to a single employee's coverage for employees who upon retirement meet one of the following criteria: (i) age 65 or older and have been previously employed by the County on a continuous regular full-time basis for at least 20 years, (ii) age 55 or older and have been previously employed by the County on a continuous regular full-time basis for at least 25 years, or (iii) regardless of age, have been previously employed by the County on a continuous regular full-time basis for at least 30 years. As of June 30, 2022, there were 463 HCB Plan members receiving benefit payments. The County's total other post-employment benefit liability was \$14,311,808 measured as of June 30, 2022, and was determined by actuarial valuation as of June 30, 2022.

For more information on the County's financial obligations with respect to other post-employment benefits, see the Notes to County's Audited Financial Statements in Appendix B.

## **CONTINGENT LIABILITIES**

The County does not have any litigation pending or other contingent liability which would materially and adversely affect the County's ability to meet its financial obligations.

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**APPENDIX B**

**MANAGEMENT'S DISCUSSION AND ANALYSIS AND  
THE BASIC FINANCIAL STATEMENTS OF  
PENDER COUNTY, NORTH CAROLINA**

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

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## Management's Discussion and Analysis

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, 2023. 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

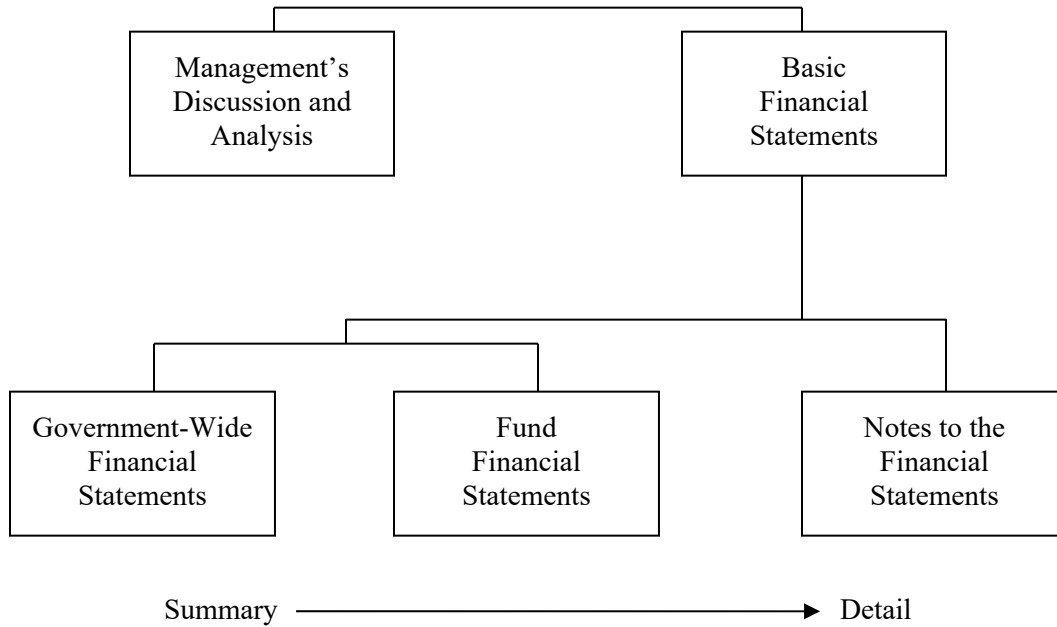
- The assets and deferred outflows of resources of Pender County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$86,887,381 (net position).
- The government's total net position produced an increase of \$22,647,605 during the fiscal year. This included an increase of \$22,569,505 from governmental sources, and business-type funds produced an increase of \$78,100.
- As of the close of the current fiscal year, Pender County's governmental funds reported combined ending fund balances of \$90,075,327, an increase of \$14,126,141 in comparison with the prior year. Approximately 70.1% of this total amount, or \$63,186,193, 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 \$63,186,193, or 75.7%, of total General Fund expenditures for the fiscal year.

### Overview of the Financial Statements

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

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (Exhibits A and B) 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 C through K) 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. In addition, the Tourism Development Authority Board's governing board is appointed by the County.

The government-wide financial statements are on Exhibits A and B of this report.

### **Fund Financial Statements**

The fund financial statements (see Figure 1) 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 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 two fiduciary funds, which are custodial 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 K.

**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 following the notes to the financial statements.

### **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 \$86,887,381 net position as of June 30, 2023. The County's net position increased \$22,647,605 for the fiscal year ended June 30, 2023. Net position is reported in three categories: net investment in capital assets of \$70,884,729, restricted net position of \$14,344,900, and unrestricted net position of \$1,657,752.

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 totaled \$1,657,752 at June 30, 2023. This 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 \$64.3 million of the outstanding debt on the County's financial statements was related to assets included in the public school's financial statements.

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

**Pender County’s Net Position**

**Figure 2**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>Assets:</b>						
Current and other assets	\$ 117,544,025	\$ 94,580,436	\$ 20,955,262	\$ 24,433,617	\$ 138,499,287	\$ 119,014,053
Capital assets, net	<u>38,972,947</u>	<u>35,184,337</u>	<u>101,903,379</u>	<u>99,888,087</u>	<u>140,876,326</u>	<u>135,072,424</u>
Total assets	<u>156,516,972</u>	<u>129,764,773</u>	<u>122,858,641</u>	<u>124,321,704</u>	<u>279,375,613</u>	<u>254,086,477</u>
<b>Deferred Outflows of Resources</b>						
	<u>15,386,989</u>	<u>12,426,249</u>	<u>1,120,981</u>	<u>747,158</u>	<u>16,507,970</u>	<u>13,173,407</u>
<b>Liabilities:</b>						
Current and other liabilities	26,685,406	20,413,694	4,728,857	4,047,026	31,414,263	24,460,720
Long-term liabilities	<u>102,966,663</u>	<u>106,162,261</u>	<u>62,820,775</u>	<u>64,930,286</u>	<u>165,787,438</u>	<u>171,092,547</u>
Total liabilities	<u>129,652,069</u>	<u>126,575,955</u>	<u>67,549,632</u>	<u>68,977,312</u>	<u>197,201,701</u>	<u>195,553,267</u>
<b>Deferred Inflows of Resources</b>						
	<u>10,467,754</u>	<u>9,418,291</u>	<u>1,326,747</u>	<u>1,066,407</u>	<u>11,794,501</u>	<u>10,484,698</u>
<b>Net Position:</b>						
Net investment in capital assets	31,740,904	29,185,261	39,143,825	35,774,457	70,884,729	64,959,718
Restricted	14,337,740	17,095,653	7,160	7,949	14,344,900	17,103,602
Unrestricted	<u>(14,294,506)</u>	<u>(40,084,138)</u>	<u>15,952,258</u>	<u>19,242,737</u>	<u>1,657,752</u>	<u>(20,841,401)</u>
Total net position	<u>\$ 31,784,138</u>	<u>\$ 6,196,776</u>	<u>\$ 55,103,243</u>	<u>\$ 55,025,143</u>	<u>\$ 86,887,381</u>	<u>\$ 61,221,919</u>

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

- Continued diligence in the collection of property taxes by obtaining a collection percentage of 96.83% with plans for additional measures of collection in future years.
- Conservative budgeting and continued growth in local options sales taxes as well as other growth driven revenues, including ad valorem taxes based on valuation.
- Additionally, significant increase in interest income based on rising rates.

## Pender County's Changes in Net Position

**Figure 3**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 6,439,141	\$ 7,302,992	\$ 18,321,670	\$ 20,523,825	\$ 24,760,811	\$ 27,826,817
Operating grants and contributions	13,507,027	13,921,813	1,083,958	1,069,199	14,590,985	14,991,012
Capital grants and contributions	2,282,520	2,629,283	384,403	10,000	2,666,923	2,639,283
General revenues:						
Property taxes	73,869,770	70,366,152	-	-	73,869,770	70,366,152
Other taxes	25,904,148	23,257,031	-	-	25,904,148	23,257,031
Investment earnings, unrestricted	4,052,449	161,634	54,826	2,452	4,107,275	164,086
Miscellaneous, unrestricted	716,641	1,006,308	503,652	372,912	1,220,293	1,379,220
Loss on sale of asset	451,573	4,092,536	(206,886)	295,650	244,687	4,388,186
Total revenues	<u>127,223,269</u>	<u>122,737,749</u>	<u>20,141,623</u>	<u>22,274,038</u>	<u>147,364,892</u>	<u>145,011,787</u>
<b>Expenses:</b>						
General government	16,553,159	16,154,657	-	-	16,553,159	16,154,657
Public safety	35,243,617	28,950,049	-	-	35,243,617	28,950,049
Economic and physical development	4,692,093	5,398,788	-	-	4,692,093	5,398,788
Human services	15,736,118	16,180,831	-	-	15,736,118	16,180,831
Cultural and recreation	2,335,662	2,273,896	-	-	2,335,662	2,273,896
Education	28,513,836	25,593,621	-	-	28,513,836	25,593,621
Interest on long-term debt	2,027,946	2,424,019	-	-	2,027,946	2,424,019
Solid waste	-	-	6,161,973	6,038,746	6,161,973	6,038,746
Combined sewer	-	-	2,207,455	-	2,207,455	-
Combined water	-	-	9,825,125	-	9,825,125	-
Rocky Point/Topsail water & sewer	-	-	-	5,764,845	-	5,764,845
Water & water treatment plant	-	-	-	4,051,378	-	4,051,378
Waste water treatment & sewer	-	-	-	1,779,619	-	1,779,619
Section 8 housing	-	-	1,347,699	1,329,201	1,347,699	1,329,201
Country Court apartments	-	-	72,604	88,446	72,604	88,446
Water districts	-	-	-	1,940,377	-	1,940,377
Total expenses	<u>105,102,431</u>	<u>96,975,861</u>	<u>19,614,856</u>	<u>20,992,612</u>	<u>124,717,287</u>	<u>117,968,473</u>
Change in net position before transfers	22,120,838	25,761,888	526,767	1,281,426	22,647,605	27,043,314
Transfers	448,667	(1,080,216)	(448,667)	1,080,216	-	-
Change in net position	<u>22,569,505</u>	<u>24,681,672</u>	<u>78,100</u>	<u>2,361,642</u>	<u>22,647,605</u>	<u>27,043,314</u>
<b>Net Position:</b>						
Beginning of year, July 1	6,196,776	(18,571,854)	55,025,143	52,663,501	61,221,919	34,091,647
Restatement	3,017,857	86,958	-	-	3,017,857	86,958
Beginning of year, as restated	<u>9,214,633</u>	<u>(18,484,896)</u>	<u>55,025,143</u>	<u>52,663,501</u>	<u>64,239,776</u>	<u>34,178,605</u>
End of year, June 30	<u>\$ 31,784,138</u>	<u>\$ 6,196,776</u>	<u>\$ 55,103,243</u>	<u>\$ 55,025,143</u>	<u>\$ 86,887,381</u>	<u>\$ 61,221,919</u>



**Governmental Activities.** The County's governmental activities net position increased by \$22,569,505 primarily due to the following:

- Increased ad valorem collections from increased valuation as a result of recent new construction
- Continued sales tax increases as well as other growth driven revenues from Register of Deeds and Building Permits and Inspections
- Over \$4 million in interest income based on rising rates

**Business-Type Activities.** Business-type activities increased Pender County's net position by \$78,100. Key elements of this increase are as follows:

- Diligence in collections for current and past due charges for services
- 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 \$66,800,793, while total fund balance reached \$74,604,215. 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 69.7% of General Fund expenditures and transfers out less debt issued, while total fund balance represents 77.8% of that same amount.

At June 30, 2023, the governmental funds of Pender County reported a combined fund balance of \$90,075,327, a 18.6% increase over last year.

**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 \$1,120,359 and increased expenditures by \$4,104,856.

**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 three major proprietary funds: Solid Waste Fund, Combined Sewer Fund, and Combined Water Fund. Unrestricted net position of the proprietary funds at the end of the fiscal year was \$15,952,258. The total growth in net position for those funds was \$78,100. 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, 2023, totals \$140,876,326 (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 land for future construction projects
- Vehicle replacement for damaged or surplus vehicles
- Addition of Subscription Based Information Technology Agreement Assets

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 14,811,158	\$ 14,170,608	\$ 627,210	\$ 612,610	\$ 15,438,368	\$ 14,783,218
Buildings	13,896,612	14,213,244	90,897,289	95,178,109	104,793,901	109,391,353
Furniture, vehicles, and equipment	4,383,278	3,391,096	699,982	385,744	5,083,260	3,776,840
Other	1,338,368	1,458,425	1,312,346	1,727,305	2,650,714	3,185,730
Construction in progress	1,776,566	1,546,966	8,281,440	1,984,319	10,058,006	3,531,285
Right to use leased assets	169,747	403,998	-	-	169,747	403,998
Subscription assets	2,597,218	-	85,112	-	2,682,330	-
<b>Total</b>	<b>\$ 38,972,947</b>	<b>\$ 35,184,337</b>	<b>\$ 101,903,379</b>	<b>\$ 99,888,087</b>	<b>\$ 140,876,326</b>	<b>\$ 135,072,424</b>

**Long-Term Debt.** As of June 30, 2023, Pender County had total bonded debt outstanding of \$128,809,000, all of which is debt backed by the full faith and credit of the County.

**Pender County's Long-Term Debt**  
**Figure 5**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Limited obligation debt	\$ 4,329,636	\$ 4,631,041	\$ 44,895,364	\$ 46,818,959	\$ 49,225,000	\$ 51,450,000
General obligation bonds	64,310,000	71,800,000	11,080,000	11,325,000	75,390,000	83,125,000
Revenue bonds	-	-	4,194,000	4,288,000	4,194,000	4,288,000
Federal revolving loan	-	-	540,754	577,500	540,754	577,500
Lease liabilities	170,277	404,576	-	-	170,277	404,576
Subscription liabilities	2,127,070	-	71,870	-	2,198,940	-
Direct placement installment purchase contracts	605,060	963,459	-	67,035	605,060	1,030,494
Net pension liability (LEOSSA)	2,445,185	2,635,853	-	-	2,445,185	2,635,853
Net pension liability (LGERS)	15,830,890	4,269,785	1,267,150	261,838	17,098,040	4,531,623
Total other post-employment benefits	13,607,687	20,719,165	704,121	1,322,510	14,311,808	22,041,675
Compensated absences	1,292,134	1,258,277	136,539	119,247	1,428,673	1,377,524
Unamortized bond premiums	8,490,067	9,153,851	2,519,641	2,655,769	11,009,708	11,809,620
<b>Total</b>	<b>\$ 113,208,006</b>	<b>\$ 115,836,007</b>	<b>\$ 65,409,439</b>	<b>\$ 67,435,858</b>	<b>\$ 178,617,445</b>	<b>\$ 183,271,865</b>

Pender County's total debt decreased by \$4,654,420 (2.5%) during the past fiscal year, primarily due to regularly scheduled debt service payment reductions and no issuance of new debt.

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 \$591,388,585. The County does not have any unissued bonds at June 30, 2023.

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

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

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 continues to gradually decrease from 3.8% in June 2022 to 3.4% in June 2023. Pender County remains a Tier 3 County as reflected in the 2023 & 2024 County Tier Designations published by the North Carolina Department of Commerce, indicating that the County is one of the 20 "least distressed" counties within the State. This designation results from the high population growth in the eastern part of the County and the increase in fair market values of homes in the area and is not indicative of the true County-wide economic picture.

As Pender County and its citizens continue to recover from the lasting impacts of both Hurricane Florence in September 2018 and the global COVID-19 pandemic onset in March 2020, the economic outlook is more promising than ever. Pender County's diverse landscape and convenient geography, along with cultural and educational efforts, are attracting more and more residential growth every day. Pender County is facing the challenge of keeping pace of expanding infrastructure to meet the needs of this residential growth.

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

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.

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 is poised to reap significant economic benefits over the next years due to the investment made by the Board in much-needed infrastructure.

Pender Commerce Park (PCP) along US Highway 421 continues to fuel strong economic development activities in Pender County. In previous years, additional announcements and closings occurred within the park. A major distribution company purchased several lots and has plans for a distribution facility that will bring increased commerce to the region. Also, Project Ramm resulting in several major industrial developments within the park for the construction of spec buildings to attract major industry to the area, including cold storage and distribution. This is in addition to the existing industrial presence of, Project Ramm, Polyhose, Acme Smoked Fish, Empire Distributors, Coastal Beverage, and FedEx Freight. These announcements and purchases significantly add to the cumulative total of capital investment within the Pender Commerce Park. The continued success and interest in Pender Commerce Park has necessitated the need for Pender County to look at park expansion in the coming years. These efforts will allow Pender County to further diversify and expand its tax base and workforce in years to come.

### **Budget Highlights for the Fiscal Year Ending June 30, 2024**

**Governmental Activities.** The County Commissioners approved a \$100,365,047 General Fund Budget on June 5, 2023, which was included within a total budget ordinance of \$202,901,198, adopted on the same date, with a tax rate of \$.7375 per 100 of assessed valuation. In FY 2022-2023 the tax rate was unchanged from previous at 64.5 cents per \$100 of ad valorem value. For FY 2023-2024 the tax rate is to be set at 73.75 cents per \$100 of ad valorem value, an increase of 9.25 cents. This increase of 9.25 cents has been calculated to be used to fund the authorized and soon-to-be-issued \$178 million voter approved school bonds. The initial budget ordinance does not include an appropriation from the Fund Balance of the General Fund.

Many projects are underway to provide for the quality of life and opportunities of service to the growing population of Pender County citizens. Some of these projects include major parks improvements like the addition of shelter and restroom facilities at Penderlea Park, expansion of the current Hampstead Kiwanis Park, Phase 1 of the Central Pender Park, and maintaining Abbey Nature Preserve as a public attraction. Much needed facility projects are in design stages for a Department of Health and Human Services facility and a Law Enforcement and Detention Center, as well as a future Hampstead Branch Library. The voter approved \$178 million school bonds were authorized for various school projects, including a new K-8 in the rapidly growing Hampstead area.

**Business-Type Activities.** The business-type activities total budget is \$35,411,486, of which \$1,245,444 is attributed to the Housing Authority. The vision and priority of expanding public water and sewer infrastructure within the County has been many years in development and implementation. Diverse solutions are being considered and a phased implementation is addressing the need to plan for current and future growth and the impact to utilities infrastructure.

Infrastructure projects are underway to meet the current and future demands as well as expansion for economic development opportunities to provide for Pender County citizens. A new groundwater treatment plant as well as an expansion of the current surface water treatment plant are in the works to strategically address Pender County's unique water distribution situation, as well as distribution and collection system expansions along the US 421 corridor to allow for future economic development projects.

### **Requests for Information**

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

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## **BASIC FINANCIAL STATEMENTS**

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PENDER COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Pender County ABC Board	Pender Tourism Development Authority
<b>Assets:</b>					
Cash and cash equivalents	\$ 82,830,224	\$ 17,956,138	\$ 100,786,362	\$ 619,734	\$ 114,178
Accounts receivables (net)	6,695,263	1,469,920	8,165,183	984	6,813
Taxes receivables (net)	4,004,583	681,916	4,686,499	-	-
Internal balances	98,690	(98,690)	-	-	-
Due from other governments	10,286,349	-	10,286,349	-	-
Notes receivable	416,661	-	416,661	-	-
Prepaid items	-	-	-	41,634	-
Inventories	18,621	-	18,621	1,403,487	-
Restricted cash and cash equivalents	13,088,569	945,978	14,034,547	-	-
Restricted net pension asset, Register of Deeds	105,065	-	105,065	-	-
Other assets	-	-	-	67,594	-
Capital assets:					
Land and construction in progress	16,587,724	8,908,650	25,496,374	1,310,182	-
Other capital assets, net of depreciation	19,618,258	92,909,617	112,527,875	94,059	-
Right-to-use leased assets, net of amortization	169,747	-	169,747	416,613	-
Subscription assets, net of amortization	2,597,218	85,112	2,682,330	-	-
Total capital assets	38,972,947	101,903,379	140,876,326	1,820,854	-
Total assets	156,516,972	122,858,641	279,375,613	3,954,287	120,991
<b>Deferred Outflows of Resources:</b>					
Pension deferrals	11,431,223	777,002	12,208,225	431,065	-
OPEB deferrals	3,955,766	343,979	4,299,745	-	-
Total deferred outflows of resources	15,386,989	1,120,981	16,507,970	431,065	-
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	4,009,542	1,504,878	5,514,420	1,591,672	1,810
Accrued interest payable	852,270	445,985	1,298,255	-	-
Liabilities payable from restricted assets:					
Customer deposits	-	189,330	189,330	-	-
Prepaid fees	9,493	-	9,493	-	-
Advances from grantors	11,572,758	-	11,572,758	-	-
Long-term liabilities:					
Due within one year	10,241,343	2,588,664	12,830,007	96,901	-
Due in more than one year	71,082,901	60,849,504	131,932,405	714,034	-
Net pension liability (LGERS)	15,830,890	1,267,150	17,098,040	361,616	-
Total OPEB liability	13,607,687	704,121	14,311,808	-	-
Total pension liability (LEOSSA)	2,445,185	-	2,445,185	-	-
Total liabilities	129,652,069	67,549,632	197,201,701	2,764,223	1,810
<b>Deferred Inflows of Resources:</b>					
Deferred gain on refunding	-	457,979	457,979	-	-
Pension deferrals	537,414	5,779	543,193	138,249	-
OPEB deferrals	9,924,370	862,989	10,787,359	-	-
Prepaid taxes	5,970	-	5,970	-	-
Total deferred inflows of resources	10,467,754	1,326,747	11,794,501	138,249	-

The accompanying notes are an integral part of the financial statements.

PENDER COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Pender County ABC Board	Pender Tourism Development Authority
<b>Net Position:</b>					
Net investment in capital assets	31,740,904	39,143,825	70,884,729	543,419	-
Restricted for:					
Stabilization by state statute	10,188,062	-	10,188,062	-	6,813
Health and human services	2,547,563	-	2,547,563	-	-
Public safety	788,141	-	788,141	-	-
Sheriff's seizures	86,222	-	86,222	-	-
Automation enhancement and preservation	562,391	-	562,391	-	-
Register of Deeds' Pension plan	165,361	-	165,361	-	-
Tourism promotion	-	-	-	-	112,368
Working capital	-	-	-	363,834	-
HUD Section 8 housing	-	7,160	7,160	-	-
Unrestricted (deficit)	(14,294,506)	15,952,258	1,657,752	575,627	-
Total net position (deficit)	\$ 31,784,138	\$ 55,103,243	\$ 86,887,381	\$ 1,482,880	\$ 119,181

The accompanying notes are an integral part of the financial statements.

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PENDER COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 16,553,159	\$ 4,832,471	\$ 41,028	\$ 613,554
Public safety	35,243,617	416,482	1,154,438	233,292
Economic and physical development	4,692,093	983,020	1,150,711	1,435,674
Human services	15,736,118	-	11,014,806	-
Cultural and recreation	2,335,662	207,168	146,044	-
Education	28,513,836	-	-	-
Interest on long-term debt	2,027,946	-	-	-
Total governmental activities	<u>105,102,431</u>	<u>6,439,141</u>	<u>13,507,027</u>	<u>2,282,520</u>
<b>Business-Type Activities:</b>				
Solid Waste Fund	6,161,973	6,170,697	-	-
Combined Sewer Fund	2,207,455	3,140,433	-	122,403
Combined Water Fund	9,825,125	8,782,950	-	262,000
Section 8 Housing	1,347,699	213,455	1,083,958	-
Country Court Apartments	72,604	14,135	-	-
Total business-type activities	<u>19,614,856</u>	<u>18,321,670</u>	<u>1,083,958</u>	<u>384,403</u>
Total primary government	<u>\$ 124,717,287</u>	<u>\$ 24,760,811</u>	<u>\$ 14,590,985</u>	<u>\$ 2,666,923</u>
<b>Component Units:</b>				
Pender County ABC Board	\$ 11,925,911	\$ 12,292,736	\$ -	\$ -
Pender Tourism Development Authority	30,875	-	-	-
Total component units	<u>\$ 11,956,786</u>	<u>\$ 12,292,736</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

PENDER COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Pender County ABC Board	Pender Tourism Development Authority
<b>Primary Government:</b>					
Governmental Activities:					
General government	\$ (11,066,106)	\$ -	\$ (11,066,106)		
Public safety	(33,439,405)	-	(33,439,405)		
Economic and physical development	(1,122,688)	-	(1,122,688)		
Human services	(4,721,312)	-	(4,721,312)		
Cultural and recreation	(1,982,450)	-	(1,982,450)		
Education	(28,513,836)	-	(28,513,836)		
Interest on long-term debt	(2,027,946)	-	(2,027,946)		
Total governmental activities	<u>(82,873,743)</u>	<u>-</u>	<u>(82,873,743)</u>		
<b>Business-Type Activities:</b>					
Resource Recovery Fund	-	8,724	8,724		
Combined Sewer Fund	-	1,055,381	1,055,381		
Combined Water Fund	-	(780,175)	(780,175)		
Section 8 Housing	-	(50,286)	(50,286)		
Country Court Apartments	-	(58,469)	(58,469)		
Total business-type activities	<u>-</u>	<u>175,175</u>	<u>175,175</u>		
Total primary government	<u>(82,873,743)</u>	<u>175,175</u>	<u>(82,698,568)</u>		
<b>Component Units:</b>					
Pender County ABC Board				\$ 366,825	\$ -
Pender Tourism Development Authority				-	(30,875)
Total component units				<u>366,825</u>	<u>(30,875)</u>
<b>General Revenues:</b>					
Taxes:					
Property taxes, levied for general purposes	73,869,770	-	73,869,770	-	-
Local option sales tax	24,720,617	-	24,720,617	-	-
Other taxes	1,183,531	-	1,183,531	-	65,096
Investment earnings, unrestricted	4,052,449	54,826	4,107,275	210	-
Miscellaneous, unrestricted	716,641	503,652	1,220,293	-	-
Gain (loss) on sale of assets	451,573	(206,886)	244,687	-	-
Transfers	448,667	(448,667)	-	-	-
Total general revenues and transfers	<u>105,443,248</u>	<u>(97,075)</u>	<u>105,346,173</u>	<u>210</u>	<u>65,096</u>
Change in net position	<u>22,569,505</u>	<u>78,100</u>	<u>22,647,605</u>	<u>367,035</u>	<u>34,221</u>
<b>Net Position:</b>					
Beginning of year, July 1	6,196,776	55,025,143	61,221,919	1,115,845	84,960
Restatement	3,017,857	-	3,017,857	-	-
Beginning of year, as restated	<u>9,214,633</u>	<u>55,025,143</u>	<u>64,239,776</u>	<u>1,115,845</u>	<u>84,960</u>
End of year, June 30	<u>\$ 31,784,138</u>	<u>\$ 55,103,243</u>	<u>\$ 86,887,381</u>	<u>\$ 1,482,880</u>	<u>\$ 119,181</u>

The accompanying notes are an integral part of the financial statements.

PENDER COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2023

	General Fund	Public School Special Revenue Fund	ARPA Fund	Rescue District Fund	Opioid Settlement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>							
Cash and cash equivalents	\$ 69,805,003	\$ 1,690,642	\$ -	\$ 478,345	\$ -	\$ 10,856,234	\$ 82,830,224
Accounts receivable, net	1,455,555	-	-	153,814	5,062,042	23,852	6,695,263
Taxes receivable, net	3,144,241	-	-	466,375	-	393,967	4,004,583
Due from other governments	7,644,093	1,882,078	-	-	-	760,178	10,286,349
Due from other funds	98,690	-	-	-	-	-	98,690
Inventory	18,621	-	-	-	-	-	18,621
Notes receivable	416,661	-	-	-	-	-	416,661
Restricted cash	1,026,750	-	11,568,544	-	489,061	4,214	13,088,569
Total assets	<u>\$ 83,609,614</u>	<u>\$ 3,572,720</u>	<u>\$ 11,568,544</u>	<u>\$ 1,098,534</u>	<u>\$ 5,551,103</u>	<u>\$ 12,038,445</u>	<u>\$ 117,438,960</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 3,146,450	\$ -	\$ -	\$ 308,858	\$ -	\$ 554,234	\$ 4,009,542
Prepaid fees	9,493	-	-	-	-	-	9,493
Advances from grantors	-	-	11,568,544	-	-	4,214	11,572,758
Total liabilities	<u>3,155,943</u>	<u>-</u>	<u>11,568,544</u>	<u>308,858</u>	<u>-</u>	<u>558,448</u>	<u>15,591,793</u>
<b>Deferred Inflows of Resources:</b>							
Property taxes receivable	3,144,241	-	-	466,375	-	393,967	4,004,583
Grants receivable	2,699,245	-	-	-	-	-	2,699,245
Unavailable revenues	-	-	-	-	5,062,042	-	5,062,042
Prepaid taxes	5,970	-	-	-	-	-	5,970
Total deferred inflows of resources	<u>5,849,456</u>	<u>-</u>	<u>-</u>	<u>466,375</u>	<u>5,062,042</u>	<u>393,967</u>	<u>11,771,840</u>
<b>Fund Balances:</b>							
Non-spendable:							
Inventory	18,621	-	-	-	-	-	18,621
Notes receivable	416,661	-	-	-	-	-	416,661
Restricted:							
Stabilization by state statute	7,368,140	1,882,078	-	153,814	-	784,030	10,188,062
Health and human services	2,058,502	-	-	-	489,061	-	2,547,563
Public safety	-	-	-	169,487	-	618,654	788,141
Sheriff's seizures	86,222	-	-	-	-	-	86,222
Automation enhancement and preservation	562,391	-	-	-	-	-	562,391
Committed:							
Tax revaluation	721,001	-	-	-	-	-	721,001
Cultural and recreation	186,484	-	-	-	-	-	186,484
Capital outlay and improvements	-	1,690,642	-	-	-	9,675,909	11,366,551
Assigned:							
Economic and physical development	-	-	-	-	-	7,437	7,437
Unassigned	63,186,193	-	-	-	-	-	63,186,193
Total fund balances	<u>74,604,215</u>	<u>3,572,720</u>	<u>-</u>	<u>323,301</u>	<u>489,061</u>	<u>11,086,030</u>	<u>90,075,327</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 83,609,614</u>	<u>\$ 3,572,720</u>	<u>\$ 11,568,544</u>	<u>\$ 1,098,534</u>	<u>\$ 5,551,103</u>	<u>\$ 12,038,445</u>	<u>\$ 117,438,960</u>

The accompanying notes are an integral part of the financial statements.

**PENDER COUNTY, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

Amounts reported for the governmental activities in the Statement of Net Position (Exhibit A) are different because:

Total fund balance, governmental funds	\$	90,075,327
Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the funds.		36,205,982
Right to use leased assets and subscription assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,766,965
Net pension asset, ROD		105,065
Net pension liability - LGERS		(15,830,890)
Total pension liability - LEOSSA		(2,445,185)
Total OPEB liability		(13,607,687)
Deferred outflows of resources related to pensions are not reported in the funds.		11,431,223
Deferred outflows of resources related to OPEB are not reported in the funds.		3,955,766
Deferred inflows of resources for taxes, grants receivable, and unavailable revenues		11,765,870
Deferred inflows of resources related to pensions are not reported in the funds.		(537,414)
Deferred inflows of resources related to OPEB are not reported in the funds.		(9,924,370)
Some liabilities, including bonds payable, lease liability, subscription liability, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(81,324,244)
Accrued interest payable on the Statement of Net Position		<u>(852,270)</u>
Total net position of governmental activities	\$	<u>31,784,138</u>

*The accompanying notes are an integral part of the financial statements.*

## PENDER COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

	Gerneal Fund	Public School Special Revenue Fund	ARPA Fund	Rescue District Fund	Opioid Settlement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Ad valorem taxes	\$ 58,804,857	\$ -	\$ -	\$ 8,381,611	\$ -	\$ 6,254,590	\$ 73,441,058
Unrestricted intergovernmental	18,847,522	7,056,626	-	-	-	-	25,904,148
Restricted intergovernmental	11,039,544	1,150,711	457,872	-	489,061	1,267,283	14,404,471
Permits and fees	2,153,886	-	-	-	-	-	2,153,886
Charges for services	4,276,448	-	-	-	-	-	4,276,448
Interest	4,038,775	-	-	-	-	13,674	4,052,449
Miscellaneous	519,003	-	-	-	-	62,278	581,281
Total revenues	<u>99,680,035</u>	<u>8,207,337</u>	<u>457,872</u>	<u>8,381,611</u>	<u>489,061</u>	<u>7,597,825</u>	<u>124,813,741</u>
<b>Expenditures:</b>							
General government	16,832,847	-	-	-	-	-	16,832,847
Public safety	15,328,569	-	-	12,533,674	-	7,918,448	35,780,691
Economic and physical development	3,651,360	-	-	-	-	1,036,782	4,688,142
Human services	15,426,500	-	-	-	-	238,281	15,664,781
Culture and recreation	2,257,637	-	-	-	-	7,012	2,264,649
Education	28,166,879	346,957	-	-	-	-	28,513,836
Debt service:							
Principal	1,615,723	7,490,000	-	-	-	-	9,105,723
Interest	201,916	2,571,163	-	-	-	-	2,773,079
Total expenditures	<u>83,481,431</u>	<u>10,408,120</u>	<u>-</u>	<u>12,533,674</u>	<u>-</u>	<u>9,200,523</u>	<u>115,623,748</u>
Revenues over (under) expenditures	<u>16,198,604</u>	<u>(2,200,783)</u>	<u>457,872</u>	<u>(4,152,063)</u>	<u>489,061</u>	<u>(1,602,698)</u>	<u>9,189,993</u>
<b>Other Financing Sources (Uses):</b>							
Subscription liabilities issued	2,848,690	-	-	-	-	-	2,848,690
Sale of surplus property	675,379	-	-	-	-	-	675,379
Insurance proceeds	135,360	-	-	-	-	-	135,360
Transfers in	1,566,149	4,112,387	-	3,615,431	-	8,522,165	17,816,132
Transfers out	(15,256,066)	-	(457,872)	-	-	(825,475)	(16,539,413)
Total other financing sources (uses)	<u>(10,030,488)</u>	<u>4,112,387</u>	<u>(457,872)</u>	<u>3,615,431</u>	<u>-</u>	<u>7,696,690</u>	<u>4,936,148</u>
Net change in fund balances	6,168,116	1,911,604	-	(536,632)	489,061	6,093,992	14,126,141
<b>Fund Balances:</b>							
Beginning of year, July 1	<u>68,436,099</u>	<u>1,661,116</u>	<u>-</u>	<u>859,933</u>	<u>-</u>	<u>4,992,038</u>	<u>75,949,186</u>
End of year, June 30	<u>\$ 74,604,215</u>	<u>\$ 3,572,720</u>	<u>\$ -</u>	<u>\$ 323,301</u>	<u>\$ 489,061</u>	<u>\$ 11,086,030</u>	<u>\$ 90,075,327</u>

The accompanying notes are an integral part of the financial statements.



**PENDER COUNTY, NORTH CAROLINA**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

Amounts reported for the governmental activities in the Statement of Activities  
(Exhibit B) are different because:

Net change in fund balances - total governmental funds	\$ 14,126,141
<p>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. This is the amount by which capital outlay exceeded depreciation in the current period.</p>	
Capital outlay	3,003,619
Depreciation	(2,093,530)
Net book value of capital assets disposed of during the year, not recognized on the modified accrual basis.	(328,034)
Contribution of capital assets is reported as a revenue in the Statement of Activities and is not reported in the governmental funds.	843,588
Right to use leased asset and subscription assets capital outlay expenditures which were capitalized.	2,871,712
Amortization of right to use assets is not reported as an expenditure in the governmental funds statement.	(508,745)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	979,007
Consolidation adjustment for the Internal Service Fund and the governmental funds:	
Net revenue of the Internal Service Fund	(828,052)
<p>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 position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term and related items.</p>	
Issuance of long-term debt	(2,848,690)
Principal payment on long-term debt	9,105,723
Amortization and accrued interest	745,133
Pension expense - LEOSSA	(258,292)
Pension expense - LGERS	(1,750,555)
Pension expense - ROD	(5,868)
OPEB plan expense	(449,795)
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	<u>(33,857)</u>
Change in net position of governmental activities	<u>\$ 22,569,505</u>

*The accompanying notes are an integral part of the financial statements.*

PENDER COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND AND ANNUALLY BUDGETED  
MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund			Variance With Final Budget Over/Under
	Budgeted Amounts		Actual	
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 58,861,400	\$ 58,861,400	\$ 58,804,857	\$ (56,543)
Unrestricted intergovernmental	17,963,749	17,963,749	18,847,522	883,773
Restricted intergovernmental	9,606,739	10,291,524	11,039,544	748,020
Permits and fees	1,916,150	1,931,885	2,153,886	222,001
Charges for services	4,183,580	4,438,580	4,276,448	(162,132)
Interest	70,000	70,000	4,038,775	3,968,775
Miscellaneous	187,140	351,979	519,003	167,024
Total revenues	<u>92,788,758</u>	<u>93,909,117</u>	<u>99,680,035</u>	<u>5,770,918</u>
<b>Expenditures:</b>				
General government	16,162,398	16,356,251	16,832,847	(476,596)
Public safety	15,018,634	15,832,583	15,328,569	504,014
Economic and physical development	3,740,190	4,029,726	3,651,360	378,366
Human services	17,477,089	17,960,522	15,426,500	2,534,022
Culture and recreation	2,796,499	2,928,732	2,257,637	671,095
Education, schools	27,034,879	28,166,879	28,166,879	-
Debt service:				
Principal	557,564	1,615,723	1,615,723	-
Interest	201,097	202,790	201,916	874
Total expenditures	<u>82,988,350</u>	<u>87,093,206</u>	<u>83,481,431</u>	<u>3,611,775</u>
Revenues over expenditures	<u>9,800,408</u>	<u>6,815,911</u>	<u>16,198,604</u>	<u>9,382,693</u>
<b>Other Financing Sources (Uses):</b>				
Subscription liabilities issued	-	-	2,848,690	2,848,690
Note receivable payments	200,000	200,000	-	(200,000)
Sale of surplus property	125,000	471,909	675,379	203,470
Insurance proceeds	-	482,717	135,360	(347,357)
Transfers from other funds	8,956,239	10,178,239	1,566,149	(8,612,090)
Transfers to other funds	(19,121,536)	(26,609,659)	(15,491,566)	11,118,093
Appropriated fund balance	39,889	8,460,883	-	(8,460,883)
Total other financing sources (uses)	<u>(9,800,408)</u>	<u>(6,815,911)</u>	<u>(10,265,988)</u>	<u>(3,450,077)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	5,932,616	<u>\$ 5,932,616</u>
<b>Fund Balance:</b>				
Beginning of year, July 1			67,715,098	
End of year, June 30			73,647,714	
A legally budgeted Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Transfer from General Fund			235,500	
Fund balance, beginning of year			721,001	
Fund balance, end of year			<u>\$ 74,604,215</u>	

The accompanying notes are an integral part of the financial statements.

PENDER COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND AND ANNUALLY BUDGETED  
MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Public School Special Revenue Fund</u>			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Unrestricted intergovernmental	6,405,492	6,405,492	7,056,626	651,134
Restricted intergovernmental	635,000	635,000	1,150,711	515,711
Permits and fees	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>7,040,492</u>	<u>7,040,492</u>	<u>8,207,337</u>	<u>1,166,845</u>
<b>Expenditures:</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Economic and physical development	-	-	-	-
Human services	-	-	-	-
Culture and recreation	-	-	-	-
Education, schools	380,000	380,000	346,957	33,043
Debt service:				
Principal	9,368,561	9,368,561	7,490,000	1,878,561
Interest	<u>2,571,163</u>	<u>2,571,163</u>	<u>2,571,163</u>	<u>-</u>
Total expenditures	<u>12,319,724</u>	<u>12,319,724</u>	<u>10,408,120</u>	<u>1,911,604</u>
Revenues over expenditures	<u>(5,279,232)</u>	<u>(5,279,232)</u>	<u>(2,200,783)</u>	<u>3,078,449</u>
<b>Other Financing Sources (Uses):</b>				
Subscription liabilities issued	-	-	-	-
Note receivable payments	-	-	-	-
Sale of surplus property	-	-	-	-
Insurance proceeds	-	-	-	-
Transfers from other funds	5,279,232	5,279,232	4,112,387	(1,166,845)
Transfers to other funds	-	-	-	-
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>5,279,232</u>	<u>5,279,232</u>	<u>4,112,387</u>	<u>(1,166,845)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,911,604	<u>\$ 1,911,604</u>
<b>Fund Balance:</b>				
Beginning of year, July 1			<u>1,661,116</u>	
End of year, June 30			<u>\$ 3,572,720</u>	

The accompanying notes are an integral part of the financial statements.

**PENDER COUNTY, NORTH CAROLINA**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND AND ANNUALLY BUDGETED  
MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Rescue District Fund</b>			<b>Variance With Final Budget Over/Under</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 8,074,850	\$ 8,611,465	\$ 8,381,611	\$ (229,854)
Unrestricted intergovernmental	-	-	-	-
Restricted intergovernmental	-	-	-	-
Permits and fees	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>8,074,850</u>	<u>8,611,465</u>	<u>8,381,611</u>	<u>(229,854)</u>
<b>Expenditures:</b>				
General government	-	-	-	-
Public safety	16,252,536	12,226,896	12,533,674	(306,778)
Economic and physical development	-	-	-	-
Human services	-	-	-	-
Culture and recreation	-	-	-	-
Education, schools	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>16,252,536</u>	<u>12,226,896</u>	<u>12,533,674</u>	<u>(306,778)</u>
Revenues over expenditures	<u>(8,177,686)</u>	<u>(3,615,431)</u>	<u>(4,152,063)</u>	<u>(536,632)</u>
<b>Other Financing Sources (Uses):</b>				
Subscription liabilities issued	-	-	-	-
Note receivable payments	-	-	-	-
Sale of surplus property	-	-	-	-
Insurance proceeds	-	-	-	-
Transfers from other funds	8,177,686	3,615,431	3,615,431	-
Transfers to other funds	-	-	-	-
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	<u>8,177,686</u>	<u>3,615,431</u>	<u>3,615,431</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(536,632)</u>	<u>\$ (536,632)</u>
<b>Fund Balance:</b>				
Beginning of year, July 1			<u>859,933</u>	
End of year, June 30			<u>\$ 323,301</u>	

*The accompanying notes are an integral part of the financial statements.*

**PENDER COUNTY, NORTH CAROLINA**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND AND ANNUALLY BUDGETED  
MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Opioid Settlement Fund</b>			<b>Variance With Final Budget Over/Under</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Unrestricted intergovernmental	-	-	-	-
Restricted intergovernmental	-	-	489,061	489,061
Permits and fees	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>489,061</u>	<u>489,061</u>
<b>Expenditures:</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Economic and physical development	-	-	-	-
Human services	-	-	-	-
Culture and recreation	-	-	-	-
Education, schools	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>-</u>	<u>-</u>	<u>489,061</u>	<u>489,061</u>
<b>Other Financing Sources (Uses):</b>				
Subscription liabilities issued	-	-	-	-
Note receivable payments	-	-	-	-
Sale of surplus property	-	-	-	-
Insurance proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>489,061</u>	<u>\$ 489,061</u>
<b>Fund Balance:</b>				
Beginning of year, July 1			<u>-</u>	
End of year, June 30			<u>\$ 489,061</u>	

The accompanying notes are an integral part of the financial statements.

PENDER COUNTY, NORTH CAROLINA

PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2023

	Business-Type Activities		
	Enterprise Funds		
	Solid Waste Fund	Combined Sewer Fund	Combined Water Fund
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 4,555,549	\$ 7,677,631	\$ 5,379,412
Accounts receivable, net	104,280	118,726	1,246,914
Taxes receivables (net)	681,916	-	-
Due from other funds	-	-	-
Restricted cash and cash equivalents	-	550,375	388,443
Total current assets	<u>5,341,745</u>	<u>8,346,732</u>	<u>7,014,769</u>
Non-current assets:			
Capital assets:			
Land and construction in progress	246,417	518,585	8,143,648
Other capital assets, net of depreciation	2,605,399	21,826,590	68,477,628
Subscription assets, net of amortization	-	-	54,769
Total capital assets	<u>2,851,816</u>	<u>22,345,175</u>	<u>76,676,045</u>
Total assets	<u>8,193,561</u>	<u>30,691,907</u>	<u>83,690,814</u>
<b>Deferred Outflows of Resources:</b>			
Pension deferrals	169,169	76,817	481,651
OPEB deferrals	68,796	30,958	220,146
Total deferred outflows of resources	<u>237,965</u>	<u>107,775</u>	<u>701,797</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	486,033	37,319	979,223
Accrued interest payable	1,140	126,344	317,914
Due to other funds	20,786	9,521	62,936
Liabilities payable from restricted assets:			
Customer deposits payable	-	8,300	181,030
Compensated absences liability - current	15,955	7,468	40,624
Subscription liabilities - current	-	-	21,158
Federal revolving loan - current	30,170	6,576	-
Revenue bonds payable - current	-	-	96,000
Limited obligation bonds payable - current	-	870,000	1,095,000
General obligation bonds payable - current	-	-	251,000
Bond premiums - current	-	76,476	59,652
Total current liabilities	<u>554,084</u>	<u>1,142,004</u>	<u>3,104,537</u>

The accompanying notes are an integral part of the financial statements.

PENDER COUNTY, NORTH CAROLINA

PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2023

	<u>Business-Type Activities</u>		<u>Governmental</u>
	<u>Enterprise Funds</u>		<u>Activities</u>
	<u>Total</u>		<u>Internal</u>
	<u>Aggregate</u>	<u>Total</u>	<u>Service Funds</u>
	<u>Nonmajor Funds</u>		
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 343,546	\$ 17,956,138	\$ -
Accounts receivable, net	-	1,469,920	-
Taxes receivables (net)	-	681,916	-
Due from other funds	578	578	-
Restricted cash and cash equivalents	7,160	945,978	-
Total current assets	<u>351,284</u>	<u>21,054,530</u>	<u>-</u>
Non-current assets:			
Capital assets:			
Land and construction in progress	-	8,908,650	-
Other capital assets, net of depreciation	-	92,909,617	-
Subscription assets, net of amortization	30,343	85,112	-
Total capital assets	<u>30,343</u>	<u>101,903,379</u>	<u>-</u>
Total assets	<u>381,627</u>	<u>122,957,909</u>	<u>-</u>
<b>Deferred Outflows of Resources:</b>			
Pension deferrals	49,365	777,002	-
OPEB deferrals	24,079	343,979	-
Total deferred outflows of resources	<u>73,444</u>	<u>1,120,981</u>	<u>-</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	2,303	1,504,878	-
Accrued interest payable	587	445,985	-
Due to other funds	6,025	99,268	-
Liabilities payable from restricted assets:			
Customer deposits payable	-	189,330	-
Compensated absences liability - current	4,222	68,269	-
Subscription liabilities - current	14,363	35,521	-
Federal revolving loan - current	-	36,746	-
Revenue bonds payable - current	-	96,000	-
Limited obligation bonds payable - current	-	1,965,000	-
General obligation bonds payable - current	-	251,000	-
Bond premiums - current	-	136,128	-
Total current liabilities	<u>27,500</u>	<u>4,828,125</u>	<u>-</u>

The accompanying notes are an integral part of the financial statements.

PENDER COUNTY, NORTH CAROLINA

PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2023

	<b>Business-Type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Solid Waste Fund</b>	<b>Combined Sewer Fund</b>	<b>Combined Water Fund</b>
Non-current liabilities:			
Compensated absences liability	15,955	7,468	40,625
Other postemployment benefit liability	180,497	103,045	371,291
Net pension liability	262,568	118,102	800,660
Subscription liabilities	-	-	21,748
Federal revolving loan	392,208	111,800	-
Revenue bonds payable	-	-	4,098,000
Limited obligation bonds payable	-	11,265,364	31,665,000
General obligation bonds payable	-	-	10,829,000
Bond premiums	-	841,241	1,542,272
Total non-current liabilities	<u>851,228</u>	<u>12,447,020</u>	<u>49,368,596</u>
Total liabilities	<u>1,405,312</u>	<u>13,589,024</u>	<u>52,473,133</u>
<b>Deferred Inflows of Resources:</b>			
Deferred gain on refunding	-	-	457,979
Pension deferrals	1,155	520	3,699
OPEB deferrals	172,598	77,669	552,313
Total deferred inflows of resources	<u>173,753</u>	<u>78,189</u>	<u>1,013,991</u>
<b>Net Position:</b>			
Net investment in capital assets	2,429,438	9,715,793	26,997,215
Restricted for HUD Section 8 housing	-	-	-
Unrestricted	<u>4,423,023</u>	<u>7,416,676</u>	<u>3,908,272</u>
Total net position	<u>\$ 6,852,461</u>	<u>\$ 17,132,469</u>	<u>\$ 30,905,487</u>

The accompanying notes are an integral part of the financial statements.



PENDER COUNTY, NORTH CAROLINA

PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2023

	<u>Business-Type Activities</u>		<u>Governmental</u>
	<u>Enterprise Funds</u>		<u>Activities</u>
	<u>Total</u>		<u>Internal</u>
	<u>Aggregate</u>		<u>Service Funds</u>
	<u>Nonmajor Funds</u>	<u>Total</u>	
Non-current liabilities:			
Compensated absences liability	4,222	68,270	-
Other postemployment benefit liability	49,288	704,121	-
Net pension liability	85,820	1,267,150	-
Subscription liabilities	14,601	36,349	-
Federal revolving loan	-	504,008	-
Revenue bonds payable	-	4,098,000	-
Limited obligation bonds payable	-	42,930,364	-
General obligation bonds payable	-	10,829,000	-
Bond premiums	-	2,383,513	-
Total non-current liabilities	<u>153,931</u>	<u>62,820,775</u>	<u>-</u>
Total liabilities	<u>181,431</u>	<u>67,648,900</u>	<u>-</u>
<b>Deferred Inflows of Resources:</b>			
Deferred gain on refunding	-	457,979	-
Pension deferrals	405	5,779	-
OPEB deferrals	60,409	862,989	-
Total deferred inflows of resources	<u>60,814</u>	<u>1,326,747</u>	<u>-</u>
<b>Net Position:</b>			
Net investment in capital assets	1,379	39,143,825	-
Restricted for HUD Section 8 housing	7,160	7,160	-
Unrestricted	204,287	15,952,258	-
Total net position	<u>\$ 212,826</u>	<u>\$ 55,103,243</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

PENDER COUNTY, NORTH CAROLINA

PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2023

	<b>Business-Type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Solid Waste Fund</b>	<b>Combined Sewer Fund</b>	<b>Combined Water Fund</b>
<b>Operating Revenues:</b>			
Charges for services	\$ 6,116,796	\$ 3,140,433	\$ 8,782,950
Dwelling rental	-	-	-
Miscellaneous	53,901	-	-
Total operating revenues	<u>6,170,697</u>	<u>3,140,433</u>	<u>8,782,950</u>
<b>Operating Expenses:</b>			
Cost of services	6,048,975	796,220	5,700,146
Depreciation and amortization	105,542	886,891	2,782,207
Total operating expenses	<u>6,154,517</u>	<u>1,683,111</u>	<u>8,482,353</u>
Operating income (loss)	<u>16,180</u>	<u>1,457,322</u>	<u>300,597</u>
<b>Non-Operating Revenues (Expenses):</b>			
Restricted intergovernmental	-	122,403	262,000
Interest income	-	48,442	6,228
Miscellaneous income	481,583	-	21,379
Gain (loss) on disposal/transfers of capital assets	-	(286,939)	307,755
Interest and other charges	(7,456)	(524,344)	(1,342,772)
Total non-operating revenues (expenses)	<u>474,127</u>	<u>(640,438)</u>	<u>(745,410)</u>
Income (loss) before transfers	<u>490,307</u>	<u>816,884</u>	<u>(444,813)</u>
Transfers in	-	27,916	925,838
Transfers out	-	(467,966)	(527,916)
Total transfers in (out)	<u>-</u>	<u>(440,050)</u>	<u>397,922</u>
Change in net position	490,307	376,834	(46,891)
<b>Net Position:</b>			
Beginning of year, July 1	<u>6,362,154</u>	<u>16,755,635</u>	<u>30,952,378</u>
End of year, June 30	<u>\$ 6,852,461</u>	<u>\$ 17,132,469</u>	<u>\$ 30,905,487</u>

The accompanying notes are an integral part of the financial statements.

PENDER COUNTY, NORTH CAROLINA

PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Business-Type Activities</u>		<u>Governmental</u>
	<u>Enterprise Funds</u>		<u>Activities</u>
	<u>Total</u>	<u>Total</u>	<u>Internal</u>
	<u>Aggregate</u>		<u>Service Funds</u>
	<u>Nonmajor Funds</u>	<u>Total</u>	
<b>Operating Revenues:</b>			
Charges for services	\$ -	\$ 18,040,179	\$ -
Dwelling rental	13,209	13,209	-
Miscellaneous	214,381	268,282	-
Total operating revenues	<u>227,590</u>	<u>18,321,670</u>	<u>-</u>
<b>Operating Expenses:</b>			
Cost of services	1,370,625	13,915,966	-
Depreciation and amortization	47,699	3,822,339	-
Total operating expenses	<u>1,418,324</u>	<u>17,738,305</u>	<u>-</u>
Operating income (loss)	<u>(1,190,734)</u>	<u>583,365</u>	<u>-</u>
<b>Non-Operating Revenues (Expenses):</b>			
Restricted intergovernmental	1,083,958	1,468,361	-
Interest income	156	54,826	-
Miscellaneous income	690	503,652	-
Gain (loss) on disposal/transfers of capital assets	(227,702)	(206,886)	-
Interest and other charges	(1,979)	(1,876,551)	-
Total non-operating revenues (expenses)	<u>855,123</u>	<u>(56,598)</u>	<u>-</u>
Income (loss) before transfers	<u>(335,611)</u>	<u>526,767</u>	<u>-</u>
Transfers in	-	953,754	-
Transfers out	(406,539)	(1,402,421)	(828,052)
Total transfers in (out)	<u>(406,539)</u>	<u>(448,667)</u>	<u>(828,052)</u>
Change in net position	(742,150)	78,100	(828,052)
<b>Net Position:</b>			
Beginning of year, July 1	<u>954,976</u>	<u>55,025,143</u>	<u>828,052</u>
End of year, June 30	<u>\$ 212,826</u>	<u>\$ 55,103,243</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

PENDER COUNTY, NORTH CAROLINA

PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities		
	Enterprise Funds		
	Solid Waste Fund	Combined Sewer Fund	Combined Water Fund
<b>Cash Flows From Operating Activities:</b>			
Receipts from customers and users	\$ 6,242,898	\$ 3,079,807	\$ 8,702,266
Payments to customers and suppliers	(5,495,101)	(568,077)	(3,962,183)
Payments to employees	(476,711)	(227,085)	(1,509,489)
Net cash provided (used) by operating activities	<u>271,086</u>	<u>2,284,645</u>	<u>3,230,594</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Acquisition & construction of capital assets	(68,273)	(195,594)	(5,984,355)
Proceeds from sale of asset	-	-	20,816
Repayment of debt	(30,170)	(850,171)	(1,441,734)
Proceeds from issuance of debt	-	-	65,640
Interest paid and issuance costs	(7,558)	(535,844)	(1,342,711)
Net cash provided (used) by capital and related financing activities	<u>(106,001)</u>	<u>(1,581,609)</u>	<u>(8,682,344)</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>			
State and federal grants	-	122,403	262,000
Miscellaneous revenues	481,583	-	21,379
Advances to and from other funds	2,594	1,323	(358,815)
Transfers in (out)	-	(440,050)	397,922
Net cash provided (used) by non-capital financing activities	<u>484,177</u>	<u>(316,324)</u>	<u>322,486</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>			
Interest on cash and cash equivalents	-	48,442	6,228
Net increase (decrease) in cash and cash equivalents	649,262	435,154	(5,123,036)
<b>Cash and Cash Equivalents:</b>			
Beginning of year, July 1	<u>3,906,287</u>	<u>7,792,852</u>	<u>10,890,891</u>
End of year, June 30	<u>\$ 4,555,549</u>	<u>\$ 8,228,006</u>	<u>\$ 5,767,855</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 16,180	\$ 1,457,322	\$ 300,597
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	105,542	886,891	2,782,207
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	72,201	(61,726)	(96,039)
Increase (decrease) in accounts payable and accrued expenses	23,387	(24,403)	18,600
Increase (decrease) in customer deposits payable	-	1,100	15,355
Increase (decrease) in compensated absences	5,233	1,863	11,708
Increase (decrease) in OPEB liability	(123,678)	(55,655)	(395,769)
(Increase) in deferred outflows of resources for OPEB	164	5,019	(46,250)
Increase (decrease) in deferred inflows of resources for OPEB	127,021	36,686	319,004
(Increase) in deferred outflows of resources for pensions	(65,933)	(29,670)	(210,985)
Increase (decrease) in net pension liability	201,063	90,477	643,400
Increase (decrease) in deferred inflows of resources for pensions	(90,094)	(23,259)	(111,234)
Net cash provided (used) by operating activities	<u>\$ 271,086</u>	<u>\$ 2,284,645</u>	<u>\$ 3,230,594</u>
<b>Non-Cash Transactions:</b>			
Transfer of capital assets (to) from other funds	\$ -	\$ (286,939)	\$ 286,939
Subscription assets acquired in exchange for subscription liability	\$ -	\$ -	\$ 65,715

The accompanying notes are an integral part of the financial statements.

PENDER COUNTY, NORTH CAROLINA

PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Business-Type Activities</u>		<u>Governmental</u>
	<u>Enterprise Funds</u>		<u>Activities</u>
	<u>Total</u>		<u>Internal</u>
	<u>Aggregate</u>	<u>Total</u>	<u>Service Funds</u>
	<u>Nonmajor Funds</u>		
<b>Cash Flows From Operating Activities:</b>			
Receipts from customers and users	\$ 239,665	\$ 18,264,636	\$ -
Payments to customers and suppliers	(1,180,722)	(11,206,083)	(18,432)
Payments to employees	(174,018)	(2,387,303)	-
Net cash provided (used) by operating activities	<u>(1,115,075)</u>	<u>4,671,250</u>	<u>(18,432)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Acquisition & construction of capital assets	(43,926)	(6,292,148)	-
Proceeds from sale of asset	655,000	675,816	-
Repayment of debt	(81,989)	(2,404,064)	-
Proceeds from issuance of debt	43,918	109,558	-
Interest paid and issuance costs	(1,415)	(1,887,528)	-
Net cash provided (used) by capital and related financing activities	<u>571,588</u>	<u>(9,798,366)</u>	<u>-</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>			
State and federal grants	1,083,958	1,468,361	-
Miscellaneous revenues	690	503,652	-
Advances to and from other funds	(30,308)	(385,206)	-
Transfers in (out)	(406,539)	(448,667)	(828,052)
Net cash provided (used) by non-capital financing activities	<u>647,801</u>	<u>1,138,140</u>	<u>(828,052)</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>			
Interest on cash and cash equivalents	156	54,826	-
Net increase (decrease) in cash and cash equivalents	104,470	(3,934,150)	(846,484)
<b>Cash and Cash Equivalents:</b>			
Beginning of year, July 1	246,236	22,836,266	846,484
End of year, June 30	<u>\$ 350,706</u>	<u>\$ 18,902,116</u>	<u>\$ -</u>
<b>Reconciliation of Operating Income (Loss) to</b>			
<b>Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (1,190,734)	\$ 583,365	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	47,699	3,822,339	-
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	14,975	(70,589)	-
Increase (decrease) in accounts payable and accrued expenses	(7,544)	10,040	(18,432)
Increase (decrease) in customer deposits payable	(2,900)	13,555	-
Increase (decrease) in compensated absences	(1,512)	17,292	-
Increase (decrease) in OPEB liability	(43,287)	(618,389)	-
(Increase) in deferred outflows of resources for OPEB	(3,092)	(44,159)	-
Increase (decrease) in deferred inflows of resources for OPEB	46,538	529,249	-
(Increase) in deferred outflows of resources for pensions	(23,076)	(329,664)	-
Increase (decrease) in net pension liability	70,372	1,005,312	-
Increase (decrease) in deferred inflows of resources for pensions	(22,514)	(247,101)	-
Net cash provided (used) by operating activities	<u>\$ (1,115,075)</u>	<u>\$ 4,671,250</u>	<u>\$ (18,432)</u>
<b>Non-Cash Transactions:</b>			
Transfer of capital assets (to) from other funds	\$ -	\$ -	\$ -
Subscription assets acquired in exchange for subscription liability	<u>\$ 43,926</u>	<u>\$ 109,641</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

**PENDER COUNTY, NORTH CAROLINA**

**STATEMENT OF FIDUCIARY NET POSITION**

**FIDUCIARY FUNDS**

**JUNE 30, 2023**

	<u>Custodial Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 96,218
Receivables, net	<u>130,335</u>
Total assets	<u>226,553</u>
 <b>Liabilities:</b>	
Accounts payable and accrued liabilities	<u>94,678</u>
 <b>Net Position:</b>	
Restricted for:	
Individuals, organizations and other governments	<u>\$ 131,875</u>

*The accompanying notes are an integral part of the financial statements.*

**PENDER COUNTY, NORTH CAROLINA**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Custodial Funds</u>
<b>Additions:</b>	
Ad valorem taxes for other governments	\$ 2,179,247
Collections on behalf of inmates	<u>146,236</u>
Total additions	<u>2,325,483</u>
<b>Deductions:</b>	
Tax distributions to other governments	2,179,209
Payments on behalf of inmates	<u>173,106</u>
Total deductions	<u>2,352,315</u>
Net increase (decrease) in fiduciary net position	(26,832)
<b>Net Position:</b>	
Net position - beginning	<u>158,707</u>
Net position - ending	<u>\$ 131,875</u>

*The accompanying notes are an integral part of the financial statements.*

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

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# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 1. 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 major enterprise funds.

**Pender County Water and Sewer Districts (the “Districts”):** Pender County Board of County Commissioners have established 5 “Water and Sewer Districts” for the purpose of constructing and operating Water and Sewer Distribution Systems for the residents of Pender County to provide potable water and access to sewer services. Under state law, NCGS 162A-89, the Pender County Board of Commissioners also serve as the governing board of the Districts. On June 21, 2021, the Pender County Board of Commissioners determined that the operations of these Districts are to be interconnected and combined for efficiencies and overall provision of services, effective for reporting period July 1, 2022. The County and the Districts entered into an interlocal agreement pursuant to the authority of NCGS 160A-461, under which local governments may contract or enter into agreements with another local government “in order to execute any undertaking”. That agreement sets forth the terms pursuant to which the County and the Districts will jointly exercise their respective authority in connection with the operation of public water and sewer services. These Districts, as listed below, are now presented as combined water and sewer major enterprise funds in the Pender County financials as of Fiscal Year 2022-2023.

- **Maple Hill Water and Sewer 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.
- **Rocky Point-Topsail Water and Sewer District (“the District”):** The District was established by the Pender County Board of Commissioners in 1996. This district covers the largest area, from Rocky-Point east to Topsail Township, and the majority of the customers for Pender County Utilities.-
- **Scotts Hill Water and Sewer District (“the District”):** The District was established by the Pender County Board of Commissioners on February 20, 2006 and began serving customers in November 2011. 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.

# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

- **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.
- **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.

**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. Separate financial statements are not issued for the Authority.

**Pender FinCorp:** Pender FinCorp (“the FinCorp”) is a nonprofit corporation duly organized and validly existing. The FinCorp exists to assist Pender County, North Carolina, in carrying out the County’s public functions, and in particular to facilitate the County’s financing of capital projects. The County’s Board of Commissioners are responsible for appointing the members of the board of the FinCorp, and the County can remove any member of the board with or without cause. The FinCorp is initially involved in the debt refunding transactions of the 2020 Series refunding bonds. The FinCorp has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The Pender FinCorp does not issue separate financial statements.

**Pender County Public Facilities Company:** Pender County Public Facilities Company (“the Company”) is a nonprofit corporation duly organized and validly existing. The Company exists to assist Pender County, North Carolina, in carrying out the County’s public functions to promote the general welfare of the citizens, and in particular to facilitate the County’s financing of capital projects. The County’s Board of Commissioners are responsible for appointing the members of the board of the Company, and the County can remove any member of the board with or without cause. The Company is initially involved in the debt refunding transactions of the 2015 Series refunding bonds. The Company has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The Pender County Public Facilities Company does not issue separate financial statements.

# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### Discretely Presented Component Units

The discretely presented component units presented below are reported in separate columns in the County's government-wide financial statements in order to emphasize that they are 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 Pender County ABC Board may be obtained at:

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

**Pender Tourism Development Authority:** The Pender County Board of Commissioners may levy a room occupancy tax of up to three percent (3%) of the gross receipts derived from the rental of any room, lodging, or accommodation furnished by a hotel, motel, inn, tourist camp, or similar place within the County that is subject to sales tax imposed by the State under G.S. 105-164.4(a)(3) and from the rental of private residences and cottages, whether or not the residence or cottage is rented for fewer than 15 days. This tax is in addition to any state or local sales tax. When the Board of Commissioners adopts a resolution levying a room occupancy tax, it shall also adopt a resolution creating a county Tourism Development Authority, which shall be a public authority under the Local Government Budget and Fiscal Control Act. At least one-third of the members must be individuals who are affiliated with businesses that collect the tax in the county, and at least three-fourths of the members must be individuals who are currently active in the promotion of travel and tourism in the County. The Authority shall expend the net proceeds of the tax remitted to it to promote travel, tourism, and conventions in the County, sponsor tourist-related events and activities in the County, and finance tourist-related capital projects in the County. The TDA, which has a June 30 year-end, and is presented as if it were a governmental fund (discrete presentation), has elected not to issue separate financial statements, but to include all relevant information required by generally accepted accounting principles as supplementary information in the County's Annual Financial Report.

### B. Basis of Presentation

*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.

# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 nonmajor 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. The Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund.

**Public School Special Revenue Fund.** This fund is used to track debt service for public school bonds.

**ARPA Fund.** The ARPA Fund is a grant project special revenue fund used to account for the County's portion of the American Rescue Plan Act (ARPA) funding.

**Rescue District Fund.** This fund is a Special Revenue Fund used to account for the tax revenues collected by the County on behalf of rescue districts located within the County.

**Opioid Settlement Fund.** This fund is a Special Revenue Fund used to account for settlement proceeds that are restricted for use for a particular purpose.

# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The County reports the following major enterprise funds:

**Solid Waste Fund.** This fund accounts for the services contracted for the operation, maintenance, and development of various convenience sites and the transfer station. The Solid Waste Capital Project Fund has been consolidated into the Solid Waste Fund for reporting purposes. Budgetary comparisons for these funds have been included in the supplementary information.

**Combined Sewer Fund.** This fund is used to account for the operations of the wastewater treatment facilities. The Maple Hill Sewer Capital Project Fund and the PCP Wastewater Treatment Plant Capital Project Fund have been consolidated into the Combined Sewer Fund for reporting purposes. Budgetary comparisons for these funds have been included in the supplementary information.

**Combined Water Fund.** This fund is used to account for the operations of the water treatment plant and the interconnected distribution systems. The Scotts Hill Elevated Tank & Wells Capital Project Fund, the Rocky Point/Topsail Water Treatment Plant Upgrade Capital Project Fund, the Rocky Point/Topsail Water Phase V Capital Project Fund, the Scotts Hill Water & Sewer Capital Project Fund, the Water Treatment Plant Capital Project Fund, and the US 421 Water & Sewer Expansion Capital Project Fund have been consolidated into the Combined Water Fund for reporting purposes. Budgetary comparisons for these funds have been included in the supplementary information.

**Internal Service Funds** – The internal service funds are used to account for the financial activities of the County’s self-insured employee health insurance and workers' compensation. These funds are closed at the end of fiscal year 2023.

**Fiduciary Funds** – include the following fund types:

**Custodial Funds** – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria. The County maintains the following custodial funds: the Municipal Tax Collections Fund, which is used to account for monies collected from ad valorem taxes for the benefit of municipalities located in the County and monies collected from gross receipts taxes for the benefit of municipalities located in the County; the Jail Inmate Fund, which is used to account for the monies of jail inmates for the benefit of the jail inmates.

The County reports the following nonmajor funds:

**Governmental Funds:** Fire Service District Fund, 911 Emergency Telephone Fund, Cooperative Extension Fund, Capital Improvements Fund, and School Capital Projects Fund

**Enterprise Funds:** Section 8 Admin. Fund and Country Court Apartments Fund

**Internal Service Funds:** Employee Health Insurance Fund and Workers’ Compensation Fund

# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### C. Measurement Focus and Basis of Accounting

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, proprietary, and fiduciary fund financial statements are reported using the economic resources 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/amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*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. Issuance of general long-term debt and acquisitions under leases and IT subscriptions 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



# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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.

### **D. 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, Revaluation Fund, 911 Emergency Telephone Systems, Fire Service District Fund, Rescue District Fund, Cooperative Extension Fund, Public School Special Revenue Fund, Opioid Settlement Fund, and the Enterprise Operating Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the ARPA Fund, Capital Improvements Fund, School Capital Fund, 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 \$10,000. 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.

### **E. Deposits and Investments**

All deposits of the County, the ABC Board, and the Tourism Authority are made in Board-designated official depositories and are secured as required by G.S. 159-31. The County, the ABC Board, and the Tourism Authority 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.

# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

State law [G.S. 159-30] authorizes the County, the ABC Board, and the Tourism Authority 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, the ABC Board, and the Tourism Authority's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The NCCMT Government Portfolio, an SEC-registered (2a-7) government money market mutual fund, is measured at fair value and is rated AAAm by S&P and AAA-mf by Moody Investor Services. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost.

### **F. Cash and Cash Equivalents**

The County pools monies from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The County, the ABC Board, and the Tourism Authority considers demand deposits and investments with a maturity date of 90 days or less at the time of purchase to be cash and cash equivalents.

### **G. 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. Debt service reserve is required balances held for debt purposes by the financial institutions. Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected. Representative payee deposits held by the County are restricted for the beneficiaries it is being held for. Money in the Tax Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150. Restrictions are also in place for grants in the Section 8 Admin. Fund. Advances from grantors in the ARPA Fund, and the Capital Improvements Fund are classified as restricted because their use is completely restricted for the purpose for which the grants were awarded. Unexpended settlement proceeds are classified as restricted assets because these funds have been awarded to the County and the use is completely restricted by the agreement between the state of North Carolina and the pharmaceutical companies involved in the opioid litigation.

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**Governmental Activities:**

General Fund	Representative payee deposits	\$ 70,249
General Fund	Tax revaluation	956,501
Opioid Settlement Fund	Unspent opioid settlement proceeds	489,061
ARPA Fund	Advances from grantors	11,568,544
Capital Improvements Fund	Advances from grantors	4,214
Total governmental activities		13,088,569

**Business-Type Activities:**

Combined Water Fund	Debt service reserve	207,413
Combined Water Fund	Customer deposits	181,030
Combined Sewer Fund	Unexpended bond proceeds	542,075
Combined Sewer Fund	Customer deposits	8,300
Section 8 Admin. Fund	Grant restrictions	7,160
Total business-type activities		945,978

Total restricted cash	\$ 14,034,547
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**H. 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, 2022. 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.

**I. 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.

**J. Inventories and Prepaid Items**

The inventories of the County and the ABC Board are valued at cost (first-in, first-out), which approximates market. The County's General Fund inventory consists of expendable supplies that are recognized as expenditures when purchased. If significant, the amount of inventory on hand at year end is reported on the balance sheet in the governmental funds. However, in the Government-wide Statement Activities the cost of these inventories is expensed as the items are used.

The inventories of the County's enterprise fund, and those of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 and expensed as the items are used.

### **K. 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.

The County's capital assets also include certain right-to-use assets. These right-to-use assets arise in association with agreements where the County reports a lease (only applies when the County is the lessee) or agreements where the County reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right-to-use lease assets are amortized on a straight-line basis over the life of the related lease.

The right-to-use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right-to-use subscription assets should be amortized on a straight-line basis over the subscription term.

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

Capital assets of the County and Tourism Authority 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

**L. 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 assets 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 – 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 assets 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 – property taxes receivable, grants receivable, unavailable revenues (reported only on the Balance Sheet of the Governmental Funds), prepaid taxes, deferred gain on refunding, and other pension-related and OPEB deferrals.

**M. 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.

# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### N. Compensated Absences

The vacation policies of the County provide 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, 2023 amounted to \$1,428,673 in total, \$1,292,134 of which represents the liability of the governmental funds and is recorded in the government-wide financial statements and \$136,539 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 accumulate up to 240 hours earned vacation, and such leave is fully vested when earned. Accumulated earned vacation amounted to approximately \$39,051 at June 30, 2023. 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.

### O. Opioid Settlement Funds

In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors, McKesson, AmerisourceBergen, and Cardinal Health, finalized a \$26 billion-dollar nationwide settlement related to multiple opioid lawsuits. These funds will be disbursed to each participating state over an 18-year period according to an allocation agreement reached with all participating states. The majority of these funds are intended for opioid abatement and the distribution of the funds will be front loaded.

North Carolina's Memorandum of Agreement (MOA) between the state and local governments for the settlement funds allocates the funds as follows:

- 15% directly to the state ("State Abatement Fund")
- 80% to abatement funds established by Local Governments ("Local Abatement Funds")
- 5% to a County Incentive Fund

The County received \$489,061 during fiscal year 2023 as part of this settlement. Per the terms of the MOA, the County created a special revenue fund, the Opioid Settlement Fund, to account for these funds. All funds are to be used for opioid abatement and remediation activities. Funds are restricted until expended. No funds have been expended as of June 30, 2023. The MOA offered the County two options of expending the funds. The County opted for Option A, which allows the County to fund one or more high-impact strategies from a list of evidence-based strategies to combat the opioid epidemic.

# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### **P. Reimbursements for Pandemic-related Expenditures**

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. The County was allocated \$12,248,666 of fiscal recovery funds to be paid in two equal installments. The first installment of \$6,124,333 was received in October 2021. The second installment was received in November 2022. County staff and the Board of Commissioners have elected to use all of these funds toward the Pender County Utilities US 421 Sewer Pump Station, Force Main, & Water Line Project. During fiscal year ended June 30, 2023, a total of \$457,872 was expended in the project. As of fiscal year ended June 30, 2023, \$680,122 have been spent-to-date.

### **Q. 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 position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted for HUD Section 8 housing – represents a portion of net position restricted by HUD related to the Housing Choice Voucher Program to be used for future HAP payments.

Unrestricted net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

#### **Fund Balances**

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

The governmental fund types classify fund balances as follows:

#### **Non-Spendable 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.

*Inventory* – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

*Notes Receivable* – portion of fund balance that is not an available resource because it represents long-term receivables, which are not spendable resources.

# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### **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 designed to improve and maintain the fiscal health of local government units. Restricted by state statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by state statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable. 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 and Human Services* – portion of fund balance that is restricted by revenue source for the health and human services.

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

*Restricted for Automation Enhancement and Preservation* – the portion of fund balance constituting the Automation Enhancement and Preservation Fund, funded by 10% of the fees collected and maintained by the Register of Deeds' office. The funds are available for appropriation but are legally restricted for computer and imaging technology in the Register of Deeds' office.

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount restricted for Register of Deeds pension plan of \$165,361 as of June 30, 2023.

### **Committed Fund Balance**

This classification represents the portion of fund balance that can only be used for specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Commissioners is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.



# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

*Committed for Tax Revaluation* – portion of fund balance committed for Tax Revaluation.

*Committed for Cultural and Recreation* – portion of fund balance committed for library improvements.

*Committed for Capital Outlay and Improvements* – portion of fund balance committed for capital outlay and improvements.

### **Assigned Fund Balance**

This classification represents the portions of fund balance that Iredell County intends to use for specific purposes, but do not meet the criteria to be classified as committed. Assignments of fund balance are generally created by action of the County's governing body, such as the adoption of an annual budget or project ordinance. However, an additional Board action is not required for the removal of an assignment.

*Economic and Physical Development* – portion of fund balance set aside for the County's cooperative extension programs.

**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.

### **R. Estimates**

**Significant Estimates.** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts, depreciation lives, and the closure/post-closure costs of the landfill.

# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### S. 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.

## 2. Stewardship, Compliance, and Accountability

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

#### Budget Violations – Excess of Expenditures over Appropriations

The County is in violation of state law (G.S. 159-28). State law requires that obligations of the unit be pre-audited in accordance with the Local Government Budget and Fiscal Control Act. For the fiscal year ended June 30, 2023, actual expenditures exceeded budgeted expenditures for the following funds: Rescue District Fund, Cooperative Extension Fund, and General Fund. Management concurs. Management and the Board will more closely review the budget reports to ensure compliance in future years.

### B. Non-Compliance with North Carolina General Statutes

N.C. General Statute 159-34 requires the County to have an audit as soon as possible after the close of each fiscal year. The 2023 audit was delayed; refer to finding 2023-004 for further information.

### C. Finance Officer Bonding

For the fiscal year ended June 30, 2023, the Board-appointed Finance Officer for the County and the Tourism Authority is not individually bonded to meet the requirements of N.C. General Statute 159-29 and the requirements of S.L. 2022-53 Section 9(a).

# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 3. Detail Notes on All Funds

#### A. Assets

##### Deposits

All the County's, the ABC Board's and the Tourism Authority'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, the ABC Board's, or the Tourism Authority'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, ABC Board and Tourism Authority, 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 noninterest-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, ABC Board and Tourism Authority, 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, ABC Board, and Tourism Authority 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, 2023, the County's deposits had a carrying amount of \$5,658,362 and a bank balance of \$6,165,398. Of the bank balance, \$329,033 was covered by federal depository insurance and \$5,836,365 was covered by collateral held under the Pooling Method. At June 30, 2023, Pender County had \$2,386 cash on hand.

At June 30, 2023, the carrying amount of deposits for Pender County ABC Board was \$618,934 and the bank balance was \$491,670. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining was covered by collateral held under the Pooling Method. At June 30, 2023, Pender County ABC Board had \$800 cash on hand.

At June 30, 2023, the Pender Tourism Development Authority's deposits had a carrying amount of \$114,178 and a bank balance of \$114,178. Of the bank balance, \$114,178 was covered by collateral held under the Pooling Method.

First Citizens Bank and Trust Company has selected the Pooling Method to secure public deposits.

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**Investments**

As of June 30, 2023, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>Less Than</u>		
			<u>6 Months</u>	<u>6-12 Months</u>	<u>1-3 Years</u>
NC Capital Management Trust:					
Government Portfolio	Fair Value-Level 1	<u>\$109,256,379</u>	<u>\$109,256,379</u>	<u>N/A</u>	<u>N/A</u>

\*Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months. The NCCMT Government Portfolio has an AAAM rating from S&P and AAA-mf by Moody’s Investor Service.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy - Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates, the County’s investment policy limits no less than 30% of the total investment portfolio shall mature within 30 days. No less than 75% of the portfolio shall mature in 90 days, and the average maturity of the portfolio shall not exceed one year.

*Credit Risk.* The NC Capital Management Trust Government Portfolio is rated AAAM by Standard & Poor’s and AAA-mf by Moody’s Investor Services. The County has no policy regarding credit risk.

**Property Tax - Use-Value Assessment on Certain Lands**

In accordance with the general statutes, agriculture, horticulture, and forestland may be taxed at present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years along with accrued interest from the original due date. This tax is immediately due and payable. Shown below are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year of Levy</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,917,729	\$ 635,248	\$ 2,552,977
2021	1,924,714	461,932	2,386,646
2022	1,888,967	280,511	2,169,478
2023	<u>2,150,288</u>	<u>123,104</u>	<u>2,273,392</u>
Total	<u>\$ 7,881,698</u>	<u>\$ 1,500,795</u>	<u>\$ 9,382,493</u>

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**Receivables**

Receivables at the government-wide level at June 30, 2023, were as follows:

	<u>Accounts Receivable</u>	<u>Property Taxes</u>	<u>Sales Tax</u>	<u>Due from Other Governments</u>	<u>Total</u>
<b>Governmental Activities:</b>					
General	\$ 863,812	\$ 3,875,886	\$ 591,743	\$ 7,644,093	\$ 12,975,534
Public School Special Revenue	-	-	-	1,882,078	1,882,078
Rescue District	153,814	550,841	-	-	704,655
Opioid Settlement	6,327,553	-	-	-	6,327,553
Other nonmajor governmental	<u>23,852</u>	<u>453,225</u>	-	<u>760,178</u>	<u>1,237,255</u>
Total receivables	7,369,031	4,879,952	591,743	10,286,349	23,127,075
Allowance for doubtful accounts	<u>1,265,511</u>	<u>875,369</u>	-	-	<u>2,140,880</u>
Total governmental activities	<u>\$ 6,103,520</u>	<u>\$ 4,004,583</u>	<u>\$ 591,743</u>	<u>\$ 10,286,349</u>	<u>\$ 20,986,195</u>
<b>Business-Type Activities:</b>					
Solid Waste	\$ 121,925	\$ 1,142,933	\$ -	\$ -	\$ 1,264,858
Combined Sewer	174,713	-	-	-	174,713
Combined Water	<u>2,440,072</u>	-	-	-	<u>2,440,072</u>
Total receivables	2,736,710	1,142,933	-	-	3,879,643
Allowance for doubtful accounts	<u>1,266,790</u>	<u>461,017</u>	-	-	<u>1,727,807</u>
Total business-type activities	<u>\$ 1,469,920</u>	<u>\$ 681,916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,151,836</u>

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

Local option sales tax	\$ 6,000,435
FEMA grants	2,699,245
Other grants	693,469
DMV - vehicle tax	611,594
Health grants	13,009
DSS grants	<u>268,597</u>
Total	<u>\$ 10,286,349</u>

The Custodial Funds' accounts receivable is presented net of the allowance for uncollectible accounts of \$14,415.

Notes receivable at June 30, 2023 of \$416,661 consists of an interest free note from a developer with a maturity date of August 31, 2025.

# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### Capital Assets

A summary of changes in the County's governmental capital assets are as follows:

	<u>Balance</u>				<u>Balance</u>
	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2023</u>
<b>Governmental Activities:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 14,170,608	\$ 660,887	\$ (20,337)	\$ -	\$ 14,811,158
Construction in progress	<u>1,546,966</u>	<u>597,226</u>	<u>(223,806)</u>	<u>(143,820)</u>	<u>1,776,566</u>
Total non-depreciable capital assets	<u>15,717,574</u>	<u>1,258,113</u>	<u>(244,143)</u>	<u>(143,820)</u>	<u>16,587,724</u>
<b>Depreciable Capital Assets:</b>					
Buildings and improvements	32,700,957	469,314	-	143,820	33,314,091
Intangibles	2,941,895	-	-	-	2,941,895
Equipment	4,692,506	525,580	(114,601)	-	5,103,485
Vehicles	<u>6,149,064</u>	<u>1,594,200</u>	<u>(296,277)</u>	<u>-</u>	<u>7,446,987</u>
Total depreciable capital assets	<u>46,484,422</u>	<u>2,589,094</u>	<u>(410,878)</u>	<u>143,820</u>	<u>48,806,458</u>
<b>Right-to-Use Assets:</b>					
Leased buildings	50,126	-	(50,126)	-	-
Leased equipment	35,561	-	-	-	35,561
Leased computer equipment	542,755	-	-	-	542,755
Subscriptions	<u>-</u>	<u>2,871,712</u>	<u>-</u>	<u>-</u>	<u>2,871,712</u>
Total right-to-use assets	<u>628,442</u>	<u>2,871,712</u>	<u>(50,126)</u>	<u>-</u>	<u>3,450,028</u>
<b>Less Accumulated Depreciation:</b>					
Buildings and improvements	18,487,713	929,766	-	-	19,417,479
Intangibles	1,483,470	120,057	-	-	1,603,527
Equipment	2,678,064	439,371	(114,601)	-	3,002,834
Vehicles	<u>4,772,410</u>	<u>604,336</u>	<u>(212,386)</u>	<u>-</u>	<u>5,164,360</u>
Total accumulated depreciation	<u>27,421,657</u>	<u>2,093,530</u>	<u>(326,987)</u>	<u>-</u>	<u>29,188,200</u>
<b>Less Accumulated Amortization:</b>					
Leased buildings	20,886	29,240	(50,126)	-	-
Leased equipment	6,193	7,646	-	-	13,839
Leased computer equipment	197,365	197,365	-	-	394,730
Subscriptions	<u>-</u>	<u>274,494</u>	<u>-</u>	<u>-</u>	<u>274,494</u>
Total accumulated amortization	<u>224,444</u>	<u>508,745</u>	<u>(50,126)</u>	<u>-</u>	<u>683,063</u>
Total capital assets being depreciated, net	<u>19,466,763</u>				<u>22,385,223</u>
Governmental activity capital assets, net	<u>\$ 35,184,337</u>				<u>\$ 38,972,947</u>

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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

General government	\$ 1,606,392
Public safety	680,737
Human services	148,258
Economic and physical development	28,514
Cultural and recreational	<u>138,374</u>
Total depreciation expense	<u><u>\$ 2,602,275</u></u>

A summary of changes in the County's business-type capital assets follows:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2023</u>
<b>Business-Type Activities:</b>					
<b>Solid Waste Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 246,417	\$ -	\$ -	\$ -	\$ 246,417
<b>Depreciable Capital Assets:</b>					
Buildings and improvements	3,553,015	-	-	-	3,553,015
Vehicles	29,788	59,035	-	-	88,823
Equipment	55,235	9,238	-	-	64,473
Total depreciable capital assets	<u>3,638,038</u>	<u>68,273</u>	<u>-</u>	<u>-</u>	<u>3,706,311</u>
<b>Less Accumulated Depreciation:</b>					
Buildings and improvements	924,990	87,025	-	-	1,012,015
Vehicles	16,881	16,234	-	-	33,115
Equipment	53,499	2,283	-	-	55,782
Total accumulated depreciation	<u>995,370</u>	<u>105,542</u>	<u>-</u>	<u>-</u>	<u>1,100,912</u>
Total depreciable capital assets, net	<u>2,642,668</u>				<u>2,605,399</u>
Solid Waste Fund capital assets, net	<u>\$ 2,889,085</u>				<u>\$ 2,851,816</u>

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2023</u>
<b>Business-Type Activities:</b>					
<b>Combined Sewer Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Construction in progress	\$ 394,615	\$ 123,970	\$ -	\$ -	\$ 518,585
<b>Depreciable Capital Assets:</b>					
Buildings and improvements	28,838,080	-	-	(1,202,031)	27,636,049
Vehicles	-	25,653	-	-	25,653
Equipment	33,625	53,422	-	-	87,047
Total depreciable capital assets	<u>28,871,705</u>	<u>79,075</u>	<u>-</u>	<u>(1,202,031)</u>	<u>27,748,749</u>
<b>Less Accumulated Depreciation:</b>					
Buildings and improvements	5,840,258	954,230	-	(915,092)	5,879,396
Vehicles	-	5,131	-	-	5,131
Equipment	33,625	4,007	-	-	37,632
Total accumulated depreciation	<u>5,873,883</u>	<u>963,368</u>	<u>-</u>	<u>(915,092)</u>	<u>5,922,159</u>
Total depreciable capital assets, net	<u>22,997,822</u>				<u>21,826,590</u>
Combined Sewer					
Fund capital assets, net	<u>\$ 23,392,437</u>				<u>\$ 22,345,175</u>



**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2023</u>
<b>Business-Type Activities:</b>					
<b>Combined Water Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 366,193	\$ 14,600	\$ -	\$ -	\$ 380,793
Construction in progress	<u>1,589,704</u>	<u>6,173,151</u>	<u>-</u>	<u>-</u>	<u>7,762,855</u>
Total non-depreciable capital assets	<u>1,955,897</u>	<u>6,187,751</u>	<u>-</u>	<u>-</u>	<u>8,143,648</u>
<b>Depreciable Capital Assets:</b>					
Buildings and improvements	85,500,710	-	-	1,202,031	86,702,741
Intangibles	4,245,518	-	-	-	4,245,518
Vehicles	830,077	247,609	(41,955)	-	1,035,731
Equipment	<u>289,970</u>	<u>61,950</u>	<u>-</u>	<u>-</u>	<u>351,920</u>
Total depreciable capital assets	<u>90,866,275</u>	<u>309,559</u>	<u>(41,955)</u>	<u>1,202,031</u>	<u>92,335,910</u>
<b>Right-to-Use Assets:</b>					
Subscriptions	<u>-</u>	<u>65,715</u>	<u>-</u>	<u>-</u>	<u>65,715</u>
<b>Less Accumulated Depreciation:</b>					
Buildings and improvements	16,865,266	2,322,747	-	915,092	20,103,105
Intangibles	2,518,213	414,959	-	-	2,933,172
Vehicles	617,700	83,987	(41,955)	-	659,732
Equipment	<u>131,246</u>	<u>31,027</u>	<u>-</u>	<u>-</u>	<u>162,273</u>
Total accumulated depreciation	<u>20,132,425</u>	<u>2,852,720</u>	<u>(41,955)</u>	<u>915,092</u>	<u>23,858,282</u>
<b>Less Accumulated Amortization:</b>					
Subscriptions	<u>-</u>	<u>10,946</u>	<u>-</u>	<u>-</u>	<u>10,946</u>
Total depreciable capital assets, net	<u>70,733,850</u>				<u>68,532,397</u>
Combined Water					
Fund capital assets, net	<u>\$ 72,689,747</u>				<u>\$ 76,676,045</u>

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2023</u>
<b>Business-Type Activities:</b>					
<b>Section 8 Administration Fund:</b>					
<b>Depreciable Capital Assets:</b>					
Intangibles	\$ 9,383	\$ -	\$ -	\$ -	\$ 9,383
Vehicles	<u>15,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,615</u>
Total depreciable capital assets	<u>24,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,998</u>
<b>Right-to-Use Assets:</b>					
Subscriptions	<u>-</u>	<u>43,926</u>	<u>-</u>	<u>-</u>	<u>43,926</u>
<b>Less Accumulated Depreciation:</b>					
Intangibles	9,383	-	-	-	9,383
Vehicles	<u>15,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,615</u>
Total accumulated depreciation	<u>24,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,998</u>
<b>Less Accumulated Amortization:</b>					
Subscriptions	<u>-</u>	<u>13,583</u>	<u>-</u>	<u>-</u>	<u>13,583</u>
Total depreciable capital assets, net	<u>-</u>				<u>30,343</u>
Section 8 Administration Fund capital assets, net	<u>\$ -</u>				<u>\$ 30,343</u>

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2023</u>
<b>Business-Type Activities:</b>					
<b>Country Court Apartments Fund:</b>					
<b>Depreciable Capital Assets:</b>					
Buildings and improvements	\$ 1,206,449	\$ -	\$ (1,206,449)	\$ -	\$ -
Intangibles	<u>1,200</u>	<u>-</u>	<u>(1,200)</u>	<u>-</u>	<u>-</u>
Total depreciable capital assets	<u>1,207,649</u>	<u>-</u>	<u>(1,207,649)</u>	<u>-</u>	<u>-</u>
<b>Less Accumulated Depreciation:</b>					
Buildings and improvements	289,631	34,116	(323,747)	-	-
Intangibles	<u>1,200</u>	<u>-</u>	<u>(1,200)</u>	<u>-</u>	<u>-</u>
Total accumulated depreciation	<u>290,831</u>	<u>34,116</u>	<u>(324,947)</u>	<u>-</u>	<u>-</u>
Country Court Apartments capital assets, net	<u>\$ 916,818</u>				<u>\$ -</u>

# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### Construction Commitments

The government has active construction projects as of June 30, 2023. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Design-Build H&HS Building	\$ 143,219	\$ 2,460,643
Scotts Hill Tank & Well	4,548,575	6,227,565
Water Treatment Plant High Service		
Pump Station Upgrade	-	732,777
US 421 Pump Station	311,184	59,831
Wastewater Treatment Plant Berm	-	574,602
Total	<u>\$ 5,002,978</u>	<u>\$ 10,055,418</u>

### Discretely Presented Component Unit

Capital asset activity for the ABC Board for the year ended June 30, 2023, was as follows:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2023</u>
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 467,543	\$ -	\$ (18,183)	\$ 449,360
Construction in progress	266,500	860,822	(266,500)	860,822
Total non-depreciable capital assets	<u>734,043</u>	<u>860,822</u>	<u>(284,683)</u>	<u>1,310,182</u>
<b>Depreciable Capital Assets:</b>				
Buildings	17,147	-	-	17,147
Building addition	96,564	-	-	96,564
Land improvements	13,313	-	-	13,313
Roof replacement	29,695	-	-	29,695
Equipment	264,833	-	-	264,833
Vehicles	51,267	-	-	51,267
Total depreciable capital assets	<u>472,819</u>	<u>-</u>	<u>-</u>	<u>472,819</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	17,147	-	-	17,147
Building addition	84,255	1,932	-	86,187
Land improvements	5,326	666	-	5,992
Roof replacement	29,695	-	-	29,695
Equipment	173,695	14,777	-	188,472
Vehicles	48,704	2,563	-	51,267
Total accumulated depreciation	<u>358,822</u>	<u>19,938</u>	<u>-</u>	<u>378,760</u>
Total depreciable capital assets, net	<u>113,997</u>	<u>-</u>	<u>-</u>	<u>94,059</u>
ABC Board capital assets, net	<u>\$ 848,040</u>	<u>-</u>	<u>-</u>	<u>\$ 1,404,241</u>

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**B. Liabilities**

**Payables and Accrued Liabilities**

Payables and accrued liabilities at the government-wide level at June 30, 2023, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Customer Deposits</u>	<u>Total</u>
<b>Governmental Activities:</b>					
General	\$ 2,680,516	\$ 465,934	\$ 63,907	\$ -	\$ 3,210,357
Public School Special Revenue	-	-	788,363	-	788,363
Rescue District	308,858	-	-	-	308,858
Other non-major governmental	554,234	-	-	-	554,234
Total governmental activities	<u>\$ 3,543,608</u>	<u>\$ 465,934</u>	<u>\$ 852,270</u>	<u>\$ -</u>	<u>\$ 4,861,812</u>
<b>Business-Type Activities:</b>					
Solid Waste	\$ 479,002	\$ 7,031	\$ 1,140	\$ -	\$ 487,173
Combined Sewer	33,562	3,757	126,344	8,300	171,963
Combined Water	956,121	23,102	317,914	181,030	1,478,167
Other non-major business-type	549	1,754	587	-	2,890
Total business-type activities	<u>\$ 1,469,234</u>	<u>\$ 35,644</u>	<u>\$ 445,985</u>	<u>\$ 189,330</u>	<u>\$ 2,140,193</u>

**Pension Plan and Other Post-Employment Liabilities**

**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 Annual Comprehensive Financial Report for the state of North Carolina. The state's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

## PENDER COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

**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.

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, 2023, was 13.10% of compensation for law enforcement officers and 12.10% 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 \$3,043,388 for the year ended June 30, 2023.

**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.

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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

At June 30, 2023, the County reported a liability of \$17,098,040 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2023, the County's proportion was 0.30308% (measured as of June 30, 2022), which was an increase of 0.00759% from its proportion as of June 30, 2022 (measured as of June 30, 2021).

For the year ended June 30, 2023, the County recognized pension expense of \$5,086,910. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 736,739	\$ 72,233
Changes of assumptions	1,706,001	-
Net difference between projected and actual earnings on pension plan investments	5,651,081	-
Changes in proportion and differences between County contributions and proportionate share of contributions	385,806	-
County contributions subsequent to the measurement date	3,043,388	-
Total	\$ 11,523,015	\$ 72,233

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

\$3,043,388 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2024	\$ 2,752,393
2025	2,302,700
2026	660,021
2027	2,692,280
2028	-
Thereafter	-
<b>Total</b>	<b>\$ 8,407,394</b>

*Actuarial Assumptions.* The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

The plan actuary currently uses mortality tables that vary by age, gender, employee group (i.e., general and 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. public plan population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions and methods used in the December 31, 2021 actuarial valuation was based on the results of an actuarial experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

Future and ad hoc cost of living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income returns 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.

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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, 2022, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed income	33.0%	0.9%
Global equity	38.0%	6.5%
Real estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Opportunistic fixed income	7.0%	5.0%
Inflation sensitive	<u>6.0%</u>	2.7%
Total	<u><u>100.0%</u></u>	

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. 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 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

*Discount Rate.* The discount rate used to measure the total pension liability was 6.50%. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those 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 benefits payments to determine the total pension liability.



**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

*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 6.50 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	<b>1% Decrease (5.50%)</b>	<b>Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
County's proportionate share of the net pension liability (asset)	<u>\$ 30,859,760</u>	<u>\$ 17,098,040</u>	<u>\$ 5,757,583</u>

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

**Law Enforcement Officers' Special Separation Allowance**

*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. A separate report was not issued for the plan.

All full-time law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2021 valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Inactive members currently receiving benefits	-
Active plan members	<u>80</u>
Total	<u><u>82</u></u>

# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 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.

**Actuarial Assumptions.** The entry age normal actuarial cost method was used in the December 31, 2021 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	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.31 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20-Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2021 valuation was based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019.

**Mortality Assumption:** All mortality rates use Pub-2010 amount-weighted tables.

**Mortality Projection:** All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

**Deaths After Retirement (Healthy):** Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

**Deaths After Retirement (Disabled Members at Retirement):** Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

**Deaths After Retirement (Survivors of Deceased Members):** Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

**Deaths Prior to Retirement:** Mortality rates are based on the Safety Mortality Table for Employees.

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**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 \$48,634 as benefits came due.

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

At June 30, 2023, the County reported a total pension liability of \$2,445,185. The total pension liability was measured as of December 31, 2022, based on a December 31, 2021 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2022, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the County recognized pension expense of \$312,580.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 224,580	\$ 43,376
Changes of assumptions	365,358	419,253
Contributions made subsequent to the measurement date	26,645	-
Total	\$ 616,583	\$ 462,629

\$26,645 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2024	\$ 71,949
2025	75,864
2026	60,902
2027	(13,068)
2028	(58,480)
Thereafter	(9,858)
Total	\$ 127,309

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

*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 4.31%, 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 (3.31%) or 1-percentage-point higher (5.31%) than the current rate:

	<b>1%</b>	<b>Discount</b>	<b>1%</b>
	<b>Decrease</b>	<b>Rate</b>	<b>Increase</b>
	<b>(3.31%)</b>	<b>(4.31%)</b>	<b>(5.31%)</b>
County's proportionate share of the total pension liability	<u>\$ 2,644,155</u>	<u>\$ 2,445,185</u>	<u>\$ 2,264,492</u>

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

	<b>2023</b>
Beginning balance December 31, 2021	\$ 2,635,853
Service cost	178,736
Interest on the total pension liability	58,760
Difference between expected and actual experience	51,975
Changes of assumptions or other inputs	(431,505)
Benefit payments	<u>(48,634)</u>
Ending balance of the total pension liability December 31, 2022	<u>\$ 2,445,185</u>

*Changes of Assumptions.* Changes of assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 2.25% at December 31, 2021 (measurement date) to 4.31% at December 31, 2022 (measurement date).

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.

**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 Annual Comprehensive Financial Report for the State of North Carolina. The state's Annual Comprehensive Financial Report 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

# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 \$246,403 for the reporting year. No amounts were forfeited.

### **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.

### **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 Annual Comprehensive Financial Report for the State of North Carolina. The state's Annual Comprehensive Financial Report includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

*Contributions.* Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary’s required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$6,808 for the year ended June 30, 2023.

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

At June 30, 2023, the County reported an asset of \$105,065 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, 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, 2023, the County’s proportion was 0.79354% (measured as of June 30, 2022), which was a decrease of 0.08606% from its proportion measured as of June 30, 2022 (measured as of June 30, 2021).

For the year ended June 30, 2023, the County recognized pension expense of \$12,675. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 809	\$ 1,904
Changes of assumptions	5,563	-
Net difference between projected and actual earnings on pension plan investments	43,669	-
Changes in proportion and differences between County contributions and proportionate share of contributions	11,778	6,427
County contributions subsequent to the measurement date	6,808	-
Total	\$ 68,627	\$ 8,331

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

\$6,808 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2024	\$ 12,405
2025	15,562
2026	14,538
2027	10,983
2028	-
Thereafter	-
Total	<u>\$ 53,488</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	3.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, 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. public plan population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2021 valuation was based on the results of an actuarial experience review for LGERS for the period January 1, 2015 through December 31, 2019.

Future and ad hoc cost of living adjustment amounts are not considered to be substantively automatic and are, therefore, not included in the measurement.

The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income returns 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

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 99.9% 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, 2022 was 1.1%.

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. 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 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

*Discount Rate.* The discount rate used to measure the total pension liability was 3.00%. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension asset is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those 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 benefits 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 3.00 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 (2.00 percent) or 1-percentage-point higher (4.00 percent) than the current rate:

	<b>1% Decrease (2.00%)</b>	<b>Discount Rate (3.00%)</b>	<b>1% Increase (4.00%)</b>
County's proportionate share of the net pension liability (asset)	<u>\$ (121,102)</u>	<u>\$ (105,065)</u>	<u>\$ (178,816)</u>

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) for the State of North Carolina.



**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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

The net pension liability (asset) for LGERS and ROD was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2021. The total pension liability for LEOSSA was measured as of June 30, 2022, with an actuarial valuation date of December 31, 2021. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities.

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

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
County's proportionate share of net pension liability (asset)	\$ 17,098,040	\$ (105,065)	N/A	\$ 16,992,975
County's proportion of the net pension liability	0.30308%	0.79354%	N/A	-
Total pension liability	N/A	N/A	\$ 2,445,185	\$ 2,445,185
Pension expense	\$ 5,086,910	\$ 12,675	\$ 312,580	\$ 5,412,165

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

At June 30, 2023, 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>
<b>Deferred Outflows of Resources:</b>				
Differences between expected and actual experience	\$ 736,739	\$ 809	\$ 224,580	\$ 962,128
Changes of assumptions	1,706,001	5,563	365,358	2,076,922
Net difference between projected and actual earnings on pension plan investments	5,651,081	43,669	-	5,694,750
Changes in proportion and differences between County contributions and proportionate share of contributions	385,806	11,778	-	397,584
County contributions (LGERS, ROD) and administrative costs (LEOSSA) subsequent to the measurement date	<u>3,043,388</u>	<u>6,808</u>	<u>26,645</u>	<u>3,076,841</u>
	<u>\$ 11,523,015</u>	<u>\$ 68,627</u>	<u>\$ 616,583</u>	<u>\$ 12,208,225</u>
<b>Deferred Inflows of Resources:</b>				
Differences between expected and actual experience	\$ 72,233	\$ 1,904	\$ 43,376	\$ 117,513
Changes of assumptions	-	-	419,253	419,253
Net difference between projected and actual earnings on pension plan investments	-	-	-	-
Changes in proportion and differences between County contributions and proportionate share of contributions	<u>-</u>	<u>6,427</u>	<u>-</u>	<u>6,427</u>
	<u>\$ 72,233</u>	<u>\$ 8,331</u>	<u>\$ 462,629</u>	<u>\$ 543,193</u>

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**Other Post-Employment 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.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

The County will reimburse the cost of health insurance in an amount equal to a single employee's coverage for employees, who upon retirement meet one of the following criteria:

- Age 65 or older and have been previously employed by Pender County on a continuous regular full-time basis for at least twenty (20) years. The County will pay for a Medicare supplement not to exceed the current cost of a single employee's coverage.
- Age 55 or older and have been previously employed by Pender County on a continuous regular full-time basis for at least twenty-five (25) years; the County will reimburse an amount equal to a single employee's coverage for employees and at age 65 pay for a Medicare supplement in an amount not to exceed the current cost of a single employee's coverage.
- Having been previously employed by Pender County on a continuous regular full-time basis for at least thirty years, regardless of age; the County may pay for a Medicare supplement in an amount not to exceed the current cost of a single active employee's coverage.

Membership of the HCB Plan consisted of the following at June 30, 2022, the date of the latest actuarial valuation:

	<b><u>General Employees</u></b>
Inactive plan members or beneficiaries currently receiving benefit payments	32
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	<u>431</u>
Total	<u><u>463</u></u>

**Total OPEB Liability**

The County's total OPEB liability of \$14,311,808 was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2022.

## PENDER COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	0.75 percent
Wage inflation	3.25 percent
Salary increases, including wage inflation	
General employees	3.25% - 8.41%
Law enforcement officers	3.25% - 7.90%
Municipal bond index rate	
Prior measurement date	2.16 percent
Measurement date	3.54 percent
Healthcare cost trend rates	
Pre-Medicare medical and prescription drug	7.00% for 2022 decreasing to an ultimate rate of 4.50% by 2032
Medicare medical and prescription drug	5.125% for 2022 decreasing to an ultimate rate of 4.50% by 2025

#### Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
Balance at June 30, 2022	\$ 22,041,675
Service cost	1,199,837
Interest	500,614
Difference between expected and actual experience	(4,239,927)
Changes of assumptions or other inputs	(5,059,837)
Benefit payments	(130,554)
Net changes	<u>(7,729,867)</u>
Balance at June 30, 2023	<u>\$ 14,311,808</u>

Changes in assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 2.16% to 3.54%.

The County selected a Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the total OPEB liability.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increase used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2015 – December 31, 2019, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 valuation.

*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, 2023, 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 (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	<b>1% Decrease (2.54%)</b>	<b>Current Discount Rate (3.54%)</b>	<b>1% Increase (4.54%)</b>
Total OPEB liability	<u>\$ 17,913,793</u>	<u>\$ 14,311,808</u>	<u>\$ 11,606,605</u>

*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 or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>1% Decrease</b>	<b>Healthcare Cost</b>	<b>1% Increase</b>
Total OPEB liability	<u>\$ 11,380,184</u>	<u>\$ 14,311,808</u>	<u>\$ 18,305,650</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2023, the County recognized OPEB expense of \$617,378. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 5,176,112
Changes of assumptions or other inputs	4,134,443	5,611,247
County contributions subsequent to the measurement date	165,302	-
Total	<u>\$ 4,299,745</u>	<u>\$ 10,787,359</u>

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

\$165,302 benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2024	\$ (1,083,073)
2025	(1,083,073)
2026	(1,029,721)
2027	(736,738)
2028	(551,588)
Thereafter	<u>(2,168,723)</u>
Total	<u>\$ (6,652,916)</u>

**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.

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**Deferred Outflows and Inflows of Resources**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pensions and OPEB deferrals	\$ 16,507,970	\$ 11,330,552
Taxes receivable, net (General Fund)	-	3,144,241
Taxes receivable, net (Special Revenue Funds)	-	860,342
Grant receivables	-	2,699,245
Unavailable revenues (Governmental Activities)	-	5,062,042
Charge on refunding	-	457,979
Prepaid taxes	-	5,970
Total	<u>\$ 16,507,970</u>	<u>\$ 23,560,371</u>

**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.

Effective January 1, 2016, the County was accepted into the North Carolina State Health Plan (SHP) and was no longer self-insured. 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.

# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The liability of unpaid claims of the County as of June 30, 2023, is as follows:

	<u>2023</u>	<u>2022</u>
Unpaid claims at July 1	\$ 18,432	\$ 18,432
Payments on claims for current and prior year events where the County has retained risk of loss	<u>18,432</u>	<u>-</u>
Unpaid claims at June 30	<u>\$ -</u>	<u>\$ 18,432</u>

G.S. 159-29 and S.L. 2022-53, Section 9(a), require that the person designated by the Board as the Finance Officer give a true accounting and faithful performance bond in an amount not less than the greater of \$50,000 or an amount equal to ten percent of the unit's annually budgeted funds, up to \$1,000,000. The Finance Officer is individually bonded for \$10,000 for the County and not individually bonded for the Tourism Development Authority, which did not meet the requirements. See Stewardship, Compliance, and Accountability note and finding 2023-005 in the Compliance Section. The County's Finance Officer also serves on the Board of Directors for Pender Tourism Development Authority as the Finance Officer.

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 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.

### **Contingent Liabilities**

At June 30, 2023, 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.

### **Long-Term Obligations**

#### **Leases**

The County has entered into agreements to lease certain buildings, equipment, and computer equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.



**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

***Governmental Funds:***

On July 1, 2021, The County entered into a 51-month lease as lessee for the use of Pitney Bowes Health. An initial lease liability was recorded in the amount of \$16,612. As of June 30, 2023, the value of the lease liability was \$8,858. The County is required to make quarterly fixed payments of \$995. The lease has an interest rate of 0.8930%. The value of the right-to-use asset as of June 30, 2023 was \$16,612 with accumulated amortization of \$7,712.

On November 19, 2021, The County entered into a 60-month lease as lessee for the use of Postage Meters. An initial lease liability was recorded in the amount of \$18,949. As of June 30, 2023, the value of the lease liability was \$12,407. The County is required to make quarterly fixed payments of \$974. The lease has an interest rate of 1.1770%. The value of the right-to-use asset as of June 30, 2023 was \$18,949 with accumulated amortization of \$6,127.

On July 1, 2021, The County entered into a 33-month lease as Lessee for the use of Huntington-002. An initial lease liability was recorded in the amount of \$542,755. As of June 30, 2023, the value of the lease liability was \$149,012. The County is required to make monthly fixed payments of \$16,607. The lease has an interest rate of 0.7270%. The value of the right-to-use asset as of June 30, 2023 was \$542,755 with accumulated amortization of \$394,730.

Annual debt service requirements to maturity for the County’s lease liabilities are as follows:

<b>Year Ending</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
<b>June 30</b>		
2024	\$ 156,693	\$ 647
2025	7,762	116
2026	4,850	42
2027	972	3
<b>Total</b>	<b>\$ 170,277</b>	<b>\$ 808</b>

**Subscriptions**

For the year ended June 30, 2023, the County implemented the requirements of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (Subscriptions). The statement provides a definition of subscriptions and provides uniform guidance for accounting and financial reporting for such transactions. The guidance will decrease diversity in the accounting and financial reporting for these transactions, thereby, increasing comparability in financial reporting among governments. Further, the reporting of a subscription asset (a right-to-use intangible capital asset) and a subscription liability will enhance the relevance and reliability of the financial statements.

Subscriptions in affect at the end of the prior fiscal year had their assets and liabilities initially measured at the present value of the subscription payments expected over the remaining term of the subscription after July 1, 2022.

## PENDER COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

On July 1, 2022, The County entered into a 60-month subscription for the use of Maintenance Edge Software. An initial subscription liability was recorded in the amount of \$14,905. As of June 30, 2023, the value of the subscription liability was \$11,961. The County is required to make annual fixed payments of \$2,944. The subscription has an interest rate of 2.3657%. The value of the right-to-use asset as of June 30, 2023 was \$14,905 with accumulated amortization of \$2,981.

On July 13, 2022, The County entered into a 23-month subscription for the use of CIS Albert MD Monitoring Primary Sensor Software. An initial subscription liability was recorded in the amount of \$22,930. As of June 30, 2023, the value of the subscription liability was \$11,350. The County is required to make annual fixed payments of \$11,580. The subscription has an interest rate of 2.0237%. The value of the right-to-use asset as of June 30, 2023 was \$22,930 with accumulated amortization of \$11,271.

On July 1, 2022, The County entered into a 14-month subscription for the use of CYBRARIAN® Software. An initial subscription liability was recorded in the amount of \$947. As of June 30, 2023, the value of the subscription liability was \$0. The County is required to make annual fixed payments of \$950. The subscription has an interest rate of 1.7103%. The value of the right-to-use asset as of June 30, 2023 was \$947 with accumulated amortization of \$812.

On April 30, 2023, The County entered into a 36-month subscription for the use of DebtBook Platform Software. An initial subscription liability was recorded in the amount of \$38,106. As of June 30, 2023, the value of the subscription liability was \$25,107. The County is required to make annual fixed payments of \$13,000. The subscription has an interest rate of 2.3633%. The value of the right-to-use asset as of June 30, 2023 was \$40,107 with accumulated amortization of \$2,328.

On October 1, 2022, The County entered into a 36-month subscription for the use of Utility Cloud Software. An initial subscription liability was recorded in the amount of \$31,827. As of June 30, 2023, the value of the subscription liability was \$21,627. The County is required to make annual fixed payments of \$10,200. The subscription has an interest rate of 3.2380%. The value of the right-to-use asset as of June 30, 2023 was \$31,827 with accumulated amortization of \$7,957.

On April 1, 2023, The County entered into a 60-month subscription for the use of Axon Basic License Bundle Software. An initial subscription liability was recorded in the amount of \$407,685. As of June 30, 2023, the value of the subscription liability was \$364,786. The County is required to make annual fixed payments of \$45,812. The subscription has an interest rate of 2.3100%. The value of the right-to-use asset as was June 30, 2023 of \$407,685 with accumulated amortization of \$20,384.

On May 1, 2023, The County entered into a 36-month subscription for the use of SHI-Microsoft Enterprise Software. An initial subscription liability was recorded in the amount of \$505,966. As of June 30, 2023, the value of the subscription liability was \$333,356. The County is required to make annual fixed payments of \$184,261. The subscription has an interest rate of 2.3633%. The value of the right-to-use asset as of June 30, 2023 was \$505,966 with accumulated amortization of \$28,109.

## PENDER COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

On April 16, 2023, The County entered into a 24-month subscription for the use of GoDaddy Website Domain. An initial subscription liability was recorded in the amount of \$39. As of June 30, 2023, the value of the subscription liability was \$0. The County is required to make annual fixed payments of \$39. The subscription has an interest rate of 2.4700%. The value of the right-to-use asset as of June 30, 2023 was \$39 with accumulated amortization of \$4.

On May 30, 2023, The County entered into a 14-month subscription for the use of IE Solution-1. An initial subscription liability was recorded in the amount of \$18,798. As of June 30, 2023, the value of the subscription liability was \$0. The County is required to make annual fixed payments of \$21,480. The subscription has an interest rate of 2.5600%. The value of the right-to-use asset as of June 30, 2023 was \$18,798 with accumulated amortization of \$1,397.

On March 27, 2023, The County entered into a 16-month subscription for the use of IT Solution. An initial subscription liability was recorded in the amount of \$2,277. As of June 30, 2023, the value of the subscription liability was \$0. The County is required to make annual fixed payments of \$2,602. The subscription has an interest rate of 2.8943%. The value of the right-to-use asset as of June 30, 2023 was \$2,277 with accumulated amortization of \$446.

On May 27, 2023, The County entered into a 14-month subscription for the use of IT Services. An initial subscription liability was recorded in the amount of \$8,429. As of June 30, 2023, the value of the subscription liability was \$4,161. The County is required to make annual fixed payments of \$4,556. The subscription has an interest rate of 2.5600%. The value of the right-to-use asset as of June 30, 2023 was \$8,429 with accumulated amortization of \$682.

On July 1, 2022, The County entered into a 36-month subscription for the use of Lindsey Housing Manager Software. An initial subscription liability was recorded in the amount of \$40,013. As of June 30, 2023, the value of the subscription liability was \$26,386. The County is required to make annual fixed payments of \$13,627. The subscription has an interest rate of 2.1843%. The value of the right-to-use asset as of June 30, 2023 was \$40,013 with accumulated amortization of \$13,338.

On July 1, 2022, The County entered into a 20-month subscription for the use of MCCi-Laserfiche Software. An initial subscription liability was recorded in the amount of \$41,540. As of June 30, 2023, the value of the subscription liability was \$0. The County is required to make annual fixed payments of \$44,987. The subscription has an interest rate of 2.0237%. The value of the right-to-use asset as of June 30, 2023 was \$41,540 with accumulated amortization of \$24,198.

On July 1, 2022, The County entered into a 23-month subscription for the use of VeacCloud Platform Software. An initial subscription liability was recorded in the amount of \$424. As of June 30, 2023, the value of the subscription liability was \$0. The County is required to make annual fixed payments of \$432. The subscription has an interest rate of 2.0237%. The value of the right-to-use asset as of June 30, 2023 was \$424 with accumulated amortization of \$221.

## **PENDER COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

On May 1, 2023, The County entered into a 36-month subscription for the use of Microsoft Software. An initial subscription liability was recorded in the amount of \$67,885. As of June 30, 2023, the value of the subscription liability was \$44,726. The County is required to make annual fixed payments of \$24,722. The subscription has an interest rate of 2.3633%. The value of the right-to-use asset as of June 30, 2023 was \$67,885 with accumulated amortization of \$3,771.

On March 21, 2023, The County entered into a 36-month subscription for the use of Nixle Data Refresh Software. An initial subscription liability was recorded in the amount of \$22,081. As of June 30, 2023, the value of the subscription liability was \$14,527. The County is required to make annual fixed payments of \$7,554. The subscription has an interest rate of 2.6560%. The value of the right-to-use asset as of June 30, 2023 was \$22,685 with accumulated amortization of \$2,101.

On February 1, 2023, The County entered into a 17-month subscription for the use of MCNC Managed Endpoint Protection Software. An initial subscription liability was recorded in the amount of \$35,428. As of June 30, 2023, the value of the subscription liability was \$24,919. The County is required to make annual fixed payments of \$10,677. The subscription has an interest rate of 2.8943%. The value of the right-to-use asset as of June 30, 2023 was \$37,928 with accumulated amortization of \$11,155.

On July 1, 2022, The County entered into an 18-month subscription for the use of TriTech Software. An initial subscription liability was recorded in the amount of \$8,899. As of June 30, 2023, the value of the subscription liability was \$0. The County is required to make annual fixed payments of \$105,655. The subscription has an interest rate of 2.0237%. The value of the right-to-use asset as of June 30, 2023 was \$8,899 with accumulated amortization of \$5,690.

On February 9, 2023, The County entered into a 60-month subscription for the use of Davenport Solution. An initial subscription liability was recorded in the amount of \$224,440. As of June 30, 2023, the value of the subscription liability was \$177,145. The County is required to make annual fixed payments of \$47,295. The subscription has an interest rate of 2.6820%. The value of the right-to-use asset as of June 30, 2023 was \$224,440 with accumulated amortization of \$17,706.

On August 10, 2022, The County entered into a 36-month subscription for the use of Esri Software. An initial subscription liability was recorded in the amount of \$294. As of June 30, 2023, the value of the subscription liability was \$194. The County is required to make annual fixed payments of \$100. The subscription has an interest rate of 2.1843%. The value of the right-to-use asset as of June 30, 2023 was \$294 with accumulated amortization of \$87.

On December 20, 2022, The County entered into a 24-month subscription for the use of SaaS Service. An initial subscription liability was recorded in the amount of \$2,658. As of June 30, 2023, the value of the subscription liability was \$1,308. The County is required to make annual fixed payments of \$1,350. The subscription has an interest rate of 3.2067%. The value of the right-to-use asset as of June 30, 2023 was \$2,658 with accumulated amortization of \$705.

## PENDER COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

On February 9, 2023, The County entered into a 60-month subscription for the use of PowerEdge Software. An initial subscription liability was recorded in the amount of \$1,350,799. As of June 30, 2023, the value of the subscription liability was \$1,066,153. The County is required to make annual fixed payments of \$284,646. The subscription has an interest rate of 2.6820%. The value of the right-to-use asset as of June 30, 2023 was \$1,368,799 with accumulated amortization of \$107,983.

On July 1, 2022, The County entered into a 56-month subscription for the use of Business Application Software. An initial subscription liability was recorded in the amount of \$59,515. As of June 30, 2023, the value of the subscription liability was \$44,948. The County is required to make annual fixed payments of \$16,757. The subscription has an interest rate of 2.3657%. The value of the right-to-use asset as of June 30, 2023 was \$59,515 with accumulated amortization of \$12,633.

On February 1, 2023, The County entered into a 24-month subscription for the use of Digital Content Software. An initial subscription liability was recorded in the amount of \$1,072. As of June 30, 2023, the value of the subscription liability was \$542. The County is required to make annual fixed payments of \$530. The subscription has an interest rate of 2.7070%. The value of the right-to-use asset as of June 30, 2023 was \$1,072 with accumulated amortization of \$223.

On October 1, 2022, The County entered into a 24-month subscription for the use of ITS.Marc Software. An initial subscription liability was recorded in the amount of \$4,271. As of June 30, 2023, the value of the subscription liability was \$2,154. The County is required to make annual fixed payments of \$2,117. The subscription has an interest rate of 3.2067%. The value of the right-to-use asset as of June 30, 2023 was \$4,271 with accumulated amortization of \$1,602.

On August 1, 2022, The County entered into a 24-month subscription for the use of LS Site License Software. An initial subscription liability was recorded in the amount of \$44,229. As of June 30, 2023, the value of the subscription liability was \$22,177. The County is required to make annual fixed payments of \$22,052. The subscription has an interest rate of 2.0237%. The value of the right-to-use asset as of June 30, 2023 was \$44,229 with accumulated amortization of \$20,272.

On January 1, 2023, The County entered into a 24-month subscription for the use of LS OSA Software. An initial subscription liability was recorded in the amount of \$1,715. As of June 30, 2023, the value of the subscription liability was \$867. The County is required to make annual fixed payments of \$848. The subscription has an interest rate of 2.7070%. The value of the right-to-use asset as of June 30, 2023 was \$1,715 with accumulated amortization of \$429.

On July 1, 2022, The County entered into a 24-month subscription for the use of SIP Software. An initial subscription liability was recorded in the amount of \$1,076. As of June 30, 2023, the value of the subscription liability was \$546. The County is required to make annual fixed payments of \$530. The subscription has an interest rate of 2.0237%. The value of the right-to-use asset as of June 30, 2023 was \$1,076 with accumulated amortization of \$538.

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

The future minimum subscription obligations and the net present value of the minimum subscription payments as of June 30, 2023, were as follows:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 666,400	\$ 53,690	\$ 35,521	\$ 1,831
2025	614,375	37,406	36,349	935
2026	425,443	21,935	-	-
2027	420,852	10,926	-	-
<b>Total</b>	<b>\$ 2,127,070</b>	<b>\$ 123,957</b>	<b>\$ 71,870</b>	<b>\$ 2,766</b>

**Installment Purchase Contracts**

**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.	\$ 416,661
\$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%.	90,000
\$239,846 note executed on August 1, 2019 to purchase Axon body cameras and consists of down payment of \$24,000 and 4 annual payments of \$53,962. The interest rate is 0%.	53,962
\$197,749 note executed on July 1, 2019 for the purchase of Axon tasers and consists of down payment of \$20,000 and 4 annual payments of \$44,437. The interest rate is 0%.	<u>44,437</u>
Total installment purchases	<u>\$ 605,060</u>

The County's outstanding note from direct placements of \$416,661 is secured by RC Creations collateral security and TD Bank \$2M line of credit assignment. The loan agreement denotes certain events of default and upon the occurrence of any event of default the bank would without notice, the entire balance of remaining principal and interest shall be automatically due and payable, likewise from RC Creations.

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

The County's outstanding note from direct placements of \$90,000 is secured by the Deed of Trust granting a lien of record on the premises. The loan agreement denotes certain events of default and upon the occurrence of any event of default the bank would without notice, the entire balance of remaining principal and interest shall be automatically due and payable.

The County's outstanding note from direct placements related of \$53,962 is secured by a security interest in the equipment. The loan agreement denotes certain events of default and upon the occurrence of any event of default the bank would repossess the equipment.

The County's outstanding note from direct placements related of \$44,437 is secured by a security interest in the equipment. The loan agreement denotes certain events of default and upon the occurrence of any event of default the bank would repossess the equipment.

The annual debt service payments to maturity for the County's direct placement installment purchase contracts are as follows:

<b><u>Year Ending</u></b> <b><u>June 30</u></b>	<b><u>Installment Note</u></b> <b><u>Principal</u></b>
2024	\$ 358,399
2025	230,000
2026	16,661
Total	<u>\$ 605,060</u>

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**Limited Obligation Bonds**

**Governmental Activities:**

\$24,800,000 Series 2015 due in annual payments ranging from \$1,000,000 to \$1,575,000, plus bi-annual average interest rate of 3.73%, through April 2035. This debt is split funded between governmental and business-type activities. \$ 4,329,636

**Business-Type Activities:**

\$24,800,000 Series 2015 due in annual payments ranging from \$1,000,000 to \$1,575,000, plus bi-annual average interest rate of 3.73%, through April 2035. This debt is split funded between governmental and business-type activities. 12,040,364

\$13,780,000 Water Treatment Plant Bonds, Refunding Series 2020 due in annual payments ranging from \$255,000 to \$705,000, plus interest ranging from 3 to 5%, through June 2050. 13,010,000

\$1,730,000 Scotts Hill Elevated Tank & Wells Project, Series 2020 due in annual payments ranging from \$55,000 to \$120,000, plus interest ranging from 3 to 5%, through June 2041. 1,615,000

\$120,000 Maple Hill Water District Refunding Bond, Series 2020 due in annual payments ranging from \$5,000 to \$20,000, plus interest ranging from 0.6 to 2.16%, through June 2044. 95,000

\$2,155,000 Scotts Hill Water & Sewer District Refunding Bond, Series 2020, due in annual payments ranging from \$15,000 to \$140,000, plus interest ranging from 0.6 to 3.2% through June 2044. 2,020,000

\$17,080,000 Rocky Point - Topsail Water & Sewer District Refunding Bond, Series 2020 due in annual payments ranging from \$110,000 to \$890,000, plus interest ranging from 0.6 to 3.2% through June 2044. 16,115,000

Total business-type activities 44,895,364

Total limited obligation bonds \$ 49,225,000



**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

The annual debt service payments to maturity for the County’s Limited Obligation Bonds are as follows:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 310,000	\$ 186,174	\$ 1,965,000	\$ 1,476,765	\$ 2,275,000	\$ 1,662,939
2025	315,000	170,674	2,015,000	1,409,112	2,330,000	1,579,786
2026	325,000	154,924	2,065,000	1,338,176	2,390,000	1,493,100
2027	335,000	145,174	2,115,000	1,281,386	2,450,000	1,426,560
2028	340,000	128,424	2,175,000	1,202,825	2,515,000	1,331,249
2029-2033	1,880,000	389,369	11,885,000	4,746,718	13,765,000	5,136,087
2034-2038	824,636	46,473	9,870,364	2,765,160	10,695,000	2,811,633
2039-2043	-	-	7,545,000	1,467,799	7,545,000	1,467,799
2044-2048	-	-	3,870,000	519,808	3,870,000	519,808
2049-2053	-	-	1,390,000	62,850	1,390,000	62,850
<b>Total</b>	<b>\$ 4,329,636</b>	<b>\$ 1,221,212</b>	<b>\$ 44,895,364</b>	<b>\$ 16,270,599</b>	<b>\$ 49,225,000</b>	<b>\$ 17,491,811</b>

**General Obligation Bonds**

All general obligation bonds serviced by the County’s General Fund are collateralized by the full-faith, credit, and taxing power of the County. Pender County water districts issue general obligation bonds to provide funds for the acquisition and construction of major water system capital improvements. These bonds, which are recorded in the water district funds, are collateralized by the full-faith, credit, and taxing power of the districts. Principal and interest payments are appropriated when due. In the event of a default, the County agrees to pay the purchaser, on demand, interest on any and all amounts due and owing by the County under this agreement.

In October 2012, Maple Hill Water District, Scotts Hill Water and Sewer District, and Rocky Point/Topsail Water and Sewer District (blended component units of the County) issued individual refunding GO debt, the proceeds of which are used to refund existing USDA debt. The original issue amount of the debt was \$22,330,000. The County then issued limited obligation bonds in an amount sufficient enough to purchase all the Districts GO debt. Both the district and the County assign their rights to a third-party trustee that received the debt payments from the district and uses those funds to make the debt service payments on the LOBs.

# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### Governmental Activities:

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. \$ 6,570,000

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. 15,925,000

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. 6,465,000

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. 35,350,000

Total governmental activities 64,310,000

### Business-Type Activities:

\$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%. 844,000

\$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. 4,770,000

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. 5,466,000

Total business-type activities 11,080,000

Total general obligation bonds \$ 75,390,000

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

The annual debt service payments to maturity for the County’s general obligation bonds are as follows:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 7,440,000	\$ 2,290,488	\$ 251,000	\$ 215,135	\$ 7,691,000	\$ 2,505,623
2025	7,395,000	1,985,463	255,000	210,254	7,650,000	2,195,717
2026	6,105,000	1,714,738	260,000	205,298	6,365,000	1,920,036
2027	5,410,000	1,446,438	265,000	200,239	5,675,000	1,646,677
2028	5,435,000	1,201,188	270,000	195,086	5,705,000	1,396,274
2029-2033	18,750,000	3,683,188	1,431,000	894,496	20,181,000	4,577,684
2034-2038	13,775,000	826,497	1,576,000	749,439	15,351,000	1,575,936
2039-2043	-	-	1,735,000	589,458	1,735,000	589,458
2044-2048	-	-	1,912,000	413,088	1,912,000	413,088
2049-2053	-	-	2,046,000	218,859	2,046,000	218,859
2054-2058	-	-	1,079,000	37,948	1,079,000	37,948
<b>Total</b>	<b>\$ 64,310,000</b>	<b>\$ 13,148,000</b>	<b>\$ 11,080,000</b>	<b>\$ 3,929,300</b>	<b>\$ 75,390,000</b>	<b>\$ 17,077,300</b>

**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. The County has pledged future water customer revenues, net of specified operating expenses, to repay the bonds. The outstanding balance at June 30, 2023 was \$4,194,000.

The annual debt service payments to maturity for the County’s revenue bond are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 96,000	\$ 115,335
2025	99,000	112,695
2026	102,000	109,973
2027	105,000	107,168
2028	108,000	104,280
2029-2033	585,000	475,200
2034-2038	669,000	390,280
2039-2043	766,000	293,150
2044-2048	876,000	181,858
2049-2053	788,000	54,916
<b>Total</b>	<b>\$ 4,194,000</b>	<b>\$ 1,944,855</b>

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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, 2023, is as follows:

Change in net position	\$ 329,943
Add back:	
Depreciation	3,816,088
Interest expense	<u>1,867,116</u>
Income available for debt service (net revenue)	<u>\$ 6,013,147</u>
Debt service, principal and interest paid (debt service requirement)	\$ 4,159,021
110% Debt service coverage	\$ 4,574,923
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.

**Revolving Loans**

The \$584,971 direct borrowing federal revolving loan from NC DENR, due in annual payments of \$30,170, plus interest at 1.67% through May 2037. The outstanding balance at June 30, 2023 was \$422,378. The County agrees that any other monies due to the unit of local government from the state may be withheld by the state and applied to the payment of this obligation whenever the unit fails to pay any payment of principal or interest on this note when due.

The \$131,528 direct borrowing drinking water infrastructure from NC DEQ, due in annual payments of \$6,576, 0% interest through May 2041. The outstanding balance at June 30, 2023 was \$118,376. The County agrees that any other monies due to the unit of local government from the state may be withheld by the state and applied to the payment of this obligation whenever the unit fails to pay any payment of principal or interest on this note when due.

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

The annual debt service payments to maturity for the County’s direct borrowing revolving loans are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 36,746	\$ 7,054
2025	36,746	6,550
2026	36,746	6,046
2027	36,746	5,542
2028	36,746	5,038
2029-2033	183,731	17,634
2034-2038	153,561	5,039
2039-2042	19,732	-
<b>Total</b>	<b>\$ 540,754</b>	<b>\$ 52,903</b>

**Debt Related to Capital Activities**

Of the total governmental activities’ debt listed, only \$4,934,696 relates to assets for which the County holds title and \$2,297,347 relates to right-to-use leased assets and subscription assets.

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets and right-to-use assets	\$ 38,972,947	\$ 101,903,379
Less: long-term debt	(7,232,043)	(60,781,988)
Less: premiums on long term debt	-	(2,519,641)
Add: unexpended bond proceeds	-	542,075
<b>Net investment in capital assets</b>	<b>\$ 31,740,904</b>	<b>\$ 39,143,825</b>

The business-type activities unspent debt proceeds of \$542,075 are related to assets for which the County holds title.

# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 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, 2023:

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 71,800,000	\$ -	\$ 7,490,000	\$ 64,310,000	\$ 7,440,000
Limited obligation debt	4,631,041	-	301,405	4,329,636	310,000
Direct placement installment purchase contracts	963,459	-	358,399	605,060	358,399
Lease liabilities	404,576	-	234,299	170,277	156,693
Subscription liabilities	-	2,848,690	721,620	2,127,070	666,400
Unamortized bond premium	9,153,851	-	663,784	8,490,067	663,784
Total pension liability (LEOSSA)	2,635,853	289,471	480,139	2,445,185	-
Net pension liability (LGERS)	4,269,785	11,561,105	-	15,830,890	-
Total OPEB liabilities	20,719,165	-	7,111,478	13,607,687	-
Compensated absences	1,258,277	1,337,251	1,303,394	1,292,134	646,067
<b>Total</b>	<u>\$ 115,836,007</u>	<u>\$ 16,036,517</u>	<u>\$ 18,664,518</u>	<u>\$ 113,208,006</u>	<u>\$ 10,241,343</u>

Net pension liability, total pension liability, and net other postemployment liability for governmental activities are all typically liquidated in the General Fund. Compensated absences for governmental activities typically have been liquidated in the General Fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
<b>Business-Type Activities:</b>					
Limited obligation debt	\$ 46,818,959	\$ -	\$ 1,923,595	\$ 44,895,364	\$ 1,965,000
General obligation bonds	11,325,000	-	245,000	11,080,000	251,000
Revenue bond	4,288,000	-	94,000	4,194,000	96,000
Direct borrowing federal revolving loan	577,500	-	36,746	540,754	36,746
Direct placement installment	67,035	-	67,035	-	-
Unamortized bond premium	2,655,769	-	136,128	2,519,641	136,128
Subscription liabilities	-	109,558	37,688	71,870	35,521
Net pension liability (LGERS)	261,838	1,005,312	-	1,267,150	-
Total OPEB liabilities	1,322,510	-	618,389	704,121	-
Compensated absences	119,247	149,966	132,674	136,539	68,269
<b>Total</b>	<u>\$ 67,435,858</u>	<u>\$ 1,264,836</u>	<u>\$ 3,291,255</u>	<u>\$ 65,409,439</u>	<u>\$ 2,588,664</u>

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**Other**

The County had a legal debt margin at June 30, 2023 of \$591,388,585. There are no bonds authorized but unissued at June 30, 2023.

**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, 2023, include the following interfund gross receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 98,690	\$ -
Solid Waste Fund	-	20,786
Combined Sewer Fund	-	9,521
Combined Water Fund	-	62,936
Section 8 Admin. Fund	-	6,025
Country Court Apartments Fund	578	-
Total	<u>\$ 99,268</u>	<u>\$ 99,268</u>

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### Interfund Transfers

Interfund transfers and transfers from component unit during the year ended June 30, 2023, can be summarized as follows:

	<u>Transfers</u>		<u>Reason</u>
	<u>From</u>	<u>To</u>	
<b>Governmental Funds:</b>			
General Fund	\$ 15,491,566	\$ 1,566,149	
Revaluation Fund	-	235,500	Annual contribution
Public School Special Revenue Fund	-	4,112,387	Debt service & to close out projects
ARPA Fund	457,872	-	Contribution to project
Rescue District Fund	-	3,615,431	County contribution
Other nonmajor governmental funds:			
Fire Service District Fund	-	918,860	County contribution
911 Emergency Telephone Systems	-	16,576	County contribution
Cooperative Extension Fund	1,558	-	Close out projects
Capital Improvements Fund	330,000	7,916,729	County contribution & to close out projects
School Capital Project Fund	823,917	-	Close out projects
<b>Business-Type Funds:</b>			
Solid Waste Fund	-	18,344	Contribution to project
Solid Waste Capital Project Fund	18,344	-	Contribution to project
Combined Sewer Fund	605,624	-	Contribution to project & operating capital
Maple Hill Sewer CPF	12,342	-	Close out projects
PCP Wastewater Treatment Plant CPF	-	177,916	Contribution to project
Combined Water Fund	8,853,114	474,406	Contribution to project & operating capital
Scotts Hill Elevated Tank & Wells CPF	-	5,867,000	Contribution to project
Rocky Point/Topsail Water Treatment Plant Upgrade CPF	-	1,914,320	Contribution to project
Rocky Point/Topsail Water Phase V CPF	6,440	-	Close out projects
Scotts Hill Water & Sewer CPF	-	402,978	Close out projects
Water Treatment Plant CPF	-	25,000	Contribution to project
US 421 Water & Sewer Expansion CPF	-	573,772	Contribution to project
Self-Insured Internal Service Fund -			
Employee Health Insurance Fund	222,833	-	Close out fund
Self-Insured Internal Service Fund -			
Workers' Compensation Fund	605,219	-	Close out fund
Other nonmajor business-type funds:			
Country Court Apartment Fund	406,539	-	Close out projects
<b>Total</b>	<u>\$ 27,835,368</u>	<u>\$ 27,835,368</u>	



**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**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.

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	\$ 74,604,215
Less:	
Non-spendable	435,282
Stabilization by state statute	7,368,140
Health department escrow	2,058,502
Sheriff's seizures	86,222
Automation enhancement and preservation	562,391
Committed	<u>907,485</u>
Remaining fund balance	<u><u>\$ 63,186,193</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 \$869,047.

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, 2023. 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	\$ 74,604,215
Available fund balance	<u><u>\$ 66,800,793</u></u>
General Fund expenditures and transfers out	
less debt issued	<u><u>\$ 95,888,807</u></u>
Available fund balance as % General Fund expenditures	69.7%

# PENDER COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 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 (“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 non-voting 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 \$620,286 to the Community College operating purposes during the fiscal year ended June 30, 2023. 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, 2023. 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.

The County, participates with 26 other counties in Eastern North Carolina in a joint venture to operate the Trillium Health Resources (“Center”), which is located in New Hanover County. The Trillium Health Resources Board is a political subdivision of the State of North Carolina. The County provided \$75,000 to the Center during the year ended June 30, 2023 for its ongoing operations. The participating counties do not have any equity interest in the joint venture. Complete financial statements for Trillium Health Resources may be obtained from the Center's administrative offices at Wilmington, North Carolina.

### 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, 2023, the Authority has no debt issues outstanding.

### 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 \$29,909 to the Council during the fiscal year ended June 30, 2023.

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, 2023.

**PENDER COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**7. Related Party Transactions**

The County and its discretely presented component units engaged in the following transactions during the year ended June 30, 2023:

**Pender County ABC Board:**

Payments to the County for profit distributions	\$ 413,074
Payments to the County for mosquito control	38,856
Payments to the County for law enforcement	<u>38,856</u>
Total	<u>\$ 490,786</u>

Payable to the County for profit distributions	\$ 211,932
Payable to the County for mosquito control	14,230
Payable to the County for law enforcement	<u>14,230</u>
Total	<u>\$ 240,392</u>

**Pender Tourism Development Authority:**

Payments of occupancy tax to the Authority from the County	<u>\$ 65,096</u>
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**8. Summary Disclosure of Significant Contingencies**

**Federal and State-Assisted Programs**

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

**9. Restatement**

For the year ended June 30, 2023, the financial statements include a prior period adjustment to beginning net position of the governmental activities on the Statement of Activities (full accrual statements) in the amount of \$3,017,857. The adjustment relates to new information on how to account for Opioid Settlement Fund receivable and allowance recognition.

**10. Subsequent Events**

In September 2023, the Pender County Board of Commissioners voted unanimously to authorize the transfer of Pender Medical Center in Burgaw to Novant Health. This transfer is part of a larger plan to increase access to health care services across Pender County. As part of the agreement, which was announced in June, Novant Health will invest \$50 million to improve the hospital over the next 10 years. When the transaction is finalized, Pender County will retain a majority of representatives on the hospital's board of trustees. Novant Health Pender Medical Center is a 25-bed critical access hospital with 43 skilled nursing home beds in Burgaw. The hospital offers a range of services including emergency care, surgery, imaging, infusion therapy and skilled nursing, in addition to Novant Health Home Care.

## **PENDER COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

Pender County Voters passed a referendum authorizing Pender County to issue general obligation bonds in the maximum amount of \$178,000,000 plus interest to pay capital costs of providing school facilities and paying related costs, and providing that additional taxes may be levied in an amount sufficient to pay the principal of and interest on the bonds, as adopted by the County's Board of Commissioners on August 1, 2022. At June 30, 2023, none of these authorized bonds have been issued.

In fiscal year 2023, Pender County went under contract for several major land purchases for future construction of School Bond projects and a Water Plant. In July 2023, Pender County purchased land near Rocky Point Elementary for \$1,540,000 for future School bond projects, and in August 2024 purchased land off of Highway 210 for \$6,000,000 for the construction of a new K-8 School, both from general fund balance appropriations. Additionally, in January 2024, Pender County Utilities purchased acreage off of Highway 210 and 17 for \$5,350,000 for the construction of a well field and Water Plant.

## REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

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- Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) for Local Governmental Employees' Retirement System
- Schedule of County Contributions to Local Governmental Employees' Retirement System
- Schedule of the County's Proportionate Share of the Net Pension Asset for Register of Deeds' Supplemental Pension Fund
- Schedule of County Contributions to Register of Deeds' Supplemental Pension Fund
- Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered-Employee Payroll – Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in the Total OPEB Liability and Related Ratios

**PENDER COUNTY, NORTH CAROLINA**

**SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY (ASSET)  
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS\***

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
County's proportion of the net pension liability (asset) %	0.30308%	0.29549%	0.27287%	0.27334%	0.24805%
County's proportionate share of the net pension liability (asset) \$	\$ 17,098,040	\$ 4,531,623	\$ 9,750,808	\$ 7,464,702	\$ 5,884,594
County's covered payroll*	\$ 22,546,918	\$ 20,648,316	\$ 19,809,003	\$ 19,210,323	\$ 16,477,422
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	75.83%	21.95%	49.22%	38.86%	35.71%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	88.61%	90.86%	91.63%

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

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

**PENDER COUNTY, NORTH CAROLINA**

**SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY (ASSET)  
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.25790%	0.26029%	0.25865%	0.25546%	0.25960%
County's proportionate share of the net pension liability (asset) \$	\$ 3,939,998	\$ 5,524,225	\$ 1,160,806	\$ (1,506,565)	\$ 3,129,177
County's covered payroll*	\$ 16,359,704	\$ 15,716,206	\$ 15,408,045	\$ 15,004,563	\$ 13,307,829
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	24.08%	35.15%	7.53%	-10.04%	23.51%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.08%	102.64%	94.35%

**PENDER COUNTY, NORTH CAROLINA****SCHEDULE OF COUNTY CONTRIBUTIONS  
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 3,043,388	\$ 2,593,749	\$ 2,129,970	\$ 1,806,948	\$ 1,524,690
Contributions in relation to the contractually required contribution	<u>3,043,388</u>	<u>2,593,749</u>	<u>2,129,970</u>	<u>1,806,948</u>	<u>1,524,690</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 24,754,139	\$ 22,546,918	\$ 20,648,316	\$ 19,809,003	\$ 19,210,323
Contributions as a percentage of covered payroll	12.29%	11.50%	10.32%	9.12%	7.94%



**PENDER COUNTY, NORTH CAROLINA****SCHEDULE OF COUNTY CONTRIBUTIONS  
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,208,210	\$ 1,233,545	\$ 1,099,527	\$ 1,068,154	\$ 1,023,364
Contributions in relation to the contractually required contribution	<u>1,208,210</u>	<u>1,233,545</u>	<u>1,099,527</u>	<u>1,068,154</u>	<u>1,023,364</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 16,477,422	\$ 16,359,704	\$ 15,716,206	\$ 15,408,045	\$ 15,004,563
Contributions as a percentage of covered payroll	7.33%	7.54%	7.00%	6.93%	6.82%

**PENDER COUNTY, NORTH CAROLINA**

**SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY (ASSET)  
REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND  
LAST TEN FISCAL YEARS\***

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
County's proportion of the net pension liability (asset) %	0.79354%	0.87960%	0.78551%	0.62163%	0.72079%
County's proportionate share of the net pension liability (asset) \$	\$ (105,065)	\$ (168,998)	\$ (180,023)	\$ (122,722)	\$ (119,384)
Plan fiduciary net position as a percentage of the total pension liability**	139.04%	156.53%	173.62%	164.11%	153.31%

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

\*\* This will be the same percentage for all participant employers in the ROD plan.

**PENDER COUNTY, NORTH CAROLINA**

**SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY (ASSET)  
REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND  
LAST TEN FISCAL YEARS\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.74470%	0.72559%	0.70577%	0.67167%	0.66000%
County's proportionate share of the net pension liability (asset) \$	\$ (127,113)	\$ (135,656)	\$ (163,555)	\$ (152,245)	\$ (140,884)
Plan fiduciary net position as a percentage of the total pension liability**	153.77%	160.17%	197.29%	193.88%	190.50%

**PENDER COUNTY, NORTH CAROLINA**

**SCHEDULE OF COUNTY CONTRIBUTIONS  
REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND  
LAST TEN FISCAL YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 6,808	\$ 9,097	\$ 10,556	\$ 7,523	\$ 5,908
Contributions in relation to the contractually required contribution	<u>6,808</u>	<u>9,097</u>	<u>10,556</u>	<u>7,523</u>	<u>5,908</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**PENDER COUNTY, NORTH CAROLINA**

**SCHEDULE OF COUNTY CONTRIBUTIONS  
REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND  
LAST TEN FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 6,168	\$ 6,270	\$ 5,928	\$ 5,648	\$ 5,484
Contributions in relation to the contractually required contribution	<u>6,168</u>	<u>6,270</u>	<u>5,928</u>	<u>5,648</u>	<u>5,484</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**PENDER COUNTY, NORTH CAROLINA****SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
LAST SEVEN FISCAL YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 2,635,853	\$ 2,313,785	\$ 1,625,621	\$ 1,389,357
Service cost	178,736	175,569	94,807	80,247
Interest on the total pension liability	58,760	44,217	52,225	49,745
Difference between expected and actual experience	51,975	215,636	(65,985)	101,373
Changes of assumptions or other inputs	(431,505)	(67,874)	654,346	50,379
Benefit payments	<u>(48,634)</u>	<u>(45,480)</u>	<u>(47,229)</u>	<u>(45,480)</u>
Ending balance of the total pension liability	<u>\$ 2,445,185</u>	<u>\$ 2,635,853</u>	<u>\$ 2,313,785</u>	<u>\$ 1,625,621</u>

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

Pension schedules in the required supplementary information are intended to show information for ten years and that additional years' information will be displayed as it becomes available.

**PENDER COUNTY, NORTH CAROLINA****SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
LAST SEVEN FISCAL YEARS**

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

**PENDER COUNTY, NORTH CAROLINA**

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF  
COVERED-EMPLOYEE PAYROLL  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
LAST SEVEN FISCAL YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total pension liability	\$ 2,445,185	\$ 2,635,853	\$ 2,313,785	\$ 1,625,621
Covered-employee payroll	4,637,725	4,405,407	3,842,089	3,557,965
Total pension liability as a percentage of covered-employee payroll	52.72%	59.83%	60.22%	45.69%

**Notes to the Schedule:**

Pender County has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Pension schedules in the required supplementary information are intended to show information for ten years and that additional years' information will be displayed as it becomes available.



**PENDER COUNTY, NORTH CAROLINA**

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF  
COVERED-EMPLOYEE PAYROLL  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
LAST SEVEN FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 1,389,357	\$ 1,364,566	\$ 1,156,255
Covered-employee payroll	3,315,521	3,206,779	2,782,922
Total pension liability as a percentage of covered-employee payroll	41.90%	42.55%	41.55%

## PENDER COUNTY, NORTH CAROLINA

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
LAST SIX FISCAL YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Total OPEB Liability:</b>			
Service cost	\$ 1,199,837	\$ 1,146,005	\$ 691,319
Interest	500,614	464,143	558,171
Differences between expected and actual experience	(4,239,927)	(33,056)	(1,000,656)
Changes of assumptions	(5,059,837)	669,547	4,477,413
Benefit payments	<u>(130,554)</u>	<u>(121,188)</u>	<u>(131,750)</u>
Net change in total OPEB liability	<u>(7,729,867)</u>	<u>2,125,451</u>	<u>4,594,497</u>
Total OPEB liability - beginning	22,041,675	19,916,224	15,321,727
Prior period restatement	<u>-</u>	<u>-</u>	<u>-</u>
Total OPEB liability - beginning, restated	<u>22,041,675</u>	<u>19,916,224</u>	<u>15,321,727</u>
Total OPEB liability - ending	<u>\$ 14,311,808</u>	<u>\$ 22,041,675</u>	<u>\$ 19,916,224</u>
Covered-employee payroll	\$ 20,071,088	\$ 18,477,695	\$ 18,477,695
Total OPEB liability as a percentage of covered-employee payroll	71.31%	119.29%	107.79%

**Notes to the Required Schedules:**

*Changes of Assumptions:* Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2023	3.54%
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

OPEB schedules in the required supplementary information are intended to show information for ten years and that additional years' information will be displayed as it becomes available.

**PENDER COUNTY, NORTH CAROLINA****SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
LAST SIX FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability:</b>			
Service cost	\$ 605,947	\$ 735,867	\$ 859,652
Interest	506,855	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	<u>(114,690)</u>	<u>(119,073)</u>	<u>(115,955)</u>
Net change in total OPEB liability	<u>2,234,999</u>	<u>(1,858,379)</u>	<u>(817,806)</u>
Total OPEB liability - beginning	13,086,728	14,945,107	8,503,553
Prior period restatement	<u>-</u>	<u>-</u>	<u>7,259,360</u>
Total OPEB liability - beginning, restated	<u>13,086,728</u>	<u>14,945,107</u>	<u>15,762,913</u>
Total OPEB liability - ending	<u>\$ 15,321,727</u>	<u>\$ 13,086,728</u>	<u>\$ 14,945,107</u>
Covered-employee payroll	\$ 16,422,948	\$ 16,341,735	\$ 14,340,852
Total OPEB liability as a percentage of covered-employee payroll	93.29%	80.08%	104.21%

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## MAJOR GOVERNMENTAL FUNDS

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- General Fund
  - Public School Special Revenue Fund
  - ARPA Fund
  - Rescue District Fund
  - Opioid Settlement Fund
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## **GENERAL FUND**

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

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PENDER COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/Under</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 58,861,400	\$ 58,804,857	\$ (56,543)
Unrestricted intergovernmental	17,963,749	18,847,522	883,773
Restricted intergovernmental	10,291,524	11,039,544	748,020
Permits and fees	1,931,885	2,153,886	222,001
Charges for services	4,438,580	4,276,448	(162,132)
Interest	70,000	4,038,775	3,968,775
Miscellaneous	351,979	719,003	367,024
Total revenues	<u>93,909,117</u>	<u>99,880,035</u>	<u>5,970,918</u>
<b>Expenditures:</b>			
<b>General Government:</b>			
Governing body	246,875	250,931	(4,056)
County Manager	670,181	580,597	89,584
Human resources	439,987	395,390	44,597
Board of Elections	365,924	334,512	31,412
Finance	1,008,367	883,499	124,868
Information systems	1,475,112	3,597,240	(2,122,128)
Tax administrator	1,850,631	1,683,027	167,604
AE&P Fund	55,000	13,996	41,004
Register of Deeds	1,939,641	1,713,056	226,585
Public buildings	2,789,165	2,540,253	248,912
Vehicle maintenance	1,098,840	1,037,824	61,016
Inspections	1,853,887	1,355,831	498,056
Court facilities	392,500	326,167	66,333
County attorney	65,000	66,463	(1,463)
Non-departmental	2,105,141	2,054,061	51,080
Total general government	<u>16,356,251</u>	<u>16,832,847</u>	<u>(476,596)</u>
<b>Public Safety:</b>			
Sheriff	12,018,775	11,942,584	76,191
Jail	2,713,442	2,367,054	346,388
Animal control	267,493	258,556	8,937
Emergency management	416,836	407,137	9,699
Forest resources	279,537	226,510	53,027
Sheriff seizure	51,500	44,783	6,717
Medical examiner	85,000	81,945	3,055
Total public safety	<u>15,832,583</u>	<u>15,328,569</u>	<u>504,014</u>

**PENDER COUNTY, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/Under</u>
<b>Economic and Physical Development:</b>			
Extension service	184,325	210,248	(25,923)
Planning	761,083	590,081	171,002
Tourism office	243,141	248,095	(4,954)
Option 4 payments	968,726	717,569	251,157
Outside agencies	<u>1,872,451</u>	<u>1,885,367</u>	<u>(12,916)</u>
Total economic and physical development	<u>4,029,726</u>	<u>3,651,360</u>	<u>378,366</u>
<b>Human Services:</b>			
Health department	7,282,538	6,285,971	996,567
Public assistance	10,342,847	8,857,824	1,485,023
Veterans	145,137	118,702	26,435
EDTAP transportation	<u>190,000</u>	<u>164,003</u>	<u>25,997</u>
Total human services	<u>17,960,522</u>	<u>15,426,500</u>	<u>2,534,022</u>
<b>Culture and Recreation:</b>			
Recreation	1,489,116	983,503	505,613
Shooting range	165,070	144,512	20,558
Libraries	1,120,587	981,322	139,265
Youth alternatives	<u>153,959</u>	<u>148,300</u>	<u>5,659</u>
Total culture and recreation	<u>2,928,732</u>	<u>2,257,637</u>	<u>671,095</u>
<b>Education:</b>			
Local current expense	23,497,509	23,497,509	-
Capital outlay	4,049,084	4,049,084	-
Community college	<u>620,286</u>	<u>620,286</u>	<u>-</u>
Total education	<u>28,166,879</u>	<u>28,166,879</u>	<u>-</u>
<b>Debt Service:</b>			
Principal	1,615,723	1,615,723	-
Interest	<u>202,790</u>	<u>201,916</u>	<u>874</u>
Total debt service	<u>1,818,513</u>	<u>1,817,639</u>	<u>874</u>
Total expenditures	<u>87,093,206</u>	<u>83,481,431</u>	<u>3,611,775</u>

PENDER COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/Under</u>
Revenues over (under) expenditures	6,815,911	16,398,604	9,582,693
<b>Other Financing Sources (Uses):</b>			
Note receivable payments	200,000	-	(200,000)
Subscription liabilities issued	-	2,848,690	2,848,690
Sale of surplus property	471,909	675,379	203,470
Insurance proceeds	482,717	135,360	(347,357)
Transfers in (out):			
Transfers from other funds	10,178,239	1,566,149	(8,612,090)
Transfers to other funds	(26,609,659)	(15,491,566)	11,118,093
Appropriated fund balance	<u>8,460,883</u>	<u>-</u>	<u>(8,460,883)</u>
Total other financing sources (uses)	<u>(6,815,911)</u>	<u>(10,265,988)</u>	<u>(3,450,077)</u>
Net change in fund balance	<u>\$ -</u>	6,132,616	<u>\$ 6,132,616</u>
<b>Fund Balance:</b>			
Beginning of year, July 1		67,715,098	
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year loan receivable repayments		<u>(200,000)</u>	
End of year, June 30		<u>\$ 73,647,714</u>	

**PENDER COUNTY, NORTH CAROLINA**

**REVALUATION FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Expenditures:</b>			
Tax listing	\$ 235,500	\$ -	\$ 235,500
Revenues over (under) expenditures	(235,500)	-	235,500
<b>Other Financing Sources (Uses):</b>			
Transfer from General Fund	<u>235,500</u>	<u>235,500</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	235,500	<u>\$ 235,500</u>
<b>Fund Balance:</b>			
Beginning of year, July 1		<u>721,001</u>	
End of year, June 30		<u>\$ 956,501</u>	

## **PUBLIC SCHOOL SPECIAL REVENUE FUND**

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The Public School Special Revenue Fund is a major fund of the County and is used to track debt service for public school bonds.

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**PENDER COUNTY, NORTH CAROLINA**

**PUBLIC SCHOOL SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Other taxes - sales	\$ 6,405,492	\$ 7,056,626	\$ 651,134
Lottery funds	<u>635,000</u>	<u>1,150,711</u>	<u>515,711</u>
Total revenues	<u>7,040,492</u>	<u>8,207,337</u>	<u>1,166,845</u>
<b>Expenditures:</b>			
Option 4 redistribution	380,000	346,957	33,043
Debt service payment	9,368,561	7,490,000	1,878,561
Interest expense	<u>2,571,163</u>	<u>2,571,163</u>	<u>-</u>
Total expenditures	<u>12,319,724</u>	<u>10,408,120</u>	<u>1,911,604</u>
Revenues over (under) expenditures	<u>(5,279,232)</u>	<u>(2,200,783)</u>	<u>3,078,449</u>
<b>Other Financing Sources (Uses):</b>			
Transfer from General Fund	5,279,232	3,288,470	(1,990,762)
Transfer from School Capital Project Fund	<u>-</u>	<u>823,917</u>	<u>823,917</u>
Total other financing sources (uses)	<u>5,279,232</u>	<u>4,112,387</u>	<u>(1,166,845)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,911,604</u>	<u>\$ 1,911,604</u>
<b>Fund Balance:</b>			
Beginning of year, July 1		<u>1,661,116</u>	
End of year, June 30		<u>\$ 3,572,720</u>	

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## **ARPA FUND**

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The ARPA Fund is a major fund of the County and a grant project special revenue fund used to account for the County's portion of the American Rescue Plan Act (ARPA) funding.

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## PENDER COUNTY, NORTH CAROLINA

ARPA FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	<b>Budget</b>	<b>Actual</b>			<b>Variance Over/Under</b>
	<b>Budget</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
American Recovery Plan funds	\$ 12,248,666	\$ 222,250	\$ 457,872	\$ 680,122	\$ (11,568,544)
<b>Other Financing Sources (Uses):</b>					
Transfer to US 421 Water & Sewer Expansion Capital Project Fund	<u>(12,248,666)</u>	<u>(222,250)</u>	<u>(457,872)</u>	<u>(680,122)</u>	<u>11,568,544</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ -</u>		

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## **RESCUE DISTRICT FUND**

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This fund is a Special Revenue Fund used to account for the tax revenues collected by the County on behalf of rescue districts located within the County.

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**PENDER COUNTY, NORTH CAROLINA**

**RESCUE DISTRICT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Rescue district taxes:			
Pender County EMS taxes	\$ 8,611,465	\$ 8,381,611	\$ (229,854)
<b>Expenditures:</b>			
Public safety:			
Pender volunteer EMS & rescue	12,226,896	12,533,674	(306,778)
Revenues over (under) expenditures	(3,615,431)	(4,152,063)	(536,632)
<b>Other Financing Sources (Uses):</b>			
Transfer from General Fund	3,615,431	3,615,431	-
Net change in fund balance	<u>\$ -</u>	(536,632)	<u>\$ (536,632)</u>
<b>Fund Balance:</b>			
Beginning of year, July 1		<u>859,933</u>	
End of year, June 30		<u>\$ 323,301</u>	

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## **OPIOID SETTLEMENT FUND**

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The Opioid Settlement Fund is a major fund of the County and a Special Revenue Fund used to account for settlement proceeds that are restricted for use for a particular purpose.

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**PENDER COUNTY, NORTH CAROLINA**

**OPIOID SETTLEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Opioid settlement funds	\$ -	\$ 489,061	\$ 489,061
Net change in fund balance	<u>\$ -</u>	489,061	<u>\$ 489,061</u>
<b>Fund Balance:</b>			
Beginning of year, July 1		<u>-</u>	
End of year, June 30		<u>\$ 489,061</u>	

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**NONMAJOR GOVERNMENTAL FUNDS**

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**PENDER COUNTY, NORTH CAROLINA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Total Nonmajor Governmental Funds</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 920,909	\$ 9,935,325	\$ 10,856,234
Accounts receivable	23,852	-	23,852
Taxes receivable (net)	393,967	-	393,967
Due from other governments	66,709	693,469	760,178
Restricted cash	<u>-</u>	<u>4,214</u>	<u>4,214</u>
Total assets	<u>\$ 1,405,437</u>	<u>\$ 10,633,008</u>	<u>\$ 12,038,445</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 294,818	\$ 259,416	\$ 554,234
Advances from grantors	<u>-</u>	<u>4,214</u>	<u>4,214</u>
Total liabilities	<u>294,818</u>	<u>263,630</u>	<u>558,448</u>
<b>Deferred Inflows of Resources</b>	<u>393,967</u>	<u>-</u>	<u>393,967</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization by state statute	90,561	693,469	784,030
Public safety	618,654	-	618,654
Committed:			
Capital outlay and improvements	-	9,675,909	9,675,909
Assigned:			
Cooperative Extension programs	<u>7,437</u>	<u>-</u>	<u>7,437</u>
Total fund balances	<u>716,652</u>	<u>10,369,378</u>	<u>11,086,030</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,405,437</u>	<u>\$ 10,633,008</u>	<u>\$ 12,038,445</u>

**PENDER COUNTY, NORTH CAROLINA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues:</b>			
Ad valorem taxes	\$ 6,254,590	\$ -	\$ 6,254,590
Restricted intergovernmental	286,223	981,060	1,267,283
Miscellaneous revenue	-	62,278	62,278
Investment earnings	13,674	-	13,674
Total revenues	<u>6,554,487</u>	<u>1,043,338</u>	<u>7,597,825</u>
<b>Expenditures:</b>			
Current:			
Public safety	7,697,790	220,658	7,918,448
Economic and physical development	17,345	1,019,437	1,036,782
Human services	-	238,281	238,281
Culture and recreation	-	7,012	7,012
Total expenditures	<u>7,715,135</u>	<u>1,485,388</u>	<u>9,200,523</u>
Revenues over (under) expenditures	<u>(1,160,648)</u>	<u>(442,050)</u>	<u>(1,602,698)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	935,436	7,586,729	8,522,165
Transfers out	(1,558)	(823,917)	(825,475)
Total other financing sources (uses)	<u>933,878</u>	<u>6,762,812</u>	<u>7,696,690</u>
Net change in fund balances	(226,770)	6,320,762	6,093,992
<b>Fund Balances:</b>			
Beginning of year, July 1	<u>943,422</u>	<u>4,048,616</u>	<u>4,992,038</u>
End of year, June 30	<u>\$ 716,652</u>	<u>\$ 10,369,378</u>	<u>\$ 11,086,030</u>



## **NONMAJOR SPECIAL REVENUE FUNDS**

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

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## PENDER COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2023

	<b>Fire Service District Fund</b>	<b>911 Emergency Telephone Fund</b>	<b>Cooperative Extension Fund</b>	<b>Total</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ 453,008	\$ 460,097	\$ 7,804	\$ 920,909
Taxes receivable (net)	393,967	-	-	393,967
Accounts receivable	-	23,852	-	23,852
Due from other governments	66,709	-	-	66,709
Total assets	<u>\$ 913,684</u>	<u>\$ 483,949</u>	<u>\$ 7,804</u>	<u>\$ 1,405,437</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	<u>\$ 293,021</u>	<u>\$ 1,430</u>	<u>\$ 367</u>	<u>\$ 294,818</u>
<b>Deferred Inflows of Resources</b>	<u>393,967</u>	<u>-</u>	<u>-</u>	<u>393,967</u>
<b>Fund Balances:</b>				
Restricted:				
Stabilization by state statute	66,709	23,852	-	90,561
Public safety	159,987	458,667	-	618,654
Assigned:				
Economic and physical development	-	-	7,437	7,437
Total fund balances	<u>226,696</u>	<u>482,519</u>	<u>7,437</u>	<u>716,652</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 913,684</u>	<u>\$ 483,949</u>	<u>\$ 7,804</u>	<u>\$ 1,405,437</u>

**PENDER COUNTY, NORTH CAROLINA**

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Fire Service District Fund</b>	<b>911 Emergency Telephone Fund</b>	<b>Cooperative Extension Fund</b>	<b>Total</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ 6,254,590	\$ -	\$ -	\$ 6,254,590
Restricted intergovernmental	-	286,223	-	286,223
Program revenues	-	-	13,674	13,674
Total revenues	<u>6,254,590</u>	<u>286,223</u>	<u>13,674</u>	<u>6,554,487</u>
<b>Expenditures:</b>				
Public safety	7,593,802	103,988	-	7,697,790
Economic and physical development	-	-	17,345	17,345
Total expenditures	<u>7,593,802</u>	<u>103,988</u>	<u>17,345</u>	<u>7,715,135</u>
Revenues over (under) expenditures	<u>(1,339,212)</u>	<u>182,235</u>	<u>(3,671)</u>	<u>(1,160,648)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from (to):				
Transfers from General Fund	918,860	16,576	-	935,436
Transfers to General Fund	-	-	(1,558)	(1,558)
Total other financing sources (uses)	<u>918,860</u>	<u>16,576</u>	<u>(1,558)</u>	<u>933,878</u>
Net change in fund balances	(420,352)	198,811	(5,229)	(226,770)
<b>Fund Balances:</b>				
Beginning of year, July 1	<u>647,048</u>	<u>283,708</u>	<u>12,666</u>	<u>943,422</u>
End of year, June 30	<u>\$ 226,696</u>	<u>\$ 482,519</u>	<u>\$ 7,437</u>	<u>\$ 716,652</u>

**PENDER COUNTY, NORTH CAROLINA**

**FIRE SERVICE DISTRICT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 7,541,683	\$ 6,254,590	\$ (1,287,093)
<b>Expenditures:</b>			
Public safety:			
Fire Districts:			
Pender Central	458,867	435,229	23,638
Maple Hill	354,277	335,171	19,106
Rocky Point	813,861	783,005	30,856
Shiloh	296,624	286,574	10,050
Penderlea	775,297	668,208	107,089
Atkinson	331,488	315,392	16,096
Northeast Pender	697,339	360,330	337,009
Scotts Hill	350,000	289,983	60,017
Long Creek	550,000	494,509	55,491
Hampstead	1,400,000	1,343,570	56,430
Sloop Point	2,400,000	2,266,729	133,271
Penderlea - Dublin Area	32,790	15,102	17,688
Total expenditures	<u>8,460,543</u>	<u>7,593,802</u>	<u>866,741</u>
Revenues over (under) expenditures	(918,860)	(1,339,212)	(420,352)
<b>Other Financing Sources (Uses):</b>			
Transfer from General Fund	<u>918,860</u>	<u>918,860</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	(420,352)	<u>\$ (420,352)</u>
<b>Fund Balance:</b>			
Beginning of year, July 1		<u>647,048</u>	
End of year, June 30		<u>\$ 226,696</u>	

**PENDER COUNTY, NORTH CAROLINA**

**911 EMERGENCY TELEPHONE SYSTEMS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental	\$ 286,223	\$ 286,223	\$ -
<b>Expenditures:</b>			
Travel	5,000	-	5,000
Training	11,200	1,370	9,830
Telephone	5,000	4,654	346
Supplies & materials	8,200	1,329	6,871
Contracted services	96,055	80,797	15,258
Telecommunication service	24,000	15,838	8,162
Other equipment	153,344	-	153,344
Total expenditures	<u>302,799</u>	<u>103,988</u>	<u>198,811</u>
Revenues over (under) expenditures	<u>(16,576)</u>	<u>182,235</u>	<u>198,811</u>
<b>Other Financing Sources (Uses):</b>			
Transfer from General Fund	<u>16,576</u>	<u>16,576</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>198,811</u>	<u>\$ 198,811</u>
<b>Fund Balance:</b>			
Beginning of year, July 1		<u>283,708</u>	
End of year, June 30		<u>\$ 482,519</u>	
<b>PSAP RECONCILIATION</b>			
Amounts reported on the 911 Emergency Telephone Systems Fund budget-to-actual are different from the PSAP revenue-expenditure report because:			
Ending fund balance, reported on budget to actual		\$ 482,519	
Cumulative current and prior period revenues and expenditures not reported in the fund (difference in beginning fund balance - budget to actual vs. PSAP report)		<u>(76,977)</u>	
Ending balance, PSAP revenue-expenditure report		<u>\$ 405,542</u>	

**PENDER COUNTY, NORTH CAROLINA**

**COOPERATIVE EXTENSION FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Program revenue	\$ 14,560	\$ 13,674	\$ (886)
<b>Expenditures:</b>			
Current:			
Supplies and materials	14,896	17,345	(2,449)
Contracted services	<u>903</u>	<u>-</u>	<u>903</u>
Total expenditures	<u>15,799</u>	<u>17,345</u>	<u>(1,546)</u>
Revenues over (under) expenditures	<u>(1,239)</u>	<u>(3,671)</u>	<u>(2,432)</u>
<b>Other Financing Sources (Uses):</b>			
Transfer to General Fund	(1,558)	(1,558)	-
Appropriated fund balance	<u>2,797</u>	<u>-</u>	<u>(2,797)</u>
Total other financing sources (uses)	<u>1,239</u>	<u>(1,558)</u>	<u>(2,797)</u>
Net change in fund balance	<u>\$ -</u>	<u>(5,229)</u>	<u>\$ (5,229)</u>
<b>Fund Balance:</b>			
Beginning of year, July 1		<u>12,666</u>	
End of year, June 30		<u>\$ 7,437</u>	

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## **NONMAJOR CAPITAL PROJECT FUNDS**

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

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**PENDER COUNTY, NORTH CAROLINA**

**NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2023**

	<b>Capital Improvements Fund</b>	<b>School Capital Projects Fund</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets:</b>			
Cash and investments	\$ 9,935,325	\$ -	\$ 9,935,325
Restricted cash	4,214	-	4,214
Due from other governments	693,469	-	693,469
Total assets	<u>\$ 10,633,008</u>	<u>\$ -</u>	<u>\$ 10,633,008</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 259,416	\$ -	\$ 259,416
Advances from grantors	4,214	-	4,214
Total liabilities	<u>263,630</u>	<u>-</u>	<u>263,630</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization by state statute	693,469	-	693,469
Committed:			
Capital outlay and improvements	9,675,909	-	9,675,909
Total fund balances	<u>10,369,378</u>	<u>-</u>	<u>10,369,378</u>
Total liabilities and fund balances	<u>\$ 10,633,008</u>	<u>\$ -</u>	<u>\$ 10,633,008</u>

**PENDER COUNTY, NORTH CAROLINA**

**NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Capital Improvements Fund</b>	<b>School Capital Projects Fund</b>	<b>Total</b>
<b>Revenues:</b>			
Restricted intergovernmental	\$ 981,060	\$ -	\$ 981,060
Miscellaneous revenue	62,278	-	62,278
Total revenues	<u>1,043,338</u>	<u>-</u>	<u>1,043,338</u>
<b>Expenditures:</b>			
Public safety	220,658	-	220,658
Economic and physical development	1,019,437	-	1,019,437
Human services	238,281	-	238,281
Culture and recreation	7,012	-	7,012
Total expenditures	<u>1,485,388</u>	<u>-</u>	<u>1,485,388</u>
Revenues over (under) expenditures	<u>(442,050)</u>	<u>-</u>	<u>(442,050)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from (to):			
Public School Special Revenue Fund	-	(823,917)	(823,917)
General Fund	7,086,729	-	7,086,729
Combined Water Fund	500,000	-	500,000
Total other financing sources (uses)	<u>7,586,729</u>	<u>(823,917)</u>	<u>6,762,812</u>
Net change in fund balances	7,144,679	(823,917)	6,320,762
<b>Fund Balances:</b>			
Beginning of year, June 30	<u>3,224,699</u>	<u>823,917</u>	<u>4,048,616</u>
End of year, July 1	<u>\$ 10,369,378</u>	<u>\$ -</u>	<u>\$ 10,369,378</u>

PENDER COUNTY, NORTH CAROLINA

CAPITAL IMPROVEMENTS FUND - CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Emergency Management Grant	\$ 6,705,870	\$ 3,632,402	\$ 11,028	\$ 3,643,430	\$ (3,062,440)
Coastal Management Grant	7,500	7,500	-	7,500	-
Golden Leaf Foundation Grant	454,800	584,748	-	584,748	129,948
NC EM DRA Grant	3,000,000	2,418,840	41,842	2,460,682	(539,318)
OSBM DRA Grant	880,000	561,012	314,774	875,786	(4,214)
State Acquisition Reloc Fund	2,078,526	1,691,524	(30,865)	1,660,659	(417,867)
Agricultural Building Generator	50,000	50,000	-	50,000	-
NC Soil & Water Conservation Grant	516,422	151,943	54,842	206,785	(309,637)
USDA EWP Program Grant	1,549,268	376,749	245,630	622,379	(926,889)
NCEM HMGP Grant	4,991,638	2,905,783	-	2,905,783	(2,085,855)
Duke Energy rebate	-	46,090	-	46,090	46,090
Donations	134,770	140,420	-	140,420	5,650
NC Wildlife Grant	10,000	10,000	-	10,000	-
NCDPS Safety Grant	34,623	16,430	-	16,430	(18,193)
NCDA&CS Grant	357,888	-	320,714	320,714	(37,174)
NCDOT Grant	4,000,000	-	-	-	(4,000,000)
Governor's Crime Commission Grant	24,500	-	23,095	23,095	(1,405)
PARTF- Hampstead Kiwanis Park Phase 4	500,000	-	-	-	(500,000)
PARTF - Central Pender park	500,000	-	-	-	(500,000)
Miscellaneous	102,693	30,000	62,278	92,278	(10,415)
Total revenues	25,898,498	12,623,441	1,043,338	13,666,779	(12,231,719)
<b>Expenditures:</b>					
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	214,875	214,875	-	214,875	-
Jail renovations	3,381,423	1,104,546	165,000	1,269,546	2,111,877
Courthouse renovations	11,282	-	-	-	11,282
Unified Development Ordinance	87,000	-	-	-	87,000
Library	149,000	147,093	-	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	411,557	-	411,557	(60,597)
Public Safety Software	194,279	226,882	-	226,882	(32,603)
NC EM DRA Grant	3,000,000	1,712,583	13,492	1,726,075	1,273,925
OSBM DRA Grant	7,505,086	12,806,450	384,759	13,191,209	(5,686,123)
State Acquisition Reloc Fund	2,178,000	26,307	-	26,307	2,151,693
Golden Leaf	154,800	121,548	-	121,548	33,252
FEMA grants	11,697,508	8,152,996	32,563	8,185,559	3,511,949
NC Soil & Water Conservation Grant	1,996,381	528,692	300,472	829,164	1,167,217
NCDPS Safety Grant	34,623	16,430	-	16,430	18,193
NCDA&CS Grant	357,888	-	320,714	320,714	37,174
NCDOT Grant	4,000,000	-	-	-	4,000,000

**PENDER COUNTY, NORTH CAROLINA**

**CAPITAL IMPROVEMENTS FUND - CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Central warehouse	500,000	-	-	-	500,000
Penderlea community park	301,810	-	3,630	3,630	298,180
Investigative Technology Tools	24,500	-	23,095	23,095	1,405
PARTF- Hampstead Kiwanis Park Phase 4	2,102,693	-	3,382	3,382	2,099,311
PARTF - Central Pender park	2,875,000	-	-	-	2,875,000
DSS Building	28,400,000	-	238,281	238,281	28,161,719
Courthouse records storage facility	230,757	-	-	-	230,757
Abbey Nature preserve	360,000	-	-	-	360,000
Contingency	91,199	-	-	-	91,199
Total expenditures	<u>72,022,863</u>	<u>26,925,954</u>	<u>1,485,388</u>	<u>28,411,342</u>	<u>43,611,521</u>
Revenues under expenditures	<u>(46,124,365)</u>	<u>(14,302,513)</u>	<u>(442,050)</u>	<u>(14,744,563)</u>	<u>31,379,802</u>
<b>Other Financing Sources (Uses):</b>					
Appropriated fund balance	1,318,887	-	-	-	(1,318,887)
Loan proceeds	26,703,341	1,292,891	-	1,292,891	(25,410,450)
Premium on LOB's	96,836	108,430	-	108,430	11,594
Bond issuance cost	(22,782)	(23,682)	-	(23,682)	(900)
Insurance proceeds	686,595	716,595	-	716,595	30,000
Transfers to General Fund	(1,657,818)	(45,873)	(330,000)	(375,873)	1,281,945
Transfers from General Fund	18,499,306	15,929,285	7,416,729	23,346,014	4,846,708
Transfers from Combined Water Fund	500,000	-	500,000	500,000	-
Total other financing sources (uses)	<u>46,124,365</u>	<u>17,977,646</u>	<u>7,586,729</u>	<u>25,564,375</u>	<u>(20,559,990)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 3,675,133</u>	<u>7,144,679</u>	<u>\$ 10,819,812</u>	<u>\$ 10,819,812</u>
<b>Fund Balances:</b>					
Beginning of year, July 1			<u>3,224,699</u>		
End of year, June 30			<u>\$ 10,369,378</u>		

## PENDER COUNTY, NORTH CAROLINA

SCHOOL CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Actual		Total to Date	Variance Over/Under
		Prior Years	Current Year		
<b>Revenues:</b>					
Unrestricted intergovernmental	\$ -	\$ 372,388	\$ -	\$ 372,388	\$ 372,388
Interest income	642,830	642,830	-	642,830	-
Miscellaneous	272,073	-	-	-	(272,073)
Total revenues	<u>914,903</u>	<u>1,015,218</u>	<u>-</u>	<u>1,015,218</u>	<u>100,315</u>
<b>Expenditures:</b>					
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	24,768,082	21,016,213	-	21,016,213	3,751,869
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	<u>83,402,931</u>	<u>83,172,931</u>	<u>-</u>	<u>83,172,931</u>	<u>230,000</u>
Revenues under expenditures	<u>(82,488,028)</u>	<u>(82,157,713)</u>	<u>-</u>	<u>(82,157,713)</u>	<u>330,315</u>
<b>Other Financing Sources (Uses):</b>					
Transfers from (to):					
General Fund	5,875,000	5,875,000	-	5,875,000	-
General Fund	(5,875,000)	(5,875,000)	-	(5,875,000)	-
Public School Special Revenue Fund	(823,917)	-	(823,917)	(823,917)	-
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 (uses)	<u>82,488,028</u>	<u>83,211,630</u>	<u>(823,917)</u>	<u>82,387,713</u>	<u>(100,315)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,053,917</u>	<u>(823,917)</u>	<u>\$ 230,000</u>	<u>\$ 230,000</u>
<b>Fund Balance:</b>					
Beginning of year, July 1			<u>823,917</u>		
End of year, June 30			<u>\$ -</u>		

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## **PROPRIETARY FUNDS**

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

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## MAJOR ENTERPRISE FUNDS

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- Solid Waste Fund: This fund is used to account for the operation, maintenance, and development of various landfills and disposal sites.
  - Combined Sewer Fund: This fund is used to account for the operations of the wastewater treatment facilities.
  - Combined Water Fund: This fund is used to account for the operations of the water treatment plant and the interconnected distribution systems.
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**PENDER COUNTY, NORTH CAROLINA**

**SOLID WASTE OPERATING FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Landfill fees	\$ 1,900,707	\$ 1,679,727	\$ (220,980)
User fees	4,524,835	4,257,778	(267,057)
Recycling	183,500	179,291	(4,209)
Miscellaneous	<u>20,000</u>	<u>53,901</u>	<u>33,901</u>
Total operating revenues	<u>6,629,042</u>	<u>6,170,697</u>	<u>(458,345)</u>
Non-operating revenues:			
Solid waste disposal tax	52,000	57,680	5,680
White goods	14,000	-	(14,000)
Scrap tire	90,000	118,831	28,831
Reimbursement from schools	<u>220,000</u>	<u>305,072</u>	<u>85,072</u>
Total non-operating revenues	<u>376,000</u>	<u>481,583</u>	<u>105,583</u>
Total revenues	<u>7,005,042</u>	<u>6,652,280</u>	<u>(352,762)</u>
<b>Expenditures:</b>			
Operating expenditures:			
Salaries and employee benefits	601,934	530,487	71,447
Other operating expenditures	6,111,380	5,464,712	646,668
Principal	30,170	30,170	-
Interest	7,558	7,558	-
Capital outlay	<u>254,000</u>	<u>68,273</u>	<u>185,727</u>
Total expenditures	<u>7,005,042</u>	<u>6,101,200</u>	<u>903,842</u>
Revenues over (under) expenditures	-	551,080	551,080
<b>Other Financing Sources (Uses):</b>			
Transfers in (out):			
Solid Waste Capital Project Fund	<u>-</u>	<u>18,344</u>	<u>(18,344)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 569,424</u>	<u>\$ 569,424</u>

**PENDER COUNTY, NORTH CAROLINA****SOLID WASTE OPERATING FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Reconciliation of Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 569,424	
Change in deferred outflows - OPEB		(164)	
Change in total OPEB liability		123,678	
Change in deferred inflows - OPEB		(127,021)	
Change in deferred outflows - pension		65,933	
Change in net pension liability		(201,063)	
Change in deferred inflows - pension		90,094	
Change in compensated absences		(5,233)	
Principal payments		30,170	
Capital outlay		68,273	
Depreciation		(105,542)	
Transfer from Solid Waste Capital Project Fund		<u>(18,344)</u>	
Change in net position, full accrual basis		<u>\$ 490,307</u>	

## PENDER COUNTY, NORTH CAROLINA

**SOLID WASTE CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
<b>Revenues:</b>					
Miscellaneous revenues	\$ 152	\$ 152	\$ -	\$ 152	\$ -
<b>Expenditures:</b>					
Contracted services	154,569	17,165	-	17,165	137,404
Capital outlay	422,187	525,756	-	525,756	(103,569)
Contingency	8,975	-	-	-	8,975
Total expenditures	<u>585,731</u>	<u>542,921</u>	<u>-</u>	<u>542,921</u>	<u>42,810</u>
Revenues over (under) expenditures	<u>(585,579)</u>	<u>(542,769)</u>	<u>-</u>	<u>(542,769)</u>	<u>42,810</u>
<b>Other Financing Sources (Uses):</b>					
Transfers to Solid Waste Fund	(18,344)	-	(18,344)	(18,344)	-
Transfers from General Fund	13,394	13,394	-	13,394	-
CWSRF loan proceeds	603,397	603,397	-	603,397	-
Debt issuance costs	<u>(12,868)</u>	<u>(12,868)</u>	<u>-</u>	<u>(12,868)</u>	<u>-</u>
Total other financing sources (uses)	<u>585,579</u>	<u>603,923</u>	<u>(18,344)</u>	<u>585,579</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 61,154</u>	<u>\$ (18,344)</u>	<u>\$ 42,810</u>	<u>\$ 42,810</u>

**PENDER COUNTY, NORTH CAROLINA**

**COMBINED SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
System development fees	\$ 2,900,000	\$ 2,447,927	\$ (452,073)
Sewer fees	757,418	606,824	(150,594)
Other fees	18,000	85,682	67,682
Investment income	-	48,442	48,442
Total revenues	<u>3,675,418</u>	<u>3,188,875</u>	<u>(486,543)</u>
<b>Expenditures:</b>			
Wastewater Operations:			
Salaries and employee benefits	63,476	67,347	(3,871)
Contracted services	67,000	28,253	38,747
Operating expenditures	154,845	153,078	1,767
Capital outlay	90,072	-	90,072
Total	<u>375,393</u>	<u>248,678</u>	<u>126,715</u>
Wastewater Treatment Plant:			
Salaries and employee benefits	199,646	185,199	14,447
Operating expenditures	409,542	326,731	82,811
Capital outlay	79,076	79,075	1
Debt service payments:			
Principal	1,619,678	850,171	769,507
Interest	536,459	535,844	615
Total	<u>2,844,401</u>	<u>1,977,020</u>	<u>867,381</u>
Total expenditures	<u>3,219,794</u>	<u>2,225,698</u>	<u>994,096</u>
Revenues over (under) expenditures	<u>455,624</u>	<u>963,177</u>	<u>507,553</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	150,000	-	(150,000)
Transfers in (out):			
PCP Wastewater Treatment Plant Capital Project Fund	(150,000)	(150,000)	-
Combined Water Fund	(455,624)	(455,624)	-
Total other financing sources (uses)	<u>(455,624)</u>	<u>(605,624)</u>	<u>(150,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 357,553</u>	<u>\$ 357,553</u>



**PENDER COUNTY, NORTH CAROLINA**

**COMBINED SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Reconciliation of Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 357,553	
Depreciation and amortization		(886,891)	
Capital Project Fund revenues		122,403	
Capital outlay expenditures		79,075	
Capital Project Fund expenditures not capitalized		(10,150)	
Gain (loss) on retirement/transfer of assets		(286,939)	
Long-term debt repayments		850,171	
Change in compensated absences		(1,863)	
Change in accrued interest payable		11,500	
Change in deferred outflows - OPEB		(5,019)	
Change in total OPEB liability		55,655	
Change in deferred inflows - OPEB		(53,890)	
Change in deferred outflows - pension		29,670	
Change in net pension liability		(90,478)	
Change in deferred inflows - pension		40,463	
Transfers to PCP Water Treatment Plant Capital Project Fund		150,000	
Transfers to Combined Water Fund		(12,342)	
Transfers from Combined Water Fund		27,916	
Change in net position, full accrual basis		<u>\$ 376,834</u>	

## PENDER COUNTY, NORTH CAROLINA

MAPLE HILL SEWER CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
State Reserve Project Grant	\$ 514,044	\$ 257,637	\$ 122,403	\$ 380,040	\$ (134,004)
Miscellaneous revenues	-	4,880	-	4,880	4,880
Total revenues	<u>514,044</u>	<u>262,517</u>	<u>122,403</u>	<u>384,920</u>	<u>(129,124)</u>
<b>Expenditures:</b>					
Capital outlay	494,558	249,187	102,891	352,078	142,480
Contract services	178,492	141,889	10,560	152,449	26,043
Bond closing costs	-	-	8,382	8,382	(8,382)
Total expenditures	<u>673,050</u>	<u>391,076</u>	<u>121,833</u>	<u>512,909</u>	<u>160,141</u>
Revenues over (under) expenditures	<u>(159,006)</u>	<u>(128,559)</u>	<u>570</u>	<u>(127,989)</u>	<u>31,017</u>
<b>Other Financing Sources (Uses):</b>					
Transfers to Combined Water Fund	(12,342)	-	(12,342)	(12,342)	-
State Revolving Loan issued	-	131,528	-	131,528	131,528
Bond proceeds	171,348	-	-	-	(171,348)
Total other financing sources (uses)	<u>159,006</u>	<u>131,528</u>	<u>(12,342)</u>	<u>119,186</u>	<u>(39,820)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 2,969</u>	<u>\$ (11,772)</u>	<u>\$ (8,803)</u>	<u>\$ (8,803)</u>

## PENDER COUNTY, NORTH CAROLINA

PCP WASTEWATER TREATMENT PLANT CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Actual		Total to Date	Variance Over/Under
		Prior Years	Current Year		
<b>Revenues:</b>					
EDA/DEL Lab Grant	\$ 533,746	\$ -	\$ -	\$ -	\$ (533,746)
<b>Expenditures:</b>					
Capital outlay	574,602	-	-	-	574,602
Contract services	137,060	-	12,287	12,287	124,773
Total expenditures	711,662	-	12,287	12,287	699,375
Revenues over (under) expenditures	(177,916)	-	(12,287)	(12,287)	165,629
<b>Other Financing Sources (Uses):</b>					
Transfers from Combined Water Fund	27,916	-	27,916	27,916	-
Transfers from Combined Sewer Fund	150,000	-	150,000	150,000	-
Total other financing sources (uses)	177,916	-	177,916	177,916	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ 165,629	\$ 165,629	\$ 165,629

PENDER COUNTY, NORTH CAROLINA

COMBINED WATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Water fees	\$ 11,156,441	\$ 7,922,641	\$ (3,233,800)
Connections fees - water	600,000	698,295	98,295
Other fees	174,190	162,014	(12,176)
Miscellaneous revenues	1,342,326	-	(1,342,326)
Investment income	200	6,228	6,028
Total revenues	<u>13,273,157</u>	<u>8,789,178</u>	<u>(4,483,979)</u>
<b>Expenditures:</b>			
Water Operations:			
Salaries and employee benefits	1,404,787	1,358,746	46,041
Contracted services	445,695	348,037	97,658
Water purchases	2,345,620	323,392	2,022,228
Other operating expenditures	1,884,726	1,984,249	(99,523)
Capital outlay	364,145	325,758	38,387
Total	<u>6,444,973</u>	<u>4,340,182</u>	<u>2,104,791</u>
Water Treatment Plant:			
Salaries and employee benefits	371,954	360,617	11,337
Contracted services	80,886	79,398	1,488
Water purchases	210,000	209,012	988
Other operating expenditures	914,480	813,421	101,059
Capital outlay	50,344	49,516	828
Debt service payments:			
Principal	2,005,577	1,441,734	563,843
Interest	2,098,442	1,342,711	755,731
Total	<u>5,731,683</u>	<u>4,296,409</u>	<u>1,435,274</u>
Total expenditures	<u>12,176,656</u>	<u>8,636,591</u>	<u>3,540,065</u>
Revenues over (under) expenditures	<u>1,096,501</u>	<u>152,587</u>	<u>(943,914)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in (out):			
Scotts Hill Water & Sewer Capital Project Fund	(671,852)	(402,978)	268,874
Scotts Hill Elevated Tank & Wells Project Fund	(5,867,000)	(5,867,000)	-
Rocky Point/Topsail Water Treatment Plant Upgrade CPF	(1,914,320)	(1,914,320)	-
PCP Wastewater Treatment Plant Capital Project Fund	(27,916)	(27,916)	-
Capital Improvements Fund - Capital Project Fund	(500,000)	(500,000)	-
Water Treatment Plant Capital Project Fund	(25,000)	(25,000)	-
US 421 Water & Sewer Expansion Capital Project Fund	(115,900)	(115,900)	-
Combined Sewer Fund	455,624	455,624	-
Maple Hill Sewer Capital Project Fund	-	12,342	12,342
Rocky Point/Topsail Water Phase V Capital Project Fund	-	6,440	6,440
Sale of capital assets	-	20,816	20,816
Subscription liabilities issued	-	65,640	65,640
Appropriated fund balance	7,569,863	-	(7,569,863)
Total other financing sources (uses)	<u>(1,096,501)</u>	<u>(8,292,252)</u>	<u>(7,195,751)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (8,139,665)</u>	<u>\$ (8,139,665)</u>

**PENDER COUNTY, NORTH CAROLINA**

**COMBINED WATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Reconciliation of Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (8,139,665)	
Change in deferred outflows - OPEB		46,250	
Change in total OPEB liability		395,769	
Change in deferred inflows - OPEB		(437,380)	
Change in deferred outflows - pension		210,985	
Change in net pension liability		(643,400)	
Change in deferred inflows - pension		229,610	
Principal payments		1,441,734	
Gain (loss) on retirement/transfer of assets		286,939	
Subscription liabilities issued		(65,640)	
Change in compensated absences		(11,708)	
Change in accrued interest payable		(61)	
Capital outlay		375,274	
Capital Project Fund expenditures not capitalized		(13,400)	
Capital Project Fund revenues		283,379	
Transfers from ARPA Fund		457,872	
Transfers to Scotts Hill Water & Sewer Capital Project Fund		402,978	
Transfers to Scotts Hill Elevated Tank & Wells Project Fund		5,867,000	
Transfers Rocky Point/Topsail Water Treatment Plant Upgrade CPF		1,914,320	
Transfers Water Treatment Plant Capital Project Fund		25,000	
Transfers US 421 Water & Sewer Expansion Capital Project Fund		115,900	
Transfers from Rocky Point/Topsail Water Phase V Capital Project Fund		(6,440)	
Depreciation and amortization		<u>(2,782,207)</u>	
Change in net position, full accrual basis		<u>\$ (46,891)</u>	

## PENDER COUNTY, NORTH CAROLINA

SCOTTS HILL ELEVATED TANK & WELLS PROJECT FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Actual		Total to Date	Variance Over/Under
		Prior Years	Current Year		
<b>Revenues:</b>					
Miscellaneous revenues	\$ -	\$ 252,334	\$ 13,852	\$ 266,186	\$ 266,186
<b>Expenditures:</b>					
Contract services	2,635,734	771,420	-	771,420	1,864,314
Construction	14,043,276	-	4,548,575	4,548,575	9,494,701
Total expenditures	16,679,010	771,420	4,548,575	5,319,995	11,359,015
Revenues over (under) expenditures	(16,679,010)	(519,086)	(4,534,723)	(5,053,809)	11,625,201
<b>Other Financing Sources (Uses):</b>					
Transfer in (out):					
Combined Water Fund	7,418,420	1,551,420	5,867,000	7,418,420	-
Combined Water Fund	(620,744)	-	-	-	620,744
ASADRA loan proceeds	5,955,000	-	-	-	(5,955,000)
ASADRA principal forgiveness	1,985,000	-	-	-	(1,985,000)
Debt issued	1,730,000	1,730,000	-	1,730,000	-
Premium on debt issued	269,812	269,812	-	269,812	-
Bond issuance costs	(58,478)	(23,536)	-	(23,536)	34,942
Total other financing sources (uses)	16,679,010	3,527,696	5,867,000	9,394,696	(7,284,314)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 3,008,610	\$ 1,332,277	\$ 4,340,887	\$ 4,340,887

## PENDER COUNTY, NORTH CAROLINA

**ROCKY POINT/TOPSAIL WATER TREATMENT PLANT UPGRADE CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023**

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
<b>Expenditures:</b>					
Contract services	\$ 18,745,600	\$ 548,092	\$ 767,412	\$ 1,315,504	\$ 17,430,096
Construction	58,608,106	-	56,543	56,543	58,551,563
Total expenditures	<u>77,353,706</u>	<u>548,092</u>	<u>823,955</u>	<u>1,372,047</u>	<u>75,981,659</u>
Revenues over (under) expenditures	<u>(77,353,706)</u>	<u>(548,092)</u>	<u>(823,955)</u>	<u>(1,372,047)</u>	<u>75,981,659</u>
<b>Other Financing Sources (Uses):</b>					
Debt issued	46,870,000	-	-	-	46,870,000
ASADRA loan proceeds	15,000,000	-	-	-	15,000,000
ASADRA principal forgiveness	5,000,000	-	-	-	5,000,000
Transfer in (out):					
Combined Water Fund	(6,090,000)	-	-	-	(6,090,000)
Combined Water Fund	16,573,706	586,000	1,914,320	2,500,320	14,073,386
Total other financing sources (uses)	<u>77,353,706</u>	<u>586,000</u>	<u>1,914,320</u>	<u>2,500,320</u>	<u>74,853,386</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>-</u>	\$ <u>37,908</u>	\$ <u>1,090,365</u>	\$ <u>1,128,273</u>	\$ <u>1,128,273</u>

## PENDER COUNTY, NORTH CAROLINA

ROCKY POINT/TOPSAIL WATER PHASE V CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
<b>Expenditures:</b>					
Construction	\$ 23,560	\$ 23,560	\$ -	\$ 23,560	\$ -
Revenues over (under) expenditures	(23,560)	(23,560)	-	(23,560)	-
<b>Other Financing Sources (Uses):</b>					
Transfer in (out):					
Combined Water Fund	(6,440)	-	(6,440)	(6,440)	-
Combined Water Fund	30,000	30,000	-	30,000	-
Total other financing sources (uses)	23,560	30,000	(6,440)	23,560	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 6,440	\$ (6,440)	\$ -	\$ -



## PENDER COUNTY, NORTH CAROLINA

SCOTTS HILL WATER & SEWER CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Actual		Total to Date	Variance Over/Under
		Prior Years	Current Year		
<b>Revenues:</b>					
Miscellaneous revenues	\$ 10,167	\$ 10,167	\$ -	\$ 10,167	\$ -
<b>Expenditures:</b>					
Contract services	163,419	163,419	-	163,419	-
Construction	1,750,534	1,750,534	-	1,750,534	-
Total expenditures	1,913,953	1,913,953	-	1,913,953	-
Revenues over (under) expenditures	(1,903,786)	(1,903,786)	-	(1,903,786)	-
<b>Other Financing Sources (Uses):</b>					
Transfer in (out):					
Combined Water Fund	1,903,786	1,500,808	402,978	1,903,786	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (402,978)	\$ 402,978	\$ -	\$ -

## PENDER COUNTY, NORTH CAROLINA

WATER TREATMENT PLANT CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	
<b>Revenues:</b>					
EDA Grant	\$ 1,125,000	\$ -	\$ -	\$ -	\$ (1,125,000)
<b>Expenditures:</b>					
Contracted services	256,900	37,942	101,223	139,165	117,735
Capital outlay	<u>1,268,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,268,100</u>
Total expenditures	<u>1,525,000</u>	<u>37,942</u>	<u>101,223</u>	<u>139,165</u>	<u>1,385,835</u>
Revenues over (under) expenditures	(400,000)	(37,942)	(101,223)	(139,165)	260,835
<b>Other Financing Sources (Uses):</b>					
Transfer in (out):					
Combined Water Fund	<u>400,000</u>	<u>300,000</u>	<u>25,000</u>	<u>325,000</u>	<u>(75,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 262,058</u>	<u>\$ (76,223)</u>	<u>\$ 185,835</u>	<u>\$ 185,835</u>

## PENDER COUNTY, NORTH CAROLINA

US 421 WATER & SEWER EXPANSION CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Actual		Total to Date	Variance Over/Under
		Prior Years	Current Year		
<b>Revenues:</b>					
SEDC grant	\$ -	\$ 10,000	\$ -	\$ 10,000	\$ 10,000
Southeastern Partnership Grant	262,000	-	262,000	262,000	-
Miscellaneous revenues	-	-	7,527	7,527	7,527
Total revenues	<u>262,000</u>	<u>10,000</u>	<u>269,527</u>	<u>279,527</u>	<u>17,527</u>
<b>Expenditures:</b>					
Contract services	1,085,950	232,250	408,214	640,464	445,486
Construction	11,310,366	-	311,184	311,184	10,999,182
Land easements	8,000	-	8,000	8,000	-
Total expenditures	<u>12,404,316</u>	<u>232,250</u>	<u>727,398</u>	<u>959,648</u>	<u>11,444,668</u>
Revenues over (under) expenditures	<u>(12,142,316)</u>	<u>(222,250)</u>	<u>(457,871)</u>	<u>(680,121)</u>	<u>11,462,195</u>
<b>Other Financing Sources (Uses):</b>					
Transfer in (out):					
ARPA Fund	12,026,416	222,250	457,872	680,122	11,346,294
Combined Water Fund	115,900	-	115,900	115,900	-
Total other financing sources (uses)	<u>12,142,316</u>	<u>222,250</u>	<u>573,772</u>	<u>796,022</u>	<u>11,346,294</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,901</u>	<u>\$ 115,901</u>	<u>\$ 115,901</u>

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## **NONMAJOR ENTERPRISE FUNDS**

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- Section 8 Administration Fund: This fund is used to account for the funds received from HUD to provide housing assistance to individuals.
  - Country Court Apartments Fund: This fund is used to account for the funds received from Rural Development.
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## PENDER COUNTY, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2023

	Section 8 Admin. Fund	Country Court Apartments Fund	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 204,983	\$ 138,563	\$ 343,546
Due from other funds	-	578	578
Restricted cash	7,160	-	7,160
Total current assets	<u>212,143</u>	<u>139,141</u>	<u>351,284</u>
Non-current assets:			
Capital assets:			
Subscription assets, net of amortization	30,343	-	30,343
Total assets	<u>242,486</u>	<u>139,141</u>	<u>381,627</u>
<b>Deferred Outflows of Resources:</b>			
OPEB deferrals	24,079	-	24,079
Pension deferrals	49,365	-	49,365
Total deferred outflows of resources	<u>73,444</u>	<u>-</u>	<u>73,444</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	2,303	-	2,303
Due to other funds	6,025	-	6,025
Accrued interest payable	587	-	587
Compensated absences liability - current	4,222	-	4,222
Subscription liabilities - current	14,363	-	14,363
Total current liabilities	<u>27,500</u>	<u>-</u>	<u>27,500</u>
Non-current liabilities:			
Compensated absences liability	4,222	-	4,222
Other post-employment benefit liability	49,288	-	49,288
Net pension liability	85,820	-	85,820
Subscription liabilities	14,601	-	14,601
Total non-current liabilities	<u>153,931</u>	<u>-</u>	<u>153,931</u>
Total liabilities	<u>181,431</u>	<u>-</u>	<u>181,431</u>
<b>Deferred Inflows of Resources:</b>			
Pension deferrals	405	-	405
OPEB deferrals	60,409	-	60,409
Total deferred inflows of resources	<u>60,814</u>	<u>-</u>	<u>60,814</u>
<b>Net Position:</b>			
Net investment in capital assets	1,379	-	1,379
Restricted for HUD Section 8 housing	7,160	-	7,160
Unrestricted	65,146	139,141	204,287
Total net position	<u>\$ 73,685</u>	<u>\$ 139,141</u>	<u>\$ 212,826</u>

**PENDER COUNTY, NORTH CAROLINA**

**NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Section 8 Admin. Fund</b>	<b>Country Court Apartments Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Dwelling rental	\$ -	\$ 13,209	\$ 13,209
Other operating revenues	213,455	926	214,381
Total operating revenues	<u>213,455</u>	<u>14,135</u>	<u>227,590</u>
<b>Operating Expenses:</b>			
Salaries and benefits	209,050	7,203	216,253
Housing assistance payments	951,829	-	951,829
Operating expenses	164,935	6,840	171,775
Contracted services	7,715	23,053	30,768
Depreciation and amortization	13,583	34,116	47,699
Total operating expenses	<u>1,347,112</u>	<u>71,212</u>	<u>1,418,324</u>
Operating income (loss)	<u>(1,133,657)</u>	<u>(57,077)</u>	<u>(1,190,734)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest income	105	51	156
Restricted intergovernmental	1,083,958	-	1,083,958
Fraud recovery	690	-	690
Gain (loss) on disposal of capital assets	-	(227,702)	(227,702)
Interest and other charges	(587)	(1,392)	(1,979)
Total non-operating revenues (expenses)	<u>1,084,166</u>	<u>(229,043)</u>	<u>855,123</u>
Income (loss) before transfers	(49,491)	(286,120)	(335,611)
Transfers out	<u>-</u>	<u>(406,539)</u>	<u>(406,539)</u>
Change in net position	(49,491)	(692,659)	(742,150)
<b>Net Position:</b>			
Beginning of year, July 1	<u>123,176</u>	<u>831,800</u>	<u>954,976</u>
End of year, June 30	<u>\$ 73,685</u>	<u>\$ 139,141</u>	<u>\$ 212,826</u>



## PENDER COUNTY, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2023

	Section 8 Admin. Fund	Country Court Apartments Fund	Total
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers and users	\$ 223,442	\$ 16,223	\$ 239,665
Payments to customers and suppliers	(1,149,907)	(30,815)	(1,180,722)
Payments to employees	(165,513)	(8,505)	(174,018)
Net cash provided (used) by operating activities	<u>(1,091,978)</u>	<u>(23,097)</u>	<u>(1,115,075)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Acquisition & construction of capital assets	(43,926)	-	(43,926)
Proceeds from sale of asset	-	655,000	655,000
Repayment of debt	(14,954)	(67,035)	(81,989)
Proceeds from issuance of debt	43,918	-	43,918
Interest paid and issuance costs	-	(1,415)	(1,415)
Net cash provided (used) by capital and related financing activities	<u>(14,962)</u>	<u>586,550</u>	<u>571,588</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>			
State and federal grants	1,083,958	-	1,083,958
Miscellaneous revenues	690	-	690
Advances to and from other funds	652	(30,960)	(30,308)
Transfers in (out)	-	(406,539)	(406,539)
Net cash provided (used) by non-capital financing activities	<u>1,085,300</u>	<u>(437,499)</u>	<u>647,801</u>
<b>Cash Flows from Investing Activities:</b>			
Interest income	105	51	156
Net decrease in cash and cash equivalents	(21,535)	126,005	104,470
<b>Cash and Cash Equivalents:</b>			
Beginning of year, July 1	<u>233,678</u>	<u>12,558</u>	<u>246,236</u>
End of year, June 30	<u>\$ 212,143</u>	<u>\$ 138,563</u>	<u>\$ 350,706</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (1,133,657)	\$ (57,077)	\$ (1,190,734)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	13,583	34,116	47,699
Change in assets and liabilities:			
(Increase) decrease accounts receivable	9,987	4,988	14,975
Increase (decrease) accounts payable and accrued expenses	(6,005)	(1,539)	(7,544)
Increase (decrease) customer deposits payable	-	(2,900)	(2,900)
Increase (decrease) compensated absences	(827)	(685)	(1,512)
Increase (decrease) OPEB	(43,287)	-	(43,287)
(Increase) in deferred outflows of resources for OPEB	(3,092)	-	(3,092)
Increase (decrease) in deferred inflows of resources for OPEB	46,538	-	46,538
(Increase) in deferred outflows of resources for pensions	(23,076)	-	(23,076)
Increase (decrease) in net pension liability	70,372	-	70,372
Increase (decrease) in deferred inflows of resources for pensions	(22,514)	-	(22,514)
Net cash provided (used) by operating activities	<u>\$ (1,091,978)</u>	<u>\$ (23,097)</u>	<u>\$ (1,115,075)</u>
<b>Non-Cash Transactions:</b>			
Subscription assets acquired in exchange for subscription liability	<u>\$ 43,918</u>	<u>\$ -</u>	<u>\$ 43,918</u>

## PENDER COUNTY, NORTH CAROLINA

SECTION 8 ADMINISTRATION FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental - HUD	\$ 1,161,756	\$ 1,083,958	\$ (77,798)
Miscellaneous revenues	226,777	213,455	(13,322)
Fraud recovery	-	690	690
Investment income	-	105	105
Total revenues	<u>1,388,533</u>	<u>1,298,208</u>	<u>(90,325)</u>
<b>Expenditures:</b>			
Salaries and benefits	194,580	184,936	9,644
Housing assistance payments	1,032,000	951,829	80,171
Contracted services	7,230	7,715	(485)
Operating expenditures	172,461	164,935	7,526
Capital outlay	-	43,926	(43,926)
Debt service payments:			
Principal	14,954	14,954	-
Total expenditures	<u>1,421,225</u>	<u>1,368,295</u>	<u>52,930</u>
Revenues over (under) expenditures	<u>(32,692)</u>	<u>(70,087)</u>	<u>(37,395)</u>
<b>Other Financing Sources (Uses):</b>			
Subscription liabilities issued	-	43,918	43,918
Transfers in (out):			
General Fund	32,692	-	(32,692)
Total other financing sources (uses)	<u>32,692</u>	<u>43,918</u>	<u>11,226</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (26,169)</u>	<u>\$ (26,169)</u>
<b>Reconciliation of Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (26,169)	
Depreciation and amortization		(13,583)	
Subscription liabilities issued		(43,918)	
Capital outlay		43,926	
Principal payments		14,954	
Change in accrued interest payable		(587)	
Change in compensated absences		827	
Change in deferred outflows - OPEB		3,092	
Change in total OPEB liability		43,287	
Change in deferred inflows - OPEB		(46,538)	
Change in deferred outflows - pension		23,076	
Change in net pension liability		(70,372)	
Change in deferred inflows - pension		22,514	
Change in net position, full accrual basis		<u>\$ (49,491)</u>	

**PENDER COUNTY, NORTH CAROLINA**

**COUNTRY COURT APARTMENTS FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Dwelling rentals	\$ 13,209	\$ 13,209	\$ -
Miscellaneous revenues	926	926	-
Interest income	51	51	-
Total revenues	<u>14,186</u>	<u>14,186</u>	<u>-</u>
<b>Expenditures:</b>			
Administration and tenant services	48,183	14,728	33,455
Contracted services	8,628	23,053	(14,425)
FMHA debt service payments - principal	67,035	67,035	-
FMHA debt service payments - interest	1,392	1,392	-
Total expenditures	<u>125,238</u>	<u>106,208</u>	<u>19,030</u>
Revenues over (under) expenditures	<u>(111,052)</u>	<u>(92,022)</u>	<u>19,030</u>
<b>Other Financing Sources (Uses):</b>			
Sale of capital assets	605,575	655,000	49,425
Transfers in (out):			
General Fund	(496,539)	(406,539)	90,000
Fund balance appropriated	2,016	-	(2,016)
Total other financing sources (uses)	<u>111,052</u>	<u>248,461</u>	<u>137,409</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 156,439</u>	<u>\$ 156,439</u>
<b>Reconciliation of Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>			
Revenues over (under) expenditures		\$ 156,439	
Depreciation		(34,116)	
Gain (loss) on disposal of capital assets		(882,702)	
Change in compensated absences		685	
Principal payments		67,035	
Change in net position, full accrual basis		<u>\$ (692,659)</u>	

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## INTERNAL SERVICE FUNDS

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- 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
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**PENDER COUNTY, NORTH CAROLINA**

**SELF-INSURED INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2023**

	<b>Employee Health Insurance Fund</b>	<b>Workers' Compensation Fund</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets:</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Total assets	<u>-</u>	<u>-</u>	<u>-</u>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Position:</b>			
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**PENDER COUNTY, NORTH CAROLINA**

**SELF-INSURED INTERNAL SERVICE FUND  
EMPLOYEE HEALTH INSURANCE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
FINANCIAL PLAN AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in (out)	\$ (222,833)	\$ (222,833)	\$ -
Appropriated fund balance	<u>222,833</u>	<u>-</u>	<u>(222,833)</u>
Total other financing sources (uses)	<u><u>\$ -</u></u>	<u><u>(222,833)</u></u>	<u><u>\$ (222,833)</u></u>
<b>Net Position:</b>			
Beginning of year, July 1		<u>222,833</u>	
End of year, June 30		<u><u>\$ -</u></u>	



**PENDER COUNTY, NORTH CAROLINA**

**SELF-INSURED INTERNAL SERVICE FUND  
 WORKERS' COMPENSATION FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 FINANCIAL PLAN AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in (out)	\$ (605,219)	\$ (605,219)	\$ -
Appropriated fund balance	<u>605,219</u>	<u>-</u>	<u>(605,219)</u>
Total other financing sources (uses)	<u><u>\$ -</u></u>	<u><u>(605,219)</u></u>	<u><u>\$ (605,219)</u></u>
<b>Net Position:</b>			
Beginning of year, July 1		<u>605,219</u>	
End of year, June 30		<u><u>\$ -</u></u>	

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## **FIDUCIARY FUNDS**

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Custodial Funds are used to account for assets the County holds on behalf of others.

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**PENDER COUNTY, NORTH CAROLINA**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
CUSTODIAL FUNDS**

**JUNE 30, 2023**

	<u>Municipal Tax Collections</u>	<u>Jail Inmate Fund</u>	<u>Total Custodial Funds</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 30,915	\$ 65,303	\$ 96,218
Receivables, net	<u>130,335</u>	<u>-</u>	<u>130,335</u>
Total assets	<u>161,250</u>	<u>65,303</u>	<u>226,553</u>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	<u>94,678</u>	<u>-</u>	<u>94,678</u>
<b>Net Position:</b>			
Restricted for:			
Individuals, organizations and other governments	<u>\$ 66,572</u>	<u>\$ 65,303</u>	<u>\$ 131,875</u>

## PENDER COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 CUSTODIAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2023

	<u>Municipal Tax Collections</u>	<u>Jail Inmate Fund</u>	<u>Total Custodial Funds</u>
<b>Additions:</b>			
Ad valorem taxes for other governments	\$ 2,179,247	\$ -	\$ 2,179,247
Collections on behalf of inmates	<u>-</u>	<u>146,236</u>	<u>146,236</u>
Total additions	<u>2,179,247</u>	<u>146,236</u>	<u>2,325,483</u>
<b>Deductions:</b>			
Tax distributions to other governments	2,179,209	-	2,179,209
Payments on behalf of inmates	<u>-</u>	<u>173,106</u>	<u>173,106</u>
Total deductions	<u>2,179,209</u>	<u>173,106</u>	<u>2,352,315</u>
Net change in fiduciary net position	38	(26,870)	(26,832)
<b>Net Position:</b>			
Net position - beginning	<u>66,534</u>	<u>92,173</u>	<u>158,707</u>
Net Position - Ending	<u>\$ 66,572</u>	<u>\$ 65,303</u>	<u>\$ 131,875</u>

## OTHER SCHEDULES

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This section includes additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
  - Analysis of Current Tax Levy:
    - County-Wide Levy
    - Secondary Market Disclosures
  - Ten Largest Taxpayers
  - Pender Tourism Development Authority:
    - Balance Sheet
    - Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)
  - Supplemental Financial Data Schedule – Public Housing Programs
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**PENDER COUNTY, NORTH CAROLINA**

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**

**GENERAL FUND**

**JUNE 30, 2023**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2022</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2023</u>
2022-23	\$ -	\$ 58,707,828	\$ 56,847,096	\$ 1,860,732
2021-22	1,768,727	-	828,971	939,756
2020-21	613,802	-	232,619	381,183
2019-20	421,782	-	135,287	286,495
2018-19	184,311	-	47,059	137,252
2017-18	90,956	-	15,492	75,464
2016-17	71,430	-	10,044	61,386
2015-16	52,570	-	7,856	44,714
2014-15	29,018	-	3,515	25,503
2013-14	66,067	-	2,666	63,401
2012-13	72,900	-	72,900	-
Total	<u>\$ 3,371,563</u>	<u>\$ 58,707,828</u>	<u>\$ 58,203,505</u>	<u>3,875,886</u>
Less allowance for uncollectible accounts:				
General Fund				<u>731,645</u>
Ad valorem taxes receivable - net:				
General Fund				<u>\$ 3,144,241</u>
<b>Reconciliation with Revenues:</b>				
Ad valorem taxes - General Fund				\$ 58,804,857
Reconciling items:				
Penalties and interest				(486,773)
Miscellaneous				<u>(114,579)</u>
Total collections and credits				<u>\$ 58,203,505</u>

**PENDER COUNTY, NORTH CAROLINA**

**ANALYSIS OF CURRENT TAX LEVY  
COUNTY-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>County-Wide</u>		<u>Total Levy</u>		
	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 8,191,491,053	\$ 0.645	\$ 52,835,117	\$ 52,835,117	\$ -
Vehicle taxes collected by DMV	<u>924,941,706</u>	0.645	<u>5,965,874</u>	<u>-</u>	<u>5,965,874</u>
Total	<u>9,116,432,759</u>		<u>58,800,991</u>	<u>52,835,117</u>	<u>5,965,874</u>
<b>Discoveries:</b>					
Current year taxes	<u>2,186,319</u>	0.645	<u>14,102</u>	<u>14,102</u>	<u>-</u>
<b>Abatements:</b>					
Current year taxes	<u>(16,630,236)</u>	0.645	<u>(107,265)</u>	<u>(107,265)</u>	<u>-</u>
Total property valuation	<u>\$ 9,101,988,842</u>				
<b>Net Levy</b>			58,707,828	52,741,954	5,965,874
Uncollected taxes at June 30, 2023			<u>1,860,732</u>	<u>1,860,732</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 56,847,096</u>	<u>\$ 50,881,222</u>	<u>\$ 5,965,874</u>
<b>Current Levy Collection Percentage</b>			<u>96.83%</u>	<u>96.47%</u>	<u>100.00%</u>

**PENDER COUNTY, NORTH CAROLINA****ANALYSIS OF CURRENT TAX LEVY  
SECONDARY MARKET DISCLOSURES  
FOR THE YEAR ENDED JUNE 30, 2023****Assessed Valuation:**

Assessment ratio	<u>100%</u>
Real property	\$ 7,679,174,509
Personal property	1,260,770,969
Public service companies	<u>162,043,364</u>
Total assessed valuation	<u>\$ 9,101,988,842</u>
Tax rate per \$100	<u>\$ 0.645</u>
Levy (includes discoveries, releases and abatements)	<u>\$ 58,707,828</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>\$ 14,636,201</u>
Total	<u>\$ 14,636,201</u>

**PENDER COUNTY, NORTH CAROLINA****TEN LARGEST TAXPAYERS  
FOR THE YEAR ENDED JUNE 30, 2023**

<u>Taxpayers</u>	<u>Type of Business</u>	<u>2022 Assessed Valuation</u>	<u>% of Total Valuation</u>
Duke Energy Progress Inc	Utility	\$ 73,754,360	0.90%
Four County EMC	Utility	31,515,366	0.38%
Crooked Run Solar LLC	Engineering	25,853,916	0.32%
Red Mountain Timber Co LLC	Timber Management	21,289,775	0.26%
LL Building Products Inc	Manufacturing	18,696,799	0.23%
Surf City Crossing LLC	Development	18,301,660	0.22%
Filmwerkrs LLC	Film Industry	16,980,123	0.21%
HM Bend LLC	Development	16,674,456	0.20%
Piedmont Natural Gas Co Inc	Utility	15,146,539	0.18%
Tamarack Timber Co NC LLC	Timber Management	12,420,614	0.15%
		<u>\$ 250,633,608</u>	<u>3.06%</u>

**PENDER COUNTY, NORTH CAROLINA**

**DISCRETELY PRESENTED COMPONENT UNIT  
PENDER TOURISM DEVELOPMENT AUTHORITY  
BALANCE SHEET  
JUNE 30, 2023**

**Assets:**

Cash and cash equivalents	\$ 114,178
Accounts receivable	<u>6,813</u>
Total assets	<u><u>\$ 120,991</u></u>

**Liabilities and Fund Balance:****Liabilities:**

Accounts payable and accrued liabilities	<u>\$ 1,810</u>
--	-----------------

**Fund Balance:**

Restricted for:	
Stabilization by state statute	6,813
Tourism promotion	<u>112,368</u>
Total fund balance	<u><u>119,181</u></u>

Total liabilities and fund balance	<u><u>\$ 120,991</u></u>
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**PENDER COUNTY, NORTH CAROLINA**

**DISCRETELY PRESENTED COMPONENT UNIT  
PENDER TOURISM DEVELOPMENT AUTHORITY  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Occupancy tax revenues	\$ 32,000	\$ 65,096	\$ 33,096
<b>Expenditures:</b>			
Promotions	32,000	30,875	1,125
Net change in fund balance	<u>\$ -</u>	34,221	<u>\$ 34,221</u>
<b>Fund Balance:</b>			
Beginning of year, July 1		<u>84,960</u>	
End of year, June 30		<u>\$ 119,181</u>	

## PENDER COUNTY, NORTH CAROLINA

SUPPLEMENTAL FINANCIAL DATA SCHEDULE  
PUBLIC HOUSING PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2023

Line Item	Account Description	Housing Choice Vouchers 14.871	CARES Act Funding 14.HCC	Total
<b>Assets:</b>				
<b>Current Assets Cash:</b>				
111	Cash - unrestricted	\$ 42,165	\$ -	\$ 42,165
113	Cash - other restricted	299	6,861	7,160
100	Total cash	<u>42,464</u>	<u>6,861</u>	<u>49,325</u>
290	<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 42,464</u>	<u>\$ 6,861</u>	<u>\$ 49,325</u>
<b>Liabilities and Equity:</b>				
<b>Liabilities:</b>				
300	<b>Total Liabilities</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Equity:</b>				
511.1	Restricted net position	299	6,861	7,160
512.1	Unrestricted net position	42,165	-	42,165
513	Total equity - net assets/position	<u>42,464</u>	<u>6,861</u>	<u>49,325</u>
600	Total liabilities and equity - net assets/position	<u>\$ 42,464</u>	<u>\$ 6,861</u>	<u>\$ 49,325</u>
<b>Revenues:</b>				
70600	HUD PHA operating grants	\$ 961,920	\$ -	\$ 961,920
70710	Management fee	122,038	-	122,038
71100	Investment income - unrestricted	105	-	105
71400	Fraud recovery	299	-	299
70000	Total revenues	<u>1,084,362</u>	<u>-</u>	<u>1,084,362</u>
<b>Expenses:</b>				
<b>Administrative:</b>				
91900	Other	<u>122,038</u>	<u>-</u>	<u>122,038</u>
91000	Total operating - administrative	<u>122,038</u>	<u>-</u>	<u>122,038</u>
97000	Excess of operating revenues over expenditures	<u>962,324</u>	<u>-</u>	<u>962,324</u>
97300	Housing assistance payments	<u>951,829</u>	<u>-</u>	<u>951,829</u>
90000	Total expenses	<u>1,073,867</u>	<u>-</u>	<u>1,073,867</u>
10000	Excess (deficiency) of total revenue over (under) total expenses	10,495	-	10,495
<b>Memo Account Information:</b>				
11030	Beginning equity	31,969	6,861	38,830
	Ending equity	<u>\$ 42,464</u>	<u>\$ 6,861</u>	<u>\$ 49,325</u>
11180	Housing assistance payments equity	<u>\$ 42,464</u>	<u>\$ 6,861</u>	<u>\$ 49,325</u>

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**APPENDIX C**

**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

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## **APPENDIX C**

### **SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

The following is a brief summary of some of the provisions of the 2024 Bonds, the Trust Agreement and the Deed of Trust (together, the “Documents”). This summary is not intended to be complete or definitive, and it is qualified in its entirety by reference to the complete Documents. See the section of the Official Statement entitled “**INTRODUCTION -- Additional Information**” for information on obtaining copies of the Documents.

A list of some of the definitions used in the Documents and these summaries is set out at the end of this Appendix.

#### **THE TRUST AGREEMENT**

The Trust Agreement generally provides for the issuance of, and security for, the 2024 Bonds, as well as for the County’s repayment obligations and its obligations for the care of the Mortgaged Property.

#### **Form, Payment, Redemption and Exchange of Bonds**

The Trust Agreement provides for the form of the 2024 Bonds, and for the payment, redemption and exchange of the 2024 Bonds as described in the section of the Official Statement entitled “**THE 2024 BONDS.**”

#### **Additional Bonds**

The County may issue Additional Bonds under the conditions and limitations set out in the Trust Agreement to provide funds (a) to expand or improve the Pledged Facilities, (b) to construct further improvements to the Pledged Sites, (c) to refund any Outstanding Bonds, (d) to pay financing costs or establish reserves in connection with the issuance of Additional Bonds, (e) for any other purpose that may be allowed by law from time to time, including the acquisition and construction of additional public facilities, whether or not any additional facility is related to the Pledged Facilities or the Pledged Sites, or (f) for any combination of these purposes.

Any Additional Bonds so issued may be secured by a lien on the Mortgaged Property ranking equally with the lien on that property securing the 2024 Bonds.

## **Funds and Accounts**

The Trust Agreement provides for the creation and the Trustee's custody of several different funds and accounts.

**Project Fund.** The Trustee will deposit into the "Pender County 2024 Project Fund" created under the Trust Agreement (1) the net proceeds from the sale of the 2024 Bonds and (2) all other amounts specified under the Trust Agreement for deposit in that Fund.

The Trustee will disburse moneys in the Project Fund from time to time, either to pay Project Costs directly or to reimburse the County for previous expenditures for Project Costs, upon receipt by the Trustee of a requisition substantially in the form provided for under the Trust Agreement.

When the County determines there are no more Project Costs to be paid from the Project Fund, the County will send a County Certificate to that effect to the Trustee. The Trustee will then withdraw all remaining moneys in the Project Fund and deposit those moneys in a separate account within the Payment Fund, as referenced below. The Trustee will then apply those moneys to payments on the 2024 Bonds now offered 2024 Bond as directed by a County Representative. In the absence of any direction from the County, the Trustee will deposit those moneys in the Interest Account and use them to pay interest on the 2024 Bonds as the same becomes due.

**Payment Fund.** The Trust Agreement establishes a Bond Payment Fund, and therein an Interest Account, a Principal Account and a Redemption Account. The Trustee will hold in this Fund (in the appropriate account, as determined under the Trust Agreement) amounts paid to it for use in making payments and redemptions on the Bonds.

**Net Proceeds Fund.** The Trust Agreement establishes a Net Proceeds Fund. The Trustee will hold Net Proceeds in this Fund that are paid to it pending the use of those Net Proceeds for repair or restoration of the Pledged Facilities or the redemption of Bonds, as provided for in the Trust Agreement.

## Security Provisions

**County Payments.** The County agrees to pay (a) the Bond Payments set forth in the Trust Agreement (which are designed to be due at times and in amounts sufficient to pay all principal of and interest on the 2024 Bonds and all other Bonds), and (b) all the Additional Payments, in each case except as otherwise provided for in the Trust Agreement.

The County must make its Bond Payments on the 25th day of the month before the corresponding Payment Date. The County receives a credit against future Bond Payments for any earnings made from the temporary investment of Bond Payment amounts between the County's payment dates and the corresponding Payment Dates.

**No Abatement of Payments.** The County is not entitled to any abatement or reduction of the Bond Payments or Additional Payments for any reason, including, but not limited to, any claim arising out of or related to the Pledged Sites or the Pledged Facilities. The County assumes and bears the entire risk of loss and damage to the Pledged Sites and the Pledged Facilities from any cause whatsoever.

**Deed of Trust.** The County is executing and delivering the Deed of Trust. The Deed of Trust secures the County's obligations to each of the Owners, on parity with one another, through a security interest in the Mortgaged Property and the Fixtures.

**Appropriation of Payments.** The County will cause the officer who prepares the draft County budget initially submitted for County Board consideration to include in the initial proposal each year the amount of all Bond Payments and estimated Additional Payments coming due during the Fiscal Year to which the budget applies. Notwithstanding that the initial proposed budget includes an appropriation for these payments, the County Board may determine not to include the appropriation (in whole or in part) in the final County budget for any Fiscal Year, or may amend an adopted budget to reduce or delete an approved appropriation.

If the County fails to adopt its annual budget in a timely manner, if the County adopts a budget that does not include a full appropriation for Bond Payments and estimated Additional Payments, or if the County amends the annual budget to reduce the amounts appropriated for Bond Payments and Additional Payments below the amounts expected to be required for the remainder of that Fiscal Year, then the County must notify the Trustee and the LGC.

**Money in Funds and Accounts.** The County grants a security interest, to the Trustee for the benefit of the Owners, in all the funds and accounts held under the Trust Agreement to secure the County's obligations under the Bonds and otherwise under the Trust Agreement. This security interest secures the County's obligations to each of the Owners, on parity with one another.

**County's Limited Obligation.** The Bonds are payable solely from the amounts paid by the County to the Trustee for the Bond Payments, as, when and if received by the Trustee, except to the extent payable from the proceeds of the Bonds, income from investments, Net Proceeds and other funds and property pledged as provided in the Trust Agreement, including net proceeds from the exercise of remedies, which funds are pledged as provided in the Trust Agreement to secure payment of the Bonds.

Notwithstanding any other provision of the Trust Agreement, the parties intend that the transaction comply with North Carolina General Statutes Section 160A-20. No deficiency judgment may be entered against the County in violation of that Section 160A-20.

No provision of the Trust Agreement is to be interpreted as creating a pledge of the County's faith and credit within the meaning of any constitutional debt limitation. No provision of the Trust Agreement is to be construed or interpreted as an illegal delegation of governmental powers or as an improper donation or lending of the County's credit within the meaning of the North Carolina constitution. The County's taxing power is not and may not be pledged, directly or indirectly or contingently, to secure any moneys due under the Trust Agreement.

No provision of the Trust Agreement is to be interpreted as pledging or creating a lien on any class or source of the County's moneys (other than the Net Proceeds and the funds and accounts established pursuant to the Trust Agreement as is provided in the Trust Agreement). No provision of the Trust Agreement restricts the County's future issuance of any of its bonds or other obligations payable from any class or source of the County's moneys, except to the extent the Documents restrict the incurrence of additional obligations secured by the Mortgaged Property.

## **Care, Use, Maintenance and Other Provisions Related to the Pledged Facilities**

**County's Responsibilities for the Pledged Facilities.** The County must contract for the Project in accordance with the bidding, bonding, insurance and other requirements of State law. The County must use the Pledged Sites and the Pledged Facilities in a careful and proper manner and keep the Mortgaged Property in good condition, repair, appearance and working order for the purposes intended. The County must pay all charges for utility services furnished to or used on or in connection with the Pledged Sites and the Pledged Facilities. The County bears all risk of loss to and condemnation of the Pledged Sites and the Pledged Facilities. The County is to be solely responsible for the operation of the Pledged Facilities and is not to contract with any other person or entity for the operation of the Pledged Facilities.

**Repairs and Additions.** The County has the right to repair, maintain and remodel the Pledged Facilities or make substitutions, additions, modifications and improvements to the Pledged Facilities, at its own cost and expense. The County may also, from time to time in its sole discretion and at its own expense, install machinery, equipment and other tangible property in or on the Pledged Facilities. The County's rights in each of these cases are subject to limitations imposed under the Trust Agreement.

**Property Damage Insurance.** From and after substantial completion of the Pledged Facilities, the County must, at its own expense, acquire, carry and maintain broad-form extended coverage property damage insurance with respect to the Pledged Facilities in an amount equal to the estimated replacement cost. This property damage insurance must include standard mortgagee coverage in favor of the Trustee. The Trust Agreement contains provisions allowing the County the option to provide the required insurance by one or more blanket or umbrella insurance policies or by means of an adequate self-insurance fund or risk-retention program, or by participation in a group risk pool or similar program.

**Title.** Title to the Pledged Sites and the Pledged Facilities and any and all additions, repairs, replacements or modifications thereto will at all times be in the County, subject to the lien of the Deed of Trust and to the Permitted Encumbrances.

**Taxes and Encumbrances.** The County must pay, as Additional Payments, all taxes, assessments and governmental charges levied or assessed against the Mortgaged Property. The County must not permit any mechanic's or other lien to be

perfected or remain against the Mortgaged Property, or any portion of the Mortgaged Property. The Trust Agreement includes certain exceptions to these requirements, especially with respect to the County's right to contest any taxes or liens and to make payments in installments as allowed by law.

### **Damage, Destruction and Condemnation; Use of Net Proceeds**

**Damage, Destruction or Condemnation.** The County will promptly notify the Trustee if (a) the Mortgaged Property or any portion thereof is destroyed or damaged by fire or other casualty, (b) any governmental authority takes, or notifies the County of any intent to take, title to, or the temporary or permanent use of the Mortgaged Property or any portion thereof, or the estate of the County or the Trustee in the Mortgaged Property, or any portion thereof, under the power of eminent domain, (c) a material defect in the construction of the Pledged Facilities becomes apparent, or (d) title to or the use of all or any portion of the Mortgaged Property is lost by reason of a defect in title. Each notice must describe generally the nature and extent of the damage, destruction or taking.

The County must file its claims under insurance coverages and claims for awards or payments in the nature of condemnation awards resulting from any damage, destruction or taking. The County must prosecute all claims for awards or payments in good faith and with due diligence. Any Net Proceeds received by the County as a result of these claims must be used as described below and as provided in the Trust Agreement.

#### **Deposit and Use of Net Proceeds.**

If the amount of Net Proceeds received by the County from any single event or any single series of related events is less than \$1,000,000, then the County has no obligation to account to the Trustee or any other person or entity with respect to the use of the Net Proceeds.

If the amount of Net Proceeds received by the County from any single event or any single series of related events is at least \$1,000,000, the County must cause the Net Proceeds to be paid to the Trustee for deposit and application as provided in the Trust Agreement.

**Use of Net Proceeds Deposited with Trustee.** The County may elect to use Net Proceeds deposited with the Trustee, and other funds provided by the County, to



redeem or defease the 2024 Bonds, in whole but not in part, pursuant to the Trust Agreement. The County may also elect to use Net Proceeds to provide for the optional redemption of the Bonds as provided in the Trust Agreement.

Nothing in the Trust Agreement, however, creates an option in the County or any other party to provide for the early payment of Bonds other than pursuant to the regular optional and the stated mandatory sinking fund redemption provisions; there are no redemption provisions triggered by any casualty or other event giving rise to Net Proceeds.

The County may also elect to use Net Proceeds deposited with the Trustee to repair or restore that portion of the Pledged Facilities with respect to which the Net Proceeds relate. The County must act with due diligence and in a commercially reasonable manner to provide for the repair and restoration.

In the case of Net Proceeds used to repair or restore the Mortgaged Property, the County will not be entitled to any reimbursement of any funds so paid, nor will the County be entitled to any postponement or diminution of its obligation to make Bond Payments as a result of any such contribution. Any repair or replacement paid for in whole or in part out of such Net Proceeds will be the County's property and will be part of the Mortgaged Property.

### **Tax Covenants**

The County covenants that it will not take or permit, or omit to take or cause to be taken, any action that would cause the 2024 Bonds to be "arbitrage bonds" or "private activity bonds" within the meaning of the Code. The County also covenants that if it should take or permit, or omit to take or cause to be taken, any such action, then the County will take or cause to be taken all lawful actions within its power necessary to rescind or correct such actions or omissions promptly upon having knowledge of the effect of such actions.

### **Environmental Covenants**

In the Trust Agreement, the County states as follows:

(a) The County has no knowledge (i) that any industrial use has been made of the Mortgaged Property, (ii) that the Mortgaged Property has been used for the storage, treatment or disposal of any "Hazardous Materials," as defined below, (iii) that any manufacturing, landfilling or chemical production has occurred on the

Mortgaged Property, or (iv) that there is any asbestos or other contaminant on, in or under the Mortgaged Property; and

(b) To the County's knowledge, the Mortgaged Property complies with all federal, State and local environmental laws and regulations. The County will keep the Mortgaged Property, and the activities at the Mortgaged Property, in compliance with all environmental laws, rules, and regulations. The County will, in a timely manner, take all lawful action necessary to maintain compliance or to remedy any lack of compliance.

(c) The County will use and maintain Hazardous Materials on the Mortgaged Property only for the routine maintenance and operation of the Mortgaged Property. The County will maintain these Hazardous Materials only in appropriate quantities for these purposes and will use them only in substantial compliance with label instructions and all State and federal environmental laws, rules and regulations. The County will not use the Mortgaged Property (A) for the manufacture, transport, process, storage, treatment or disposal of Hazardous Materials, or (B) for any industrial, manufacturing or landfilling use or for any chemical production.

In the Trust Agreement, "Hazardous Materials" means any chemicals, materials, substances, wastes or other substances that are classified and regulated by any by federal, State or local laws as hazardous or toxic substances that exist on or affect the Mortgaged Property.

## **The Trustee**

**Rights and Duties.** If an Event of Default is continuing, the Trustee must exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Otherwise, the Trustee need perform only those duties that are specifically set forth in the Trust Agreement and no other.

No provision of the Trust Agreement requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense, except that the Trustee may not require indemnity as a condition to declaring the principal and

interest with respect to the Bonds to be due immediately as required in the Trust Agreement. No permissive right of the Trustee in the Trust Agreement should be construed as a duty.

The Trustee will not be liable with respect to any information contained in any offering documents (except to the extent of information about the Trustee provided by the Trustee specifically for inclusion in the offering document). The Trustee has no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under the Trust Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, it being understood that the Trustee shall in all cases use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

**Eligibility.** The County must maintain a Trustee for the Trust Agreement that is a corporation authorized to exercise corporate trust powers, has a combined capital and surplus of at least \$100,000,000 as set forth in its most recent published annual report of condition, and otherwise meets the requirements set out in the Trust Agreement.

**Resignation; Removal; Replacement.** The Trustee may resign at any time by delivering notice of its resignation to the County at least 30 days prior to the effective date of the resignation. The County may remove the Trustee at any time by notifying the removed Trustee at least 30 days prior to the effective date of the removal, so long as no Event of Default is continuing at the time the County sends the notice. The Majority Owners may remove the Trustee at any time by notifying the County and the removed Trustee at least 30 days prior to the effective date of the removal, and may at the same time (or at any time during the 30-day notice period) appoint a new Trustee by notice to the County and the removed Trustee.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the County must promptly appoint a successor Trustee (except when that right is exercised by the Majority Owners as described in the preceding paragraph). If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the County or

the Majority Owners may petition any court of competent jurisdiction for the appointment of a successor Trustee.

**Consent to Jurisdiction.** The Trustee consents to jurisdiction in the State for any lawsuit arising from the Trust Agreement, or from the related transactions contemplated by the Trust Agreement.

### **Defaults and Remedies under Trust Agreement**

**Events of Default.** An "Event of Default" under the Trust Agreement is any of the following:

(a) Default in the payment of the principal of any Bond when the same becomes due and payable, whether at the stated maturity of the Bond or upon proceedings for mandatory (but not optional) redemption.

(b) Default in the payment of any interest on any Bond when the same becomes due and payable.

(c) The occurrence of an Event of Nonappropriation.

(d) The County breaches or fails to perform or observe any term, condition or covenant of the Documents on its part to be observed or performed, other than as referred to in the preceding subsections, including payment of any Additional Payment, for a period of 90 days after written notice specifying the failure and requesting that it be remedied has been given to the County, unless the Trustee, being advised by counsel, agrees in writing to an extension of the 90-day period prior to its expiration; provided, however, that if the failure stated in the notice cannot reasonably be corrected within the applicable period and the County institutes corrective action within the applicable period, no Event of Default will be deemed to have occurred so long as the County diligently pursues remedial action.

(e) Any warranty, representation or statement made by the County in the Documents is found to be incorrect or misleading in any material respect as of the date on which the Trust Agreement is first executed and delivered by the parties and the 2024 Bonds are delivered to their initial purchaser.

(f) Any lien, charge or encumbrance (other than Permitted Encumbrances) prior to or affecting the validity of the Deed of Trust is found to exist, or proceedings are instituted to enforce any lien, charge or encumbrance

against the Mortgaged Property and such lien, charge or encumbrance would be prior to the lien of the Deed of Trust.

**Acceleration.** If any Event of Default is continuing, then (a) the Trustee, by notice to the County, or (b) the Majority Owners, by notice to the County and the Trustee, may declare the principal of and accrued interest with respect to the Bonds to be due and payable immediately, and such principal and interest thereupon will become immediately due and payable. The Trustee must immediately give notice of any acceleration to all Owners. The Trustee may rescind an acceleration and its consequences if all existing Events of Default have been cured or waived, if the rescission would not conflict with any judgment or decree.

**Other Remedies.** If an Event of Default is continuing, the Trustee may pursue any remedy at law or in equity to collect the principal of or interest on the Bonds or to enforce the performance of any provision of the Documents, including by foreclosure on the Mortgaged Property pursuant to the Deed of Trust.

The Trustee may maintain a proceeding even if it does not possess any of the Bonds or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Owner in exercising any right or remedy accruing upon an Event of Default does not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

**Waiver of Past Defaults.** The Majority Owners, by notice to the Trustee, may waive an existing Event of Default and its consequences. When an Event of Default is waived, it is cured and stops continuing, but no waiver extends to any subsequent or other Event of Default or impair any right consequent to it.

**Majority's Control.** The Majority Owners, upon satisfactory indemnification of the Trustee, may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on it. The Trustee, however, may refuse to follow any direction that it reasonably believes conflicts with law or the Trust Agreement or, subject to the provisions of the Trust Agreement, that the Trustee determines is unduly prejudicial to the rights of other Owners or would involve the Trustee in personal liability.

**Limitation on Suits.** An Owner may not pursue any remedy with respect to the Trust Agreement or the Bonds (except as otherwise described in the following paragraph) unless (a) the Owner gives the Trustee notice stating that an Event of

Default is continuing, (b) the Majority Owners make a written request to the Trustee to pursue the remedy, (c) that Owner or Owners offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense, and (d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity. An Owner may not use the Trust Agreement to prejudice the rights of another Owner or to obtain a preference or priority over the other Owners.

**Rights To Receive Payment.** The Trust Agreement preserves the right of any Owner to receive payment of principal, premium, if any, and interest with respect to a Bond, on or after the due dates expressed in the Bond, or to bring suit for the enforcement of any such payment on or after such dates. These rights of an Owner may not be impaired under the Trust Agreement without that Owner's consent.

**Collection Suit by Trustee.** If an Event of Default occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the County for the whole amount remaining unpaid.

**Trustee May File Proofs of Claim.** The Trustee may file proofs of claim and other papers or documents as may be necessary or advisable to have the claims of the Trustee and the Owners allowed in any judicial proceedings relative to the County, its creditors or its property. Unless prohibited by law or applicable regulations, the Trustee may vote on behalf of the Owners in any election of a trustee in bankruptcy or other person performing similar functions.

**Priorities.** If the Trustee collects any money pursuant to a collection or enforcement action, it must deposit that money in a special account in the Payment Fund and pay out that money in the following order:

(a) If the principal of all Bonds has not become or will not be declared due and payable, all those moneys in the Payment Fund will be applied as follows:

First, Costs and Expenses: to the payment of the costs and expenses of the Trustee and of the Owners in declaring the Event of Default and pursuing remedies;

Second, Interest: to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of the installments (beginning with the earliest unpaid installment). If the amount available is not sufficient to pay in full any installment or installments coming due on the same date,

then payment will be made ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Third, Principal: to the payment to the persons entitled thereto of the unpaid principal with respect to any Bonds which have become due, whether at maturity or by call for redemption, in the order of their due dates (beginning with the earliest unpaid installment), with interest on the overdue principal at a rate equal to the rate paid on the Bonds. If the amount available is not sufficient to pay in full all of the amounts due on the Bonds on any date, together with such interest, then payment will be made ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

(b) If the principal with respect to all Bonds has become or has been declared due and payable, all the money will be applied (i) first to pay the fees and expenses as described above, and then (ii) to pay the principal and interest then due on the Bonds, without preference or priority of principal or interest, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

The Trustee may fix a payment date for any payment to the Owners under the provisions described above.

**Undertaking for Costs.** In any suit for the enforcement of any right or remedy under the Trust Agreement or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable legal fees, against any party, having due regard to the merits and good faith of the claims or defenses made by the party. This paragraph, however, does not apply to a suit by the Trustee or any authorized suit by any Owner.

### **Discharge of the Trust Agreement**

Any Bond will be deemed paid for all purposes of the Trust Agreement when (a) payment of the principal, premium, if any, and interest on that Bond to the due date of those amounts (whether at maturity, upon redemption or otherwise) either (i) has been made in accordance with the terms of the Bonds or (ii) has been provided for by irrevocably depositing with the Trustee or other fiduciary in escrow (A) cash sufficient to make the payments or (B) Federal Securities maturing as to

principal and interest in amounts and at times as will ensure, without reinvestment, the availability of sufficient moneys to make those payments, and which are not subject to redemption or purchase prior to maturity at the option of anyone other than the holder, and (b) all the Trustee's compensation and expenses have been paid or provided for to the Trustee's satisfaction.

The sufficiency of the deposit referenced above must be evidenced or verified by a certificate or other writing, in form and substance satisfactory to the Trustee, of a person or entity experienced in making these calculations, in any case as the County may select.

When a Bond is deemed paid as a result of a deposit made as described above, it is no longer secured by or entitled to the benefits of the Trust Agreement, and all rights to payment of those Bonds will be limited to payment from moneys or Federal Securities deposited. Those Bonds, however, may still be transferred, exchanged, registered or replaced as provided in the Trust Agreement.

Notwithstanding the foregoing, the County may make no deposit under clause (a)(ii) above until the County has furnished the Trustee an Opinion of Bond Counsel to the effect that the deposit of such cash or Federal Securities will not cause the Bonds to become "arbitrage bonds" within the meaning of the Code, if the interest on those Bonds is intended to be not included in gross income for federal income tax purposes. within the meaning of the Code. Also, if a Bond is to be prepaid prior to maturity, notice of redemption of the Bond must be given in accordance with the Trust Agreement for such deposit to be deemed a payment of such Bond. If the Bond is not to be paid or prepaid within the next 60 days, however, the County must give the Trustee, in form satisfactory to the Trustee, irrevocable instructions (A) to provide notice, as soon as practicable, in accordance with the Trust Agreement, that the deposit required by (a)(ii) above has been made with the Trustee, that the Bond is deemed to be paid under the Trust Agreement and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal with respect to the Bond, and (B) to give notice of redemption not less than 30 nor more than 60 days prior to the redemption date for such Bond as provided in the Trust Agreement.

When all Outstanding Bonds are deemed paid under the Trust Agreement, the Trustee will, upon the County's request, acknowledge the discharge of the lien of the Trust Agreement and repay any excess amounts remaining on deposit in the Funds established under the Trust Agreement to the County.



No deposit must be made or accepted, and no use made of any deposit, that would cause any Bonds to be treated as "arbitrage bonds" within the meaning of the Code if the interest on that Bond is intended to be not included in gross income for federal income tax purposes.

## **Investments**

Subject to the provisions of the Trust Agreement, the Trustee is to invest and reinvest moneys in the Funds and Accounts established under the Trust Agreement in Investment Obligations that are Legal Investments pursuant to written instructions from the County. If the County does not provide the Trustee with written direction as to any investment or reinvestment, the Trustee will invest or reinvest such moneys in the North Carolina Capital Management Trust (or its successor).

The Trustee may purchase or sell, to itself or to any affiliate, as principal or agent, investments of funds held under the Trust Agreement. The Trustee may act as purchaser or agent in the making or disposing of any investment and may make any investment through its bond or investment department.

## **Amendments of and Supplements to Trust Agreement, Bonds, Trust Agreement or Deed of Trust**

**Without Owners' Consent.** The County and the Trustee may amend or supplement the Trust Agreement, any Bonds or the Deed of Trust without notice to or consent of any Owner for any of the following purposes, or for any combination of the following purposes:

- (a) to cure any ambiguity, inconsistency or formal defect or omission
- (b) to grant to the Trustee for the benefit of the Owners additional rights, remedies, powers or authority
- (c) to subject to the Trust Agreement additional collateral or to add other agreements of the County, including the addition of real estate or other collateral to be subject to the lien of the Trust Agreement or the Deed of Trust
- (d) to permit the qualification of the Trust Agreement under any federal or state statute, whenever enacted, and, in that connection, to add to the Trust

Agreement or any other supplemental trust agreement such other terms, conditions and provisions as may be permitted or required by the federal or state statute

(e) to provide for the issuance of Additional Bonds as otherwise permitted by the Trust Agreement

(f) to provide for Bonds to be issued or exchanged for Bonds in any other form or format at that time permitted by law

(g) to evidence the succession of a new Trustee, or to provide for the appointment and operation of a Bond Registrar separate from the Trustee

(h) to make any other change that does not materially adversely affect the rights of any Owner

The Trustee may conclusively rely on a County Certificate to the effect that a proffered amendment or supplement is within the scope of the provisions summarized above.

At least five Business Days prior to its execution of any supplemental agreement or instrument for any of the purposes described above, the Trustee will provide for a notice of the proposed agreement or instrument to be mailed first-class, postage prepaid, to the LGC and to all Owners of Bonds. The notice must briefly set forth the nature of the proposed agreement or instrument, or include a copy of the amendment or supplement, and state that copies of the proposed agreement or instrument are available to all Owners of Bonds upon written request to the County or the Trustee at addresses set forth in the notice. Any failure on the Trustee's part to mail the required notice, however, will not affect the validity of any agreement or instrument

**With Owners' Consent.** (a) If the Trust Agreement does not permit an amendment of or supplement to the Documents without any consent of Owners, the County and the Trustee may enter into that amendment or supplement only with the consent of the Majority Owners. The Trust Agreement provide procedures to be followed to obtain and determine the qualifying consent of Owners.

(b) Without the consent of each Owner affected, however, no amendment or supplement to the Documents may (i) extend the maturity of the principal of or interest on any Bond, (ii) reduce the principal amount of, or rate of interest on, any Bond, (iii) effect a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (iv) reduce the percentage of the principal amount of the Bonds required for

consent to any amendment or supplement, (v) intentionally impair any exclusion of interest on the Bonds from the federal gross income of the Owner of any Bond to which that interest was intended to be entitled, (vi) change any redemption terms of those Bonds, (vii) create a lien ranking prior to or on a parity with the lien of the Trust Agreement on the property pledged under the Trust Agreement (except with respect to a parity pledge for the benefit of the Owners of Additional Bonds), or (viii) deprive any Owner of the lien created by the Trust Agreement on any property except as permitted by the Documents.

In addition, if moneys or Federal Securities have been deposited or set aside with the Trustee pursuant to the Trust Agreement for the payment of Bonds and those Bonds have not in fact actually been paid in full, no amendment to the provisions of that Article may be made without the consent of the Owner of each Bond affected.

The Trust Agreement details terms and conditions for obtaining consent of the Owners when required under the Trust Agreement.

**LGC's Consent Required.** No amendment or supplement to the Documents will become effective unless the LGC delivers to the County and the Trustee its prior written consent to the amendment or supplement.

## **THE DEED OF TRUST**

### **Grant of Security Interest in Pledged Facilities, Pledged Sites and Fixtures**

In the Deed of Trust, the County grants a security interest in the Mortgaged Property, including the Pledged Facilities, the Pledged Sites, and the Fixtures (subject to encumbrances identified in the Deed of Trust) to secure the County's performance of its obligations under the Documents and any Additional Bonds (and related documents) executed and delivered pursuant to the Trust Agreement. The Deed of Trust secures the County's obligations to each of the Owners, on parity with one another. The total amount, including present and future obligations, that may be secured by the Deed of Trust at any one time is \$140,000,000.

### **Restriction on Transfers; Releases; Grants of Easements**

The County shall not sell, transfer or encumber any interest in any Mortgaged Property, except as otherwise permitted by the Trust Agreement or the Deed of

Trust. This prohibition applies whether the sale, transfer, or encumbrance is of a legal or an equitable interest, is voluntary, involuntary, by operation of law, or otherwise, and includes any encumbrance that is not a Permitted Encumbrance. The Trustee may take any action it deems appropriate to prevent or rescind any unauthorized sale, transfer or encumbrance.

The Trustee is required, upon the County's direction and at any time, to execute and deliver all documents necessary to effect the release of all or a portion of the Mortgaged Property from the lien of the Deed of Trust upon the County's compliance with the requirements of the Deed of Trust. No consent or acknowledgment by the Deed of Trust Trustee is required for any release under the Deed of Trust.

To obtain a release, the County must file with the Trustee a County Certificate (1) stating that (A) no Event of Default is continuing, (B) the release will not materially impair the intended use of the property remaining subject to the Deed of Trust, and (C) the release complies with the requirements of the Deed of Trust, (2) providing a copy of the proposed instrument of release, (3) directing the execution and delivery of the instrument, and (4) providing evidence of compliance with (a) or (b) below. The Trustee may not release property pursuant to the Deed of Trust during the continuation of an Event of Default.

(a) In the case of a proposed release of all the Mortgaged Property, the County must pay to the Trustee, or to some fiduciary reasonably acceptable to the Trustee, an amount (i) that is sufficient to provide for the payment in full of all Bonds Outstanding and (ii) that is required to be used for that payment.

(b) In connection with the release of a portion (but less than all) of the Mortgaged Property, the County must provide evidence to the Trustee that the appraised, taxable or insured value (and the County may provide different evidence for different portions) of that portion of the Mortgaged Property that is proposed to remain subject to the lien of the Deed of Trust will not be less than 50% of the aggregate principal component of the Bonds Outstanding at the time the release is effected.

In addition to the provisions for release described above, the County may from time-to-time grant easements, licenses, rights-of-way and other similar rights with respect to any part of the Mortgaged Property, and the County may release such interests, with or without consideration. The County may also dispose of any inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary Fixture,

subject to certain limitations and conditions on disposition set out in the Deed of Trust (in each case, so long as the grant or disposition will not materially impair the intended use of the Pledged Facilities).

### **Advances for Performance of County's Obligations.**

If the County fails to perform any of its obligations under the Documents, then the Trustee and the Deed of Trust Trustee are authorized, but not obligated, to perform the obligation or cause it to be performed. The County's repayment of all those amounts, together with interest at the annual rate of 4.00%, is secured as an Obligation under this Deed of Trust.

### **Substitute Trustees**

If any Deed of Trust Trustee dies, becomes incapable of acting or renounces the trust, or if for any reason the Trustee desires to replace any Deed of Trust Trustee, then the Trustee has the unqualified right to appoint one or more substitute or successor Deed of Trust Trustees. The Trustee may make any removal or appointment at any time without notice, without specifying any reason, and without any court approval. Any appointee becomes vested with title to the Mortgaged Property and with all rights, powers and duties conferred upon the Deed of Trust Trustee by the Deed of Trust in the same manner and to the same effect as if that Deed of Trust Trustee had been named as the original Deed of Trust Trustee.

### **Defaults and Remedies; Foreclosure**

**Defaults and Remedies.** During the continuation of an Event of Default, the Trustee may pursue its rights and remedies as provided under the Trust Agreement and the Deed of Trust.

#### **Foreclosure; Sale under Power of Sale.**

*Right to foreclosure or sale.* During the continuation of an Event of Default, at the Trustee's request, the Deed of Trust Trustee must foreclose the Deed of Trust by judicial proceedings or, at the Trustee's option, the Deed of Trust Trustee must sell (and is empowered to sell) all or any part of the Mortgaged Property at public sale to the last and highest bidder for cash (free of any equity of redemption, homestead, dower, curtesy or other exemption, all of which the County in the Deed of Trust expressly waives to the extent permitted by law) after compliance with applicable State laws relating to foreclosure sales under power of sale. The Deed of Trust Trustee will execute and deliver a proper deed or deeds to the successful purchaser

at any such sale. If only a part of the Mortgaged Property is sold, the partial sale in no way adversely affects the lien created by the Deed of Trust against the remainder.

*Trustee's Bid.* The Trustee may bid and become the purchaser at any sale under the Deed of Trust. Instead of paying cash, the Trustee may make settlement for the purchase price by crediting against the Obligations the bid price net of sale expenses, including the Deed of Trust Trustee's commission, and after payment of any taxes and assessments as may be a lien on the Mortgaged Property superior to the lien of the Deed of Trust (unless the Mortgaged Property is sold subject to those liens and assessments, as provided by law).

*County's Bid.* The County may bid for all or any part or parts of the Mortgaged Property at any foreclosure sale. The County, however, may not bid less than an amount sufficient to provide for full payment of the Obligations, unless the Trustee consents in writing.

*Successful bidder's deposit.* At any sale, the Deed of Trust Trustee may, at its option, require any successful bidder (other than the Trustee) immediately to make a deposit with the Deed of Trust Trustee against the successful bid in the form of cash or a certified check in an amount of up to 5% of the sale price. The advertised notice of sale need not include notice of this requirement.

*Application of sale proceeds.* The Deed of Trust Trustee must apply the proceeds of any foreclosure sale in the manner and in the order prescribed by State law. The expenses of any sale will include a commission to the Deed of Trust Trustee equal to one-half of one percent of the gross sales price for all services performed by the Deed of Trust Trustee under the Deed of Trust. Any sale proceeds remaining after the payment of all Obligations and the prior application of the proceeds in accordance with State law will be paid to the County.

**Possession of Mortgaged Property.** During the continuation of an Event of Default, upon the Trustee's demand the County must deliver possession of the Mortgaged Property to the Trustee. In addition, the County must surrender possession of the Mortgaged Property to the purchaser of the Mortgaged Property at any judicial or foreclosure sale under this Deed of Trust.

During the continuation of an Event of Default, the Trustee, to the extent permitted by law, is also authorized to (a) take possession of the Mortgaged Property, with or without legal action, (b) lease the Mortgaged Property, (c) collect

all rents and profits from the Mortgaged Property, with or without taking possession of the Mortgaged Property, and (d) after deducting all collection costs and administration expenses, apply the net rents and profits to the payment of necessary maintenance and insurance costs, and then apply all remaining amounts to the County's account and in reduction of the Obligations.

The Trustee will be liable to account only for rents and profits it actually receives. The Trustee may take any action permitted under this provision with respect to all or any portion of the Mortgaged Property, as it may elect.

## **DEFINITIONS**

The following are definitions of certain terms used in the Trust Agreement and the Deed of Trust.

"2024 Bonds" means the Bonds now issued pursuant to the Trust Agreement as described in this Official Statement.

"Additional Bonds" means any Bonds delivered pursuant to the Trust Agreement after the initial delivery of the 2024 Bonds.

"Additional Payments" means the Trustee's reasonable and customary fees and expenses, any of the Trustee's expenses (including legal fees, costs and expenses) in prosecuting or defending any action or proceeding in connection with the Documents, or any other amounts payable by the County as a result of its covenants under the Documents (together with interest that may accrue on any of the above if the County fails to pay the same, as set forth in the Trust Agreement and the Deed of Trust).

"Bond Counsel" means any attorney or firm of attorneys nationally recognized on the subject of municipal obligations as the County may select from time to time.

"Bond Payments" means all amounts payable by the County pursuant to the Trust Agreement for the payment of principal, interest or redemption premium (as applicable) on Bonds.

"Bonds" means, together, the 2024 Bonds and all Additional Bonds.

"Business Day" means any day (a) other than a day on which banks in New York, New York, or the city to which notices to the Trustee under the Trust Agreement are to be sent, are required or authorized to close, and (b) on which the New York Stock Exchange is not closed.

"Code" means the Internal Revenue Code of 1986, as amended, including regulations, rulings and revenue procedures promulgated thereunder or under the Internal Revenue Code of 1954, as amended, as applicable to the Bonds.

"Contract Payments" means all Bond Payments and Additional Payments.

"County Board" means the County's governing board as from time to time constituted.

"County Certificate" means any written document (in whatever form, however designated) executed and delivered by a County Representative.

"County Representative" means the County Manager, the County's statutory finance officer, or any other person or persons at the time designated, by a written certificate furnished to the Trustee that (a) is signed on the County's behalf by the County Manager or the presiding officer of the County Board to act on the County's behalf (or to perform any specified act) under this Agreement, and (b) contains the specimen signature of the designated person.

"Deed of Trust" means the Deed of Trust and Security Agreement dated as of August 1, 2024, delivered by the County to a deed of trust trustee for the Trustee's benefit, as it may be duly amended or supplemented.

"Documents" means, as a group, the Trust Agreement, the Bonds and the Deed of Trust.

"Event of Default" has the meaning set forth in the Trust Agreement. See the section in these summaries above captioned "THE TRUST AGREEMENT -- Defaults and Remedies under Trust Agreement – Events of Default."

"Event of Nonappropriation" means a failure or refusal by the County Board to include funds for Contract Payments in the County's budget for any Fiscal Year, or any reduction or elimination of an appropriation for Contract Payments, all as further described under the Trust Agreement.



"Federal Securities" means, to the extent the same are Legal Investments, (a) direct obligations of the United States of America for which its full faith and credit are pledged, or (b) securities or obligations evidencing direct ownership interests in specified portions (principal or interest) of obligations described in (a), and expressly includes obligations stripped by the United States Treasury itself.

"Financing Costs" means all professional and administrative costs related to the authorization and execution and delivery of the Bonds, including printing and publication costs and legal, accounting, advisory and other fees and expenses. Financing Costs are a subset of Project Costs.

"Fiscal Year" means the County's fiscal year beginning July 1, or such other fiscal year as the County may later lawfully establish, and also includes the period between the Closing Date and June 30, 2025.

The "Fixtures" are all items of personal property attached or affixed to the Pledged Facilities in such a manner that removing the items would cause damage to the Pledged Facilities. The Fixtures may include plumbing, heating, lighting, electrical, laundry, ventilating, refrigerating, incinerating, air-conditioning, fire and theft protection and sprinkler equipment, and includes all renewals and replacements thereof and all additions thereto, and all articles in substitution thereof, and all proceeds of all the foregoing in whatever form.

"Legal Investments" means all investments as are legal investments for the County's funds, as determined at the time of investment, and "Investment Obligations" means the securities purchased as Legal Investments and held under the Trust Agreement.

"LGC" means the North Carolina Local Government Commission, or any successor to its functions.

"Majority Owners" means, as of any date, the Owners of at least a majority in principal amount of the Bonds then Outstanding.

"Mortgaged Property" has the meaning assigned in the Deed of Trust, and generally includes the Pledged Sites and the Pledged Facilities.

"Net Proceeds" means all payments and proceeds derived from (a) claims made on account of insurance coverages required under the Trust Agreement, (b) any exercise of condemnation or eminent domain authority related to all or any portion of the Mortgaged Property, (c) proceeds of title insurance related to the Mortgaged

Property, or (d) any sale of the Pledged Facilities, as well as all judgments, settlements or other payments in lieu of any of the foregoing, but in any case reduced by the sum of all amounts (including legal fees, costs and expenses) expended by the County or the Trustee (i) to collect those gross proceeds or (ii) to remedy the event giving rise to the proceeds, all of which amounts will be paid or reimbursed from the gross proceeds.

“Obligations” has the meaning assigned in the Deed of Trust and generally means the Bond Payments, the Additional Payments and any other amounts payable by the County under the Trust Agreement or the Deed of Trust.

“Opinion of Bond Counsel” means a written opinion of Bond Counsel.

"Outstanding," when used with reference to Bonds, or "Bonds Outstanding," means all Bonds that have been authenticated and delivered by the Trustee under the Trust Agreement and not yet paid, except the following:

(a) Bonds canceled or purchased by or delivered to the Trustee for cancellation;

(b) Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which, including interest accrued to the due date, the Trustee holds sufficient moneys;

(c) Bonds deemed paid in accordance with the defeasance provisions of the Trust Agreement; and

(d) Bonds in lieu of which others have been authenticated under the provisions of the Trust Agreement relating to registration and exchange of Bonds or relating to mutilated, lost, stolen, destroyed or undelivered Bonds.

"Owner," when used with reference to a Bond, means the person in whose name that Bond is registered on the registration books maintained by the Trustee.

“Payment Date” with respect to the Bonds means each April 1 and October 1, beginning April 1, 2025.

"Permitted Encumbrances" means, as of any particular time, (a) the “Existing Encumbrances,” as defined in the Deed of Trust (which generally includes minor utility easements and similar encumbrances that will not materially affect the use of the property or the security of the Deed of Trust), (b) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pursuant to the Trust Agreement, (c) the Deed of Trust, (d) any lien or encumbrance made by its

terms expressly subordinate to the lien of the Deed of Trust, and (e) easements and rights-of-way granted by the County pursuant to the Deed of Trust.

“Pledged Facilities” has the meaning described in the Deed of Trust, and generally includes the County’s planned new law enforcement center on Old Savannah Road in Burgaw, North Carolina.

“Pledged Sites” has the meaning ascribed to that term in the Deed of Trust, and generally includes the real property upon which the Pledged Facilities are located along.

“Project Fund” means the “Pender County 2024 Project Fund” created under the Trust Agreement.

“Project” means the Project described in the Trust Agreement, and generally means the County’s acquisition, construction and equipping of its new law enforcement center, all as further described in the section of this Official Statement entitled **“THE PLAN OF FINANCE.”**

“Project Costs” means all costs of the design, planning, constructing, acquiring, installing, equipping and generally carrying-out of the Project, all as determined in accordance with generally accepted accounting principles and that will not adversely affect the exclusion from gross income for federal income tax purposes of interest on Bonds to which it is intended that interest will be entitled. “Project Costs” include (a) sums required to reimburse the County or its agents for advances made for any costs otherwise described in this definition, (b) interest during the period of acquisition and construction of improvements and for up to six months thereafter, and (c) all Financing Costs.

"State" means the State of North Carolina.

“Trust Agreement” means the Trust Agreement dated as of August 1, 2024, between the County and U.S. Bank Trust Company, National Association, as trustee.

“Trustee” means the bank or trust company from time to time serving as trustee under the Trust Agreement, whether the original or a successor Trustee.

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**APPENDIX D**  
**FORM OF OPINION OF BOND COUNSEL**

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# SanfordHolshouser

209 Lloyd Street, Suite 350 | Carrboro, NC 27510  
www.shlawgroup.com

August \_\_\_\_, 2024

Pender County, North Carolina

**\$58,205,000**  
**Pender County, North Carolina**  
**Limited Obligation Bonds, Series 2024A**

We have acted as bond counsel to Pender County, North Carolina (the "County"), in connection with the County's issuance today of the above-captioned bonds (the "Bonds") and the County's execution and delivery today of the following documents:

(a) A Trust Agreement dated as of August 1, 2024 (the "Trust Agreement"), between the County and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"); and

(b) A Deed of Trust and Security Agreement dated as of August 1, 2024 (the "Deed of Trust"), given by the County to a deed of trust trustee (the "Deed of Trust Trustee") for the Trustee's benefit.

The County is and has been our only client in this transaction.

We have examined the applicable law and certified copies of proceedings and documents relating to this execution and delivery.

Reference is made to the Bonds and the Official Statement dated August 7, 2024 (the "Official Statement"), related to the offering of the Bonds, for additional information concerning the details of the Bonds, their payment and redemption provisions, their purposes and the proceedings pursuant to which they are executed and delivered.



Without undertaking to verify the same by independent investigation, we have relied on representations and certifications by representatives of the County, the North Carolina Local Government Commission and others as to certain facts relevant to both our opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The County has made certain covenants (the "Covenants") to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds made available to the County from the Bonds and the timely payment to the United States of any arbitrage rebate required under the Code, all as set forth in the proceedings and documents providing for the authorization, execution and delivery of the Trust Agreement and the Bonds.

We have assumed the capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to authentic original documents of all documents submitted to us as copies or specimens.

Based on the foregoing, as of today and under existing law, we are of the following opinions:

1. The County has duly authorized, executed and delivered the Trust Agreement. The Trust Agreement is a legal, valid and binding obligation of the County, enforceable against the County in accordance with its terms.

2. The County has duly authorized, executed and delivered the Deed of Trust. The Deed of Trust is a legal, valid and binding obligation of the County, enforceable against the County by the Trustee and the Deed of Trust Trustee in accordance with its terms

3. The County has duly authorized, executed and delivered the Bonds. The Bonds are legal, valid and binding obligations of the County, enforceable against the County in accordance with their terms. The Bonds are secured as provided in the Trust Agreement and the Deed of Trust.



Our opinions as set forth in paragraphs 1, 2 and 3 above are subject to the effect (a) of bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, and (b) of general principles of equity, regardless of whether applied in a proceeding in equity or at law. We have assumed the enforceability of the Trust Agreement against the Trustee and the Trustee's due authentication and delivery of the Bonds.

We have not examined the title to any property that the Deed of Trust purports to encumber. We therefore express no opinion as to title or perfection or priority of liens, including any matters related to the recording of the Deed of Trust. Similarly, we express no opinion, whether expressly or by implication, as to the enforceability of any remedy to the extent enforceability depends on any matters of title, perfection or priority. We direct your attention to the title insurance policy to be issued in connection with this financing by \_\_\_\_\_ Title Insurance Company, which addresses some of these matters.

The County's obligations under the Trust Agreement and the Bonds are not general obligations of the County. Pursuant to the terms of the Deed of Trust, the Trust Agreement and Section 160A-20 of the North Carolina General Statutes, no deficiency judgment may be rendered against the County in violation of that Section 160A-20.

4. Interest on the Bonds paid by the County is not included in gross income for federal income tax purposes. Interest on the Bonds is not a separate tax preference item for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations. The County's failure to comply with the Covenants could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

5. Interest on the Bonds is exempt from State of North Carolina income taxes.

We express no opinion regarding other tax consequences of the ownership of or receipt or accrual of interest on the Bonds.

Our services as bond counsel have been limited to rendering the foregoing opinions based on our review of such proceedings and documents as we have deemed necessary. We have not made any investigation concerning the County's operations, condition or financial resources. We express no opinion here (a) as to the County's ability to provide for payments due under the Trust Agreement or otherwise with respect to the Bonds, (b) as to the accuracy, completeness or fairness of any information that may have been relied on by anyone in deciding to purchase Bonds, including the Official Statement, or (c) as to any party's compliance with any terms or conditions precedent to any purchase of Bonds.

This opinion is based on constitutional and statutory provisions and judicial decisions existing today. We assume no responsibility to update this opinion or take any other action regarding changes in facts, circumstances or the applicable law.

Very truly yours,

[To Be Signed, "Sanford Holshouser LLP"]

**APPENDIX E**  
**BOOK-ENTRY ONLY SYSTEM**

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## APPENDIX E

### BOOK-ENTRY ONLY SYSTEM

Beneficial ownership interests in the 2024 Bonds will be available only in a book-entry system. The actual purchasers of the 2024 Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interests in such 2024 Bonds purchased. So long as The Depository Trust Company (“DTC”) or its nominee is the registered owner of the 2024 Bonds, references in this Official Statement to the Owners of the 2024 Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners of the 2024 Bonds. The Trust Agreement contains provisions applicable to periods when DTC or its nominee is not the registered owner.

The following description of DTC, its procedures and record keeping with respect to beneficial ownership interests in the 2024 Bonds, payment of interest and other payments with respect to the 2024 Bonds to DTC Participants or to beneficial owners, confirmation and transfer of beneficial ownership interests in the 2024 Bonds and/or other transactions by and between DTC, DTC Participants and beneficial owners is based on information furnished by DTC.

DTC will act as securities depository for the 2024 Bonds. The 2024 Bonds will be registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate in the aggregate principal amount of each maturity of the 2024 Bonds will be deposited with DTC or its designee. So long as Cede & Co. is the registered owner of the 2024 Bonds, as DTC’s Partnership nominee, reference herein to the Owners or registered owners of the 2024 Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the 2024 Bonds.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation as well as by the New York Stock Exchange, Inc., the American Stock Exchange, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants” and collectively with the Direct Participants, the “Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for 2024 Bonds on DTC’s records. The ownership interest of each actual purchaser of the 2024 Bonds (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect

Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2024 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners of such 2024 Bonds. Beneficial Owners will not receive certificates representing their ownership interests in 2024 Bonds, except in the event that use of the book-entry system for such 2024 Bonds is discontinued.

To facilitate subsequent transfers, all 2024 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such name as may be requested by an authorized representative of DTC. The deposit of 2024 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the identities of the actual Beneficial Owners of the 2024 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2024 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2024 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to such 2024 Bonds, such as redemptions, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the 2024 Bonds may wish to ascertain that the nominee holding such 2024 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2024 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the 2024 Bonds of such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2024 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting and voting rights to those Direct Participants to whose accounts such 2024 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Because DTC is treated as the owner of the 2024 Bonds for substantially all purposes under the Trust Agreement, Beneficial Owners may have a restricted ability to influence in a timely fashion remedial action or the giving or withholding of requested consents or other directions. In addition, because the identity of Beneficial Owners is unknown to the County, to DTC or to the Trustee, it may be difficult to transmit information of potential interest to Beneficial Owners in an effective and timely manner. **Beneficial Owners should make appropriate arrangements with their broker or dealer regarding distribution of information regarding the 2024 Bonds that may be transmitted by or through DTC.**

Principal, premium, if any, and interest payments on the 2024 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records.

Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participants and not of DTC (nor its nominee), the Trustee or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the Trustee’s responsibility, disbursement of such payments to Direct Participants is DTC’s responsibility, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants. The County cannot and does not give assurance that Direct and Indirect Participants will promptly transfer payments to Beneficial Owners.

DTC may discontinue providing its services as securities depository with respect to the 2024 Bonds at any time by giving reasonable notice to the County and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates representing interests in 2024 Bonds are required to be printed and delivered. The County may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to DTC.

The County and the Trustee have no responsibility or obligation to DTC, the Direct Participants, the Indirect Participants or the Beneficial Owners with respect to (1) the accuracy of any records maintained by DTC or any Participant, or the maintenance of any records; (2) the payment by DTC or any Participant of any amount due to any Beneficial Owner in respect of the 2024 Bonds, or the sending of any amount due to any beneficial owner in respect to the 2024 Bonds or the sending of transaction statements; (3) the delivery or timeliness of delivery by DTC or any Participant of any notice to any Beneficial Owner which is required or permitted under the Trust Agreement to be given to Owners; (4) the selection of the Beneficial Owners to receive payments upon any partial redemption of the 2024 Bonds; or (5) any consent given or other action taken by DTC or its nominee as the registered owner of the 2024 Bonds, including any action taken pursuant to an omnibus proxy.

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

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