

**CITY OF ELIZABETH CITY, NORTH CAROLINA**

**FINANCIAL STATEMENTS  
JUNE 30, 2022**

**CITY COUNCIL MEMBERS**

**Kirk Rivers, Mayor**

**Kem Spence, Mayor Pro-Tem**

**Barbara Baxter**

**Johnson Biggs**

**Katherine Felton**

**Javis Gibbs**

**Joe Peel**

**Johnnie Walton**

**Rose Whitehurst**



**City of Elizabeth, North Carolina**  
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**June 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of Elizabeth City, NC

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison of the General fund of the City of Elizabeth City, NC (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Elizabeth City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison of the General Fund of Elizabeth City as of June 30, 2022, and the respective changes in financial position, and, where applicable, and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly after.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-11 and the Local Government Employee's Retirement System Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), the City of Elizabeth City's Contributions to the Local Government Employees' Retirement System, the Law Enforcement Officers' Special Separation Allowance – Schedule of Changes in Total Pension Liability, the Law Enforcement Officers' Special Separation Allowance – Schedule of Total Pension Liability as a Percentage of Covered Payroll, and the Other Postemployment Benefits Retiree Health Plan Schedules of Funding Progress and Contributions on pages 63-67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Elizabeth City's basic financial statements. The combining and individual fund financial statements and Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, and the Other Supplemental Financial Data are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2024 on our consideration of the City of Elizabeth City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Elizabeth City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Elizabeth City's internal control over financial reporting and compliance.

*PBMares, LLP*

Morehead City, NC  
April 8, 2024

# MANAGEMENT’S DISCUSSION AND ANALYSIS

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As management of the City of Elizabeth City, we offer readers of the City of Elizabeth City’s financial statements this narrative overview and analysis of the financial activities of the City of Elizabeth City for the fiscal year ended June 30, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City’s financial statements, which follow this narrative.

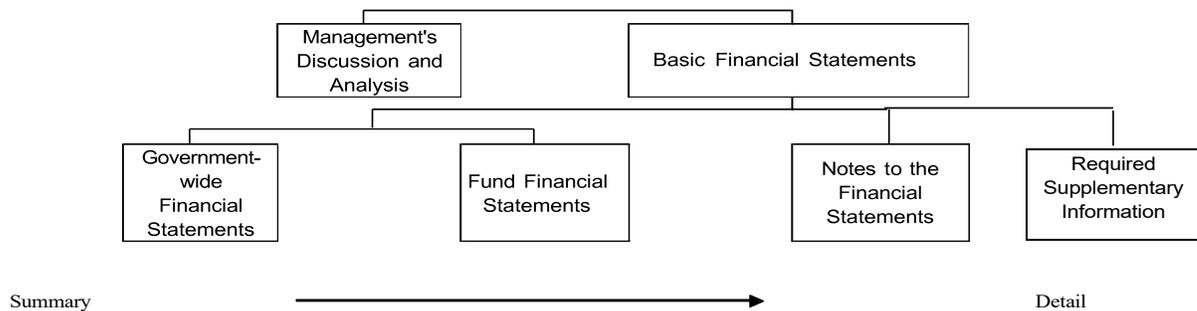
## *Financial Highlights*

- The assets and deferred outflows of resources of the City of Elizabeth City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$107,127,107 (*net position*).
- The government’s total net position increased by \$4,540,705, due to an increase in business-type activities.
- As of the close of the current fiscal year, the City of Elizabeth City’s governmental funds reported combined ending fund balances of \$8,148,023 with a net change of \$1,007,618 in fund balance. Approximately 52.4 percent of ending fund balance, or \$4,272,760 is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,456,962 or 14.3% of total General Fund expenditures for the fiscal year.
- The City of Elizabeth City’s total long-term liabilities decreased by \$4,568,686 during the current fiscal year. The key factor in this decrease was due to principal payments on long-term debt.

## *Overview of the Financial Statements*

This discussion and analysis is intended to serve as an introduction to City of Elizabeth City’s basic financial statements. The City’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 City 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 the City of Elizabeth City.

**Required Components of Annual Financial Report Figure 1**



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **Basic Financial Statements**

The first two statements (Exhibits 1 and 2) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits 3 through 9) are Fund Financial Statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the general fund budgetary comparison statement; and 3) the proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, required supplementary information is provided to show details on the City's pensions, followed by supplemental information to show details about the City's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

### **Government-Wide Financial Analysis**

The government-wide financial statements are designed to provide the reader with a broad overview of the City'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 City financial status as a whole.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the City's basic services such as cultural and recreation, public safety, transportation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer, stormwater, solid waste and electric services offered by the City of Elizabeth City.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

### **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the City'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. The City of Elizabeth City, 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 City's budget ordinance. All of the funds of the City of Elizabeth City can be divided into two categories: governmental funds and proprietary funds.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City'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* which provides a short-term spending 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 City'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.

The City of Elizabeth City adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether the City 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** – City of Elizabeth City 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. City of Elizabeth City uses enterprise funds to account for its water and sewer activity, solid waste activity, stormwater activity and for its electric operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**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 are on pages 21-62 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Elizabeth City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 63 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Interdependence with Other Entities:** The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

### Government-Wide Financial Analysis

**City of Elizabeth City's Net Position**  
**Figure 2**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
<b>Assets:</b>						
Current and other assets	\$ 13,086,209	\$ 8,794,398	\$ 28,744,768	\$ 24,910,817	\$ 41,830,977	\$ 33,705,215
Capital assets, net	31,693,447	31,586,651	73,781,006	74,861,956	105,474,453	106,448,607
<b>Total Assets</b>	<b>44,779,656</b>	<b>40,381,049</b>	<b>102,525,774</b>	<b>99,772,773</b>	<b>147,305,430</b>	<b>140,153,822</b>
<b>Total Deferred Outflows</b>	<b>5,769,248</b>	<b>5,570,105</b>	<b>2,182,067</b>	<b>2,025,552</b>	<b>7,951,315</b>	<b>7,595,657</b>
<b>Liabilities:</b>						
Other liabilities	5,093,002	2,056,782	5,676,681	6,656,545	10,769,683	8,713,327
Long-term liabilities	19,204,973	21,397,550	8,494,262	10,452,012	27,699,235	31,849,562
<b>Total Liabilities</b>	<b>24,297,975</b>	<b>23,454,332</b>	<b>14,170,943</b>	<b>17,108,557</b>	<b>38,468,918</b>	<b>40,562,889</b>
<b>Total Deferred Inflows</b>	<b>5,721,871</b>	<b>3,271,952</b>	<b>3,938,849</b>	<b>1,328,236</b>	<b>9,660,720</b>	<b>4,600,188</b>
<b>Net Position:</b>						
Net investments in capital assets	27,894,727	27,451,366	70,566,003	70,634,721	98,460,730	98,086,087
Restricted	4,272,760	4,017,179	-	-	4,272,760	4,017,179
Unrestricted	(11,638,429)	(12,243,675)	16,032,046	12,726,811	4,393,617	483,136
<b>Total Net Position</b>	<b>\$ 20,529,058</b>	<b>\$ 19,224,870</b>	<b>\$ 86,598,049</b>	<b>\$ 83,361,532</b>	<b>\$ 107,127,107</b>	<b>\$ 102,586,402</b>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Elizabeth City exceeded liabilities and deferred inflows by \$107,127,107 as of June 30, 2022. The City's net position increased by \$4,540,705 for the fiscal year ended June 30, 2022. However, the largest portion, 91.9%, reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The City of Elizabeth City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Elizabeth City's net investment in 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. An additional portion of the City of Elizabeth City's net position, \$4,272,760 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,393,617 is unrestricted.

One particular aspect of the City's financial operations influenced the total unrestricted governmental net position:

- The tax collection percentage of 96.34% has increased over last year's collection rate of 95.97%.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### City of Elizabeth City Changes in Net Position Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 1,776,462	\$ 1,217,307	\$ 46,644,517	\$ 44,168,871	\$ 48,420,979	\$ 45,386,178
Operating grants and contributions	3,174,197	3,165,628	741,416	191,255	3,915,613	3,356,883
Capital grants and contributions	-	-	45,491	621,812	45,491	621,812
General Revenues:						
Property taxes	9,717,072	8,370,779	-	-	9,717,072	8,370,779
Other taxes, contributions not restricted	8,014,516	7,323,103	-	-	8,014,516	7,323,103
Miscellaneous	347,299	711,671	807,390	31,917	1,154,689	743,588
Investment earnings, unrestricted	(34,638)	1,183	4,900	1,970	(29,738)	3,153
Total revenues	22,994,908	20,789,671	48,243,714	45,015,825	71,238,622	65,805,496
<b>Expenses:</b>						
General government	5,095,463	5,768,601	-	-	5,095,463	5,768,601
Public safety	12,097,035	12,239,851	-	-	12,097,035	12,239,851
Transportation	2,218,289	1,445,658	-	-	2,218,289	1,445,658
Environmental protection	115,598	46,136	-	-	115,598	46,136
Cultural and recreation	3,008,036	2,571,549	-	-	3,008,036	2,571,549
Interest on long-term debt	81,299	130,785	-	-	81,299	130,785
Loss on disposal of assets	-	108,160	-	-	-	108,160
Water and sewer	-	-	9,687,052	9,126,600	9,687,052	9,126,600
Electric	-	-	32,366,636	31,124,642	32,366,636	31,124,642
Stormwater	-	-	388,952	-	388,952	-
Solid waste	-	-	1,639,557	1,971,223	1,639,557	1,971,223
Total expenses	22,615,720	22,310,740	44,082,197	42,222,465	66,697,917	64,533,205
Increase (decrease) in net position before transfers and special items	379,188	(1,521,069)	4,161,517	2,793,360	4,540,705	1,272,291
Transfers	925,000	925,000	(925,000)	(925,000)	-	-
Change in net position	1,304,188	(596,069)	3,236,517	1,868,360	4,540,705	1,272,291
Net position	19,224,870	22,287,674	83,361,532	80,382,228	102,586,402	102,669,902
Prior period adjustment	-	(2,466,735)	-	1,110,944	-	(1,355,791)
Net position, beginning as restated	19,224,870	19,820,939	83,361,532	81,493,172	102,586,402	101,314,111
Net position, June 30	\$ 20,529,058	\$ 19,224,870	\$ 86,598,049	\$ 83,361,532	\$ 107,127,107	\$ 102,586,402

**Governmental activities:** Governmental activities increased the City's net position by \$1,304,188, after transfers. Key elements of this increase are as follows:

- Continued fluctuations in pensions and other post employment benefits due to market conditions.

**Business-type activities:** Business-type activities increased the City of Elizabeth City's net position by \$3,236,517, after transfers. The key element of this increase are as follows:

- The City continues to be proactive and conservative in spending.

#### Financial Analysis of the City's Funds

As noted earlier, the City of Elizabeth City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## MANAGEMENT’S DISCUSSION AND ANALYSIS

**Governmental Funds.** The focus of the City of Elizabeth City’s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Elizabeth City’s financing requirements.

The General Fund is the chief operating fund of the City of Elizabeth City. At the end of the current fiscal year, City of Elizabeth City’s unassigned fund balance in the General Fund was \$3,456,962 while total fund balance reached 7,811,598. The City currently has an unassigned fund balance of 14.3% of General Fund expenditures, while total fund balance represents 32.2% of the same amount.

At June 30, 2022, the governmental funds of City of Elizabeth City reported a combined fund balance of \$8,148,023, a 14.1% increase over last year.

**General Fund Budgetary Highlights.** During the fiscal year, the City 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.

Revenues were more than the budgeted amounts primarily due to unrestricted intergovernmental revenues.

**Proprietary Funds.** The City’s proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Electric Fund at the end of the fiscal year amounted to \$9,069,921, \$4,474,120 for the Water and Sewer Fund, \$1,779,113 for the Stormwater Fund and \$708,892 for the Solid Waste Fund. The total change in net position for each fund was \$438,946, \$2,340,186, \$253,918 and \$203,917 respectively. Other factors concerning the finances of these four funds have already been addressed in the discussion of the City’s business-type activities.

### Capital Asset and Debt Administration

**Capital assets.** The City of Elizabeth City’s investment in capital assets for its governmental and business-type activities as of June 30, 2022 totals \$105,474,453 (net of accumulated depreciation). These assets include land, buildings and systems, machinery and equipment, park facilities, vehicles, and construction in progress.

**City of Elizabeth City’s Capital Assets  
(Net of Depreciation)  
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 9,139,927	\$ 9,139,927	\$ 712,354	\$ 712,354	\$ 9,852,281	\$ 9,852,281
Buildings and systems	7,971,520	8,145,619	69,362,885	66,863,801	77,334,405	75,009,420
Machinery and equipment	1,077,064	1,350,740	844,554	1,541,178	1,921,618	2,891,918
Improvements	10,336,270	11,076,411	-	-	10,336,270	11,076,411
Vehicles	1,536,568	1,873,954	2,609,013	2,617,577	4,145,581	4,491,531
Construction in progress	1,632,098	-	252,200	3,127,046	1,884,298	3,127,046
Total, as restated	\$ 31,693,447	\$ 31,586,651	\$ 73,781,006	\$ 74,861,956	\$ 105,474,453	\$ 106,448,607

Additional information on the City capital assets can be found in Note III.A.5. of the Basic Financial Statements.

**Long-term Liabilities.** As of June 30, 2022, the City of Elizabeth City had total long-term liabilities outstanding of \$30,533,868.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### City of Elizabeth City's Outstanding Long-Term Liabilities Figure 5

	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Net pension liability (LGERs)	\$ 1,938,736	\$ 4,599,410	\$ 833,394	\$ 1,977,123	\$ 2,772,130	\$ 6,576,533
Total pension liability (LEOSSA)	2,206,240	2,225,070	-	-	2,206,240	2,225,070
Compensated absences	737,118	708,984	262,772	273,023	999,890	982,007
Total OPEB liability	11,560,888	11,184,860	4,942,214	4,781,463	16,503,102	15,966,323
Installment purchases	4,113,872	4,135,285	3,197,052	4,684,928	7,310,924	8,820,213
Revolving loans	-	-	741,582	532,408	741,582	532,408
Total, as restated	<u>\$ 20,556,854</u>	<u>\$ 22,853,609</u>	<u>\$ 9,977,014</u>	<u>\$ 12,248,945</u>	<u>\$ 30,533,868</u>	<u>\$ 35,102,554</u>

The City of Elizabeth City's total debt decreased by \$4,568,686 (13.02%) during the past fiscal year, primarily due to principal payments on prior debt, decrease in Total OPEB Liability, and increases in Total Pension Liability (LEOSSA) and Net Pension Liability (LGERs).

North Carolina general statutes limit 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.

Additional information regarding the City of Elizabeth City's long-term debt can be found in Note III.B.8., beginning on page 51 of this report.

#### Economic Factors:

- The City of Elizabeth City's unemployment rate of 4.80% as of June 30, 2022 decreased compared to the prior year rate of 5.90%.
- Retail sales increased approximately 8% from the prior year.

#### Budget Highlights for the Fiscal Year Ending June 30, 2023

##### General Fund:

There is no appropriated fund balance for the General Fund budget for fiscal year 2023. The appropriation for the General Fund is \$22,868,723, a 9.92% increase from the FY22 original budget and a 10.61% decrease from the FY22 final budget. The tax rate assessed for the 2023 fiscal year will be \$0.59 per \$100 valuation. This is a \$0.01 tax rate increase over the revenue neutral rate of \$0.58 per \$100 valuation due to a revaluation. For fiscal year 2023, the General Fund budget includes no new positions, no employee raises and no new employee initiatives.

##### Proprietary Funds:

There were no rate or fee increases for the City's Electric, Water and Sewer, Stormwater and Solid Waste Funds for fiscal year 2023. The appropriations for planned expenses for the Electric, Water and Sewer, Stormwater and Solid Waste Funds for fiscal year 2023 are \$32,359,600, \$10,283,500, \$594,750, and \$1,796,000, respectively.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **Requests for Information**

This report is designed to provide an overview of the City'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 addressed to the: Office of the Finance Director, City of Elizabeth City, 306 East Colonial Avenue, Elizabeth City, NC 27909, (252) 337-6861

## **BASIC FINANCIAL STATEMENTS**

**STATEMENT OF NET POSITION**  
**June 30, 2022**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 6,224,179	\$ 15,421,803	\$ 21,645,982
Property taxes receivable, net	726,200	-	726,200
Accounts receivable, net	106,399	6,945,251	7,051,650
Due from other governments	2,552,383	319,977	2,872,360
Accrued interest on taxes	115,558	-	115,558
Internal balances	(115,850)	115,850	-
Grants receivable	-	413,120	413,120
Prepaid items	9,278	1,422	10,700
Inventories	79,609	2,313,382	2,392,991
Lease receivable	76,088	98,767	174,855
Restricted cash and cash equivalents	3,150,863	1,514,413	4,665,276
Total current assets	<u>12,924,707</u>	<u>27,143,985</u>	<u>40,068,692</u>
Noncurrent Assets:			
Lease receivable - non-current	161,502	1,600,783	1,762,285
Capital assets:			
Land and construction in progress	10,772,025	964,554	11,736,579
Other capital assets, net	20,921,422	72,816,452	93,737,874
Capital assets, net	<u>31,693,447</u>	<u>73,781,006</u>	<u>105,474,453</u>
Total assets	<u>44,779,656</u>	<u>102,525,774</u>	<u>147,305,430</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
OPEB deferrals	2,121,052	906,738	3,027,790
Pension deferrals	3,648,196	1,275,329	4,923,525
Total deferred outflows of resources	<u>5,769,248</u>	<u>2,182,067</u>	<u>7,951,315</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	912,522	3,395,468	4,307,990
Unearned revenue	2,828,599	7,679	2,836,278
Liabilities to be paid from restricted assets:			
Customer deposits	-	790,782	790,782
Current portion of long-term debt	1,351,881	1,482,752	2,834,633
Total current liabilities	<u>5,093,002</u>	<u>5,676,681</u>	<u>10,769,683</u>
Long-Term Liabilities:			
Net pension liability - LGERS	1,938,736	833,394	2,772,130
Total OPEB liability	11,560,888	4,942,214	16,503,102
Total pension liability - LEOSSA	2,206,240	-	2,206,240
Due in more than one year	3,499,109	2,718,654	6,217,763
Total long-term liabilities	<u>19,204,973</u>	<u>8,494,262</u>	<u>27,699,235</u>
Total liabilities	<u>24,297,975</u>	<u>14,170,943</u>	<u>38,468,918</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes	92,645	-	92,645
Leases	233,072	1,684,183	1,917,255
OPEB deferrals	2,433,582	1,040,342	3,473,924
Pension deferrals	2,962,572	1,214,324	4,176,896
Total deferred inflows of resources	<u>5,721,871</u>	<u>3,938,849</u>	<u>9,660,720</u>
<b>NET POSITION</b>			
Net investment in capital assets	27,894,727	70,566,003	98,460,730
Restricted for:			
Stabilization by state statute	4,265,648	-	4,265,648
Restricted for streets	7,112	-	7,112
Unrestricted	(11,638,429)	16,032,046	4,393,617
Total net position	<u>\$ 20,529,058</u>	<u>\$ 86,598,049</u>	<u>\$ 107,127,107</u>

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2022**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Governmental Activities:</b>							
General government	\$ 5,095,463	\$ 1,549,578	\$ 436,470	\$ -	\$ (3,109,415)	\$ -	\$ (3,109,415)
Public safety	12,097,035	8,489	858,401	-	(11,230,145)	-	(11,230,145)
Transportation	2,218,289	-	532,676	-	(1,685,613)	-	(1,685,613)
Environmental protection	115,598	-	-	-	(115,598)	-	(115,598)
Cultural and recreation	3,008,036	218,395	1,346,650	-	(1,442,991)	-	(1,442,991)
Interest on long-term debt	81,299	-	-	-	(81,299)	-	(81,299)
Total governmental activities	22,615,720	1,776,462	3,174,197	-	(17,665,061)	-	(17,665,061)
<b>Business-Type Activities:</b>							
Water and sewer	9,687,052	10,846,796	741,416	-	-	1,901,160	1,901,160
Electric	32,366,636	33,383,983	-	-	-	1,017,347	1,017,347
Stormwater	388,952	589,001	-	45,491	-	245,540	245,540
Solid waste	1,639,557	1,824,737	-	-	-	185,180	185,180
Total business-type activities	44,082,197	46,644,517	741,416	45,491	-	3,349,227	3,349,227
Total primary government	\$ 66,697,917	\$ 48,420,979	\$ 3,915,613	\$ 45,491	(17,665,061)	3,349,227	(14,315,834)
<b>General revenues:</b>							
Ad valorem taxes					9,717,072	-	9,717,072
Other taxes					116,814	-	116,814
Grants and contributions not restricted to a specific program					7,897,702	-	7,897,702
Miscellaneous					284,018	807,390	1,091,408
Gain on disposal of assets					63,281	-	63,281
Investment earnings, unrestricted					(34,638)	4,900	(29,738)
Transfers					925,000	(925,000)	-
Total general revenues and transfers					18,969,249	(112,710)	18,856,539
Change in net position					1,304,188	3,236,517	4,540,705
Net position, beginning					19,224,870	83,361,532	102,586,402
Net position, ending					\$ 20,529,058	\$ 86,598,049	\$ 107,127,107

## BALANCE SHEET – GOVERNMENTAL FUNDS AND RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

**June 30, 2022**

	Major Funds	Non-major Other	Total
	General Fund	Governmental Funds	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,741,312	\$ 482,867	\$ 6,224,179
Receivables, net:			
Taxes	726,200	-	726,200
Accounts	106,399	-	106,399
Lease receivable	-	237,590	237,590
Due from other governments	2,545,372	7,011	2,552,383
Inventories	79,609	-	79,609
Prepaid expenditures	9,278	-	9,278
Due from other funds	1,636,456	-	1,636,456
Restricted cash and cash equivalents	3,150,863	-	3,150,863
Total assets	<u>\$ 13,995,489</u>	<u>\$ 727,468</u>	<u>\$ 14,722,957</u>
<b>LIABILITIES, DEFERRED INFLOWS OF</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 912,522	\$ -	\$ 912,522
Unearned revenue	2,828,599	-	2,828,599
Due to other funds	1,594,335	157,971	1,752,306
Total liabilities	<u>5,335,456</u>	<u>157,971</u>	<u>5,493,427</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable, net	726,200	-	726,200
Leases	-	233,072	233,072
Special assessments receivable	29,590	-	29,590
Prepaid tax	92,645	-	92,645
Total deferred inflows of resources	<u>848,435</u>	<u>233,072</u>	<u>1,081,507</u>
<b>FUND BALANCE</b>			
Nonspendable:			
Prepaid expenditures	9,278	-	9,278
Leases	-	4,518	4,518
Inventories	79,609	-	79,609
Restricted:			
Stabilization by state statute	4,258,637	7,011	4,265,648
Streets - Powell bill	7,112	-	7,112
Committed:			
Special revenue funds	-	482,867	482,867
Unassigned	3,456,962	(157,971)	3,298,991
Total fund balance	<u>7,811,598</u>	<u>336,425</u>	<u>8,148,023</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 13,995,489</u>	<u>\$ 727,468</u>	<u>\$ 14,722,957</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:			
Total fund balance			\$ 8,148,023
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.			31,693,447
Deferred outflows of resources related to pensions and OPEB are not reported in the funds.			5,769,248
Earned revenues considered deferred inflows of resources in fund statements fund statements.			755,790
Accrued interest on property taxes			115,558
Deferred inflows of resources related to pensions and OPEB are not reported in the funds.			(5,396,154)
The following long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:			
Net pension liability - LGERS			(1,938,736)
Total OPEB liability			(11,560,888)
Gross long-term debt			(4,113,872)
Total pension liability - LEOSSA			(2,206,240)
Compensated absences			(737,118)
Net position of governmental activities			<u>\$ 20,529,058</u>

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE – GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2022**

	<u>Major</u>	<u>Non-major</u>	
	<u>General</u>	<u>Other</u>	
	<u>Fund</u>	<u>Governmental</u>	<u>Total</u>
		<u>Funds</u>	
<b>REVENUES</b>			
Ad valorem taxes	\$ 9,807,412	\$ -	\$ 9,807,412
Unrestricted intergovernmental	7,193,753	-	7,193,753
Other taxes and licenses	116,814	-	116,814
Payment in lieu of services	703,949	-	703,949
Restricted intergovernmental	3,174,197	-	3,174,197
Sales and services	238,376	77,689	316,065
Licenses and fees	1,460,397	-	1,460,397
Investment earnings	(35,617)	979	(34,638)
Miscellaneous	394,837	10,960	405,797
Total revenues	<u>23,054,118</u>	<u>89,628</u>	<u>23,143,746</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,666,393	-	2,666,393
Public safety	12,609,444	-	12,609,444
Transportation	2,325,166	-	2,325,166
Environmental protection	63,405	-	63,405
Cultural and recreation	2,786,638	-	2,786,638
Human resources	466,737	-	466,737
Information technologies	386,943	-	386,943
Non-departmental	1,711,599	8,700	1,720,299
Debt service:			
Principal	1,176,322	179,570	1,355,892
Interest and other charges	62,199	19,100	81,299
Total expenditures	<u>24,254,846</u>	<u>207,370</u>	<u>24,462,216</u>
Revenues (under) expenditures	<u>(1,200,728)</u>	<u>(117,742)</u>	<u>(1,318,470)</u>
<b>OTHER FINANCIAL SOURCES</b>			
Sale of capital assets	66,609	-	66,609
Transfer from Electric Fund in lieu of taxes	925,000	-	925,000
Installment purchase issuance	1,334,479	-	1,334,479
Total other financing sources	<u>2,326,088</u>	<u>-</u>	<u>2,326,088</u>
Net change in fund balance	1,125,360	(117,742)	1,007,618
Fund balance, beginning	<u>6,686,238</u>	<u>454,167</u>	<u>7,140,405</u>
Fund balance, ending	<u>\$ 7,811,598</u>	<u>\$ 336,425</u>	<u>\$ 8,148,023</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS TO THE STATEMENT  
OF ACTIVITIES**

**For the Year Ended June 30, 2022**

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

Net changes in fund balances - total governmental funds (Exhibit 4)	\$ 1,007,618
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Change in unavailable revenue for tax revenues	(81,126)
Accrued interest on taxes	(9,213)
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 as follows:	
Capital outlay expenditures which were capitalized	1,773,055
Transfer to Stormwater Fund	(121,777)
Disposal of fixed assets	(3,329)
Depreciation expense for governmental assets	(1,541,153)
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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Principal payments on long-term debt	1,355,892
Issuance of long-term debt	(1,334,479)
Contributions to the pension plan - LEOSSA in the current fiscal year not included in the statement of activities	98,436
Contributions to the pension plan - LGERS in the current fiscal year not included in the statement of activities	1,124,118
Benefit payments to OPEB	462,630
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Pension expense - LGERS	(823,895)
Pension expense - LEOSSA	(308,333)
OPEB expense	(266,122)
Compensated absences	(28,134)
Total changes in net position of governmental activities	<u>\$ 1,304,188</u>

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE – ANNUAL BUDGET AND ACTUAL – GENERAL FUND  
For the Year Ended June 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Ad valorem taxes	\$ 9,261,265	\$ 9,261,265	\$ 9,807,412	\$ 546,147
Unrestricted intergovernmental	6,127,116	6,296,116	7,193,753	897,637
Other taxes and licenses	85,000	85,000	116,814	31,814
Payment in lieu of services	850,000	850,000	703,949	(146,051)
Restricted intergovernmental	3,014,094	3,395,014	3,174,197	(220,817)
Sales and services	130,000	130,000	238,376	108,376
Licenses and fees	664,582	1,190,450	1,460,397	269,947
Investment earnings	25,000	25,000	(35,617)	(60,617)
Miscellaneous	245,150	284,150	394,837	110,687
Total revenues	<u>20,402,207</u>	<u>21,516,995</u>	<u>23,054,118</u>	<u>1,537,123</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,550,230	2,900,619	2,666,393	234,226
Public safety	13,023,642	13,145,838	12,609,444	536,394
Transportation	2,024,645	2,718,255	2,325,166	393,089
Environmental protection	50,000	76,000	63,405	12,595
Cultural and recreation	2,915,904	3,076,825	2,786,638	290,187
Human resources	452,692	475,692	466,737	8,955
Information technologies	424,917	424,917	386,943	37,974
Non-departmental	1,071,771	1,511,469	1,711,599	(200,130)
Debt service:				
Principal	1,229,848	1,191,536	1,176,322	15,214
Interest	62,199	62,199	62,199	-
Total expenditures	<u>23,805,848</u>	<u>25,583,350</u>	<u>24,254,846</u>	<u>1,328,504</u>
Revenues (under) expenditures	<u>(3,403,641)</u>	<u>(4,066,355)</u>	<u>(1,200,728)</u>	<u>2,865,627</u>
<b>OTHER FINANCING SOURCES</b>				
Sale or surplus of capital assets	20,000	22,000	66,609	44,609
Transfer from Electric Fund in lieu of taxes	925,000	925,000	925,000	-
Transfer from Water and Sewer	80,000	80,000	-	(80,000)
Transfer from Aviation Park	80,000	80,000	-	(80,000)
Installment purchase issuance	1,546,433	1,019,565	1,334,479	314,914
Total other financing sources	<u>2,651,433</u>	<u>2,126,565</u>	<u>2,326,088</u>	<u>199,523</u>
Appropriated fund balance	<u>752,208</u>	<u>1,939,790</u>	<u>-</u>	<u>(1,939,790)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,125,360</u>	<u>\$ 1,125,360</u>
Fund balance, beginning			<u>6,686,238</u>	
Fund balance, ending			<u>\$ 7,811,598</u>	

**STATEMENT OF FUND NET POSITION – PROPRIETARY FUNDS**  
**June 30, 2022**

	<u>Water and Sewer</u>	<u>Electric Fund</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 6,988,019	\$ 5,364,919	\$ 3,068,865	\$ 15,421,803
Accounts receivable, net - billed	737,547	1,760,861	365,410	2,863,818
Accounts receivable - unbilled	868,605	3,212,828	-	4,081,433
Leases receivable	98,767	-	-	98,767
Due from other governments	-	313,566	6,411	319,977
Grant receivable	413,120	-	-	413,120
Prepaid expenses	711	711	-	1,422
Inventories	300,491	2,012,891	-	2,313,382
Due from other funds	570,465	2,592,939	7,957	3,171,361
Restricted cash and cash equivalents	586,168	928,245	-	1,514,413
Total current assets	<u>10,563,893</u>	<u>16,186,960</u>	<u>3,448,643</u>	<u>30,199,496</u>
Noncurrent assets:				
Advances to other funds	-	1,184,482	-	1,184,482
Lease receivable non-current	1,600,783	-	-	1,600,783
Capital assets:				
Land and construction in progress	172,000	556,187	236,367	964,554
Other capital assets, net of	49,450,825	18,137,934	5,227,693	72,816,452
Capital assets	<u>49,622,825</u>	<u>18,694,121</u>	<u>5,464,060</u>	<u>73,781,006</u>
Total noncurrent assets	<u>51,223,608</u>	<u>19,878,603</u>	<u>5,464,060</u>	<u>76,566,271</u>
Total assets	<u>61,787,501</u>	<u>36,065,563</u>	<u>8,912,703</u>	<u>106,765,767</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	505,261	588,801	181,267	1,275,329
OPEB deferrals	361,223	420,948	124,567	906,738
Total deferred outflows of resources	<u>866,484</u>	<u>1,009,749</u>	<u>305,834</u>	<u>2,182,067</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	353,494	2,959,087	82,887	3,395,468
Current portion of long-term debt	597,943	638,004	246,805	1,482,752
Unearned revenue	7,679	-	-	7,679
Due to other funds	1,429,777	1,592,354	33,380	3,055,511
Liabilities payable from restricted				
Customer deposits	19,407	771,375	-	790,782
Total current liabilities	<u>2,408,300</u>	<u>5,960,820</u>	<u>363,072</u>	<u>8,732,192</u>
Noncurrent liabilities:				
Compensated absences	88,897	34,112	32,218	155,227
Loan payable to other funds	1,184,482	-	-	1,184,482
Installment loan payable	680,043	962,622	251,752	1,894,417
State revolving loans	669,010	-	-	669,010
Total OPEB liability	1,968,861	2,294,395	678,958	4,942,214
Net pension liability	330,174	384,766	118,454	833,394
Total noncurrent liabilities	<u>4,921,467</u>	<u>3,675,895</u>	<u>1,081,382</u>	<u>9,678,744</u>
Total liabilities	<u>7,329,767</u>	<u>9,636,715</u>	<u>1,444,454</u>	<u>18,410,936</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
OPEB deferrals	414,448	482,972	142,922	1,040,342
Leases	1,684,183	-	-	1,684,183
Pension deferrals	481,092	560,635	172,597	1,214,324
Total deferred inflows of resources	<u>2,579,723</u>	<u>1,043,607</u>	<u>315,519</u>	<u>3,938,849</u>
<b>NET POSITION</b>				
Net investment in capital assets	48,270,375	17,325,069	4,970,559	70,566,003
Unrestricted	4,474,120	9,069,921	2,488,005	16,032,046
Total net position	<u>\$ 52,744,495</u>	<u>\$ 26,394,990</u>	<u>\$ 7,458,564</u>	<u>\$ 86,598,049</u>

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
– PROPRIETARY FUNDS**

**For the Year Ended June 30, 2022**

	Water & Sewer Fund	Electric Fund	Nonmajor Enterprise Funds	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 10,465,457	\$ 33,383,983	\$ 2,413,738	\$ 46,263,178
Water and sewer taps	381,339	-	-	381,339
Miscellaneous revenue	248,659	331,230	18,580	598,469
<b>Total operating revenues</b>	<u>11,095,455</u>	<u>33,715,213</u>	<u>2,432,318</u>	<u>47,242,986</u>
<b>OPERATING EXPENSES</b>				
Water and sewer operations	7,347,989	-	-	7,347,989
Electric operations	-	30,827,118	-	30,827,118
Stormwater	-	-	149,960	149,960
Solid waste	-	-	1,479,697	1,479,697
Depreciation and amortization	2,303,527	1,505,832	393,934	4,203,293
<b>Total operating expenses</b>	<u>9,651,516</u>	<u>32,332,950</u>	<u>2,023,591</u>	<u>44,008,057</u>
<b>Operating income</b>	<u>1,443,939</u>	<u>1,382,263</u>	<u>408,727</u>	<u>3,234,929</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings	597	3,612	691	4,900
Interest earned on fees	-	-	7,844	7,844
Lease revenue	150,853	-	-	150,853
Interest earned on leases	30,773	-	-	30,773
Restricted intergovernmental	741,416	-	45,491	786,907
Insurance claims	8,144	11,307	-	19,451
Interest and other charges	(35,536)	(33,686)	(4,918)	(74,140)
<b>Total nonoperating revenue (expenses), net</b>	<u>896,247</u>	<u>(18,767)</u>	<u>49,108</u>	<u>926,588</u>
<b>Income before transfers</b>	2,340,186	1,363,496	457,835	4,161,517
<b>Transfers to other funds</b>	<u>-</u>	<u>(925,000)</u>	<u>-</u>	<u>(925,000)</u>
<b>Change in net position</b>	<u>2,340,186</u>	<u>438,496</u>	<u>457,835</u>	<u>3,236,517</u>
<b>Total net position, beginning</b>	<u>50,404,309</u>	<u>25,956,494</u>	<u>7,000,729</u>	<u>83,361,532</u>
<b>Total net position, ending</b>	<u>\$ 52,744,495</u>	<u>\$ 26,394,990</u>	<u>\$ 7,458,564</u>	<u>\$ 86,598,049</u>

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2022**

	Water and Sewer Fund	Electric Fund	Nonmajor Enterprise Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 10,667,621	\$ 32,320,814	\$ 2,398,057	\$ 45,386,492
Cash paid for goods and services	(5,135,052)	(3,481,358)	(642,321)	(9,258,731)
Cash payments for purchased power	-	(25,567,827)	-	(25,567,827)
Cash paid to employees	(2,859,047)	(1,781,939)	(1,009,642)	(5,650,628)
Other operating revenues	248,659	519,197	15,326	783,182
Customer deposits received (returned)	638	(19,813)	-	(19,175)
Net cash provided by operating activities	<u>2,922,819</u>	<u>1,989,074</u>	<u>761,420</u>	<u>5,673,313</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
(Increase) decrease in due from other funds	732	(107,369)	-	(106,637)
Operating grants	482,393	-	-	482,393
Capital contributions	-	-	45,491	45,491
Increase (decrease) in due to other funds	(29,720)	(779)	6,094	(24,405)
Transfers to other funds	-	(925,000)	-	(925,000)
Net cash provided (used) by noncapital financing	<u>453,405</u>	<u>(1,033,148)</u>	<u>51,585</u>	<u>(528,158)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid on long-term debt	(668,935)	(741,335)	(293,712)	(1,703,982)
Proceeds from long-term debt	268,326	156,954	-	425,280
Lease revenue	150,853	-	-	150,853
Insurance recovery	8,144	11,307	-	19,451
Acquisition of capital assets	(2,591,941)	(360,337)	(170,065)	(3,122,343)
Interest and other charges	(35,536)	(33,686)	(4,918)	(74,140)
Net cash used by capital and related financing activities	<u>(2,869,089)</u>	<u>(967,097)</u>	<u>(468,695)</u>	<u>(4,304,881)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments, assessments and fees	31,370	3,612	8,535	43,517
Net cash provided by investing activities	<u>31,370</u>	<u>3,612</u>	<u>8,535</u>	<u>43,517</u>
Net increase (decrease) in cash and cash equivalents	538,505	(7,559)	352,845	883,791
Cash and cash equivalents, July 1	7,035,682	6,300,723	2,716,020	16,052,425
Cash and cash equivalents, June 30	<u>\$ 7,574,187</u>	<u>\$ 6,293,164</u>	<u>\$ 3,068,865</u>	<u>\$ 16,936,216</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income	\$ 1,443,939	\$ 1,382,263	\$ 408,727	\$ 3,234,929
Adjustments to reconcile operating income to net cash				
Depreciation and amortization	2,303,527	1,505,832	393,934	4,203,293
Changes in assets, deferred outflows of resources, and				
(Increase) in accounts receivable, net	(163,802)	(831,033)	(15,183)	(1,010,018)
(Increase) decrease in due from other governments	-	187,968	(3,752)	184,216
(Decrease) in net pension liability	(453,123)	(528,043)	(162,562)	(1,143,728)
(Increase) in lease receivable	(15,372)	-	-	(15,372)
(Increase) in deferred outflows of resources for OPEB	7,982	9,302	2,753	20,037
Increase in inventories	4,916	(38,234)	-	(33,318)
(Increase) in prepaid expenses	(711)	(711)	-	(1,422)
Increase in total OPEB liability	64,039	74,628	22,084	160,751
(Decrease) in deferred inflows of resources for OPEB	(105,487)	(122,929)	(36,377)	(264,793)
Increase (decrease) in accounts payable and accrued	(575,735)	(30,645)	4,400	(601,980)
Increase (decrease) in customer deposits	638	(19,813)	-	(19,175)
Increase (decrease) in compensated absences	10,015	(23,441)	3,176	(10,250)
(Decrease) in unearned revenue	-	(44,530)	-	(44,530)
Increase in deferred inflows of resources for pensions	471,940	549,971	169,314	1,191,225
Decrease in deferred outflows of resources for pensions	(69,947)	(81,511)	(25,094)	(176,552)
Total adjustments	1,478,880	606,811	352,693	2,438,384
Net cash provided by operating activities	<u>\$ 2,922,819</u>	<u>\$ 1,989,074</u>	<u>\$ 761,420</u>	<u>\$ 5,673,313</u>

## **NOTES TO FINANCIAL STATEMENTS**

# CITY OF ELIZABETH CITY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Elizabeth City conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

#### **A. Reporting Entity**

The City of Elizabeth City is a municipal corporation that is governed by an elected mayor and an eight-member council. As required by generally accepted accounting principles, these financial statements present the City.

#### **B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. 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 City and for each function of the City'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 City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The City has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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. Nonoperating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

# CITY OF ELIZABETH CITY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### B. Basis of Presentation (Continued)

The City reports the following major governmental fund:

**General Fund.** The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The City reports the following nonmajor governmental funds:

**Aviation Commerce Park Grant Special Revenue Fund.** The Aviation Commerce Park Grant Fund was created for the purchase of property to construct an aviation park in a joint agreement with the Airport Authority to deed the property to Airport Authority once constructed. The Aviation Commerce Park Grant Fund was also used to receive the obligations owed to the City from the Airport Authority.

**Community Revitalization Special Revenue Fund.** The Community Revitalization Fund is used to account for funds accumulated for community and economic development.

**Coast Guard Park Project Special Revenue Fund.** This fund accounts for building a park.

The City reports the following major enterprise funds:

**Electric Fund.** This fund is used to account for the City's electric fund operations.

**Water and Sewer Fund.** This fund is used to account for the City's water and sewer operations.

The City reports the following nonmajor enterprise funds:

**Stormwater Fund.** This fund is used to account for the City's stormwater operations.

**Solid Waste Fund.** This fund is used to account for the City's solid waste operations.

#### C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the budgetary basis of accounting.

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary 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 City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, 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 and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

# CITY OF ELIZABETH CITY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### C. Measurement Focus and Basis of Accounting (Continued)

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 nonoperating 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 City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating 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. Proceeds of general long-term debt and acquisitions under leasing arrangements are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable 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. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City because the tax is levied by Pasquotank County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the City 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 City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

# CITY OF ELIZABETH CITY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **D. Budgetary Data**

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Aviation Commerce Park Grant, Community Revitalization Fund, Coast Guard Park Project Fund, Water and Sewer Capital Reserve Fund, Parkview Sewer Project Fund, Raw Water Transmission Project, Water Asset Inventory Project and Waste Water Asset Inventory. 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. All amendments must be approved by the governing board. During the year, several 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.

The City Manager is authorized to transfer appropriations within each department. Transfers of appropriations between departments or any increase in total appropriations require the approval of the City Council. Budgeted amounts reflected in this report are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original budget.

#### **E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity**

##### **a. Deposits and Investments**

All deposits of the City are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)(8)] authorizes the City 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 City's investments are carried at fair value as determined by quoted prices. The NCCMT Government Portfolio, a SEC-registered (2a-7) government money market fund is measured at fair value. 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.

##### **b. Cash and Cash Equivalents**

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

**CITY OF ELIZABETH CITY, NORTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity (Continued)**

**c. Restricted Assets**

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. The unexpended installment purchase proceeds are classified as restricted assets because their use is completely restricted to the purpose for which the debt was originally issued.

<u>City of Elizabeth City Restricted Cash</u>	
Governmental Activities:	
General Fund	Powell bill
	Unspent American Rescue Plan Act (ARPA)
	Unspent debt proceeds
	\$ 7,112
	2,828,599
	315,152
	3,150,863
Business-Type Activities;	
Water and Sewer Fund:	Utility deposits
	Unspent debt proceeds
	19,407
	566,761
	586,168
Electric Fund:	Utility deposits
	Unspent debt proceeds
	771,375
	156,870
	928,245
Total business-type Activities	1,514,413
Total restricted cash	\$ 4,665,276

**d. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2021. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

**e. 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.

# CITY OF ELIZABETH CITY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity (Continued)

##### f. Lease Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflows of resources is amortized on a straight-line basis over the term of the lease.

##### g. Inventory and Prepaid Items

The inventories of the City are valued at the lower of cost (first-in, first-out), or net of realizable value which approximates market. The inventories of the City consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain City payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide statements and expensed as the items are used.

##### h. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. 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. There were no impaired capital assets at year-end.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure and distribution	33 years
Buildings and systems	50 years
Streets and sidewalks	25 years
Office furniture	20 years
Automobiles	6 years
Other equipment	10 years

# CITY OF ELIZABETH CITY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity (Continued)

##### i. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows 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 or expenditure until then. The City has two items that meet this criterion, pension deferrals and OPEB deferrals for the 2022 fiscal year. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category- prepaid taxes, property taxes receivable, OPEB deferrals, special assessments receivable, leases and pension deferrals.

##### j. Long-Term Obligations

In the government-wide financial statements, and 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received or not, are reported as debt service expenditures.

##### k. Compensated Absences

The vacation policies of the City provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The City's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any 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 City does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

# CITY OF ELIZABETH CITY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity (Continued)

##### I. 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 externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

*Fund Balance* – 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 balance as follows:

*Nonspendable Fund Balance* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Inventories* - 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.

*Prepaid expenses* – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenditures, which are not spendable resources.

*Leases* – portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources related to leases, which is not a spendable resource.

*Restricted Fund Balance* – This classification includes amounts 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 nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position on the Statement of Net Position and Restricted fund balance on the face of the balance sheet.

*Restricted for Streets – Powell Bill* – portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

# CITY OF ELIZABETH CITY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity (Continued)

##### 1. Net Position/Fund Balance (Continued)

*Committed Fund Balance* – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the City’s governing body (highest level of decision-making authority). The governing body 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.

*Committed for Capital Projects* – portion of fund balance set aside for future capital project expenditures.

*Assigned fund balance* – portion of fund balance that City intends to use for specific purposes.

*Unassigned fund balance* – the 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 that reports a positive unassigned fund balance.

The City of Elizabeth City 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- City funds, City 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 City.

The City of Elizabeth City has not adopted a minimum fund balance.

##### m. Defined Benefit Cost-Sharing Plan

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 position of the Local Governmental Employees’ Retirement System (LGERS) and additions to/deductions from LGERS’ fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Elizabeth City’s employer contributions are recognized when due and the City of Elizabeth City has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

# CITY OF ELIZABETH CITY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### Noncompliance with North Carolina General Statutes

##### Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2022, the expenditures made in the City's General Fund exceeded the authorized appropriations made by the governing Council for expenditures for non-departmental by \$200,130. The over-expenditures for non-departmental occurred due to the Council not budgeting funds to cover the total expenses. The Aviation Commerce Park Grant Fund exceeded authorized appropriations made by the governing Council by \$1,072,265 and transfers to the general fund by \$411,070. The over-expenditures for the Aviation Commerce Park Grant Fund occurred due to the Council not budgeting funds to cover the total expenses and transfers. The Coast Guard Park Project Fund exceeded authorized appropriations made by the governing Council by \$31,971. The over-expenditures for the Coast Guard Park Project Fund occurred due to the Council not budgeting funds to cover the total expenses. The City's Parkview Sewer Project exceeded authorized appropriations made by the governing Council for expenditures by \$19,263. The over-expenditures for the City's Parkview Sewer Project occurred due to the Council not budgeting funds to cover the total expenses. The City's Raw Water Transmission Project exceeded authorized appropriations made by the governing Council for expenditures by \$46,324. The over-expenditures for the City's Raw Water Transmission Project occurred due to the Council not budgeting funds to cover the total expenses. The City's Electric Fund exceeded the authorized appropriations made by governing Council for expenditures for data processing by \$2,031, other expenses by \$372,179 and capital outlay by \$90,337. The over-expenditures for the City's Electric Fund occurred due to the Council not budgeting funds to cover the total expenses.

### NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

#### A. Assets

##### 1. Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City'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 City, these deposits are considered to be held by the City's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City 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 for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

**CITY OF ELIZABETH CITY, NORTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**A. Assets (Continued)**

**1. Deposits (Continued)**

At June 30, 2022, the City's deposits had a carrying amount of \$1,279,361, and a bank balance of \$1,529,772. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the pooling method. At June 30, 2022, the City's petty cash fund totaled \$3,495.

**2. Investments**

At June 30, 2022, the City's investments were as follows:

Investment Type	Valuation Measurement Method	Fair Value	Less Than 6 Months	6 - 12 Months	1 - 5 Years
N.C. Capital Management					
Trust - Government Portfolio	Fair Value Level 1	\$ 21,770,276	\$ 21,770,276	N/A	N/A
	Fair Value				
U.S. Treasuries	Level 1 Fair Value	2,998,019	798,925	\$ 507,879	\$ 1,691,215
Federal Home Loan Bank	Level 2	260,107	-	-	260,107
		\$ 25,028,402	\$ 22,569,201	\$ 507,879	\$ 1,951,322

The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's and AAAM-mf by Moody's Investors Service as of June 30, 2022.

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

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets of identical assets. Level 2: Debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits at least half of the City's investment portfolio to maturities of less than 12 months. Also, the City's investment policy requires purchases of securities to be tiered with staggered maturity dates and limits all securities to a final maturity of no more than three years.

Credit Risk. The City has no formal policy regarding credit risk but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated.

CITY OF ELIZABETH CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

A. Assets (Continued)

3. Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2022 are net of the following allowances for doubtful accounts:

	Accounts and Leases	Ad Valorem Taxes	Accrued Interest Taxes	Due from Other Governments	Total
<b>Governmental Activities:</b>					
<b>General Fund</b>					
Property taxes	\$ -	\$ 822,300	\$ -	\$ -	\$ 822,300
Local option sales/franchise tax	-	-	-	2,004,296	2,004,296
Accounts Receivable	434,923	-	-	-	434,923
Camden County	-	-	-	20,274	20,274
Accrued interest taxes	-	-	115,558	-	115,558
Pasquotank County	-	-	-	393,694	393,694
Leases	237,590	-	-	-	237,590
DMV fees	-	-	-	23,879	23,879
US Coast Guard	-	-	-	7,011	7,011
NCVTS tax	-	-	-	103,229	103,229
Allowance for doubtful accounts	(328,524)	(96,100)	-	-	(424,624)
Total governmental activities	\$ 343,989	\$ 726,200	\$ 115,558	\$ 2,552,383	\$ 3,738,130
<b>Water and Sewer</b>					
Accounts Receivable	\$ 2,053,826	\$ -	\$ -	\$ -	\$ 2,053,826
Allowance for doubtful accounts	(447,674)	-	-	-	(447,674)
Grants receivable	413,120	-	-	-	413,120
Leases	1,699,550	-	-	-	1,699,550
Total Water and Sewer	\$ 3,718,822	\$ -	\$ -	\$ -	\$ 3,718,822
<b>Electric Fund</b>					
Accounts Receivable	\$ 6,250,915	\$ -	\$ -	\$ -	\$ 6,250,915
Allowance for doubtful accounts	(1,277,226)	-	-	-	(1,277,226)
Sales tax refund	-	-	-	313,566	313,566
Total Electric	\$ 4,973,689	\$ -	\$ -	\$ 313,566	\$ 5,287,255
<b>Stormwater Utility Fund</b>					
Accounts Receivable	\$ 98,953	\$ -	\$ -	\$ -	\$ 98,953
Pasquotank County	-	-	-	3,157	3,157
Total Stormwater Utility	\$ 98,953	\$ -	\$ -	\$ 3,157	\$ 102,110
<b>Solid Waste Fund</b>					
Accounts Receivable	\$ 405,194	\$ -	\$ -	\$ -	\$ 405,194
Allowance for doubtful accounts	(138,737)	-	-	-	(138,737)
Solid waste distribution	-	-	-	3,254	3,254
Total Solid Waste	\$ 266,457	\$ -	\$ -	\$ 3,254	\$ 269,711
Total business-type activities	\$ 9,057,921	\$ -	\$ -	\$ 319,977	\$ 9,377,898

# CITY OF ELIZABETH CITY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

#### A. Assets (Continued)

##### 4. Leases Receivable

Governmental Funds – Aviation Fund:

On July 1, 2021, the City entered into a 48-month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$310,762. As of 06/30/2022, the value of the lease receivable is \$237,590. The lessee is required to make monthly fixed payments of \$7,011. The lease has an interest rate of 3.96%. The value of the deferred inflow of resources as of June 30, 2022 was \$233,072, and the City recognized lease revenue of \$77,691 during the fiscal year.

Enterprise Funds – Water and Sewer Fund:

On July 1, 2021, the City entered into a 148-month lease as Lessor for the use of a water tower attachment. An initial lease receivable was recorded in the amount of \$330,472. As of June 30, 2022, the value of the lease receivable is 302,628. The lessee is required to make annual fixed payments of \$32,171. The lease has an interest rate of 3.96%. The value of the deferred inflow of resources as of June 30, 2022, was \$303,677, and the City recognized lease revenue of \$26,795 during the fiscal year.

On July 1, 2021, the City entered into a 124-month lease as Lessor for the use of a water tower attachment. An initial lease receivable was recorded in the amount of \$300,324. As of June 30, 2022, the value of the lease receivable is \$269,920. The lessee is required to make annual fixed payments of \$33,212. The lease has an interest rate of 3.96%. The value of the deferred inflow of resources as of June 30, 2022, was \$270,993, and the City recognized lease revenue of \$29,332 during the fiscal year.

On July 1, 2021, the City entered into a 267-month lease as Lessor for the use of a water tower attachment. An initial lease receivable was recorded in the amount of \$622,568. As of June 30, 2022, the value of the lease receivable is \$600,785. The lessee is required to make annual fixed payments of \$30,000 up to \$60,341. The lease has an interest rate of 3.96%. The value of the deferred inflow of resources as of June 30, 2022, was \$594,743, and the City recognized lease revenue of \$27,824 during the fiscal year.

On July 1, 2021, the City entered into a 101-month lease as Lessor for the use of a water tower attachment. An initial lease receivable was recorded in the amount of \$581,672. As of June 30, 2022, the value of the lease receivable is \$526,217. The lessee is required to make annual fixed payments of \$67,057 up to \$60,341. The lease has an interest rate of 3.96%. The value of the deferred inflow of resources as of June 30, 2022, was \$514,770, and the City recognized lease revenue of \$66,902 during the fiscal year.

CITY OF ELIZABETH CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

A. Assets (Continued)

5. Capital Assets

**Primary Government.** Capital asset activity for the Primary Government for the year ended June 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Non-Depreciable Assets:				
Land	\$ 9,139,927	\$ -	\$ -	\$ 9,139,927
Construction in progress	-	1,632,098	-	1,632,098
Total capital assets not being depreciated	<u>9,139,927</u>	<u>1,632,098</u>	<u>-</u>	<u>10,772,025</u>
Depreciable Assets:				
Buildings	9,543,650	-	-	9,543,650
Equipment and furniture	3,893,396	131,357	(10,000)	4,014,753
Infrastructure	21,937,315	-	(121,777)	21,815,538
Vehicles and motorized equipment	8,074,234	9,600	-	8,083,834
Total depreciable assets	<u>43,448,595</u>	<u>140,957</u>	<u>(131,777)</u>	<u>43,457,775</u>
Less Accumulated Depreciation:				
Buildings	1,398,031	174,099	-	1,572,130
Equipment and furniture	2,542,656	401,704	(6,671)	2,937,689
Other improvements	10,860,904	618,364	-	11,479,268
Vehicles and motorized equipment	6,200,280	346,986	-	6,547,266
Total accumulated depreciation	<u>21,001,871</u>	<u>\$ 1,541,153</u>	<u>\$ (6,671)</u>	<u>22,536,353</u>
Governmental activities capital assets, net	<u>\$ 31,586,651</u>			<u>\$ 31,693,447</u>

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

<b>Governmental Activities:</b>	
General government	\$ 85,303
Public safety	541,642
Transportation	560,366
Environmental protection	52,193
Cultural and recreational	<u>301,649</u>
Total	<u>\$ 1,541,153</u>

CITY OF ELIZABETH CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

A. Assets (Continued)

5. Capital Assets (Continued)

Business-type Activities:	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
<b>Water and Sewer Fund</b>					
Non-Depreciable Assets:					
Land	\$ 172,000	\$ -	\$ -	\$ -	\$ 172,000
Construction in progress	85,851	-	-	(85,851)	-
Total non-depreciable assets	<u>257,851</u>	<u>-</u>	<u>-</u>	<u>(85,851)</u>	<u>172,000</u>
Depreciable and Amortizable Assets:					
Plant and distribution systems	84,619,787	2,229,896	-	425,266	87,274,949
Buildings	-	-	-	41,006	41,006
Furniture and maintenance equipment	2,371,705	362,045	-	289,762	3,023,512
Vehicles	1,352,723	-	(66,228)	(670,183)	616,312
Total depreciable and amortizable assets	<u>88,344,215</u>	<u>2,591,941</u>	<u>(66,228)</u>	<u>85,851</u>	<u>90,955,779</u>
Less Accumulated Depreciation:					
Plant and distribution systems	37,495,950	1,809,329	-	176,598	39,481,877
Buildings	-	788	-	17,766	18,554
Furniture and maintenance equipment	1,119,551	231,443	-	163,116	1,514,110
Vehicles	774,732	139,389	(66,228)	(357,480)	490,413
Total accumulated depreciation	<u>39,390,233</u>	<u>2,180,949</u>	<u>(66,228)</u>	<u>-</u>	<u>41,504,954</u>
Total capital assets being depreciated, net	<u>48,953,982</u>	<u>410,992</u>	<u>-</u>	<u>85,851</u>	<u>49,450,825</u>
Capital assets being amortized:					
Additional water capacity, net	122,578	-	122,578	-	-
<b>Water and Sewer Fund capital assets, net</b>	<u>\$ 49,334,411</u>				<u>\$ 49,622,825</u>

CITY OF ELIZABETH CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

A. Assets (Continued)

5. Capital Assets (Continued)

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
<b>Electric Fund</b>					
Non-Depreciable Assets:					
Land	\$ 540,354	\$ -	\$ -	\$ -	\$ 540,354
Construction in progress	2,967,155	15,833	-	(2,967,155)	15,833
Total non-depreciable assets	<u>3,507,509</u>	<u>15,833</u>	<u>-</u>	<u>-</u>	<u>556,187</u>
Depreciable and Amortizable Assets:					
Substations, lines and related equipment	40,523,309	330,604	-	2,891,101	43,745,014
Buildings	1,312,844	-	-	-	1,312,844
Furniture and maintenance equipment	4,816,352	13,900	(5,300)	1,125,720	5,950,672
Vehicles	2,391,126	-	-	(1,049,666)	1,341,460
Total depreciable and amortizable assets	<u>49,043,631</u>	<u>344,504</u>	<u>(5,300)</u>	<u>2,967,155</u>	<u>52,349,990</u>
Less Accumulated Depreciation:					
Substations, lines and related equipment	26,693,172	1,171,382	-	12,665	27,877,219
Buildings	376,912	14,111	-	(5,531)	385,492
Furniture and maintenance equipment	3,820,614	78,257	(5,300)	1,027,342	4,920,913
Vehicles	1,820,826	242,082	-	(1,034,476)	1,028,432
Total accumulated depreciation	<u>32,711,524</u>	<u>1,505,832</u>	<u>(5,300)</u>	<u>-</u>	<u>34,212,056</u>
Total capital assets being depreciated, net					
<b>Electric Fund capital assets, net</b>	<u>\$ 19,839,616</u>				<u>\$ 18,694,121</u>
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
<b>Stormwater Utility Fund</b>					
Non-Depreciable Assets:					
Construction in progress	\$ 74,040	\$ 162,327	\$ -	\$ -	\$ 236,367
Total non-depreciable assets	<u>74,040</u>	<u>162,327</u>	<u>-</u>	<u>-</u>	<u>236,367</u>
Depreciable and Amortizable Assets:					
Equipment	337,715	7,738	-	(86,981)	258,472
Plant distribution systems	6,039,900	-	-	86,981	6,126,881
Total depreciable and amortizable assets	<u>6,377,615</u>	<u>7,738</u>	<u>-</u>	<u>-</u>	<u>6,385,353</u>
Less Accumulated Depreciation:					
Equipment	38,948	43,079	-	-	82,027
Plant distribution systems	1,188,583	186,084	-	-	1,374,667
Total accumulated depreciation	<u>1,227,531</u>	<u>229,163</u>	<u>-</u>	<u>-</u>	<u>1,456,694</u>
Total capital assets being depreciated, net	<u>5,150,084</u>	<u>(221,425)</u>	<u>-</u>	<u>-</u>	<u>4,928,659</u>
<b>Stormwater Utility Fund assets, net</b>	<u>\$ 5,224,124</u>				<u>\$ 5,165,026</u>

CITY OF ELIZABETH CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

A. Assets (Continued)

5. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Solid Waste Fund</b>					
Depreciable and Amortizable Assets:					
Furniture and maintenance equipment	\$ 511,293	\$ -	\$ -	\$ (357,848)	\$ 153,445
Vehicles	1,946,735	-	-	357,848	2,304,583
Total depreciable and amortizable assets	<u>2,458,028</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,458,028</u>
Less Accumulated Depreciation:					
Furniture and maintenance equipment	1,516,774	30,278	-	477,445	2,024,497
Vehicles	477,449	134,493	-	(477,445)	134,497
Total accumulated depreciation	<u>1,994,223</u>	<u>164,771</u>	<u>-</u>	<u>-</u>	<u>2,158,994</u>
Total capital assets being depreciated, net	463,805	(164,771)	-	-	299,034
<b>Solid Waste Fund</b>	<u>\$ 463,805</u>				<u>\$ 299,034</u>
Business-type activities capital assets, net	<u>\$ 74,861,956</u>				<u>\$ 73,781,006</u>

B. Liabilities

1. Payables

Payables at the governmental-wide level at June 30, 2022, were as follows:

	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:			
General	\$ 329,045	\$ 583,477	\$ 912,522
Total-governmental activities	<u>329,045</u>	<u>583,477</u>	<u>912,522</u>
Business-type Activities			
Water and Sewer	\$ 225,243	\$ 128,251	\$ 353,494
Electric	2,852,370	106,717	2,959,087
Stormwater	5,492	-	5,492
Solid Waste	43,000	34,395	77,395
Total-business-type activities	<u>\$3,126,105</u>	<u>\$ 269,363</u>	<u>\$3,395,468</u>

# CITY OF ELIZABETH CITY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

#### B. Liabilities (Continued)

##### 2. Pension Plan Obligations

###### a. *Local Governmental Employees' Retirement System*

*Plan Description.* The City 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 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).

*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.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2022, was 11.41% for general employees and firefighters and 12.04% for law enforcement employees, 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 City were \$1,607,260 for the year ended June 30, 2022.

*Refunds of Contributions* – city 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.

**CITY OF ELIZABETH CITY, NORTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**B. Liabilities (Continued)**

**2. Pension Plan Obligations (Continued)**

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

At June 30, 2022, the City reported a liability of \$2,772,130 for its proportionate share of the net pension liability. The net pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The net pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The City’s proportion of the net pension liability was based on a projection of the City’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, 2021 (measurement date), the City’s proportion was 0.18076%, which was a decrease of 0.00328% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of \$1,177,981. At June 30, 2022, the City 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	\$ 881,914	\$ -
Changes of assumptions	1,741,605	-
Net difference between projected and actual earnings on pension plan investments	-	3,960,538
Changes in proportion and differences between City contributions and proportionate share of contributions	11,373	78,695
City contributions subsequent to the measurement date	1,607,260	-
Total	<u>\$ 4,242,152</u>	<u>\$ 4,039,233</u>

\$1,607,260 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2023. 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>	
2023	\$ 228,740
2024	(111,261)
2025	(309,871)
2026	(1,211,949)
Total	<u>\$ (1,404,341)</u>

**CITY OF ELIZABETH CITY, NORTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**B. Liabilities (Continued)**

**2. Pension Plan Obligations (Continued)**

*Actuarial Assumptions.* The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.5 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 currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2020 valuation with the exception of the discount rate were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 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	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Opportunistic fixed income	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	100.0%	

**CITY OF ELIZABETH CITY, NORTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**B. Liabilities (Continued)**

**2. Pension Plan Obligations (Continued)**

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 and is a part of the asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.5%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the City’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.5 percent) than the current rate:

	<u><b>1% Decrease (5.5%)</b></u>	<u><b>Discount Rate (6.5%)</b></u>	<u><b>1% Increase (7.5%)</b></u>
City's proportionate share of the net pension liability (asset)	<u>\$ 10,761,171</u>	<u>\$2,772,130</u>	<u>\$ (3,802,390)</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 for the State of North Carolina.

*b. Law Enforcement Officers Special Separation Allowance*

*Plan Description.* The City administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the City’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. A separate report was not issued for this plan.

# CITY OF ELIZABETH CITY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

#### B. Liabilities (Continued)

##### 2. Pension Plan Obligations (Continued)

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2020, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	7
Active plan members	<u>60</u>
Total	<u>67</u>

#### Summary of Significant Accounting Policies

*Basis of Accounting.* The City 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 and refunds 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 criteria which are outlined in GASB Statement 73.

#### Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Discount rate	2.25 percent
Salary Increases	3.25 to 7.75 percent, including inflation and productivity factor

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

***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.

CITY OF ELIZABETH CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

**B. Liabilities (Continued)**

**2. Pension Plan Obligations (Continued)**

**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.

Contributions

The City 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 City’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 City paid \$98,436 as benefits came due for the reporting period.

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

At June 30, 2022, the City reported a total pension liability of \$2,206,240. The total pension liability based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the City recognized pension expense of \$301,080.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 106,183	\$ 62,261
Changes of assumptions	476,754	75,402
Benefit payments and plan administrative expense made subsequent to the measurement date	<u>98,436</u>	<u>-</u>
Total	<u>\$ 681,373</u>	<u>\$ 137,663</u>

**CITY OF ELIZABETH CITY, NORTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**B. Liabilities (Continued)**

**2. Pension Plan Obligations (Continued)**

\$98,436 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ 114,733
2024	119,982
2025	116,465
2026	103,324
2027	(6,434)
Thereafter	(2,796)
Total	<u>\$ 445,274</u>

*Sensitivity of the City’s total pension liability to changes in the discount rate.* The following presents the City’s total pension liability calculated using the discount rate of 2.25% percent, as well as what the city’s total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	<b>1% Decrease (1.25%)</b>	<b>Discount Rate (2.25%)</b>	<b>1% Increase 3.25%)</b>
Total Pension Liability	<u>\$ 2,411,555</u>	<u>\$ 2,206,240</u>	<u>\$ 2,018,527</u>

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the 5-year period ending December 31, 2020.

Balance at June 30, 2021	\$ 2,225,070
Changes for the year	
Service cost	147,577
Interest	42,038
Difference between expected and actual experience	(50,835)
Changes of assumptions or other inputs	(63,741)
Benefit payments	(93,869)
Net change in total pension liability	<u>(18,830)</u>
Balance at June 30, 2022	<u>\$ 2,206,240</u>

CITY OF ELIZABETH CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

**B. Liabilities (Continued)**

**2. Pension Plan Obligations (Continued)**

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

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

	<u>LEOSSA</u>	<u>LGERS</u>	<u>Total</u>
Pension expense	\$ 301,080	\$ 1,177,981	\$ 1,479,061
Pension liability	2,206,240	2,772,130	4,978,368
Proportionate share of the net position liability	N/A	0.18076%	-
<b>Deferred Outflows of Resources:</b>			
Difference between expected and actual experience	106,183	881,914	988,097
Changes of assumptions and other inputs	476,754	1,741,605	2,218,359
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	11,373	11,373
Benefit payments and administrative cost paid subsequent to the measurement date	<u>98,436</u>	<u>1,607,260</u>	<u>1,705,696</u>
Total deferred outflows of resources	<u>\$ 681,373</u>	<u>\$ 4,242,152</u>	<u>\$ 4,923,525</u>
<b>Deferred Inflows of Resources:</b>			
Difference between expected and actual experience	\$ 62,261	\$ -	\$ 62,261
Changes of assumptions and other inputs	75,402	-	75,402
Net difference between projected and actual earnings on pension plan investments	-	3,960,538	3,960,538
Changes in proportion and differences between contributions and proportionate share of contributions	-	78,695	78,695
Total deferred inflows of resources	<u>\$ 137,663</u>	<u>\$ 4,039,233</u>	<u>\$ 4,176,896</u>

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

*Plan Description.* The City 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 City. 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 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.

# CITY OF ELIZABETH CITY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

#### B. Liabilities (Continued)

##### 2. Pension Plan Obligations (Continued)

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The City has elected to contribute that same percentage for all employees. Also, employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2022 were \$938,243 which consisted of \$696,893 from the City and \$241,350 from employees.

##### 3. Other Post-Employment Benefits

###### *Post-employment Healthcare Benefits*

Plan Description - Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The City Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits provided. Prior to June 11, 1996, retirees qualified for benefits similar to those of active employees provided that they participate in LGERS. The City pays the full cost of coverage for employees' benefits for health and life insurance premiums

The City will pay health and life insurance premiums for retirees with a minimum of twenty (20) years of service with the City but at age 65, these employees must secure their supplemental medical insurance from an insurance carrier other than the City's and the City will provide a maximum of \$1,200 annually against their supplementary medical insurance premium based on the Consumer Price Index (CPI) which will periodically change and the City will continue to pay for life. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. Employees hired after June 11, 1996 must first meet the full, unreduced retirement benefit of the LGERS before being eligible for paid medical insurance (age 65 or 30 years at any age for regular employees; and age 55 or 30 years at any age for police officers). After 5 years of creditable service with the City of Elizabeth City, if you become totally and permanently disabled for your job, as approved by the Medical Review Board, you become eligible for disability retirement benefits. The City will pay the employee's insurance for as long as the employee remains disabled from performing the essential functions of their job with the City, or any other jobs available with the City, or reaches the age of 65. The City Council may amend the benefit provisions at any time. A separate stand-alone report is not issued.

Membership of the HCB Plan consisted of the following at June 30, 2020, the date of latest actuarial valuation:

Inactive members or beneficiaries currently receiving benefits	115
Active members	<u>262</u>
Total	<u><u>377</u></u>

# CITY OF ELIZABETH CITY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

#### B. Liabilities (Continued)

##### 3. Other Post-Employment Benefits (Continued)

###### Total OPEB Liability

The City's total OPEB liability of \$16,503,102 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2020 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	3.25-8.41%
Municipal Bond Index Rate	
Prior measurement date	2.21%
Measurement date	2.16%
Health care cost trends	
Pre-medical and prescription drug	7.0% for 2020 decreasing to an ultimate rate of 4.5% by 2026
Dental	4.0%
Vision	2.5%
Medicare supplement reimbursement	3.0%

The discount rate is based on the yield of the Municipal Bond Index rate as of the measurement date.

###### Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
<b>Balance at 6/30/2021</b>	\$ 15,966,323
<b>Changes for the year</b>	
Service cost	499,513
Interest	355,686
Differences between expected and actual experience	5,012
Changes in assumptions or other inputs	423,517
Benefit payments	(746,949)
<b>Net changes</b>	<u>536,779</u>
<b>Balance at 6/30/2022</b>	<u>\$ 16,503,102</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16.

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

**CITY OF ELIZABETH CITY, NORTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**B. Liabilities (Continued)**

**3. Other Post-Employment Benefits (Continued)**

The demographic actuarial assumptions for retirement, disability, incidence, withdrawal, and salary increases used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate (2.16%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 18,680,927	\$ 16,503,102	\$ 14,706,797

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability	\$ 14,451,291	\$ 16,503,102	\$ 19,029,974

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$489,657. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,193	\$ 2,950,264
Changes of assumptions	2,367,384	523,660
Benefit payments and administrative costs made subsequent to the measurement date	656,213	-
Total	<u>\$ 3,027,790</u>	<u>\$ 3,473,924</u>

# CITY OF ELIZABETH CITY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

#### B. Liabilities (Continued)

##### 3. Other Post-Employment Benefits (Continued)

\$656,213 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 ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ended	
Year ended June 30:	
2023	\$ (365,544)
2024	(356,647)
2025	(185,778)
2026	(97,128)
2027	(105,654)
Thereafter	8,404
Total	<u><u>\$ (1,102,347)</u></u>

##### 4. Other Employment Benefit

The City 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 City, the City does not determine the number of eligible participants. The City 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 City considers these contributions to be immaterial.

**CITY OF ELIZABETH CITY, NORTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**B. Liabilities (Continued)**

**5. Deferred Inflows and Outflows of Resources**

The City has several deferred outflows of resources. Each deferral may be accounted for differently under the modified accrual basis of accounting and the full accrual basis of accounting. The following is a summary of each deferral under each basis of accounting:

The City has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

	<b>Statement of Net Position</b>
Difference between expected and actual experience	\$ 992,290
Changes of assumptions and other inputs - pension and OPEB	4,585,743
Changes in proportion and differences between contributions and proportionate share of contributions	11,373
Benefit payments and administrative cost paid subsequent to the measurement date - pensions and OPEB	<u>2,361,909</u>
Total deferred outflows of resources	<u>\$ 7,951,315</u>

The City has several deferred inflows of resources. Deferred inflows of resources is comprised of the following:

	<b>Statement of Net Position</b>	<b>General Fund Balance Sheet</b>	<b>Non-major Funds Balance Sheet</b>
Taxes receivable, net	\$ -	\$ 726,200	\$ -
Difference between expected and actual experience - pension and OPEB	3,012,525	-	-
Changes of assumptions and other inputs - pensions and OPEB	599,062	-	-
Net difference between projected and actual earnings on pension plan investments	3,960,538	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	78,695	-	-
Special assessments receivable	-	29,590	-
Leases	1,917,255	-	233,072
Prepaid tax	92,645	92,645	-
Total deferred inflows of resources	<u>\$ 9,660,720</u>	<u>\$ 848,435</u>	<u>\$ 233,072</u>

# CITY OF ELIZABETH CITY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

#### **B. Liabilities (Continued)**

##### **6. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. These pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, police professional liability and public officials liability in excess of \$1,000,000; property in excess of \$500,000 and \$1,000,000 up to statutory limits for workers' compensation for the 7/1/2021-7/1/2022 policy period.

The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more of the City's funds at any given time are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket policy for \$150,000.

##### **7. Claims, Judgments and Contingent Liabilities**

The City is involved in legal and regulatory matters arising in the ordinary course of operations. While the ultimate outcome of these matters is not presently determinable, it is the opinion of management and the City attorney that the resolution of outstanding matters will not have a material adverse effect on the financial position or results of operations of the City.

##### **8. Long-Term Obligations**

###### **A. Installment Purchase**

**Serviced by the General Fund, Electric Fund, Water and Sewer Fund, Stormwater Fund and Solid Waste Fund**

# CITY OF ELIZABETH CITY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

#### B. Liabilities (Continued)

##### 8. Long-Term Obligations (Continued)

###### A. Installment Purchase (Continued)

In October 2014, the City entered into a direct borrowing installment note for \$1,341,330 to finance the Roanoke Phase III stormwater management project. The finance contract requires one hundred twenty monthly payments of amounts of \$12,553, plus 2.35% interest rate and matures in 2024. The note is secured by the assets acquired during the Roanoke Phase III stormwater management project. (Stormwater Fund)	\$	341,707
In December 2015, the City entered into a direct borrowing installment note for \$800,000 to finance upfits to the public safety building. The finance contract requires one hundred and twenty monthly payments of amounts varying from \$6,679 to \$8,253, plus 2.38% interest rate and matures in 2025. The note is secured by the building.		280,000
In November 2017, the City entered into a direct borrowing installment note for \$525,000 to finance the purchase of a fire pumper truck. The finance contract requires sixty monthly payments of amounts of \$9,207, plus 2.02% interest rate and matures in 2022. The note is secured by the fire pumper truck. (Governmental Activities)		45,835
In December 2017, the City entered into a direct borrowing installment note for \$200,000 to finance the construction of a skate park. The finance contract requires sixty monthly payments of amounts of amounts varying from \$3,339 to \$3,658, plus 1.95% interest rate and matures in 2022. The note is secured by the skate park. (Governmental Activities)		20,000
In December 2017, the City entered into a direct borrowing installment note for \$325,000 to finance the improvements of the municipal building. The finance contract requires sixty monthly payments of amounts varying from \$5,425 to \$5,945, plus 1.95% interest rate and matures in 2022. The note is secured by the municipal building. (Governmental Activities)		27,083

# CITY OF ELIZABETH CITY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

#### B. Liabilities (Continued)

##### 8. Long-Term Obligations (Continued)

###### A. Installment Purchase (Continued)

In August 2017, the City entered into a direct borrowing installment note for \$629,017 to finance the purchase of police equipment and a solid waste truck. The finance contract requires sixty monthly payments of amounts of \$10,987, plus 1.86% interest rate and matures in 2022. The note is secured by the police equipment and the solid waste truck. (Governmental Activities \$12,518 and Solid Waste Fund \$9,416)	\$	21,934
In February 2018, the City entered into a direct borrowing installment note for \$125,000 to finance the purchase of the Charles Creek Park. The finance contract requires sixty monthly payments of amounts of \$2,083, plus 2.49% interest rate and matures in 2023. The note is secured by the Charles Creek Park. (Governmental Activities)		16,667
In January 2019, the City entered into a direct borrowing installment note for \$771,996 to finance the purchase of vehicles and equipment. The finance contract requires sixty monthly annual payments of amounts of \$13,867, plus 2.99% interest rate and matures in 2024. The note is secured by the vehicles and equipment. (Governmental Activities \$144,359 and Solid Waste Fund \$81,239)		225,598
In June 2019, the City entered into a direct borrowing installment note for \$1,500,000 to finance the purchase of a senior center. The finance contract requires one hundred twenty monthly annual payments of amounts varying from \$12,531 to \$16,213, plus 2.97% interest rate and matures in 2029. The note is secured by the senior center. (Governmental Activities)		1,050,000
In October 2019, the City entered into a direct borrowing installment note for 800,000 to finance water and sewer line improvements. The finance contract requires sixty monthly annual payments of amounts of \$14,075, plus 2.15% interest rate and matures in 2024. The note is secured by the water and sewer line improvements. (Water and Sewer Fund)		384,040
In September 2019, the City entered into a direct borrowing installment note for \$692,850 to finance the Waste Water Treatment Plant Rehabilitation Project. The finance contract requires fifty-nine monthly annual payments of amounts of \$12,364, plus 2.08% interest rate and matures in 2024. The note is secured by the Waste Water Treatment Plant. (Water and Sewer Fund)		337,642
In October 2019, the City entered into a direct borrowing installment note for \$390,000 to finance the purchase of SCADA equipment. The finance contract requires sixty monthly annual payments of amounts of \$6,861, plus 2.15% interest rate and matures in 2024. The note is secured by the SCADA equipment. (Water and Sewer Fund)		187,218

# CITY OF ELIZABETH CITY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

#### B. Liabilities (Continued)

##### 8. Long-Term Obligations (Continued)

###### A. Installment Purchase (Continued)

In October 2019, the City entered into a direct borrowing installment note for \$375,000 to finance the purchase of a Vactor truck. The finance contract requires sixty monthly annual payments of amounts of \$6,598, plus 2.15% interest rate and matures in 2024. The note is secured by the Vactor truck. (Water and Sewer Fund)	\$ 180,012
In October 2019, the City entered into a direct borrowing installment note for \$695,000 to finance the purchase of vehicles and equipment. The finance contract requires sixty monthly annual payments of amounts of \$12,227, plus 2.15% interest rate and matures in 2024. The note is secured by the vehicles and equipment. (Governmental Activities \$138,101 Water and Sewer Fund \$88,717 and Solid Waste Fund \$61,139)	287,957
In March 2020, the City entered into a direct borrowing installment note for \$271,000 to finance the purchase of aviation land. The finance contract requires five annual payments of amounts varying from \$54,307 to \$59,245, plus 3.0% interest rate and matures in 2025. The note is secured by the land. (Governmental Activities)	165,556
In March 2020, the City entered into a direct borrowing installment note for \$268,800 to finance the purchase of aviation land. The finance contract requires five annual payments of amounts varying from \$53,803 to \$58,694, plus 3.0% interest rate and matures in 2025. The note is secured by the land. (Governmental Activities)	164,212
In March 2020, the City entered into a direct borrowing installment note for \$259,200 to finance the purchase of aviation land. The finance contract requires five annual payments of amounts varying from \$51,881 to \$56,598, plus 3.0% interest rate and matures in 2025. The note is secured by the land. (Governmental Activities)	158,347
In March 2020, the City entered into a direct borrowing installment note for \$110,400 to finance the purchase of aviation land. The finance contract requires five annual payments of amounts varying from \$22,124 to \$24,135, plus 3.0% interest rate and matures in 2025. The note is secured by the land. (Governmental Activities)	67,444
In February 2020, the City entered into a direct borrowing installment note for \$2,600,000 to finance the purchase of electric meters. The finance contract requires fifty-nine monthly payments of amounts of \$46,182, plus 1.89% interest rate and matures in 2025. The note is secured by the electric meters. (Electric Fund)	1,396,171
In March 2020, the City entered into a direct borrowing installment note for \$93,865 to finance the purchase of a chiller. The finance contract requires fifty-nine monthly payments of amounts of \$1,810, plus 5.14% interest rate and matures in 2025. The note is secured by the chiller. (Governmental Activities)	56,974

**CITY OF ELIZABETH CITY, NORTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**B. Liabilities (Continued)**

**8. Long-Term Obligations (Continued)**

**A. Installment Purchase (Continued)**

In September 2020, the City entered into a direct borrowing installment note for \$190,000 to finance the purchase of surveillance cameras. The finance contract requires thirty-six monthly payments of amounts of \$5,389, plus 1.36% interest rate and matures in 2023. The note is secured by the surveillance cameras. (Governmental Activities)

\$ 80,109

In September 2020, the City entered into a direct borrowing installment note for \$707,500 to finance the purchase of equipment and vehicles. The finance contract requires sixty monthly payments of amounts of \$12,250, plus 1.51% interest rate and matures in 2025. The note is secured by the equipment and vehicles. (Governmental Activities)

465,922

In January 2021, the City entered into a direct borrowing installment note for \$40,000 to finance the purchase of a vehicles. The finance contract requires sixty monthly payments of amounts of \$702, plus 2.05% interest rate and matures in 2026. The note is secured by the vehicle. (Governmental Activities)

29,079

In November 2021, the City entered into a direct borrowing installment note for \$1,491,433 to finance the purchase of vehicles and equipment. The finance contract requires sixty monthly payments of amounts of \$25,529, plus 1.01% interest rate and matures in 2026. The note is secured by the vehicle. (Governmental Activities \$1,191,666 and Electric Fund \$129,751)

1,321,417

Total installment purchase direct borrowings \$ 7,310,924

The future minimum payments of the installment purchases as of June 30, 2022, including 280,997 of interest, are as follows:

<u>Years Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 1,197,358	\$ 75,893	\$ 1,302,635	\$ 52,976	\$ 2,499,993	\$ 128,869
2024	978,234	51,990	1,283,845	26,066	2,262,079	78,056
2025	862,170	31,672	574,538	3,343	1,436,708	35,015
2026	502,932	18,041	31,904	219	534,836	18,260
2027	273,175	11,481	4,130	35	277,305	11,516
2028-2032	300,003	9,281	-	-	300,003	9,281
Total	<u>\$ 4,113,872</u>	<u>\$ 198,358</u>	<u>\$ 3,197,052</u>	<u>\$ 82,639</u>	<u>\$ 7,310,924</u>	<u>\$ 280,997</u>

**Revolving Loans**

The City’s revolving loan issued to finance the construction of facilities utilized in the operations of the Water and Sewer system are reported as long-term debt in the Water and Sewer Fund. The loan is secured by the sewer system revenues. Principal and interest requirements are appropriated when due.

**CITY OF ELIZABETH CITY, NORTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**B. Liabilities (Continued)**

**8. Long-Term Obligations (Continued)**

**A. Installment Purchase (Continued)**

**Revolving loans payable at June 30, 2022 are comprised of the following individual issues:**

2010 Federal American Recovery and Reinvestment Act Loan - \$1,183,128 due in annual installments of \$59,156 through May 2030, interest at 0%. Payments began in 2011.	\$	473,256
2022 Drinking Water State Revolving Loan - \$1,073,303 with \$804,977 forgiven leaving a balance \$268,326 - 2022 Water revolving loan due in annual installments of \$13,416 through June 2042, interest at 0%. Payments begin in 2023.		268,326
Total revolving loans	\$	<u>741,582</u>

The future minimum payments of the revolving loans as of June 30, 2022 are as follows:

<u>Years Ending June 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 72,572	\$ -
2024	72,572	-
2025	72,572	-
2026	72,572	-
2027	72,572	-
2028-2032	378,722	-
Total	<u>\$ 741,582</u>	<u>\$ -</u>

At June 30, 2022, City of Elizabeth City, North Carolina had a legal debt margin of \$99,399,123.

CITY OF ELIZABETH CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

**B. Liabilities (Continued)**

**8. Long-Term Obligations (Continued)**

**B. Changes in Long-Term Liabilities**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>	<b>Current Portion of Balance</b>
<b>Governmental Activities:</b>					
Installment purchases-direct borrowings	\$ 4,135,285	\$ 1,334,479	\$ 1,355,892	\$ 4,113,872	\$ 1,197,358
Total OPEB liability	11,184,860	376,028	-	11,560,888	-
Net pension liability (LGERS)	4,599,410	-	2,660,674	1,938,736	-
Total pension liability (LEOSSA)	2,225,070	-	18,830	2,206,240	-
Compensated absences	708,984	28,134	-	737,118	154,523
Total	<u>\$ 22,853,609</u>	<u>\$ 1,738,641</u>	<u>\$ 4,035,396</u>	<u>\$ 20,556,854</u>	<u>\$ 1,351,881</u>

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>	<b>Current Portion of Balance</b>
<b>Business-Type Activities:</b>					
Water and Sewer Fund:					
Installment purchases-direct borrowings	\$ 1,787,412	\$ -	\$ 609,783	\$ 1,177,629	\$ 497,586
Revolving loan	532,408	268,326	59,152	741,582	72,572
Total OPEB liability	1,904,822	64,039	-	1,968,861	-
Net pension liability (LGERS)	783,297	-	453,123	330,174	-
Compensated absences	106,667	10,015	-	116,682	27,785
Water and Sewer long-term liabilities	<u>\$ 5,114,606</u>	<u>\$ 342,380</u>	<u>\$ 1,122,058</u>	<u>\$ 4,334,928</u>	<u>\$ 597,943</u>

CITY OF ELIZABETH CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

B. Liabilities (Continued)

8. Long-Term Obligations (Continued)

B. Changes in Long-Term Liabilities (Continued)

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion of Balance
Electric Fund:					
Installment purchases-direct borrowings	\$ 2,110,303	\$ 156,954	\$ 741,335	\$ 1,525,922	\$ 563,300
Net pension liability (LGERS)	912,810	-	528,044	384,766	-
Total OPEB liability	2,219,767	74,628	-	2,294,395	-
Compensated absences	132,258	-	23,442	108,816	74,704
Electric long-term liabilities	<u>\$ 5,375,138</u>	<u>\$ 231,582</u>	<u>\$ 1,292,821</u>	<u>\$ 4,313,899</u>	<u>\$ 638,004</u>
Stormwater Fund:					
Installment purchases-direct borrowings	\$ 482,519	\$ -	\$ 140,812	\$ 341,707	\$ 144,157
Net pension liability (LGERS)	10,898	-	6,304	4,594	-
Stormwater long-term liabilities	<u>\$ 493,417</u>	<u>\$ -</u>	<u>\$ 147,116</u>	<u>\$ 346,301</u>	<u>\$ 144,157</u>
Solid Waste Fund:					
Installment purchases-direct	\$ 304,694	\$ -	\$ 152,900	\$ 151,794	\$ 97,592
Total OPEB liability	656,874	22,084	-	678,958	-
Net pension liability (LGERS)	270,118	-	156,258	113,860	-
Compensated absences	34,098	3,176	-	37,274	5,056
Solid Waste long-term liabilities	<u>\$ 1,265,784</u>	<u>\$ 25,260</u>	<u>\$ 309,158</u>	<u>\$ 981,886</u>	<u>\$ 102,648</u>
<b>Business activity long-term liabilities</b>	<u>\$ 12,248,945</u>	<u>\$ 599,222</u>	<u>\$ 2,871,153</u>	<u>\$ 9,977,014</u>	<u>\$ 1,482,752</u>

Compensated absences for Governmental Activities typically have been liquidated in the General Fund.

C. Interfund Balances and Activity

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.

Balances due to/from other funds at June 30, 2022, consist of the following:

	Governmental Activities			Enterprise Funds				
	General Fund	Non-major Funds	Total Governmental Activities	Water and Sewer Fund	Electric Fund	Stormwater Fund	Solid Waste Fund	Total Enterprise Funds
Due to General Fund	\$ -	\$ 157,971	\$ 157,971	\$ 395,147	\$ 1,083,338	\$ -	\$ -	\$ 1,478,485
Due to Water and Sewer Fund	68,692	-	68,692	-	501,524	-	249	501,773
Due to Electric Fund	1,525,178	-	1,525,178	1,034,630	-	-	33,131	1,067,761
Due to Solid Waste Fund	465	-	465	-	7,492	-	-	7,492
Total due to other funds	<u>\$ 1,594,335</u>	<u>\$ 157,971</u>	<u>\$ 1,752,306</u>	<u>\$ 1,429,777</u>	<u>\$ 1,592,354</u>	<u>\$ -</u>	<u>\$ 33,380</u>	<u>\$ 3,055,511</u>

**CITY OF ELIZABETH CITY, NORTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**B. Liabilities (Continued)**

**8. Long-Term Obligations (Continued)**

**C. Interfund Balances and Activity (Continued)**

	Governmental Activities			Enterprise Funds			
	General Fund	Non-major Funds	Total Governmental Activities	Water and Sewer Fund	Electric Fund	Solid Waste Fund	Total
Due from General Fund	\$ -	\$ -	\$ -	\$ 68,692	\$ 1,525,178	\$ 465	\$ 1,594,335
Due from Water and Sewer Fund	395,147	-	395,147	-	1,034,630	-	1,034,630
Due from Electric Fund	1,083,338	-	1,083,338	501,524	-	7,492	509,016
Due from Solid Waste Fund	-	-	-	249	33,131	-	33,380
Due from Nonmajor Funds	157,971	-	157,971	-	-	-	-
Total due from other funds	<u>1,636,456</u>	<u>-</u>	<u>1,636,456</u>	<u>570,465</u>	<u>2,592,939</u>	<u>7,957</u>	<u>3,171,361</u>
Net due to/from other funds			<u>\$ 115,850</u>				<u>\$ (115,850)</u>

An advance of \$1,184,482 was made from the Electric Fund to the Water and Sewer Fund for the Halstead Boulevard sewer costs for fiscal year ended June 30, 2006. The current outstanding advance is \$1,184,482.

Transfers to / from other funds at June 30, 2022, consist of the following:

	Amount
From the Electric Fund to the General Fund in lieu of taxes	\$ 925,000
	<u>\$ 925,000</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts providing matching funds for various grant programs.

**9. Net Investment in Capital Asset**

The total net investment in capital assets at June 30, 2022 is composed of the following:

Governmental Activities		Total Business-Type Activities			
		Water and Sewer Fund	Electric Fund	Nonmajor Funds	
Capital assets	\$ 31,693,447	\$ 49,622,825	\$ 18,694,121	\$ 5,464,060	\$ 73,781,006
Unspent bond proceeds	315,152	566,761	156,870	-	723,631
Long-term debt	(4,113,872)	(1,919,211)	(1,525,922)	(493,501)	(3,938,634)
Net investment in capital assets	<u>\$ 27,894,727</u>	<u>\$ 48,270,375</u>	<u>\$ 17,325,069</u>	<u>\$ 4,970,559</u>	<u>\$ 70,566,003</u>

# CITY OF ELIZABETH CITY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

#### 10. Fund Balance

Total fund balance - General Fund	\$ 7,811,598
Less:	
Nonspendable:	
Inventories	79,609
Prepaid expenditures	9,278
Restricted:	
Stabilization by state statute	4,258,637
Streets - Powell bill	7,112
Unassigned fund balance	<u>\$ 3,456,962</u>

### NOTE IV – JOINTLY GOVERNED ORGANIZATION

The City, in conjunction with Pasquotank County, participates in the Elizabeth City-Pasquotank County Regional Airport. Each participating government appoints two members to the four-member board and appoints the chairperson on a rotating basis every four years. The Airport is a joint venture established in 1972 to provide construction, operation, use and maintenance of the airport facilities in Pasquotank County. The City has an ongoing financial responsibility for the Airport because it and the County are legally obligated under the intergovernmental agreement that created the Airport to honor any deficiencies in the event that proceeds from other default remedies are insufficient. The participating governments do not have any equity interest in the Airport, so no equity interest has been reflected in the financial statements at June 30, 2022. Complete financial statements for the Airport can be obtained from the Airport's office at 1028 Consolidated Road, Elizabeth City, North Carolina 27909.

The City, Pasquotank and Camden Counties participate in a joint venture to operate the Albemarle Economic Development Commission (AEDC). The City and Pasquotank County appoints three board members; Camden County appoints one ex-officio board member with two non-elected members from the general population appointed to the nine voting member board of the Albemarle Economic Development Commission. There are also six non-voting ex-officio members. The AEDC was established to promote economic development in the Elizabeth City/Pasquotank County area. The City has an ongoing financial responsibility for the joint venture because the AEDC's continued existence depends on the participating governments' continued funding. The participating governments do not have any equity interest in the AEDC, so no equity interest has been reflected in the financial statements at June 30, 2022. The City contributed no amounts to the AEDC during the fiscal year ended June 30, 2022. Complete financial statements for the AEDC can be obtained from the AEDC's office at 405 East Main Street, Elizabeth City, North Carolina 27909.

The Pasquotank County ABC Board is a corporate body with powers outlined by G. S. 1 SB-701. In addition, the members of the ABC Board's governing board are appointed by the City and County. The City and County each appoint two of the five-member board with the fifth member appointed jointly. The ABC Board is required to distribute its surpluses to the City and County. There are no other ongoing financial interest or responsibilities. Complete financial statements for the ABC Board can be obtained at the ABC Board's office at 860 Halstead Boulevard, Elizabeth City, North Carolina 27909.

# CITY OF ELIZABETH CITY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE V – RELATED ORGANIZATIONS

The seven-member board of the City of Elizabeth City Housing Authority is appointed by the City Council of the City of Elizabeth City. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority.

### NOTE VI – SUMMARY OF DISCLOSURE OF SIGNIFICANT CONTINGENCIES

#### *Federal and State Assisted Programs*

The City 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.

### NOTE VII – CHANGE IN ACCOUNTING PRINCIPLE

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, effective for fiscal years that ended June 30, 2022. The statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. As a result, the City recorded \$1,937,140 in lease receivables and \$1,917,155 in deferred inflows of resources-leases at June 30, 2022.

### NOTE VIII – PRONOUNCEMENTS ISSUED, NOT YET EFFECTIVE

The GASB has issued several pronouncements prior to June 30, 2022, that have effective dates that may affect future financial presentation.

The City has not yet evaluated the effect of implementation of the following GASB pronouncements.

GASB Statement Number 91, "Conduit Debt Obligations", was issued to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. The requirements of this Statement will be effective for the City beginning with its year ending June 30, 2023.

## CITY OF ELIZABETH CITY, NORTH CAROLINA

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE VIII – PRONOUNCEMENTS ISSUED, NOT YET EFFECTIVE (Continued)

GASB Statement Number 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements”, was issued to provide guidance for availability payment arrangements in which a government compensates an operator for services that may include designing, constructing, financing, maintaining or operating an underlying infrastructure or other nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement will be effective for the City beginning with its year ending June 30, 2023.

GASB Statement Number 96, “Subscription-Based Information Technology Arrangements”, was issued to provide guidance on accounting and financial reporting for cloud computing and similar subscription-based information technology arrangements. The requirements of this Statement will be effective for the City beginning with its year ending June 30, 2023.

GASB Statement Number 100, “Accounting Changes and Error Corrections”, was issued to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of the Statement will be effective for the City beginning with its year ending June 30, 2024.

GASB Statement Number 101 “Compensated Absences”, was issued to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement will be effective for the City beginning with its year ending June 30, 2025.

GASB Statement Number 102 “Certain Risk Disclosures”, was issued to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations of constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority. Concentrations and constraints may limit a government’s ability to acquire resources or control spending. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

#### NOTE IX – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 8, 2024 in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
FOR THE LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM  
Last Nine Fiscal Years\***

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Elizabeth City's proportion of the net pension liability (asset) (%)	0.18076%	0.18404%	0.18363%	0.19427%	0.19167%	0.19523%	0.24710%	0.20690%	0.20710%
Elizabeth City's proportion of the net pension liability (asset) (\$)	\$ 2,772,130	\$ 6,576,533	\$ 5,014,792	\$ 4,608,748	\$ 2,928,187	\$ 4,143,435	\$ 918,726	\$ (1,220,421)	\$ 2,496,350
Elizabeth City's covered payroll	\$ 13,414,926	\$ 12,080,460	\$ 12,193,922	\$ 12,021,141	\$ 12,292,063	\$ 11,069,400	\$ 11,498,034	\$ 11,081,706	\$ 10,840,726
Elizabeth City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	20.66%	54.44%	41.13%	38.34%	23.82%	37.43%	7.99%	(11.01%)	23.03%
Plan fiduciary net position as a percentage of the total pension liability **	95.51%	89.40%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

\* This schedule will build to become a ten year schedule as information becomes available. Information was not available prior to the implementation of GASB Statement No. 68 in 2014.

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 employees in the LGERS plan.

**CITY OF ELIZABETH CITY, NORTH CAROLINA**

**SCHEDULE 2**

**CONTRIBUTIONS TO THE LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM  
Last Nine Fiscal Years\***

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,607,260	\$ 1,392,430	\$ 1,177,660	\$ 973,492	\$ 929,950	\$ 920,243	\$ 758,252	\$ 822,124	\$ 788,988
Contributions in relation to the contractually required contribution	1,607,260	1,392,430	1,177,660	973,492	929,950	920,243	758,252	822,124	788,988
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Elizabeth City's covered payroll	\$ 14,001,254	\$ 13,414,926	\$ 12,080,460	\$ 12,193,922	\$ 12,021,141	\$ 12,292,063	\$ 11,069,400	\$ 11,498,034	\$ 11,081,706
Contributions as a percentage of covered payroll	11.48%	10.38%	9.75%	7.98%	7.74%	7.49%	6.85%	7.15%	7.12%

\* This schedule will build to become a ten year schedule as information becomes available. Information was not available prior to the implementation of GASB Statement No. 68 in 2014.

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
Last Six Fiscal Years\***

	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 2,225,070	\$ 1,444,342	\$ 1,357,547	\$ 1,324,170	\$ 1,325,257	\$ 1,313,319
Service Cost	147,577	85,122	71,085	85,396	67,449	74,514
Interest on the total pension liability	42,038	45,555	47,451	39,960	49,377	45,499
experience in the measurement of the total pension	(50,835)	91,783	29,073	85,829	(107,602)	-
Changes of assumptions or other inputs	(63,741)	652,137	47,073	(58,596)	81,826	(30,395)
Benefit payments	(93,869)	(93,869)	(107,887)	(119,212)	(92,137)	(77,680)
Ending balance of the total pension liability	\$ 2,206,240	\$ 2,225,070	\$ 1,444,342	\$ 1,357,547	\$ 1,324,170	\$ 1,325,257

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

\* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

Notes to Schedule:

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2020 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Discount rate	2.25 percent
Salary Increases	3.25 to 7.75 percent, including inflation and productivity factor

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

**MORTALITY ASSUMPTION:** All mortality rates use Pub-2010 amount-weighted tables.

**MORTALITY PROJECTION:** All mortality rates are projected from 2010 using generational improvements 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.

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
Last Six Fiscal Years\***

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$2,206,240	\$ 2,225,070	\$ 1,444,342	\$ 1,357,547	\$ 1,324,170	\$ 1,325,257
Covered employee payroll	3,514,155	3,210,376	2,729,787	3,058,906	2,832,460	3,080,503
Total pension liability as a percentage of covered employee payroll	62.78%	69.31%	52.91%	44.38%	46.75%	43.02%

Notes to the schedules:

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

\* - This schedule will build to ten years of information as the data becomes available.

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**HEALTHCARE BENEFITS PLAN**  
**For the Year Ended June 30,**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 15,966,323	\$ 17,390,656	\$ 16,320,857	\$ 16,528,644	\$ 17,303,930
Service Cost	499,515	570,548	521,550	494,025	545,339
Interest	355,686	614,552	619,362	577,257	511,944
Differences between expected and actual experience in the measurement of the total pension liability	5,012	(4,055,251)	(27,011)	(184,891)	(72,362)
Changes of assumptions or other inputs	423,517	2,257,950	761,489	(461,523)	(1,164,111)
Benefit payments	(746,949)	(812,132)	(805,591)	(632,655)	(596,096)
Ending balance of the total OPEB liability	<u>\$ 16,503,104</u>	<u>\$ 15,966,323</u>	<u>\$ 17,390,656</u>	<u>\$ 16,320,857</u>	<u>\$ 16,528,644</u>
City's covered payroll	\$ 11,663,761	\$ 11,663,761	\$ 12,635,557	\$ 12,635,557	\$ 10,895,663
City's OPEB liability as a percentage of its covered payroll	141.49%	136.89%	137.63%	129.17%	151.70%

## Notes to Schedule

The City of Elizabeth City has no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes of assumption: 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>
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

This schedule will build to ten years of information as the data becomes available.

## **INDIVIDUAL FUND SCHEDULES**

## **MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2022**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Ad valorem taxes:			
Taxes	\$ -	\$ 9,727,787	\$ 9,727,787
Penalties and interest	-	79,625	79,625
Total	<u>9,261,265</u>	<u>9,807,412</u>	<u>546,147</u>
Other taxes and licenses:			
Short-term lease rent receipts		98,872	
Aircraft taxes		17,942	
Total	<u>85,000</u>	<u>116,814</u>	<u>31,814</u>
Unrestricted intergovernmental:			
Local option sales tax		5,218,592	
Franchise fees-waste		12,828	
Sales tax on electricity		1,141,710	
Sales tax on piped natural gas		35,957	
Housing authority (lieu of tax)		24,448	
Sales tax on telecommunications		91,323	
Sales tax on video programming		114,831	
Beer and wine tax		74,022	
ABC profit distributions		480,042	
Total	<u>6,296,116</u>	<u>7,193,753</u>	<u>897,637</u>
Restricted intergovernmental:			
Seven sounds brewery grant		200,000	
CDBG-CV grant		107,701	
T-mobile grant		50,000	
Governor's crime commission		77,385	
PAL mentoring grant		19,052	
Drone grant		5,000	
Restitution		699	
Senior center grant		14,764	
Police donations		100	
Confiscated police funds		14,080	
COPS grant		136,828	
Fire assistance grant		34,856	
Wal-mart grant		2,500	
Albemarle community trust grant		1,500	
Christopher and Dana Reeve grant		2,119	
Donations		28,420	
Elizabeth City downtown salary grant		20,285	
Police - DSS County grant		68,373	
Drug tax stamp		1,463	
Recreation fees - Pasquotank County		1,010,571	
Fourth of July		4,194	
Senior Center - Pasquotank County		321,315	
Fire protection - County		447,524	
Fire protection - state building		44,642	
Fire protection - Camden County		28,150	
Powell Bill allocation		532,676	
Total	<u>3,395,014</u>	<u>3,174,197</u>	<u>(220,817)</u>
Payment in lieu of services	<u>850,000</u>	<u>703,949</u>	<u>(146,051)</u>

## GENERAL FUND

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

## BALANCES - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Licenses and fees:			
Business registration		\$ 7,980	
Motor vehicle licensing		190,933	
Building permits and inspections fees		1,041,921	
Miscellaneous planning		147,571	
Fire code fees		2,903	
Waterfront market vendor fees		6,173	
South park fees		17,365	
Concession fees		45,551	
Total	\$ 1,190,450	1,460,397	\$ 269,947
Sales and services:			
Recreation department fees		218,395	
Parking revenues and penalties		14,395	
Officer arrest fees		5,586	
Total	130,000	238,376	108,376
Investment earnings	25,000	(35,617)	(60,617)
Miscellaneous:			
Interest on special assessments		9,641	
ASMT housing demolition		190,190	
Lot clearing		51,946	
Sale of foreclosed property		49,300	
Administrative fees		15,300	
Insurance reimbursement		17,265	
Other		61,195	
Total	284,150	394,837	110,687
Total revenues	21,516,995	23,054,118	1,537,123
<b>EXPENDITURES</b>			
General Government:			
Governing body:			
Salaries and employee benefits		110,593	
Operating expenditures		45,329	
Total		155,922	
Administration:			
Salaries and employee benefits		380,213	
Operating expenditures		85,333	
Total		465,546	
Finance:			
Salaries and employee benefits		414,560	
Operating expenditures		282,017	
Total		696,577	
Tax collection;			
Contracted services		135,214	
NCVTS billing cost		36,558	
Taxes foreclosed property		3,667	
Capital outlay		54,244	
Total		229,683	
Legal		145,719	
Community development - code enforcement:			
Salaries and employee benefits		113,793	
Operating expenditures		72,657	
Total		186,450	

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2022**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Planning & Inspections:			
Salaries and employee benefits		\$ 299,370	
Operating expenditures		50,868	
Total		<u>350,238</u>	
Public buildings			
Salaries and employee benefits		156,554	
Operating expenditures		271,274	
Capital outlay		8,430	
Total		<u>436,258</u>	
Total general government	\$ 2,900,619	2,666,393	\$ 234,226
Public Safety:			
Police:			
Salaries and employee benefits		5,534,726	
Contracted services		546,577	
Operating expenditures		1,111,934	
Capital outlay		77,438	
Total		<u>7,270,675</u>	
Fire:			
Salaries and employee benefits		3,130,890	
Contracted services		311,790	
Operating expenditures		593,577	
Capital outlay		832,320	
Total		<u>4,868,577</u>	
Fire inspections:			
Salaries and employee benefits		185,417	
Operating expenditures		38,436	
Total		<u>223,853</u>	
Inspections:			
Salaries and employee benefits			
Contracted services		208,463	
Operating expenditures		37,876	
Total		<u>246,339</u>	
Total public safety	<u>13,145,838</u>	<u>12,609,444</u>	536,394
Transportation:			
Garage:			
Salaries and employee benefits		276,741	
Operating expenditures		(258,664)	
Total		<u>18,077</u>	
GIS:			
Salaries and employee benefits		143,535	
Operating expenditures		8,782	
Contracted services		27,894	
Capital outlay		10,075	
Total		<u>190,286</u>	
Powell bill:			
Salaries and employee benefits		95,318	
Operating expenditures		96,087	
Capital outlay		652,862	
Total		<u>844,267</u>	
Public works administration:			
Salaries and employee benefits		41,498	
Operating expenditures		29,249	
Contracted services		1,209	
Total		<u>71,956</u>	

## GENERAL FUND

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

## BALANCES - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Street repair:			
Salaries and employee benefits		\$ 773,327	
Operating expenditures		401,605	
Contracted services		16,048	
Capital outlay		9,600	
Total		<u>1,200,580</u>	
Total transportation	\$ 2,718,255	2,325,166	\$ 393,089
Cultural and recreational:			
Parks and recreation:			
Salaries and employee benefits		1,417,618	
Contracted services		43,318	
Operating expenditures		793,582	
Capital outlay		60,570	
Total		<u>2,315,088</u>	
Senior center:			
Salaries and employee benefits		355,976	
Operating expenditures		115,574	
Total		<u>471,550</u>	
Total cultural and recreation	<u>3,076,825</u>	<u>2,786,638</u>	<u>290,187</u>
Environmental protection:			
Cemetery:			
Maintenance and repairs grounds		735	
Contracted services		62,670	
Total environmental protection	<u>76,000</u>	<u>63,405</u>	<u>12,595</u>
Human resources and risk management:			
Salaries and employee benefits		387,227	
Operating expenditures		79,510	
Total human resources and risk management	<u>475,692</u>	<u>466,737</u>	<u>8,955</u>
Information technologies:			
Salaries and employee benefits		233,418	
Operating expenditures		153,525	
Total information technologies	<u>424,917</u>	<u>386,943</u>	<u>37,974</u>
Non-departmental			
Salaries and employee benefits		103,526	
Operating expenditures		1,608,073	
Total non-departmental	<u>1,511,469</u>	<u>1,711,599</u>	<u>(200,130)</u>
Debt Service:			
Principal		1,176,322	
Interest		62,199	
Total	<u>1,253,735</u>	<u>1,238,521</u>	<u>15,214</u>
Total expenditures	<u>25,583,350</u>	<u>24,254,846</u>	<u>1,328,504</u>
Revenues over (under) expenditures	<u>(4,066,355)</u>	<u>(1,200,728)</u>	<u>2,865,627</u>

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL**

**For the Fiscal Year Ended June 30, 2022**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>OTHER FINANCING SOURCES:</b>			
Sale of capital assets	\$ 22,000	\$ 66,609	\$ 44,609
Transfer from Electric Fund in lieu of taxes	925,000	925,000	-
Transfer from Water and Sewer	80,000	-	(80,000)
Transfer from Aviation Park	80,000	-	(80,000)
Installment purchase issuance	1,019,565	1,334,479	314,914
Total other financing sources	<u>2,126,565</u>	<u>2,326,088</u>	<u>199,523</u>
Appropriated fund balance	1,939,790	-	(1,939,790)
Total	<u>1,939,790</u>	<u>-</u>	<u>(1,939,790)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	1,125,360	<u>\$ 1,125,360</u>
Fund balance, beginning		6,686,238	
Fund balances, ending		<u>\$ 7,811,598</u>	

## **NONMAJOR GOVERNMENTAL FUNDS**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2022**

	<b>Capital Project Funds</b>			<b>Total Nonmajor Governmental Funds</b>
	<b>Aviation Commerce Park Grant</b>	<b>Community Revitalization Fund</b>	<b>Coast Guard Park Project Fund</b>	
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 420,292	\$ 62,575	\$ -	\$ 482,867
Lease receivable	237,590	-	-	237,590
Due from other governments	7,011	-	-	7,011
Total assets	<u>\$ 664,893</u>	<u>\$ 62,575</u>	<u>\$ -</u>	<u>\$ 727,468</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>				
Liabilities:				
Due to General Fund	\$ -	\$ -	\$ 157,971	\$ 157,971
Total liabilities	<u>-</u>	<u>-</u>	<u>157,971</u>	<u>157,971</u>
Deferred inflows of resources:				
Leases	233,072	-	-	233,072
Total deferred inflows of resources	<u>233,072</u>	<u>-</u>	<u>-</u>	<u>233,072</u>
Fund Balances;				
Restricted:				
Stabilization by state statute	7,011	-	-	7,011
Committed	420,292	62,575	-	482,867
Nonspendable - leases	4,518	-	-	4,518
Unassigned fund balance	-	-	(157,971)	(157,971)
Total fund balance	<u>431,821</u>	<u>62,575</u>	<u>(157,971)</u>	<u>336,425</u>
Total liabilities and fund balance	<u>\$ 664,893</u>	<u>\$ 62,575</u>	<u>\$ -</u>	<u>\$ 727,468</u>

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**NONMAJOR GOVERNMENTAL FUNDS**

**For the Year Ended June 30, 2022**

	<u>Capital Project Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Aviation Commerce Park Grant</u>	<u>Community Revitalization Fund</u>	<u>Coast Guard Park Project Fund</u>	
<b>REVENUES</b>				
Lease revenue	\$ 77,689	\$ -	\$ -	\$ 77,689
Interest earned on leases	10,960	-	-	10,960
Investment earnings	890	89	-	979
Total revenues	<u>89,539</u>	<u>89</u>	<u>-</u>	<u>89,628</u>
<b>EXPENDITURES</b>				
Contracted services	8,700	-	-	8,700
Debt service	198,670	-	-	198,670
Total expenditures	<u>207,370</u>	<u>-</u>	<u>-</u>	<u>207,370</u>
Net change in fund balance	(117,831)	89	-	(117,742)
Fund balances, beginning of year	549,652	62,486	(157,971)	454,167
Fund balances (deficit), end of year	<u>\$ 431,821</u>	<u>\$ 62,575</u>	<u>\$ (157,971)</u>	<u>\$ 336,425</u>

**AVIATION COMMERCE PARK GRANT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
- BUDGET AND ACTUAL  
From the Inception and for the Year Ended June 30, 2022**

	Project				Variance
	Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
<b>Revenues</b>					
Intergovernmental	\$ -	\$ 12,500	\$ -	\$ 12,500	\$ 12,500
Restricted					
NC Economic Development Reserve	3,500,000	3,450,314	-	3,450,314	(49,686)
NC Rural Economic Development Center	500,000	995,001	-	995,001	495,001
Industrial Development Commission	500,000	500,000	-	500,000	-
NC Department of Commerce	1,000,000	995,000	-	995,000	(5,000)
Golden Leaf Foundation	2,000,000	2,000,000	-	2,000,000	-
Pasquotank County	200,000	142,226	-	142,226	(57,774)
Airport Authority	600,000	1,945,056	-	1,945,056	1,345,056
Elizabeth City State University	750,000	500,000	-	500,000	(250,000)
NC Department of Transportation	1,500,000	-	-	-	(1,500,000)
Economic development administration	50,000	50,000	-	50,000	-
Small Business Association	196,514	194,928	-	194,928	(1,586)
Total restricted revenues	<u>10,796,514</u>	<u>10,785,025</u>	<u>-</u>	<u>10,785,025</u>	<u>(11,489)</u>
Sales and services					
DRS Technologies lease	-	3,218,201	-	3,218,201	3,218,201
USCG land lease	-	938,200	77,689	1,015,889	1,015,889
Interest earned on leases	-	-	10,960	10,960	10,960
Farm lease	-	2,340	-	2,340	2,340
Tree reimbursement	-	2,311	-	2,311	2,311
Sale of property	-	21,500	-	21,500	21,500
Total sales and services	<u>-</u>	<u>4,182,552</u>	<u>88,649</u>	<u>4,271,201</u>	<u>4,271,201</u>
Investment earnings	-	39,243	890	40,133	40,133
Total revenues	<u>10,796,514</u>	<u>15,006,820</u>	<u>89,539</u>	<u>15,096,359</u>	<u>4,299,845</u>
<b>Expenditures</b>					
Administration	-	11,433	-	11,433	(11,433)
Airport apron grant match	410,500	406,603	-	406,603	3,897
Golden Leaf Foundation	686,000	681,000	-	681,000	5,000
IDF grant reimbursement	65,000	65,000	-	65,000	-
Pasquotank County reimbursement	142,226	142,226	-	142,226	-
Land and taxiway	7,855,659	8,355,385	-	8,355,385	(499,726)
Master plan	787,220	812,066	-	812,066	(24,846)
Water, sewer and street improvements	3,202,884	3,196,787	-	3,196,787	6,097
Contracted services	196,514	97,374	8,700	106,074	90,440
Professional services	-	96,365	-	96,365	(96,365)
Land options	3,335	24,398	-	24,398	(21,063)
Property tax	-	2,914	-	2,914	(2,914)
Debt service - land - principal	624,000	623,999	-	623,999	1
Debt service - land - interest	57,265	57,266	-	57,266	(1)
Debt service - principal	1,500,000	1,500,007	-	1,500,007	(7)
Debt service - interest	-	322,675	198,670	521,345	(521,345)
Total expenditures	<u>15,530,603</u>	<u>16,395,498</u>	<u>207,370</u>	<u>16,602,868</u>	<u>(1,072,265)</u>
Revenues under expenditures	<u>(4,734,089)</u>	<u>(1,388,678)</u>	<u>(117,831)</u>	<u>(1,506,509)</u>	<u>3,227,580</u>
Other financing sources (uses):					
Proceeds from installment purchase	1,500,000	2,409,400	-	2,409,400	909,400
Transfer from electric fund	200,000	200,000	-	200,000	-
Transfer to electric fund	(140,000)	-	-	-	140,000
Transfer to general fund	(160,000)	(571,070)	-	(571,070)	(411,070)
Transfer to middle school renovation	(100,000)	(100,000)	-	(100,000)	-
Fund balance appropriated	3,434,089	-	-	-	(3,434,089)
Total other financing sources (uses), net	<u>4,734,089</u>	<u>1,938,330</u>	<u>-</u>	<u>1,938,330</u>	<u>(2,795,759)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 549,652</u>	<u>(117,831)</u>	<u>\$ 431,821</u>	<u>\$ 431,821</u>
Fund balance, beginning				549,652	
Fund balance, ending				<u>\$ 431,821</u>	

**COMMUNITY REVITALIZATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
From the Inception and for the Year Ended June 30, 2022**

	Project				Variance
	Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
<b>Revenues</b>					
Program income	\$ -	\$ 52,222	\$ -	\$ 52,222	\$ 52,222
Investment earnings	25,000	29,489	89	29,578	4,578
Total revenues	25,000	81,711	89	81,800	56,800
<b>Expenditures</b>					
Community revitalization	185,588	236,228	-	236,228	(50,640)
Economic development	56,321	-	-	-	56,321
Total expenditures	241,909	236,228	-	236,228	5,681
Revenues over (under) expenditures	(216,909)	(154,517)	89	(154,428)	62,481
<b>Other financing sources (uses):</b>					
Transfer from revolving loan fund	441,909	442,002	-	442,002	93
Transfer to general fund	(75,000)	(75,000)	-	(75,000)	-
Transfer to Hugh Cale Revitalization grant fund	(150,000)	(149,999)	-	(149,999)	1
Total other financing sources, net	216,909	217,003	-	217,003	94
Revenues and other sources over (under) expenditures	\$ -	\$ 62,486	89	\$ 62,575	\$ 62,575
Fund balance, beginning				62,486	
Fund balance, ending				\$ 62,575	

**COAST GUARD PARK PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
From the Inception and for the Year Ended June 30, 2022**

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
<b>Restricted</b>					
NC Departmental of Environmental Quality	\$ 140,000	\$ 140,000	\$ -	\$ 140,000	\$ -
Coastal Area Management Authority	138,000	138,000	-	138,000	-
Parks and Recreation Trust Fund	146,000	146,000	-	146,000	-
Total revenues	424,000	424,000	-	424,000	-
<b>Expenditures</b>					
Engineering	-	13,769	-	13,769	(13,769)
Administrative	-	1,853	-	1,853	(1,853)
Construction	550,000	566,349	-	566,349	(16,349)
Total expenditures	550,000	581,971	-	581,971	(31,971)
Revenues under expenditures	(126,000)	(157,971)	-	(157,971)	(31,971)
<b>Other financing sources:</b>					
Transfer from general fund	126,000	-	-	-	(126,000)
Total other financing sources	126,000	-	-	-	(126,000)
Revenues and other financing sources (under) expenditures	\$ -	\$ (157,971)	-	\$ (157,971)	\$ (157,971)
Fund balance (deficit), beginning			(157,971)		
Fund balance (deficit), ending			<u>(157,971)</u>		<u>\$ (157,971)</u>

## **MAJOR ENTERPRISE FUNDS**

**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**For the Year Ended June 30, 2022**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services		\$ 10,465,457	
Antenna rental		166,259	
Sale of scrap		3,992	
Tap and connection fees		381,339	
Miscellaneous		252,804	
Total operating revenues	<u>\$ 9,457,349</u>	<u>11,269,851</u>	<u>\$ 1,812,502</u>
Nonoperating revenues:			
Restricted intergovernmental revenues		1,009,741	1,009,741
Interest earnings		152	
Total nonoperating revenues	<u>1,170,277</u>	<u>1,009,893</u>	<u>(160,384)</u>
Total revenues	<u>10,627,626</u>	<u>12,279,744</u>	<u>1,652,118</u>
Expenditures:			
Water treatment and distribution			
Salaries and employee benefits		565,437	
Chemicals and departmental supplies		387,479	
Purchased water		301,101	
Contracted services		350,756	
Other operating expenses		437,760	
Maintenance and repair		155,879	
Total water treatment and distribution	<u>2,242,249</u>	<u>2,198,412</u>	<u>43,837</u>
Waste treatment			
Salaries and employee benefits		594,371	
Electric power		191,289	
Supplies		94,558	
Contracted services		689,463	
Other operating expenses		161,795	
Maintenance and repair		100,477	
Total waste treatment	<u>2,212,060</u>	<u>1,831,953</u>	<u>380,107</u>
Water and sewer line maintenance			
Salaries and employee benefits		1,367,268	
Supplies		86,356	
Electric power		185,233	
Line maintenance		134,774	
Contracted services		315,892	
Other operating expenses		310,038	
Maintenance and repair		161,431	
Total water and sewer line maintenance	<u>3,174,958</u>	<u>2,560,992</u>	<u>613,966</u>

**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**For the Year Ended June 30, 2022**

	Budget	Actual	Variance Positive (Negative)
Customer service			
Salaries and employee benefits		\$ 281,463	
Supplies		7,598	
Electric power		1,387	
Contracted services		12,043	
Other operating expenses		49,102	
Maintenance and repair		561	
Total customer service	\$ 445,107	352,154	\$ 92,953
Data processing			
Salaries and employee benefits		74,253	
Supplies		671	
Contracted services		85,176	
Other operating expenses		3,777	
Maintenance and repair		37	
Total data processing	168,898	163,914	4,984
Other			
Group insurance - retirees		7,281	
Payment in lieu of services		227,835	
Other operating expenses		80,026	
Total customer service	461,780	315,142	146,638
Capital outlay:			
Water and sewer capital outlay		2,591,941	
Total capital outlay	3,278,290	2,591,941	686,349
Debt service:			
Interest and other charges		35,536	
Principal retirement		668,935	
Total debt service	717,886	704,471	13,415
Total expenditures	12,701,228	10,718,979	1,982,249
Revenues over (under) expenditures	(2,073,602)	1,560,765	3,634,367
Other financing sources and (uses)			
Proceeds from long-term debt	-	268,326	268,326
Interfund payments	-	(20,000)	(20,000)
Total other financing sources and (uses)	-	248,326	248,326
Fund balance appropriated	2,073,602	-	(2,073,602)
Revenues, other financing sources, and fund balance appropriated over expenditures	\$ -	1,809,091	\$ 1,809,091

**WATER AND SEWER FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 For the Year Ended June 30, 2022**

Reconciling items:

Principal retirement	\$	668,935
Change in compensated absences		(10,015)
Change in deferred outflows of resources - pensions		69,947
Change in net pension liability		453,123
Change in deferred inflows of resources - pensions		(471,940)
Change in deferred outflows of resources - OPEB		(7,982)
Change in deferred inflows of resources - OPEB		105,487
Change in total OPEB liability		(64,039)
Interest income from water and sewer capital reserve		445
(Increase) in lease receivable		15,372
Proceeds from long-term debt		(268,326)
Capital outlay		2,591,941
Depreciation and amortization		(2,303,527)
Total reconciling items		<u>779,421</u>
Change in net position	\$	<u>2,340,186</u>

**WATER AND SEWER CAPITAL RESERVE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL**

**From the Inception and for the Year Ended June 30, 2022**

	Project				Variance
	Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
<b>Revenues</b>					
Investment earnings	\$ -	\$ 52,306	\$ 445	\$ 52,751	\$ 52,751
Total revenues	-	52,306	445	52,751	52,751
Revenues over expenditures	-	52,306	445	52,751	52,751
<b>Other financing sources (uses):</b>					
Transfer from Water and Sewer Fund	100,000	250,000	-	250,000	150,000
Transfer to Capital Project Fund	(100,000)	-	-	-	100,000
Total other financing sources (uses), net	-	250,000	-	250,000	250,000
Revenues and other financing sources over expenditures	\$ -	\$ 302,306	\$ 445	\$ 302,751	\$ 302,751

**PARKVIEW SEWER PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**From the Inception and for the Year Ended June 30, 2022**

	Project				Variance
	Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
<b>Revenues</b>					
Restricted					
NC Department of Commerce -					
Rural economic development	\$ 646,952	\$ 646,942	\$ -	\$ 646,942	\$ (10)
Total revenues	<u>646,952</u>	<u>646,942</u>	<u>-</u>	<u>646,942</u>	<u>(10)</u>
<b>Expenditures</b>					
Construction	575,622	629,635	-	629,635	(54,013)
Engineering	47,553	36,580	-	36,580	10,973
Administration	23,777	-	-	-	23,777
Total expenditures	<u>646,952</u>	<u>666,215</u>	<u>-</u>	<u>666,215</u>	<u>(19,263)</u>
Revenues (under) expenditures	<u>\$ -</u>	<u>\$ (19,273)</u>	<u>\$ -</u>	<u>\$ (19,273)</u>	<u>\$ (19,273)</u>

**RAW WATER TRANSMISSION PROJECT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
From the Inception and for the Year Ended June 30, 2022**

	Project				Variance
	Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
<b>Revenues</b>					
Restricted					
Raw Water Transmission Project Grant	\$ 1,070,437	\$ 1,046,370	\$ -	\$ 1,046,370	\$ (24,067)
Total revenues	<u>1,070,437</u>	<u>1,046,370</u>	<u>-</u>	<u>1,046,370</u>	<u>(24,067)</u>
<b>Expenditures</b>					
Capital improvements	1,126,802	1,173,126	-	1,173,126	(46,324)
Total expenditures	<u>1,126,802</u>	<u>1,173,126</u>	<u>-</u>	<u>1,173,126</u>	<u>(46,324)</u>
<b>Other financing sources:</b>					
Fund balance appropriated	56,365	-	-	-	(56,365)
Total other financing sources	<u>56,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,365)</u>
Revenues and other financing sources (under) expenditures	<u>\$ -</u>	<u>\$ (126,756)</u>	<u>\$ -</u>	<u>\$ (126,756)</u>	<u>\$ (126,756)</u>

**WATER ASSET INVENTORY PROJECT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 From the Inception and for the Year Ended June 30, 2022**

	Project				Variance
	Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
<b>Revenues</b>					
Restricted					
NC Department of Environmental Quality	\$ 150,000	\$ 121,742	\$ -	\$ 121,742	\$ (28,258)
Total revenues	<u>150,000</u>	<u>121,742</u>	<u>-</u>	<u>121,742</u>	<u>(28,258)</u>
<b>Expenditures</b>					
Supplies	21,850	-	-	-	21,850
Capital outlay - equipment	128,150	78,286	-	78,286	49,864
Total expenditures	<u>150,000</u>	<u>78,286</u>	<u>-</u>	<u>78,286</u>	<u>71,714</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 43,456</u>	<u>\$ -</u>	<u>\$ 43,456</u>	<u>\$ 43,456</u>

**WASTE WATER ASSET INVENTORY PROJECT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL**

**From the Inception and for the Year Ended June 30, 2022**

	Project				Variance
	Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
<b>Revenues</b>					
Restricted					
Rural Center Grant	\$ 150,000	\$ 141,635	\$ -	\$ 141,635	\$ (8,365)
Total revenues	<u>150,000</u>	<u>141,635</u>	<u>-</u>	<u>141,635</u>	<u>(8,365)</u>
<b>Expenditures</b>					
Professional services	-	146,720	-	146,720	(146,720)
Supplies	150,000	2,250	-	2,250	147,750
Total expenditures	<u>150,000</u>	<u>148,970</u>	<u>-</u>	<u>148,970</u>	<u>1,030</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ (7,335)</u>	<u>\$ -</u>	<u>\$ (7,335)</u>	<u>\$ (7,335)</u>

**ELECTRIC FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**For the Year Ended June 30, 2022**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services		\$ 33,383,983	
Sale of scrap		36,173	
Pole agreements		44,530	
Miscellaneous revenue		261,834	
Total operating revenues	<u>\$ 32,350,100</u>	<u>33,726,520</u>	<u>\$ 1,376,420</u>
Nonoperating revenues:			
Interest earnings		3,612	
Total nonoperating revenues	<u>2,500</u>	<u>3,612</u>	<u>1,112</u>
Total revenues	<u>32,352,600</u>	<u>33,730,132</u>	<u>1,377,532</u>
Expenditures:			
Electric distribution			
Salaries and employee benefits		650,603	
Maintenance		654,982	
Supplies		28,633	
Contracted services		125,976	
Insurance		91,578	
Other operating expenses		1,283,291	
Total electric operations	<u>3,631,826</u>	<u>2,835,063</u>	<u>796,763</u>
Energy management			
Salaries and employee benefits		556,089	
Energy management		61,402	
Load management fuel		22,990	
Peak generator fuel		74,736	
Supplies		7,766	
Other operating expenses		88,330	
Contracted services		20,366	
Maintenance and repairs		109,336	
Total energy management	<u>1,077,704</u>	<u>941,015</u>	<u>136,689</u>
Purchasing			
Salaries and employee benefits		192,209	
Supplies		8,217	
Contracted services		8,587	
Other operating expenses		16,313	
Maintenance and repairs		4,435	
Total Purchasing	<u>266,132</u>	<u>229,761</u>	<u>36,371</u>

**ELECTRIC FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**For the Year Ended June 30, 2022**

	Budget	Actual	Variance Positive (Negative)
Customer service			
Salaries and employee benefits		\$ 292,138	
Supplies		6,642	
Contracted services		12,467	
Other operating expenses		52,837	
Maintenance and repairs		561	
		<u>          </u>	
Total customer service	<u>\$ 431,506</u>	<u>364,645</u>	<u>\$ 66,861</u>
Data processing			
Salaries and employee benefits		75,663	
Supplies		671	
Contracted services		85,176	
Other operating expenses		3,932	
Maintenance and repairs		37	
		<u>          </u>	
Total data processing	<u>163,448</u>	<u>165,479</u>	<u>(2,031)</u>
Other			
Electric power purchased		25,567,832	
Payment in lieu of services		476,114	
Bad debt		187,606	
Group insurance - retirees		80,470	
Other operating expenses		101,156	
		<u>          </u>	
Total other	<u>26,040,999</u>	<u>26,413,178</u>	<u>(372,179)</u>
Capital outlay:			
Electric capital outlay		360,337	
Total capital outlay	<u>270,000</u>	<u>360,337</u>	<u>(90,337)</u>
Debt service:			
Interest and other charges		33,686	
Principal retirement		741,335	
Total debt service	<u>784,972</u>	<u>775,021</u>	<u>9,951</u>
Total expenditures	<u>32,666,587</u>	<u>32,084,499</u>	<u>582,088</u>
Revenues over(under) expenditures	<u>(313,987)</u>	<u>1,645,633</u>	<u>1,959,620</u>

**ELECTRIC FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**For the Year Ended June 30, 2022**

	Budget	Actual	Variance Positive (Negative)
Other financing sources and (uses)			
Payment from water and sewer fund	\$ 20,000	\$ 20,000	\$ -
Transfer to General Fund in lieu of taxes	-	(925,000)	(925,000)
Proceeds from long-term debt	180,000	-	(180,000)
Sale of fixed assets	1,500	-	(1,500)
Total other financing sources and (uses)	<u>201,500</u>	<u>(905,000)</u>	<u>(1,106,500)</u>
Revenues and other sources over expenditures and other uses	<u>(112,487)</u>	<u>740,633</u>	<u>853,120</u>
Fund balance appropriated	<u>112,487</u>	<u>-</u>	<u>(112,487)</u>
Revenues, other financing sources, and fund balance appropriated over expenditures	<u>\$ -</u>	<u>740,633</u>	<u>\$ 740,633</u>
Reconciling items:			
Principal retirement		741,335	
Change in compensated absences		23,441	
Change in deferred outflows of resources - OPEB		(9,302)	
Change in deferred inflows of resources - OPEB		122,929	
Change in total OPEB liability		(74,628)	
Change in deferred outflows of resources - pensions		81,511	
Change in due to/from other funds		(20,000)	
Change in net pension liability		528,043	
Change in deferred inflows of resources - pensions		(549,971)	
Capital outlay		360,337	
Depreciation		<u>(1,505,832)</u>	
Total reconciling items		<u>(302,137)</u>	
Change in net position		<u>\$ 438,496</u>	

**NONMAJOR ENTERPRISE FUNDS**

**COMBINING STATEMENT OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
June 30, 2022**

	<u>Stormwater Utility Fund</u>	<u>Solid Waste Fund</u>	<u>Total non- major funds</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,686,753	\$ 1,382,112	\$ 3,068,865
Accounts receivable, net - billed	98,953	266,457	365,410
Due from other governments	3,157	3,254	6,411
Due from other funds	-	7,957	7,957
Total current assets	<u>1,788,863</u>	<u>1,659,780</u>	<u>3,448,643</u>
Capital assets:			
Land and construction in progress	236,367	-	236,367
Other capital assets, net of depreciation	4,928,659	299,034	5,227,693
Capital assets	<u>5,165,026</u>	<u>299,034</u>	<u>5,464,060</u>
Total noncurrent assets	<u>5,165,026</u>	<u>299,034</u>	<u>5,464,060</u>
Total assets	<u>6,953,889</u>	<u>1,958,814</u>	<u>8,912,703</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	7,029	174,238	181,267
OPEB deferrals	-	124,567	124,567
Total deferred outflows of resources	<u>7,029</u>	<u>298,805</u>	<u>305,834</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	5,492	77,395	82,887
Current portion of long-term debt	144,157	102,648	246,805
Due to other funds	-	33,380	33,380
Total current liabilities	<u>149,649</u>	<u>213,423</u>	<u>363,072</u>
Noncurrent liabilities:			
Compensated absences	-	32,218	32,218
Installment loan payable	197,550	54,202	251,752
Total OPEB liability	-	678,958	678,958
Net pension liability	4,594	113,860	118,454
Total noncurrent liabilities	<u>202,144</u>	<u>879,238</u>	<u>1,081,382</u>
Total liabilities	<u>351,793</u>	<u>1,092,661</u>	<u>1,444,454</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
OPEB deferrals	-	142,922	142,922
Pension deferrals	6,693	165,904	172,597
Total deferred inflows of resources	<u>6,693</u>	<u>308,826</u>	<u>315,519</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,823,319	147,240	4,970,559
Unrestricted	1,779,113	708,892	2,488,005
Total net position	<u>\$ 6,602,432</u>	<u>\$ 856,132</u>	<u>\$ 7,458,564</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
For the Year Ended June 30, 2022**

	<u>Stormwater Utility Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 589,001	\$ 1,824,737	\$ 2,413,738
Miscellaneous revenue	-	18,580	18,580
<b>Total operating revenues</b>	<u>589,001</u>	<u>1,843,317</u>	<u>2,432,318</u>
<b>OPERATING EXPENSES</b>			
Stormwater	149,960	-	149,960
Solid waste	-	1,479,697	1,479,697
Depreciation and amortization	229,163	164,771	393,934
<b>Total operating expenses</b>	<u>379,123</u>	<u>1,644,468</u>	<u>2,023,591</u>
<b>Operating income (loss)</b>	<u>209,878</u>	<u>198,849</u>	<u>408,727</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	534	157	691
Interest earned on fees	7,844	-	7,844
Restricted intergovernmental revenues	45,491	-	45,491
Interest and other charges	(9,829)	4,911	(4,918)
<b>Total nonoperating revenue (expenses), net</b>	<u>44,040</u>	<u>5,068</u>	<u>49,108</u>
<b>Change in net position</b>	253,918	203,917	457,835
<b>Total net position</b>	<u>6,348,514</u>	<u>652,215</u>	<u>7,000,729</u>
<b>Total net position, ending</b>	<u>\$ 6,602,432</u>	<u>\$ 856,132</u>	<u>\$ 7,458,564</u>

**STORMWATER FUND - SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**For the Year Ended June 30, 2022**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services		\$ 589,001	
Total operating revenues	\$ 583,000	589,001	\$ 6,001
Nonoperating revenues:			
Restricted intergovernmental revenues		-	
Interest earned on fees		7,844	
Interest earnings		534	
Total nonoperating revenues	7,000	8,378	1,378
Total revenues	590,000	597,379	7,379
Expenditures:			
Stormwater			
Salaries and employee benefits		102,927	
Insurance		10,170	
Contracted services		22,336	
Other operating expenses		15,238	
Total stormwater	389,358	150,671	238,687
Capital outlay:			
Capital outlay		170,065	
Total capital outlay	50,000	170,065	(120,065)
Debt service:			
Interest and other charges		9,829	
Principal retirement		140,812	
Total debt service	150,642	150,641	1
Total expenditures	590,000	471,377	118,623
Revenues over expenditures	-	126,002	(126,002)
Fund balance appropriated	-	-	-
Revenues, other financing sources, and fund balance appropriated over expenditures	\$ -	126,002	\$ 126,002
Reconciling items:			
Principal retirement		140,812	
Change in deferred outflows of resources - pensions		973	
Change in net pension liability		6,304	
Change in deferred inflows of resources - pensions		(6,566)	
Grant proceeds from Providence Road Project		45,491	
Capital outlay		170,065	
Depreciation		(229,163)	
Total reconciling items		127,916	
Change in net position		\$ 253,918	

**PROVIDENCE ROAD PROJECT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**- BUDGET AND ACTUAL (NON-GAAP)**  
**From the Inception and for the Year Ended June 30, 2022**

	Project				Variance
	Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
<b>Revenues</b>					
Restricted					
NCDOT	\$ 1,760,000	\$ -	\$ 45,491	\$ 45,491	\$(1,714,509)
Golden Leaf grant	250,000	-	-	-	(250,000)
Total restricted revenues	2,010,000	-	45,491	45,491	(1,964,509)
<b>Expenditures</b>					
Engineering	221,000	-	40,550	40,550	180,450
Providence Road Bridge Replacement	1,472,850	-	-	-	1,472,850
Contracted services	361,032	-	-	-	361,032
Total expenditures	2,054,882	-	40,550	40,550	2,014,332
Revenues over (under) expenditures	(44,882)	-	4,941	4,941	49,823
<b>Other financing sources (uses):</b>					
Transfer from General Fund	44,882	-	-	-	(44,882)
Total other financing sources (uses)	44,882	-	-	-	(44,882)
Revenues over expenditures	\$ -	\$ -	4,941	\$ 4,941	\$ 4,941
Fund balance, beginning			-		
Fund balance, ending			\$ 4,941		

**SOLID WASTE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**For the Year Ended June 30, 2022**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services		\$ 1,824,737	
Miscellaneous revenue		18,580	
Total operating revenues	\$ 1,768,226	1,843,317	\$ 75,091
Nonoperating revenues:			
Operating income			
Interest earnings		157	
Total nonoperating revenues	-	157	157
Total revenues	1,768,226	1,843,474	75,248
Expenditures:			
Solid Waste			
Salaries and employee benefits		906,090	
Supplies		10,668	
Contracted services		3,779	
Other departmental expenses		345,768	
Maintenance and repair		160,482	
Group insurance - retirees		65,894	
Bad debt		13,011	
Total Solid Waste operations	1,620,233	1,505,692	114,541
Debt service:			
Interest and other charges		(4,911)	
Principal retirement		152,900	
Total debt service	147,993	147,989	4
Total expenditures	1,768,226	1,653,681	114,545
Revenues over(under) expenditures	-	189,793	189,793
Revenues and fund balance appropriated over expenditures	\$ -	189,793	\$ 189,793
Reconciling items:			
Principal retirement		152,900	
Change in compensated absences		(3,176)	
Change in deferred outflows of resources - OPEB		(2,753)	
Change in deferred inflows of resources - OPEB		36,377	
Change in total OPEB liability		(22,084)	
Change in deferred outflows of resources - pensions		24,121	
Change in net pension liability		156,258	
Change in deferred inflows of resources - pensions		(162,748)	
Depreciation		(164,771)	
Total reconciling items		14,124	
Change in net position		\$ 203,917	

**OTHER SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**SCHEDULES OF AD VALOREM TAXES RECEIVABLE  
June 30, 2022**

Fiscal Year	Uncollected Balance July 1, 2021	Additions	Collections And Credits	Uncollected Balance June 30, 2022
2021-2022	\$ 342	\$ 9,787,666	\$ 9,429,723	\$ 358,285
2020-2021	344,169	-	192,418	151,751
2019-2020	176,387	-	82,675	93,712
2018-2019	104,699	-	40,186	64,513
2017-2018	69,523	-	28,073	41,450
2016-2017	39,313	-	13,471	25,842
2015-2016	25,334	-	7,431	17,903
2014-2015	21,742	-	5,253	16,489
2013-2014	36,993	-	5,094	31,899
2012-2013	25,127	-	4,671	20,456
2011-2012	17,466	-	17,466	-
	<u>\$ 861,095</u>	<u>\$ 9,787,666</u>	<u>\$ 9,826,461</u>	822,300
Less: allowance for uncollectible accounts: General Fund				<u>96,100</u>
Ad valorem taxes receivable - net				<u>\$ 726,200</u>
Ad valorem taxes - General Fund				\$ 9,807,412
Reconciling items:				
Discount allowed				21,174
Advertising and interest collected				(79,625)
Refunds, releases and adjustments				61,021
Taxes written off				<u>16,479</u>
Total collections and credits				<u>\$ 9,826,461</u>

**ANALYSIS OF CURRENT TAX LEVY  
CITY - WIDE LEVY  
For the Year Ended June 30, 2022**

	City - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 1,263,542,432	0.74	\$ 9,350,214	\$ 8,562,521	\$ 787,693
Penalties	-		1,459	1,459	
Total	<u>1,263,542,432</u>		<u>9,351,673</u>	<u>8,563,980</u>	<u>787,693</u>
Discoveries:					
Current year taxes	33,365,676	0.74	246,906	246,906	-
Delinquent taxes			204,774	204,774	
Penalties	-		6,629	6,629	-
Abatements	<u>(2,995,676)</u>	0.74	<u>(22,316)</u>	<u>(11,564)</u>	<u>(10,752)</u>
Total property valuation	<u>\$ 1,293,912,432</u>				
Net levy			9,787,666	9,010,725	776,941
Uncollected taxes at June 30, 2022			<u>(358,285)</u>	<u>(358,285)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 9,429,381</u>	<u>\$ 8,652,440</u>	<u>\$ 776,941</u>
Current levy collection percentage			<u>96.34%</u>	<u>96.02%</u>	<u>100.00%</u>

## **COMPLIANCE SECTION**



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

**INDEPENDENT AUDITOR’S REPORT**

Members of the City Council  
City of Elizabeth City, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and budgetary schedule of the General Fund of the City of Elizabeth City, North Carolina (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated April 8, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2022-001 through 2022-006 that we consider to be material weaknesses.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Audit Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001, 2022-003, 2022-004, and 2022-005.

## **City of Elizabeth City's Responses to Findings**

*Government Audit Standards* requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## **Purpose of this Report**

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

*PBMares, LLP*

Morehead City, North Carolina  
April 8, 2024



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

Members of the City Council  
City of Elizabeth City

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

***Opinion on Each Major Federal Program***

We have audited the City of Elizabeth City, North Carolina's (the City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for the major federal programs. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*PBMares, LLP*

Morehead City, North Carolina  
April 8, 2024



**REPORT ON COMPLIANCE FOR THE MAJOR STATE PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

**INDEPENDENT AUDITOR'S REPORT**

Members of the City Council  
City of Elizabeth City, North Carolina

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

***Opinion on the Major State Program***

We have audited City of Elizabeth City, North Carolina's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors* issued by the North Carolina Local Government Commission that could have a direct and material effect on the City's major State program for the year ended June 30, 2022. The City's major State program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2022.

***Basis for Opinion on the Major State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for the major State program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's State programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major State program as a whole. In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

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

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

Our audit was not designed for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*PBMares, LLP*

Morehead City, North Carolina  
April 8, 2024

**CITY OF ELIZABETH CITY, NORTH CAROLINA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Fiscal Year Ended June 30, 2022**

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**Section 1. Summary of Auditor's Results**

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified?     X     Yes                      No
- Significant deficiency(ies) identified?                      Yes     X     None

Noncompliance material to financial statements noted?

    X     Yes                      No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?                      Yes     X     No
- Significant deficiency(ies) identified?                      Yes     X     None Reported

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

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

    X     Yes                      No

Identification of major federal programs:

Federal Assistance

Listing #	Program Name
66.468	Capitalization Grants For Drinking Water State Revolving Loans

Dollar threshold used to between Type A and Type B programs

\$ 750,000

Auditee qualified as low-risk auditee?

           Yes     X     No

**CITY OF ELIZABETH CITY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**For the Fiscal Year Ended June 30, 2022**

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**Section 1. Summary of Auditor's Results (Continued)**

State Awards

Internal control over State programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?	_____	Yes	<u>  X  </u>	No
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Identification of major State programs:

Nonstate System Street Aid Allocation (Powell Bill)

**CITY OF ELIZABETH CITY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**For the Fiscal Year Ended June 30, 2022**

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**Section 2. Financial Statement Findings**

**Finding: 2022-001: Material Compliance Violation and Material Weakness in Internal Control over Compliance- Timeliness of Audited Financial Statements Submission**

**Criteria:** North Carolina General Statute 159-34 (NC G.S 159-34) requires the submission of the annual audit 4 months past the end of the fiscal year, with an extended due date at 5 months past the end of the fiscal year.

**Condition and context:** The June 30, 2022 financial statements were not submitted to the Local Government Commission until over 15 months past the original due date or 14 months past the extended due date. This is a repeat of finding 2021-005.

**Effect:** The City has not complied with NC Statute G.S. 159-34.

**Cause:** High staff turnover, difficulty on locating the required support by the client, lack of staff with skills, knowledge, and experience in local government accounting, GASB reporting requirements, and N.C. General Statutes to accurately close the accounting period to prepare for audit.

**Recommendation:** We recommend the City hire sufficient staff in the Finance Department with the skills, knowledge, and experience in local government accounting, GASB reporting requirements, and N.C. General Statutes to meet the financial reporting deadline outlined in NC G.S. 156-34.

**Management's response:** See Corrective Action Plan

**Finding: 2021-002: Material Weakness in Internal Control- Unrecorded Debt**

**Criteria:** Per the grant agreement with the NC Division of Water Infrastructure, \$268,326 of the total grant of \$1,073,303 would be debt.

**Condition and context:** During testing of grant revenues, PBMares noted that 100% of the \$1,009,741 received during the year was recorded as revenue. \$268,326 of the total should have been recorded as debt and \$741,415 recorded as revenue.

**Cause:** Insufficient review of and adherence to grant agreement.

**Recommendation:** We recommend management perform a detailed review of all grant agreements to insure that grants are recorded correctly.

**Management's response:** See Corrective Action Plan

**CITY OF ELIZABETH CITY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
For the Fiscal Year Ended June 30, 2022**

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**Section 2. Financial Statement Findings (Continued)**

**Finding: 2022-003: Material Compliance Violation and Material Weakness in Internal Control over Compliance- Accounts Receivable Not Recorded or Recorded Incorrectly**

**Criteria:** According to generally accepted accounting principles, revenues are recorded when earned and available.

**Condition and context:** North Carolina sales tax was not recorded correctly. The recorded revenue and receivable were \$133,849 lower than the amount due to the City for April, May, and June of 2022 at June 30, 2022. ABC Board revenue and receivable was not recorded. The ABC Board generally remits 4 budgeted amounts quarterly and a true up after their audit is complete. The City did not record or receive a true up for 2021 or 2022. The total unrecorded amount was \$209,042.

**Recommendation:** We recommend management perform a detailed review of all revenues to insure that all receivables are recorded.

**Management's response:** See Corrective Action Plan

**Finding: 2022-004: Material Compliance Violation and Material Weakness in Internal Control over Compliance- Procurement Policy and NC General Statute 143.**

**Criteria:** According to the North Carolina General Statutes 143-131 (NC G.S 143-131): All contracts for construction or repair work of for the purchase of apparatus, supplies, material, or equipment, involving the expenditure of public money in the amount of thirty thousand dollars or more, but less than the limits prescribed in G.S. 143-129, made by any officer, department, board, local school administrative unit, or commission of any county, city, town, or other subdivision of this State shall be made after informal bids have been secured. Per the City's procurement policy informal bidding is required for all contracts of equipment/materials from \$5,000 to \$499,999.

**Condition and context:** City was not able to provide evidence of informal bid support (quotes) for three out of seven selections of expenditures in the Water Fund. Each identified purchase was between \$5,000 and \$342,000, for which based on the statutes and policy stated above would require informal bids.

**Effect:** The City does not have sufficient documentation to compliant with the NC G.S 143-131 or their internal procurement policies.

**Cause:** High staff turnover and management oversight during the purchasing process review. Lack of policy related to documentation retention requirements related to procurement and bidding procedures.

**Recommendation:** We recommend for a detail review to be performed while approving purchases over the stated thresholds for both formal and informal bids to ensure that the statutes and policies are being followed. Additionally, the City should establish a formal documentation retention policy to provide evidence of compliance.

**Management's response:** See Corrective Action Plan

**CITY OF ELIZABETH CITY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
For the Fiscal Year Ended June 30, 2022**

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**Section 2. Financial Statement Findings (Continued)**

**Finding: 2022-005: Material Compliance Violation and Material Weakness in Internal Control over Compliance- Over-expenditure of Budget**

**Criteria:** G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

**Condition:** The City expended more than appropriated in the annual budget ordinances and capital project ordinances in the General fund non-departmental by \$200,131, the Aviation Commerce Park Grant Fund by \$1,072,265, the Coast Guard Grant Fund by \$31,971, the Parkview Sewer Project Fund by \$19,263, the Raw Water Transmission Project Fund by \$46,324, the Electric Fund data processing department by \$2,031, Electric Fund other expenses department by \$372,179, and the Electric Fund Capital Outlay by \$90,337.

**Effect:** Moneys were spent that had not been obligated and appropriated.

**Cause:** Lack of oversight when approving purchasing orders and failure of the City's Pre-Audit Certification process.

**Recommendation:** Before an obligation is to incur that will exceed the amount that was previously approved in the budget ordinance, an amendment to the budget should be adopted.

**Management's response:** See Corrective Action Plan

**Finding: 2022-006: Material Weakness in Internal Control – Timeliness of Bank Reconciliations**

**Criteria:** Monthly bank reconciliations are an essential tool in internal control in order to balance general ledger accounts, appropriately record activity and identify accounting errors in a timely manner.

**Condition and context:** The City did not make the appropriate journal entries in the general ledger in order to balance to the completed bank reconciliations in a timely manner.

**Effect:** Accurate financial information was not available to management or the Council in a reasonable period of time to provide effective oversight and stewardship of public funds.

**Cause:** Turnover in the Finance Department and lack of individuals on staff with the skills, knowledge and experience to perform the appropriate balancing journal entries.

**Recommendation:** We recommend to the City adhere to policies regarding the completion of the bank reconciliations and hire staff to both prepare and review the bank reconciliations with the appropriate skills, knowledge and experience to complete them.

**Management's response:** See Corrective Action Plan

**CITY OF ELIZABETH CITY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
For the Fiscal Year Ended June 30, 2022**

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**Section 3. Findings and Questioned Costs for Federal Awards**  
None reported.

**Section 4. Findings and Questioned Costs for State Awards**  
None reported.

**MAYOR**  
EDWARD KIRK RIVERS  
**MAYOR PRO-TEM**  
KEM K. SPENCE  
**CITY MANAGER**  
MONTRE' D. FREEMAN  
**CITY CLERK**  
APRIL ONLEY



**CITY COUNCIL MEMBERS**  
JOHNSON BIGGS  
KATHERINE W. FELTON  
FREDERICK D. GIBBS (JAVIS)  
RONNIE MORRIS  
JOSEPH W. PEEL  
JOHNNIE B. WALTON  
ROSE M. WHITEHURST

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# CITY OF ELIZABETH CITY

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## Section 2. Financial Statement Findings

### **Finding: 2022-001: Material Compliance Violation and Material Weakness in Internal Control over Compliance- Timeliness of Audited Financial Statements Submission**

**Criteria:** North Carolina General Statute 159-34 (NC G.S 159-34) requires the submission of the annual audit four months past the end of the fiscal year, with an extended due date at five months past the end of the fiscal year.

**Condition and context:** The June 30, 2022 financial statements were not submitted to the Local Government Commission until over 15 months past the original due date or 14 months past the extended due date. This is a repeat of finding 2021-005.

**Effect:** The City has not complied with NC Statute G.S. 159-34.

**Cause:** High staff turnover, difficulty on locating the required support by the client, lack of staff with skills, knowledge, and experience in local government accounting, GASB reporting requirements, and N.C. General Statutes to close the accounting period to prepare for audit.

**Recommendation:** We recommend the City hire sufficient staff in the Finance Department with the skills, knowledge, and experience in local government accounting, GASB reporting requirements, and N.C. General Statutes to meet the financial reporting deadline outlined in NC G.S. 156-34.

**Management's response:** Management agrees with the finding.

#### Corrective Action Plan:

An assessment of the Finance Department has been completed. The Manager is reviewing the results of the assessment and will be preparing a report for Council with proposed recommendations regarding the Finance organization chart, staffing level, any new staffing needs, etc. for implementation.

#### Expected Date of Completion:

This will be completed and presented to the Council before the 2024 fiscal yearend. The reorganization chart, staffing level, etc. should sufficiently address what is needed such that at implementation it should successfully resolve the timeliness of audited financial statements submission once Elizabeth City is current with our audits.

**Finding: 2022-002: Material Weakness in Internal Control- Unrecorded Debt**

**Criteria:** Per the grant agreement with the NC Division of Water Infrastructure, \$268,326 of the total grant of \$1,073,303 would be debt.

**Condition and context:** During testing of grant revenues, PBMares noted that 100% of the \$1,009,741 received during the year was recorded as revenue. \$268,326 of the total should have been recorded as debt and \$804,977 recorded as revenue.

**Cause:** Insufficient review of and adherence to grant agreement.

**Recommendation:** We recommend management perform a detailed review of all grant agreements to insure that grants are recorded correctly.

**Management's response:** Management agrees with the finding.

Corrective Action Plan:

This was an oversight by Finance staff. Finance staff responsible for accounting and financial reporting of the City's debt will be required to attend training regarding debt issuances and the correct accounting treatment for debt issuances and all transactions related to the debt issuance (e.g., issuance, receipt of proceeds, type of issuance, etc.) for both full-accrual (proprietary) and modified-accrual (governmental) funds. In addition, the Finance Director will review all debt-related transactions before posting the transactions to the general ledger for all funds.

Expected Date of Completion:

Staff will reach out to the North Carolina League of Municipalities (NCLM) for advisement on all training opportunities available (e.g., with NCLM, the School of Government (SOG), etc.). Training is mandatory for Finance staff positions that are responsible for accounting and financial reporting of debt. Finance staff as well as I registered and attended an all-day training event held by the NCLM on March 14, 2024, in Rocky Mount, North Carolina. Per the agenda, one of the course topics was debt management.

The Finance Director review of all debt-related transactions before posting the transactions to the general ledger for all funds will be effective immediately.

**Finding: 2022-003: Material Compliance Violation and Material Weakness in Internal Control over Compliance- Accounts Receivable Not Recorded or Recorded Incorrectly**

**Criteria:** According to generally accepted accounting principles, revenues are recorded when earned and available.

**Condition and context:** North Carolina sales tax was not recorded correctly. The recorded revenue and receivable were \$133,849 lower than the amount due to the City for April, May, and June of 2022 at June 30, 2022. ABC Board revenue and receivable was not recorded. The ABC Board generally remits 4 budgeted amounts quarterly and a true up after their audit is complete. The City did not record or receive a true up for 2021 or 2022. The total unrecorded amount was \$209,042.

**Recommendation:** We recommend management perform a detailed review of all revenues to insure that all receivables are recorded.

**Management's response:** Management agrees with the finding.

Corrective Action Plan:

The almost \$134K lower than the recorded revenue and receivable amount for North Carolina sales tax that was due to the City for April, May, and June of 2022 as of June 30, 2022, was due to two factors. One being that there was an adjusting journal entry (AJE) for fiscal year FY21 provided by the auditors that was recorded twice in FY21 (which overstated the accounts receivable and revenues for sales tax as of FY21) which needed to be corrected in FY22 combined with the 13<sup>th</sup> month recording of sales tax in FY22 so that the sales tax collections are now being posted to the fiscal year in which they are earned.

The corrective action for the duplicate posting AJE that occurred in the FY21 audit is that there is a primary contact in which all adjusting journal entries are to go to directly copying the others regarding the audit (e.g., Isley Team members and Elizabeth City team members). The Elizabeth City team is not to post these AJEs until the primary has reviewed and approved. In addition, there will be a log of the adjusting journal entries that will be reviewed to try to eliminate and ensure that a duplicate AJE is not posted to the general ledger that can be possibly overlooked by staff, the external accounting firm, or the auditing firm.

The second portion regarding the 13<sup>th</sup> fiscal month is a one-time to have the sales tax revenues posted to the general ledger in the fiscal year that the revenues were earned. This is not reoccurring and therefore does not need or warrant a corrective action plan.

To address the corrective action plan regarding the ABC Board receivable and revenue not being recorded for both FY21 and FY22. The City Manager and the Finance Director and other Finance staff will research and analyze as to how this occurred to date. The corrective action plan going forward is that one Finance staff at the Accountant level or higher will be assigned this task to record the estimated distributions during the FY as well as to ensure that the “true up” for the FY occurs with that transaction being recorded to the general ledger within the dual fiscal year prior to the final closing of the final trial balances for financial statement preparation. In addition, the Finance Director will perform a review of the final trial balances for all funds prior to financial statement preparation for the fiscal year’s audit.

In addition, in correspondence with the General Manager of the Pasquotank County ABC Board, the General Manager mentioned the past process of distributing four quarters of estimated amounts with a final fifth distribution of a “true-up” amount at the ABC Board’s February Board meeting. Per the General Manager, effective July 1, 2024, distributions will be July (e.g., for the fourth quarter of the prior fiscal year), October, January, and April, which is the month after the quarter ends. This will be actual quarter distributions and will be four distributions for the fiscal year with the receipt of the fourth quarter in July of the following fiscal year being recorded as a receivable and revenue in the prior fiscal year. The Finance staff position assigned this task will be aware of the fiscal month that the distributions are to be received and monitor to ensure receipt, review and posting to the general ledger.

Expected Date of Completion:

North Carolina Sales Tax – effective immediately for the FY23 audit.

ABC Board Receivable and Distributions – Effective upon approval and implementation of the Finance Department reorganization and the ABC Board implementation effective July 1, 2024, distributing actual distributions in the fiscal month after the quarter’s end (e.g., four distributions of actual collections for each quarter).

**Finding: 2022-004: Material Compliance Violation and Material Weakness in Internal Control over Compliance- Procurement Policy and NC General Statute 143.**

**Criteria:** According to the North Carolina General Statutes 143-131 (NC G.S 143-131): All contracts for construction or repair work of for the purchase of apparatus, supplies, material, or equipment, involving the expenditure of public money in the amount of thirty thousand dollars or more, but less than the limits prescribed in G.S. 143-129, made by any officer, department, board, local school administrative unit, or commission of any county, city, town, or other subdivision of this Sate shall be made after informal bids have been secured. Per the City's procurement policy informal bidding is required for all contracts of equipment/materials from \$5,000 to \$499,999.

**Condition and context:** City was not able to provide evidence of informal bid support (quotes) for three out of seven selections of expenditures in the Water Fund. Each identified purchase was between \$5,000 and \$342,000, for which based on the statutes and policy stated above would require informal bids.

**Effect:** The City does not have sufficient documentation to compliant with the NC G.S 143-131 or their internal procurement policies.

**Cause:** High staff turnover and management oversight during the purchasing process review. Lack of policy related to documentation retention requirements related to procurement and bidding procedures.

**Recommendation:** We recommend for a detail review to be performed while approving purchases over the stated thresholds for both formal and informal bids to ensure that the statutes and policies are being followed. Additionally, the City should establish a formal documentation retention policy to provide evidence of compliance.

**Management's response:** Management agrees with the finding.

Corrective Action Plan:

All contracted services for construction, repairs, and maintenance, etc. and goods have always supposed to have gone through the Procurement Manager for review and approval to ensure that they have met the federal and state requirements as well as City purchasing policies.

However, going forward, effective immediately, no obligations of the City will occur without the review and approval of the Procurement Manager to include contracted services for construction, repairs, and maintenance, etc. and goods to include that the appropriate bid process occurred, supporting documentation, etc. All will be reviewed periodically throughout the fiscal year to ensure compliance that the Procurement Manager did approve before implementation. There will be accountability such that if for whatever reason an agreement for the purchase of goods or services does take place without the review and approval through the Procurement Manager that federal and state laws as well as City policy has been met will incur disciplinary action up to and including dismissal.

In addition, the Procurement Manager will review the City's existing Procurement Policy to ensure that the above process is clearly stated within the policy as well as to ensure strong internal controls and ensuring that all bid information for the City is maintained in a centralized location within the Procurement Division of Finance. The Manager will reiterate the process to Department Heads in a Department Head meeting and will offer training to them as well as any designated staff within each department.

**Expected Date of Completion:**

Ensuring all procurement activity flows through the Procurement Division in Finance to ensure that all federal and state laws and City policies have been adhered to, that all supporting documentation is attached, and electronic copies maintained in a centralized location within the Procurement Division of Finance will be put into place before fiscal yearend 2024.

Communication to Department Heads by the City Manager will be at the next Department Head Meeting to reiterate the process and to offer additional training to the department heads and their designated staff.

Procurement Manager's review of the existing Procurement Policy for any recommended edits to strengthen the policy and ensure the bid process is clear and thorough is to be completed for City Manager review by April 30, 2024. Accountability for non-compliance will be added to the current policy in this draft for Manager review. The draft will be reviewed and ready and provided to Elizabeth City staff no later than July 1, 2024.

**Finding: 2022-005: Material Compliance Violation and Material Weakness in Internal Control over Compliance- Over-expenditure of Budget**

**Criteria:** G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

**Condition:** The City expended more than appropriated in the annual budget ordinances and capital project ordinances in the General fund non-departmental by \$200,131, in the Aviation Commerce Park Grant Fund by \$1,072,265, in the Coast Guard Grant Fund by \$31,971, in the Parkview Sewer Project Fund by \$19,263, in the Raw Water Transmission Project Fund by \$46,324, in the Electric Fund data processing department by \$2,031, Electric Fund other expenses department by \$372,179, and the Electric Fund Capital Outlay by \$90,337.

**Effect:** Moneys were spent that had not been obligated and appropriated.

**Cause:** Lack of oversight when approving purchasing orders and failure of the City's Pre-Audit Certification process.

**Recommendation:** Before an obligation is to incur that will exceed the amount that was previously approved in the budget ordinance, an amendment to the budget should be adopted.

**Management's response:** Management agrees with the finding.

**Corrective Action Plan:**

In fiscal year 2024, Elizabeth City has been in discussions with consultants and the support staff for the current financial system (Edmunds) regarding system controls on budget availability to include staff receiving a "hard" error when attempting to process a requisition, invoice, etc. that will exceed the existing budget. Per those consultants, the system currently is configured for budgetary errors to be a "warning" message rather than a "hard" error and allows staff to "override" this error message if the end

users have a certain level of authorization or above in their security profile. Elizabeth City management has expressed our concerns to the software consultants for future updates to their financial software. In the meantime, our IT Director is working with the consultants to review all end users' authorizations and any that have this level of authorization or higher will be corrected so that Elizabeth City staff cannot override this warning message.

In addition, the project ordinances that have exceeded budget will be reviewed by staff with the necessary budget amendments to the Council for approval to eliminate the exceeded budget issue for capital project ordinances. The City Manager is looking at how to strengthen the oversight of the capital project ordinances to ensure budget is not exceeded in addition to the authorization level adjustments.

Also, the budget to actual for FY24 will be reviewed by management and Finance and will address budgeting concerns through the budget amendment process before fiscal year end.

Expected Date of Completion:

User authorizations are expected to be completed and the user authorizations updated in the financial system in April of 2024.

The capital project ordinances that have exceeded budget review and budget amendments to the Council for approval will occur before fiscal year end 2024.

The budget to actual for FY24 will be reviewed and dealt with through the budget amendment process before the fiscal year end.

**Finding: 2022-006: Material Weakness in Internal Control – Timeliness of Bank Reconciliations**

**Criteria:** Monthly bank reconciliations are an essential tool in internal control in order to balance general ledger accounts, appropriately record activity and identify accounting errors in a timely manner.

**Condition and context:** The City did not make the appropriate journal entries in the general ledger in order to balance to the completed bank reconciliations in a timely manner.

**Effect:** Accurate financial information was not available to management or the Council in a reasonable period of time to provide effective oversight and stewardship of public funds.

**Cause:** Turnover in the Finance Department and lack of individuals on staff with the skills, knowledge and experience to perform the appropriate balancing journal entries.

**Recommendation:** We recommend to the City adhere to policies regarding the completion of the bank reconciliations and hire staff to both prepare and review the bank reconciliations with the appropriate skills, knowledge and experience to complete them.

**Management's response:** Management agrees with the finding.

Corrective Action Plan:

The assessment of the Finance Department was completed in FY24. The City Manager is preparing a report with recommendations, etc., to the Council for the next steps that include a department reorganization, current staffing levels, additional staffing needs, etc. The report will include the next steps to have a position with staff that will have the knowledge and skillset to perform the bank reconciliations, bringing

this task back in-house. The plan is to have the bank reconciliations assigned to a Finance staff position effective in FY25 with a process that includes segregation of duties, strong internal controls, checks and balances, etc.

In addition, the City Manager has implemented an aggressive timeline for Elizabeth City staff to research, analyze, resolve, and post any outstanding items for bank reconciliations as each bank reconciliation is provided by the Isley team in order to get FY24 up to date as soon as possible. Then, this aggressive timeline will remain in place ensuring that monthly bank reconciliations going forward remain timely (e.g., on a current monthly basis). This process will be in place both while Isley staff continue to perform this task and once this task is brought back in-house. Accountability has been attached to any non-compliance with meeting the documented process.

The City Manager also implemented as of February 12, 2024, a daily process for identifying electronic transactions (debit and credit) that are posted to the City's bank account for timely identification, account assignment and posting to the City's general ledger.

Expected Completion Date:

The City Manager will report to Council for next steps before fiscal year end 2024.

Bank reconciliations to be performed by a Finance staff transition to be completed in FY25.

The process for timely research, analyzation, posting, etc. of outstanding/reconciling items is already in place and will remain in place.

Daily review of electronic transactions (both debit and credit transactions) posting to the City's bank account to identify the transaction, assign the general ledger account assignment and posting to the general ledger for timely posting of electronic transactions is already implemented as of February 12, 2024. This process will remain in place.

Accountability is already in place for non-compliance.

**Section 3. Findings and Questioned Costs for Federal Awards**

None reported.

**Section 4. Findings and Questioned Costs for State Awards**

None reported.

Sincerely,



Montre' Freeman,  
City Manager



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# CITY OF ELIZABETH CITY

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended June 30, 2022

### **Section I. Financial Statement Findings**

**2021-001: Material Weakness in Internal Control-Overcharge of Utilities**

**Corrective Action Taken: Corrected.**

**2021-002: Material Weakness in Internal Control-Accrued Compensated Absences**

**Corrective Action Taken: Corrected.**

**2021-003: Material Compliance Violation and Weakness in Internal Control over Compliance-Procurement Policy and NC General Statute 143**

**Corrective Action Taken: Repeat finding 2022-004.**

**2021-004: Material Weakness in Internal Control-Capital Project Budgeting**

**Corrective Action Taken: Corrected.**

**2021-005: Material Compliance Violation and Material Weakness in Internal Control over Compliance-Timeliness of Audited Financial Statements Submission**

**Corrective Action Taken: Repeat Finding- See 2022-001.**

**2021-006: Material Weakness in Internal Control-Capital Assets Existence**

**Corrective Action Taken: Corrected**

**2021-007: Material Weakness in Internal Control-Timeliness of Bank Reconciliations**

**Corrective Action Taken: Repeat Finding- See 2022-006.**

**2121-008: Material Weakness in Internal Control-Benefit Payments Subsequent the Measurement Date for OPEB and LEOSSA**

**Corrective Action Taken: Corrected.**

**2021-009: Material Weakness in Internal Control: Allocation of the Total OPEB Liability**

**Corrective Action Taken: Corrected.**

**2021-010: Material Weakness in Internal Control-Fund Balances**

**Corrective Action Taken: Corrected.**

**2021-011: Material Weakness in Internal Control-Fiduciary Oversight**

**Corrective Action Taken: Corrected.**

**2021-012: Material Compliance Violation and Material Weakness in Internal Control over Compliance-Over Expenditure of Budget**

**Corrective Action Taken: Repeat finding 2022-005.**

**2021-13: Material Weakness in Internal Control over Compliance-Council Minutes**

**Corrective Action Taken: Corrected.**

**Section II. Findings and Questioned Costs for Federal Awards**

There were no findings reported during the year ended June 30, 2021.

**Section III. Findings and Questioned Costs for State Awards**

There were no findings reported during the year ended June 30, 2021.

**CITY OF ELIZABETH CITY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2022**

<b>GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>FEDERAL ASSISTANCE LISTING NUMBER</b>	<b>STATE/ FEDERAL PASS-THROUGH GRANTOR'S NUMBER</b>	<b>FEDERAL (DIRECT AND PASS-THROUGH) EXPENDITURES</b>	<b>STATE EXPENDITURES</b>	<b>SUB-RECIPIENT</b>	<b>TOTAL</b>
<b>FEDERAL GRANTS</b>						
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Passed through NC Dept. of Commerce						
COVID 19 - Community Development Block Grant	14.228	20-V-3513	\$ 198,486	\$ -	\$ -	\$ 198,486
US DEPARTMENT OF INTERIOR						
Passed through NC Dept. of Natural and Cultural Resources						
Historic Preservation Fund Grant	15.904		25,000	-	-	25,000
US DEPARTMENT OF JUSTICE						
Direct Grants:						
Public Safety Partnership and Community Policing Grant	16.710	2017-UM-WX-0045	5,091	-	-	5,091
Public Safety Partnership and Community Policing Grant	16.710	2020-UM-WX-0127	77,887	-	-	77,887
Body-Worn Camera Expansion Program	15.935	2020-BC-BX-0005	9,438	-	-	9,438
Passed through Office of Juvenile Justice & Delinquency Prevention (OJJDP)						
Juvenile Mentoring Program 2020-21 (PAL - Police Athletic League)	16.726	2020-JU-FX-0032	18,900	-	-	18,900
Juvenile Mentoring Program 2020-21 (PAL - Police Athletic League)	16.726	15PJDP-21-GG-02764	3,916	-	-	3,916
US DEPARTMENT OF JUSTICE						
Passed through NC Dept of Public Safety (Governor's Crime Commission)						
Byrne Justice Assistance Grants	16.738	16PBJA-21-GG-00278-JAG	24,268	-	-	24,268
Total US Department of Justice			139,500			139,500
US ENVIRONMENTAL PROTECTION AGENCY						
Passed through NC Dept of Environmental Quality, Div of Water Infrastructure						
Capitalization Grants For Drinking Water State Revolving Loans	66.468	WIF - 1956	1,009,964	-	-	1,009,964
<b>Total expenditure of federal grants</b>			<b>1,372,950</b>	<b>-</b>	<b>-</b>	<b>1,372,950</b>
<b>STATE GRANTS</b>						
NC DEPARTMENT OF COMMERCE						
Main Stree Solutions Fund Grant (Seven Sounds)			-	200,000	-	200,000
NC DEPARTMENT OF TRANSPORTATION						
Powell Bill		DOT-4	-	894,889	-	894,889
Providence Road Bridge Funding Agreements		8675	-	55,930	-	55,930
Total NC Department of Transportation			-	950,819	-	950,819
GOLDEN LEAF FOUNDATION						
Disaster Recovery		FY2020-192	-	226,385	-	226,385
<b>Total expenditure of state grants</b>			<b>-</b>	<b>1,377,204</b>	<b>-</b>	<b>1,377,204</b>
<b>Total expenditure of all grants</b>			<b>\$ 1,372,950</b>	<b>\$ 1,377,204</b>	<b>\$ -</b>	<b>\$ 2,750,154</b>

**CITY OF ELIZABETH CITY, NORTH CAROLINA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2022**

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**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the City of Elizabeth City under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Because the SEFSA presents only a select portion of the operations of the City of Elizabeth City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Elizabeth City.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

**Note 3. Indirect Cost**

The City of Elizabeth City has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

**Note 4. Loans Outstanding**

The City of Elizabeth City has outstanding loans from federal and State funding sources that are not required to be presented with the Schedule because there are no continuing requirements beyond the repayment of the loan balances in accordance with loan agreement provisions. The loan funds were presented in the Schedule in the years of their expenditures.

The following is a summary of the changes in the City’s long-term outstanding loan balances of the NC Department of Environmental Quality-Division of Water Infrastructure for the fiscal year ended June 30, 2022:

	Beginning Balance, July 1, 2021	Additions	Retirements	Ending Balance, June 30, 2022
State Revolving Loan	\$ 532,408	\$ 268,326	\$ 59,156	\$ 741,578