CITY OF ELIZABETH CITY, NORTH CAROLINA

FINANCIAL STATEMENTS
JUNE 30, 2021

CITY COUNCIL MEMBERS

Kirk Rivers, Mayor

Ken Spence, Mayor Pro-Tem
Barbara Baxter
Johnson Biggs
Katherine Felton
Javis Gibbs
Joe Peel
Johnnie Walton

City of Elizabeth, North Carolina
Table of Contents
June 30, 2021

FINANCIAL SECTION

Independent Auditors' Report 1 - 3

Management's Discussion and Analysis (unaudited) 4 - 11

Basic Financial Statements

Government-Wide Financial Statements

Exhibit 1 – Statement of Net Position 12

Exhibit 2 – Statement of Activities 13

Fund Financial Statements

Exhibit 3 – Balance Sheet and Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds 14

Exhibit 4 – Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 15

Exhibit 5 – Reconciliation of the Statement of Revenues, Expenditures, Changes in Fund Balances to the Statement of Activities –Governmental Funds 16

Exhibit 6 – General Fund Statement of Revenues, Expenditures, and Change in Fund Balance – Actual 17

Exhibit 7 – Statement of Fund Net Position – Proprietary Funds 18

Exhibit 8 – Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds 19

Exhibit 9 – Statement of Cash Flows – Proprietary Funds 20

Notes to Financial Statements 21 - 60

Required Supplementary Financial Data (unaudited)

Schedule 1 – Local Governmental Employees' Retirement System Schedule of Proportionate Share of Net Pension Liability (Asset) 61

Schedule 2 – Local Governmental Employees' Retirement System Schedule of Contributions 62

Schedule 3 – Law Enforcement Officers' Special Separation Allowance
Schedule of Changes in Total Pension Liability 63

Schedule 4 – Law Enforcement Officers' Special Separation Allowance
Schedule of Total Pension Liability as a Percentage of Covered Payroll 64

Schedule 5 – Schedule of Changes in Net OPEB Liability and Related Ratios 65

Individual Fund Schedules

Schedule 6 – General Fund Statement of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual 66 - 70

Schedule 7 – Combining Balance Sheet – Nonmajor funds 71

Schedule 8 – Combining Statements of Revenues,
Expenditures, and Changes in Fund Balance – Nonmajor funds 72

Schedule 9 – Aviation Commerce Park Grant Schedule of Revenues,
Expenditures, and Changes in Fund Balance – Budget and Actual 73

Schedule 10 – Community Revitalization Fund Schedule of Revenues,
Expenditures, and Changes in Fund Balance – Budget and Actual 74

Schedule 11 – Coast Park Project Fund Schedule of Revenues,
Expenditures, and Changes in Fund Balance – Budget and Actual 75

Schedule 12 – Water and Sewer Fund Schedule of Revenues
and Expenditures – Budget and Actual (Non-GAAP) 76 - 78

Schedule 13 – Water and Sewer Capital Reserve Fund Schedule of Revenues
and Expenditures – Budget and Actual (Non-GAAP) 79

Schedule 14 – Parkview Sewer Project Fund Schedule of Revenues
and Expenditures – Budget and Actual (Non-GAAP) 80

Schedule 15 – Raw Water Transmission Project Fund Schedule of Revenues
and Expenditures – Budget and Actual (Non-GAAP) 81

Schedule 16 – Water Asset Inventory Project Fund Schedule of Revenues
and Expenditures – Budget and Actual (Non-GAAP) 82

Schedule 17 – Waste Water Inventory Project Fund Schedule of Revenues
and Expenditures – Budget and Actual (Non-GAAP) 83

Schedule 18 – Electric Fund Schedule of Revenues
and Expenditures – Budget and Actual (Non-GAAP) 84 - 86

Schedule 19 – Combining Statement of Net Position – Nonmajor Enterprise Funds 87

Schedule 20 – Combining Statement of Revenues, Expenditures, and Changes in Fund Net Position and Changes in Fund Net Position 88

Schedule 21 – Stormwater Fund Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) 89

Schedule 22 – Solid Waste Fund Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) 90

Other Supplementary Information (Unaudited)

Schedule 23 – Schedule of Ad Valorem Taxes Receivable 91

Schedule 24 – Analysis of Current Tax Levy – City -Wide Levy 92

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* 93 - 94

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance 95 - 96

Report on Compliance for The Major State Program and Report on Internal Control over Compliance Required by the State Single Audit Implementation Act 97 - 99

Schedule of Findings and Questioned Costs 99 - 108

Corrective Action Plan 109 – 116

Summary Schedule of Prior Year Audit Findings 117

Schedule of Expenditures of Federal and State Awards 118

Notes to the Schedule of Expenditures of Federal and State Awards 119

PBMares SM
CPAs and Consultants

INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Elizabeth City, NC

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elizabeth City, NC (the City), as of and for the year ended June 30, 2021, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elizabeth City, NC, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note VII to the financial statements, the 2020 opening balances in the financial statements have been restated to correct multiple misstatements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4—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 61—65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 Schedule of Expenditures of Federal and State Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Other Supplemental Financial Data has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2023 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 7, 2023

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, 2021. 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.

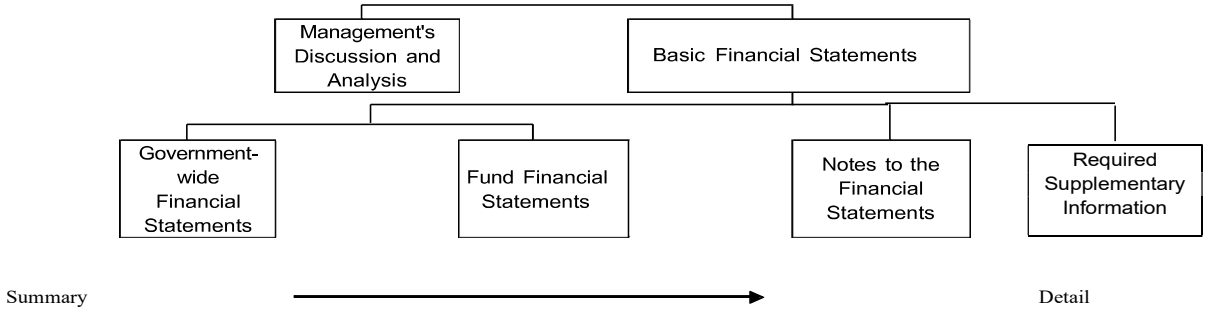
Financial Highlights

- 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 $102,586,402(*net position*).
- The government's total net position increased by $1,272,291, due to an increase in business-type activities.
- Governmental activities beginning net position was restated by ($2,466,735) to have a restated beginning net position of $19,820,939 and business activities beginning net position was restated by $1,110,944 to have a restated beginning net position of $81,493,172.
- As of the close of the current fiscal year, the City of Elizabeth City's governmental funds reported combined ending fund balances of $7,140,405 with a net change of $300,163 in fund balance. Approximately 58 percent of ending fund balance, or $4,148,050 is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $2,538,188 or 11.3% of total General Fund expenditures for the fiscal year.
- The City of Elizabeth City's total long-term liabilities decreased by $1,102,767 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



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 is provided 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.

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 21-60 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 61 of this report.

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 Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and other assets	$ 8,794,398	$ 8,443,598	$ 24,910,817	$ 24,131,809	$ 33,705,215	$ 32,575,407
Capital assets, net	31,586,651	34,104,399	74,861,956	73,960,020	106,448,607	108,064,419
Total Assets	40,381,049	42,547,997	99,772,773	98,091,829	140,153,822	140,639,826
Total Deferred Outflows	5,570,105	2,588,196	2,025,552	1,203,207	7,595,657	3,791,403
Liabilities:						
Other liabilities	2,056,782	1,670,811	6,656,545	5,290,905	8,713,327	6,961,716
Long-term liabilities	21,397,550	20,143,862	10,452,012	13,146,891	31,849,562	33,290,753
Total Liabilities	23,454,332	21,814,673	17,108,557	18,437,796	40,562,889	40,252,469
Total Deferred Inflows	3,271,952	1,033,844	1,328,236	475,012	4,600,188	1,508,856
Net Position:						
Net investments in capital assets	27,451,366	29,591,549	70,634,721	66,930,524	98,086,087	96,522,073
Restricted	4,017,179	4,354,641	-	-	4,017,179	4,354,641
Unrestricted	(12,243,675)	(11,658,516)	12,726,811	13,451,704	483,136	1,793,188
Total Net Position, before restated	19,224,870	22,287,674	83,361,532	80,382,228	102,586,402	102,669,902
Restatement	-	(2,466,735)	-	1,110,944	-	(1,355,791)
Total Net Position, restated	$ 19,224,870	$ 19,820,939	$ 83,361,532	$ 81,493,172	$ 102,586,402	$ 101,314,111

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 $102,586,402 as of June 30, 2021. The City's net position increased by $1,272,291 for the fiscal year ended June 30, 2021. However, the largest portion, 95.6%, 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, $4,017,179 represents resources that are subject to external restrictions on how they may be used. The remaining balance of $483,136 is unrestricted.

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

- The tax collection percentage of 95.97% has increased over last year's collection rate of 95.34%.

City of Elizabeth City
Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for services	$ 1,217,307	$ 1,426,381	$ 44,168,871	$ 42,115,298	$ 45,386,178	$ 43,541,679
Operating grants and contributi	3,165,628	805,474	191,255	-	3,356,883	805,474
Capital grants and contributions	-	-	621,812	496,680	621,812	496,680
General Revenues:						
Property taxes	8,370,779	8,898,294	-	-	8,370,779	8,898,294
Other txes, contributions not restricted	7,323,103	7,595,997	-	-	7,323,103	7,595,997
Miscellaneous	711,671	847,027	31,917	-	743,588	847,027
Investment earnings, unrestrict	1,183	-	1,970	883,977	3,153	883,977
Total Revenues	20,789,671	19,573,173	45,015,825	43,495,955	65,805,496	63,069,128
Expenses:						
General government	5,768,601	4,099,768	-	-	5,768,601	4,099,768
Public safety	12,239,851	11,892,424	-	-	12,239,851	11,892,424
Transportation	1,445,658	1,771,965	-	-	1,445,658	1,771,965
Environmental protection	46,136	42,202	-	-	46,136	42,202
Cultural and recreation	2,571,549	3,728,806	-	-	2,571,549	3,728,806
Interest on long-term debt	130,785	393,199	-	-	130,785	393,199
Loss on disposal of assets	108,160	96,146	-	-	108,160	96,146
Water and sewer	-	-	9,126,600	8,821,169	9,126,600	8,821,169
Electric	-	-	31,124,642	30,491,128	31,124,642	30,491,128
Stormwater	-	-	-	278,220	-	278,220
Solid Waste	-	-	1,971,223	1,672,411	1,971,223	1,672,411
Total Expenses	22,310,740	22,024,510	42,222,465	41,262,928	64,533,205	63,287,438
Increase (decrease) in net position before transfers and special item	(1,521,069)	(2,451,337)	2,793,360	2,233,027	1,272,291	(218,310)
Transfers	925,000	925,000	(925,000)	(925,000)	-	-
Change in Net Position	(596,069)	(1,526,337)	1,868,360	1,308,027	1,272,291	(218,310)
Net position, beginning, as previously stated	22,287,674	23,814,011	80,382,228	79,074,201	102,669,902	102,888,212
Prior period adjustment	(2,466,735)	-	1,110,944	-	(1,355,791)	-
Net position, beginning as restated	19,820,939	23,814,011	81,493,172	79,074,201	101,314,111	102,888,212
Net position, June 30	$ 19,224,870	$ 22,287,674	$ 83,361,532	$ 80,382,228	$ 102,586,402	$ 102,669,902

Governmental activities: Governmental activities decreased the City's net position by $596,069, after transfers. Key elements of this decrease 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 assets by $1,868,360, 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.

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 $2,538,188, while total fund balance reached 6,686,238. The City currently has an unassigned fund balance of 11.3% of General Fund expenditures, while total fund balance represents 29.9% of the same amount.

At June 30, 2021, the governmental funds of City of Elizabeth City reported a combined fund balance of $7,140,405, a 4.4% 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 $8,227,181, $2,409,956 for the Water and Sewer Fund, $1,606,909 for the Stormwater Fund and $482,765 for the Solid Waste Fund. The total change in net position for each fund was $437,394, $1,212,299, $292,040 and $(73,373), 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, 2021 totals $106,448,607 (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	
	2021	2020	2021	2020	2021	2020
Land	$ 9,139,927	$ 9,041,927	$ 712,354	$ 712,354	$ 9,852,281	$ 9,754,281
Buildings and systems	8,145,619	8,269,328	66,863,801	67,673,731	75,009,420	75,943,059
Machinery and equipment	1,350,740	1,208,859	1,541,178	1,285,463	2,891,918	2,494,322
Improvements	11,076,411	11,663,383	-	-	11,076,411	11,663,383
Vehicles	1,873,954	1,581,238	2,617,577	3,091,901	4,491,531	4,673,139
Construction in progress	-	-	3,127,046	1,253,583	3,127,046	1,253,583
Total as restated	$ 31,586,651	$ 31,764,735	$ 74,861,956	$ 74,017,032	$ 106,448,607	$ 105,781,767

Additional information on the City capital assets can be found in Note III.A.4. of the Basic Financial Statements.

Long-term Liabilities. As of June 30, 2021, the City of Elizabeth City had total long-term liabilities outstanding of $35,102,554.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Net pension liability (LGERS)	$ 4,599,410	$ 3,406,274	$ 1,977,123	$ 1,608,518	$ 6,576,533	$ 5,014,792
Total pension liability (LEOSSA)	2,225,070	1,444,342	-	-	2,225,070	1,444,342
Compensated absences	708,984	602,352	273,023	210,832	982,007	813,184
Total OPEB liability	11,184,860	12,183,894	4,781,463	5,206,762	15,966,323	17,390,656
Installment purchases	4,135,285	4,512,850	4,684,928	6,437,937	8,820,213	10,950,787
Revolving loans	-	-	532,408	591,560	532,408	591,560
Total as restated	$ 22,853,609	$ 22,149,712	$ 12,248,945	$ 14,055,609	$ 35,102,554	$ 36,205,321

The City of Elizabeth City's total debt decreased by $1,102,767 (3.1%) 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 55 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the City:

- The City's unemployment rate of 5.8% increased 4.7% from the prior year.
- Retail sales increased approximately 5% from the prior year.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Budgeted expenses in the General Fund are expected to increase from $21,864,635 to $23,808,848. This is a $1,944,213 difference.

Business–type Activities:

Total budgeted expenses for the Electric Fund will increase by approximately 2% to $33,656,67.

Water and Sewer Fund expenses increased by approximately 3% to $11,848,977.

The Stormwater Utility Fund expenditures will reflect the same amount of $590,000.

The Solid Waste budget will increase approximately 3% to $1,766,485.

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, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and investments	$ 5,385,928	$ 14,252,368	$ 19,638,296
Property taxes receivable, net	768,120	-	768,120
Accounts receivable, net	302,389	5,935,232	6,237,621
Due from other governments	1,697,806	504,193	2,201,999
Accrued interest on taxes	124,770	-	124,770
Internal balances	15,189	(15,189)	-
Grants receivable	-	154,092	154,092
Prepaid items	32,094	-	32,094
Inventories	98,777	2,280,064	2,378,841
Cash, restricted	369,325	1,800,057	2,169,382
Total Current Assets	8,794,398	24,910,817	33,705,215
Noncurrent Assets:			
Capital Assets:			
Land and construction in progress	9,139,927	3,839,400	12,979,327
Other capital assets, net	22,446,724	71,022,556	93,469,280
Capital Assets, net	31,586,651	74,861,956	106,448,607
Total Assets	40,381,049	99,772,773	140,153,822
DEFERRED OUTFLOWS OF RESOURCES			
OPEB deferrals	2,167,924	926,775	3,094,699
Pension deferrals	3,402,181	1,098,777	4,500,958
Total deferred outflows of resources	5,570,105	2,025,552	7,595,657
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	600,723	3,997,447	4,598,170
Unearned revenue	-	52,209	52,209
Liabilities to be paid from restricted assets:			
Customer deposits	-	809,956	809,956
Current portion of long-term debt	1,456,059	1,796,933	3,252,992
Total Current Liabilities	2,056,782	6,656,545	8,713,327
Long-Term Liabilities:			
Net pension liability - LGERS	4,599,410	1,977,123	6,576,533
Total OPEB liability	11,184,860	4,781,463	15,966,323
Total pension liability - LEOSSA	2,225,070	-	2,225,070
Due in more than one year	3,388,210	3,693,426	7,081,636
Total Long-Term Liabilities	21,397,550	10,452,012	31,849,562
Total Liabilities	23,454,332	17,108,557	40,562,889
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	91,584	-	91,584
OPEB deferrals	3,052,991	1,305,136	4,358,127
Pension deferrals	127,377	23,100	150,477
Total deferred inflows of resources	3,271,952	1,328,236	4,600,188
NET POSITION			
Net investment in capital assets	27,451,366	70,634,721	98,086,087
Restricted for:			
Stabilization by state statute	3,647,854	-	3,647,854
Restricted for streets	369,325	-	369,325
Unrestricted	(12,243,675)	12,726,811	483,136
Total Net Position	$ 19,224,870	$ 83,361,532	$ 102,586,402

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total
Governmental Activities:							
General government	$ 5,768,601	$ 1,055,468	$ 610,599	$ -	$ (4,102,534)	$ -	$ (4,102,534)
Public safety	12,239,851	6,161	643,532	-	(11,590,158)	-	(11,590,158)
Transportation	1,445,658	-	580,662	-	(864,996)	-	(864,996)
Environmental protection	46,136	-	-	-	(46,136)	-	(46,136)
Cultural and recreation	2,571,549	155,678	1,330,835	-	(1,085,036)	-	(1,085,036)
Loss on disposal of assets	108,160	-	-	-	(108,160)	-	(108,160)
Interest on long-term debt	130,785	-	-	-	(130,785)	-	(130,785)
Total governmental activities	22,310,740	1,217,307	3,165,628	-	(17,927,805)	-	(17,927,805)
Business-Type Activities:							
Water and sewer	9,126,600	9,510,958	191,255	621,812	-	1,197,425	1,197,425
Electric	31,124,642	32,473,954	-	-	-	1,349,312	1,349,312
Stormwater	-	-	-	-	-	-	-
Solid waste	1,971,223	2,183,959	-	-	-	212,736	212,736
Total business-type activities	42,222,465	44,168,871	191,255	621,812	-	2,759,473	2,759,473
Total primary government	$ 64,533,205	$ 45,386,178	$ 3,356,883	$ 621,812	(17,927,805)	2,759,473	(15,168,332)
General revenues:							
Ad valorem taxes					8,370,779	-	8,370,779
Other taxes					105,468	-	105,468
Grants and contributions not restricted to a specific program					7,217,635	-	7,217,635
Miscellaneous					711,671	31,917	743,588
Investment earnings, unrestricted					1,183	1,970	3,153
Transfers					925,000	(925,000)	-
Total general revenues and transfers					17,331,736	(891,113)	16,440,623
Change in net position					(596,069)	1,868,360	1,272,291
Net position, beginning as previously reported					22,287,674	80,382,228	102,669,902
Prior period adjustment					(2,466,735)	1,110,944	(1,355,791)
Net position, beginning as restated					19,820,939	81,493,172	101,314,111
Net position, ending					$ 19,224,870	$ 83,361,532	$ 102,586,402

See Notes to Financial Statements

BALANCE SHEET – GOVERNMENTAL FUNDS AND RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2021

	Major Funds	Non-major	
	General Fund	Other Governmental Funds	Total
ASSETS			
Cash and investments	$ 4,773,790	$ 612,138	$ 5,385,928
Receivables, net:			
Taxes	768,120	-	768,120
Accounts	302,389	-	302,389
Due from other governments	1,697,806	-	1,697,806
Inventories	98,777	-	98,777
Prepaid expenditures	32,094	-	32,094
Due from other funds	1,716,456	-	1,716,456
Restricted cash and cash equivalents	369,325	-	369,325
Total assets	$ 9,758,757	$ 612,138	$ 10,370,895
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	$ 600,723	$ -	$ 600,723
Due to other funds	1,543,296	157,971	1,701,267
Total liabilities	2,144,019	157,971	2,301,990
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable, net	768,120	-	768,120
Special assessments receivable	68,796	-	68,796
Prepaid tax	91,584	-	91,584
Total deferred inflows of resources	928,500	-	928,500
FUND BALANCE			
Nonspendable:			
Prepaid expenditures	32,094	-	32,094
Inventories	98,777	-	98,777
Restricted:			
Stabilization by state statute	3,647,854	-	3,647,854
Streets - Powell bill	369,325	-	369,325
Committed:			
Special revenue funds	-	612,138	612,138
Unassigned	2,538,188	(157,971)	2,380,217
Total fund balance	6,686,238	454,167	7,140,405
Total liabilities, deferred inflows of resources, and fund balance	$ 9,758,757	$ 612,138	$ 10,370,895

Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Total fund balance	$ 7,140,405
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	31,586,651
Deferred outflows of resources related to pensions and OPEB are not reported in the funds.	5,570,105
Earned revenues considered deferred inflows of resources in fund statements fund statements.	836,916
Accrued interest on property taxes	124,770
Deferred inflows of resources related to pensions and OPEB are not reported in the funds.	(3,180,368)
The following long-term liabilities are not due and payable in the current period and, therefore, are no reported in the funds:	
Net pension liability - LGERS	(4,599,410)
Total OPEB liability	(11,184,860)
Gross long-term debt	(4,135,285)
Total pension liability - LEOSSA	(2,225,070)
Compensated absences	(708,984)
Net position of governmental activities	$ 19,224,870

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	Major	Non-major	
	General Fund	Other Governmental Funds	Total
REVENUES			
Ad valorem taxes	$ 8,592,817	$ -	$ 8,592,817
Unrestricted intergovernmental	6,367,635	-	6,367,635
Other taxes and licenses	105,468	-	105,468
Payment in lieu of services	850,000	-	850,000
Restricted intergovernmental	3,165,628	-	3,165,628
Sales and services	182,950	84,132	267,082
Licenses and fees	950,226		950,226
Investment earnings	1,022	161	1,183
Miscellaneous	711,672	-	711,672
Total Revenues	20,927,418	84,293	21,011,711
EXPENDITURES			
Current:			
General government	2,535,451	-	2,535,451
Public safety	12,262,131	-	12,262,131
Transportation	1,758,893	-	1,758,893
Environmental protection	46,136	-	46,136
Cultural and recreation	2,764,632	-	2,764,632
Human resources	467,794	-	467,794
Information technologies	496,785	-	496,785
Non-departmental	795,652	14,329	809,981
Debt service:			
Principal	1,140,794	174,271	1,315,065
Interest and other charges	106,385	24,400	130,785
Total Expenditures	22,374,653	213,000	22,587,653
Excess of revenues over expenditures	(1,447,235)	(128,707)	(1,575,942)
OTHER FINANCIAL SOURCES (USES)			
Sale of capital assets	13,605	-	13,605
Transfer from electric fund in lieu of taxes	925,000	-	925,000
Transfer to general fund	-	(80,000)	(80,000)
Transfer from aviation park	80,000	-	80,000
Installment purchase issuance	937,500	-	937,500
Total other financing sources (uses)	1,956,105	(80,000)	1,876,105
Net change in fund balance	508,870	(208,707)	300,163
Fund balance, beginning	6,177,368	662,874	6,840,242
Fund balance, ending	$ 6,686,238	$ 454,167	$ 7,140,405

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, 2021

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)	$ 300,163
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	(346,808)
Accrued interest on taxes	124,771
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	1,477,822
Disposal of fixed assets	(121,765)
Depreciation expense for governmental assets	(1,534,141)
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	1,315,065
Issuance of long-term debt	(937,500)
Contributions to the pension plan - LEOSSA in the current fiscal year not included in the statement of activities	101,123
Contributions to the pension plan - LGERS in the current fiscal year not included in the statement of activities	973,865
Benefit payments to OPEB	443,412
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	(1,591,437)
Pension expense - LEOSSA	(267,098)
OPEB expense	(426,909)
Compensated absences	(106,632)
Total changes in net position of governmental activities	$ (596,069)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – ANNUAL BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
REVENUES				
Ad valorem taxes	$ 8,345,700	$ 8,450,280	$ 8,592,817	$ 142,537
Unrestricted intergovernmental	5,253,432	5,253,432	6,367,635	1,114,203
Other taxes and licenses	85,000	85,000	105,468	20,468
Payment in lieu of taxes	850,000	850,000	850,000	-
Restricted intergovernmental	3,231,289	4,145,222	3,165,628	(979,594)
Sales and services	124,000	124,000	182,950	58,950
Licenses and fees	621,500	979,622	950,226	(29,396)
Investment earnings	200,000	200,000	1,022	(198,978)
Miscellaneous	259,180	434,180	711,672	277,492
Total Revenues	18,970,101	20,521,736	20,927,418	405,682
EXPENDITURES				
Current:				
General government	2,390,010	2,549,766	2,535,451	14,315
Public safety	11,522,811	12,233,986	12,262,131	(28,145)
Transportation	2,512,817	2,732,815	1,758,893	973,922
Environmental protection	50,000	50,000	46,136	3,864
Cultural and recreation	2,634,166	2,744,754	2,764,632	(19,878)
Human resources	350,334	464,114	467,794	(3,680)
Information technologies	387,772	499,355	496,785	2,570
Non-departmental	877,635	956,593	795,652	160,941
Debt service:				
Principal	1,139,090	967,452	1,140,794	(173,342)
Interest	-	223,876	106,385	117,491
Total Expenditures	21,864,635	23,422,711	22,374,653	1,048,058
Revenues (under) expenditures	(2,894,534)	(2,900,975)	(1,447,235)	1,453,740
OTHER FINANCING SOURCES				
Sale or surplus of capital assets	22,000	22,000	13,605	(8,395)
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	960,545	960,545	937,500	(23,045)
Total other financing sources	2,067,545	2,067,545	1,956,105	(111,440)
Appropriated fund balance	826,989	833,430	-	(833,430)
Net change in fund balance	$ -	$ -	508,870	$ 508,870
Fund balance, beginning			6,177,368	
Fund balance, ending			$ 6,686,238	

STATEMENT OF FUND NET POSITION – PROPRIETARY FUNDS
June 30, 2021

	Water and Sewer Fund	Electric Fund	Nonmajor Enterprise Funds	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 6,037,152	$ 5,509,535	$ 2,705,681	$ 14,252,368
Accounts receivable, net - billed	735,184	1,687,366	350,227	2,772,777
Accounts receivable, net - unbilled	707,165	2,455,290	-	3,162,455
Due from other governments	-	501,534	2,659	504,193
Grant receivable	154,092	-	-	154,092
Inventories	305,407	1,974,657	-	2,280,064
Due from other funds	571,197	2,465,574	7,957	3,044,728
Restricted cash and cash equivalents	998,530	791,188	10,339	1,800,057
Total current assets	9,508,727	15,385,144	3,076,863	27,970,734
Noncurrent assets:				
Advances to other funds	-	1,204,482	-	1,204,482
Capital assets:				
Land and construction in progress	257,851	3,507,509	74,040	3,839,400
Other capital assets, net of depreciation	49,076,560	16,332,107	5,613,889	71,022,556
Capital assets	49,334,411	19,839,616	5,687,929	74,861,956
Total noncurrent assets	49,334,411	21,044,098	5,687,929	76,066,438
Total assets	58,843,138	36,429,242	8,764,792	104,037,172
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	435,314	507,290	156,173	1,098,777
OPEB deferrals	369,205	430,250	127,320	926,775
Total deferred outflows of resources	804,519	937,540	283,493	2,025,552
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	929,228	2,989,732	78,487	3,997,447
Current portion of long-term debt	709,106	787,571	300,256	1,796,933
Unearned revenue	7,679	44,530	-	52,209
Due to other funds	1,439,498	1,593,133	27,286	3,059,917
Liabilities payable from restricted assets:				
Customer deposits	18,768	791,188	-	809,956
Total current liabilities	3,104,279	6,206,154	406,029	9,716,462
Noncurrent liabilities:				
Compensated absences	66,894	58,819	16,332	142,045
Loan payable to other funds	1,204,482	-	-	1,204,482
Installment loan payable	1,177,235	1,396,171	504,723	3,078,129
State revolving loans	473,252	-	-	473,252
Total OPEB liability	1,904,822	2,219,767	656,874	4,781,463
Net pension liability	783,297	912,810	281,016	1,977,123
Total noncurrent liabilities	5,609,982	4,587,567	1,458,945	11,656,494
Total liabilities	8,714,261	10,793,721	1,864,974	21,372,956
DEFERRED INFLOWS OF RESOURCES				
OPEB deferrals	519,935	605,902	179,299	1,305,136
Pension deferrals	9,152	10,665	3,283	23,100
Total deferred inflows of resources	529,087	616,567	182,582	1,328,236
NET POSITION				
Net investment in capital assets	47,994,353	17,729,313	4,911,055	70,634,721
Unrestricted	2,409,956	8,227,181	2,089,674	12,726,811
Total net position	$ 50,404,309	$ 25,956,494	$ 7,000,729	$ 83,361,532

STATEMENT OF FUND NET POSITION – PROPRIETARY FUNDS
For the Year Ended June 30, 2021

	Water & Sewer Fund	Electric Fund	Nonmajor Enterprise Funds	Total
OPERATING REVENUES				
Charges for services	$ 9,065,248	$ 32,277,008	$ 2,149,662	$ 43,491,918
Water and sewer taps	24,432	-	-	24,432
Miscellaneous revenue	421,278	196,946	34,297	652,521
Total operating revenues	9,510,958	32,473,954	2,183,959	44,168,871
OPERATING EXPENSES				
Water and sewer operations	6,905,254	-	-	6,905,254
Electric operations	-	29,693,394	-	29,693,394
Stormwater	-	-	61,842	61,842
Solid waste	-	-	1,427,178	1,427,178
Depreciation and amortization	2,174,061	1,382,056	462,745	4,018,862
Total operating expenses	9,079,315	31,075,450	1,951,765	42,106,530
Operating income	431,643	1,398,504	232,194	2,062,341
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	91	1,775	104	1,970
Interest earned on fees	-	-	5,827	5,827
Restricted intergovernmental	191,255	-	-	191,255
Insurance claims	14,783	11,307	-	26,090
Interest and other charges	(47,285)	(49,192)	(19,458)	(115,935)
Total nonoperating revenue (expenses), net	158,844	(36,110)	(13,527)	109,207
Income and capital contributions before transfers	590,487	1,362,394	218,667	2,171,548
Capital contributions	621,812	-	-	621,812
Transfers to other funds	-	(925,000)	-	(925,000)
Change in net position	1,212,299	437,394	218,667	1,868,360
Total net position, beginning as previously reported	48,999,975	25,262,012	6,120,241	80,382,228
Prior period adjustment	192,035	257,088	661,821	1,110,944
Total net position, beginning as restated	49,192,010	25,519,100	6,782,062	81,493,172
Total net position, ending	$ 50,404,309	$ 25,956,494	$ 7,000,729	$ 83,361,532

STATEMENT OF FUND NET POSITION – PROPRIETARY FUNDS
For the Year Ended June 30, 2021

	Water and Sewer Fund	Electric Fund	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$ 9,325,369	$ 31,067,349	$ 2,382,928	$ 42,775,646
Cash paid for goods and services	(3,667,588)	(2,642,242)	(665,976)	(6,975,806)
Cash payments for purchased power	-	(23,409,887)	-	(23,409,887)
Cash paid to employees	(2,250,010)	(2,242,370)	(709,108)	(5,201,488)
Other operating revenues	421,278	107,046	33,982	562,306
Customer deposits received (returned)	(29,696)	15,747	-	(13,949)
Net cash provided by operating activities	3,799,353	2,895,643	1,041,826	7,736,822
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
(Increase) decrease in due from other funds	(1,368)	(102,776)	-	(104,144)
Operating grants	234,649	-	-	234,649
Capital contributions	621,812	-	-	621,812
Increase (decrease) in due to other funds	64,116	1,117	4,294	69,527
Transfers to other funds	-	(925,000)	-	(925,000)
Net cash provided (used) by noncapital financing activities	919,209	(1,026,659)	4,294	(103,156)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING				
Principal paid on long-term debt	(658,585)	(848,112)	(305,464)	(1,812,161)
Insurance recovery	14,783	11,307	-	26,090
Acquisition of capital assets	(2,129,071)	(2,397,000)	(337,715)	(4,863,786)
Interest and other charges	(47,285)	(49,192)	(19,458)	(115,935)
Net cash used by capital and related financing activities	(2,820,158)	(3,282,997)	(662,637)	(6,765,792)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments, assessments and fees	91	1,775	5,931	7,797
Net cash provided by investing activities	91	1,775	5,931	7,797
Net increase (decrease) in cash and cash equivalents	1,898,495	(1,412,238)	389,414	875,671
Cash and cash equivalents, July 1	5,137,187	7,712,961	2,326,606	15,176,754
Cash and cash equivalents, June 30	$ 7,035,682	$ 6,300,723	$ 2,716,020	$ 16,052,425
Reconciliation of operating income to net cash provided by operating activities				
Operating income	$ 431,643	$ 1,398,504	$ 232,194	$ 2,062,341
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	2,174,061	1,382,056	462,745	4,018,862
Changes in assets, deferred outflows of resources, and liabilities:				
(Increase) decrease in accounts receivable, net	355,295	(474,068)	295,908	177,135
(Increase) decrease in due from other governments	-	(89,716)	(315)	(90,031)
Increase in net pension liability	101,664	257,649	9,292	368,605
(Increase) decrease in deferred outflows of resources for OPEB	(210,990)	(245,909)	(72,814)	(529,713)
Increase (decrease) in inventories	7,784	(82,699)	-	(74,915)
Increase (decrease) in total OPEB liability	(169,883)	(197,534)	(57,882)	(425,299)
Increase (decrease) in deferred inflows of resources for OPEB	378,317	440,898	130,510	949,725
Increase (decrease) in accounts payable and accrued liabilities	802,203	547,813	18,735	1,368,751
Increase (decrease) in customer deposits	(29,696)	15,747	-	(13,949)
Increase (decrease) in compensated absences	22,204	31,017	8,970	62,191
Increase (decrease) in unearned revenue	(30,000)	44,530	-	14,530
Increase (decrease) in deferred inflows of resources for pensions	(7,632)	(5,957)	(3,022)	(16,611)
(Increase) decrease in deferred outflows of resources for pensions	(25,617)	(126,688)	17,505	(134,800)
Total adjustments	3,367,710	1,497,139	809,632	5,674,481
Net cash provided by operating activities	$ 3,799,353	$ 2,895,643	$ 1,041,826	$ 7,736,822

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

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 a 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.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The City reports the following major governmental funds:

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 pay 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.

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 capital leases 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 of Elizabeth 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.

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.

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 also 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.

City of Elizabeth City Restricted Cash

Governmental Activities:		
General Fund	Powell bill	$ 369,325
Business-Type Activities;		
Water and Sewer Fund:		
	Utility deposits	18,768
	Unspent debt proceeds	979,762
		998,530
Electric Fund:		
	Utility deposits	791,188
		791,188
Solid Waste Fund:		
	Unspent debt proceeds	10,339
Total business-type Activities		1,800,057
Total restricted cash		$ 2,169,382

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, 2020. 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.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

f. 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.

g. 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

h. 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 2021 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 and pension deferrals.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

i. 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, as well as issuance costs, 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.

j. 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 the 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 has does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

k. 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 Balances – In the governmental fund financial statements, fund balance is composed of four 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.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

k. Net Position/Fund Balance (Continued)

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.

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 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.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Elizabeth 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 of Elizabeth 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.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

k. Net Position/Fund Balance (Continued)

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.

l. 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.

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Noncompliance with North Carolina General Statutes

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2021, the expenditures made in the City's General Fund exceeded the authorized appropriations made by the governing Council for expenditures for public safety by $28,145, cultural and recreation by $19,878, human resources by $3,680, debt service by $55,852. The over-expenditures for public safety, cultural and recreation, human resources and debt service 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 $864,895 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 $19,273. 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.

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 undercollaterization, 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.

At June 30, 2021, the City's deposits had a carrying amount of $1,488,729, and a bank balance of $679,405. 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, 2021, the City's petty cash fund totaled $3,495.

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

A. Assets (Continued)

2. Investments

At June 30, 2021, 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	$ 17,712,359	$ 17,712,359	N/A	N/A
U.S. Treasuries	Fair Value Level 1	2,337,214	1,302,531	$ 507,455	$ 527,228
Federal Home Loan Bank	Fair Value Level 2	265,881	-	-	265,881
		$ 20,315,454	$ 19,014,890	$ 507,455	$ 793,109

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, 2021. The City has no formal policy regarding credit risk of its investments.

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 year.

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.

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, 2021 are net of the following allowances for doubtful accounts:

	Accounts	Taxes	Accrued Interest Taxes	Due from Other Governments	Total
Governmental Activities:					
General Fund					
Property taxes	$ -	$ 861,096	$ -	$ -	$ 861,096
Local option sales/franchise tax	-	-	-	1,457,068	1,457,068
Accounts Receivable	581,156	-	-	-	581,156
Camden County	-	-	-	8,356	8,356
Accrued interest taxes	-	-	124,770	-	124,770
Pasquotank County	-	-	-	46,342	46,342
Telecommunication tax	-	-	-	27,928	27,928
DMV fees	-	-	-	26,134	26,134
Piped natural gas	-	-	-	9,648	9,648
Video programming tax	-	-	-	26,860	26,860
NCVTS tax	-	-	-	95,470	95,470
Allowance for doubtful accounts	(278,767)	(92,976)	-	-	(371,743)
Total governmental activities	$ 302,389	$ 768,120	$ 124,770	$ 1,697,806	$ 2,893,085
Water and Sewer					
Accounts Receivable	$ 1,880,154	$ -	$ -	$ -	$ 1,880,154
Allowance for doubtful accounts	(437,805)	-	-	-	(437,805)
CDBG grant	-	-	-	73,195	73,195
Division of Water Infrastructure	-	-	-	30,865	30,865
Golden Leaf grant	-	-	-	50,032	50,032
Total Water and Sewer	$ 1,442,349	$ -	$ -	$ 154,092	$ 1,596,441
Electric Fund					
Accounts Receivable	$ 5,378,087	$ -	$ -	$ -	$ 5,378,087
Allowance for doubtful accounts	(1,235,431)	-	-	-	(1,235,431)
Sales tax refund	-	-	-	501,534	501,534
Total Electric	$ 4,142,656	$ -	$ -	$ 501,534	$ 4,644,190
Stormwater Utility Fund					
Accounts Receivable	$ 94,036	$ -	$ -	$ -	$ 94,036
Pasquotank County	-	-	-	2,659	2,659
Total Stormwater Utility	$ 94,036	$ -	$ -	$ 2,659	$ 96,695
Solid Waste Fund					
Accounts Receivable	$ 379,222	$ -	$ -	$ -	$ 379,222
Allowance for doubtful accounts	(123,031)	-	-	-	(123,031)
Total Solid Waste	$ 256,191	$ -	$ -	$ -	$ 256,191
Total business-type activities	$ 5,935,232	$ -	$ -	$ 658,285	$ 6,593,517

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

A. Assets (Continued)

4. Capital Assets

Primary Government. Capital asset activity for the Primary Government for the year ended June 30, 2021 was as follows:

	Beginning Balance, as restated	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	$ 9,041,927	$ 98,000	$ -	$ 9,139,927
Total capital assets not being depreciated.	9,041,927	98,000	-	9,139,927
Depreciable Assets:				
Buildings	9,494,957	63,729	15,036	9,543,650
Equipment and furniture	4,076,687	393,944	577,235	3,893,396
Infrastructure	21,859,852	77,463	-	21,937,315
Vehicles and motorized equipment	7,700,180	844,686	470,632	8,074,234
Total depreciable assets	43,131,676	1,379,822	1,062,903	43,448,595
Less Accumulated Depreciation:				
Buildings	1,225,629	178,566	6,164	1,398,031
Equipment and furniture	2,867,828	221,924	547,096	2,542,656
Other improvements	10,196,469	664,435	-	10,860,904
Vehicles and motorized equipment	6,118,942	469,216	387,878	6,200,280
Total accumulated depreciation	20,408,868	$ 1,534,141	$ 941,138	21,001,871
Governmental activities capital assets, net	$ 31,764,735			$ 31,586,651

The beginning balance for buildings, equipment and furniture, infrastructure, vehicles and respective accumulated depreciation were restated to correct beginning balances by $2,339,664.

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

Governmental Activities:	
General government	$ 84,915
Public safety	539,178
Transportation	557,817
Environmental protection	51,955
Cultural and recreational	300,276
Total	$ 1,534,141

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

A. Assets (Continued)

4. Capital Assets (Continued)

Business-type Activities:	Beginning Balance, as restated	Additions	Retirements	Ending Balance
Water and Sewer Fund				
Non-Depreciable Assets:				
Land	$ 172,000	$ -	$ -	$ 172,000
Construction in progress	587,708	853,865	1,355,722	85,851
Total non-depreciable assets	759,708	853,865	1,355,722	257,851
Depreciable and Amortizable Assets:				
Plant and distribution systems	82,347,397	2,272,390	-	84,619,787
Furniture and maintenance equipment	2,198,133	276,850	103,278	2,371,705
Vehicles	1,271,035	81,688	-	1,352,723
Total depreciable and amortizable assets	85,816,565	2,630,928	103,278	88,344,215
Less Accumulated Depreciation:				
Plant and distribution systems	35,740,912	1,755,038	-	37,495,950
Furniture and maintenance equipment	1,068,201	154,628	103,278	1,119,551
Vehicles	632,920	141,812	-	774,732
Total accumulated depreciation	37,442,033	2,051,478	103,278	39,390,233
Total capital assets being depreciated, net	48,374,532	1,433,315	1,355,722	48,953,982
Capital assets being amortized:				
Additional water capacity, net	245,161	-	122,583	122,578
Water and Sewer Fund capital assets, net	$ 49,379,401			$ 49,334,411

The beginning balance for plant and distributions systems, construction in progress, vehicles and equipment and respective accumulated depreciation for plant distribution system were restated to correct beginning balances by $1,162.

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

A. Assets (Continued)

4. Capital Assets (Continued)

	Beginning Balance, as restated	Additions	Retirements	Ending Balance
Electric Fund				
Non-Depreciable Assets:				
Land	$ 540,354	$ -	$ -	$ 540,354
Construction in progress	591,835	2,375,320	-	2,967,155
Total non-depreciable assets	1,132,189	2,375,320	-	3,507,509
Depreciable and Amortizable Assets:				
Substations, lines and related equipment	40,511,930	11,379	-	40,523,309
Buildings	1,312,844	-	-	1,312,844
Furniture and maintenance equipment	4,929,386	-	113,034	4,816,352
Vehicles	2,490,300	10,301	109,475	2,391,126
Total depreciable and amortizable assets	49,244,460	21,680	222,509	49,043,631
Less Accumulated Depreciation:				
Substations, lines and related equipment	25,677,129	1,016,043	-	26,693,172
Buildings	368,331	8,581	-	376,912
Furniture and maintenance equipment	3,798,652	134,996	113,034	3,820,614
Vehicles	1,707,865	222,436	109,475	1,820,826
Total accumulated depreciation	31,551,977	1,382,056	222,509	32,711,524
Total capital assets being depreciated, net				
Electric Fund capital assets, net	$ 18,824,672			$ 19,839,616

The beginning balances for furniture and maintenance, substation, lines and related equpment, vehicles and the respective accumulalted depreciated were restated to correct beginning balances by $8,990.

	Beginning Balance, as restated	Additions	Retirements	Ending Balance
Stormwater Utility Fund				
Non-Depreciable Assets:				
Construction in progress	$ 74,040	$ -	$ -	$ 74,040
Total non-depreciable assets	74,040	-	-	74,040
Depreciable and Amortizable Assets:				
Equipment	-	337,715	-	337,715
Plant distribution systems	6,039,900	-	-	6,039,900
Total depreciable and amortizable assets	6,039,900	337,715	-	6,377,615
Less Accumulated Depreciation:				
Equipment	-	38,948	-	38,948
Plant distribution systems	997,129	191,454	-	1,188,583
Total accumulated depreciation	997,129	230,402	-	1,227,531
Total capital assets being depreciated, net	5,042,771	107,313	-	5,150,084
Stormwater Utility Fund assets, net	$ 5,116,811			$ 5,224,124

The beginning balance for accumulated depreciation for plant distribution system was restated to correct beginning balances by $5,629.

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

A. Assets (Continued)

4. Capital Assets (Continued)

	Beginning Balance, as restated	Additions	Retirements	Ending Balance
Solid Waste Fund				
Depreciable and Amortizable Assets:				
Furniture and maintenance equipment	$ 511,293	$ -	$ -	$ 511,293
Vehicles	1,946,735	-	-	1,946,735
Total depreciable and amortizable assets	2,458,028	-	-	2,458,028
Less Accumulated Depreciation:				
Furniture and maintenance equipment	1,486,496	30,278	-	1,516,774
Vehicles	275,384	202,065	-	477,449
Total accumulated depreciation	1,761,880	232,343	-	1,994,223
Total capital assets being depreciated, net	696,148	(232,343)	-	463,805
Solid Waste Fund	$ 696,148			$ 463,805

The beginning balance for furniture and maintenance, vehicles and respective accumulated depreciation was restated to correct beginning balances by $41,239.

Business-type activities capital assets, net	$ 74,017,032	$ 74,861,956

B. Liabilities

1. Payables

Payables at the governmental-wide level at June 30, 2021, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General	$ 210,474	$ 390,289	$ 600,723
Total-governmental activities	$ 210,474	$ 390,249	$ 600,723
Business-type Activities			
Water and Sewer	$ 858,166	$ 71,062	$ 929,228
Electric	2,906,782	82,950	2,989,732
Stormwater	14,752	-	14,752
Solid Waste	40,256	23,479	63,735
Total-business-type activities	$3,799,956	$ 177,491	$3,977,447

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 of Elizabeth City is participating employers 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.

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 of Elizabeth 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 of Elizabeth City's contractually required contribution rate for the year ended June 30, 2021, was 10.21% for general employees and firefighters and 10.84% for law enforcement employee, 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 of Elizabeth City were $1,392,430 for the year ended June 30, 2021.

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.

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

B. Liabilities (Continued)

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

At June 30, 2021, the City reported a liability of $6,576,533 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020 (measurement date), the City's proportion was 0.18404%, which was an increase of 0.00041% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of $2,227,195. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 830,501	$ -
Changes of assumptions	489,423	-
Net difference between projected and actual earnings on pension plan investments	925,470	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	17,060	76,841
Town contributions subsequent to the measurement date	1,392,430	-
Total	$ 3,654,884	$ 76,841

$1,392,430 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2022	$ 612,648
2023	822,639
2024	476,436
2025	273,890
Total	$ 2,185,613

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

B. Liabilities (Continued)

Actuarial Assumptions. 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	3.0 percent
3.50 to 8.10 percent, including inflation and productivity factor	
Investment rate of return	7.0 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, 2019 valuation with the exception of the discount rate were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	100.0%	

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

B. Liabilities (Continued)

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.0%. 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 7.0 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 (6.0 percent) or one percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
City's proportionate share of the net pension liability	$ 13,343,069	$ 6,576,533	$ 953,066

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 of Elizabeth 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.

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

B. Liabilities (Continued)

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	8
Active plan members	54
Total	62

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	1.93 percent

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.

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.

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

B. Liabilities (Continued)

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 $93,869 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, 2021, the City reported a total pension liability of $2,225,070. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of 260,772.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 140,047	$ 37,274
Changes of assumptions	604,904	36,362
Town benefit payments and plan administrative expense made subsequent to the measurement date	101,123	-
Total	$ 846,074	$ 73,636

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

B. Liabilities (Continued)

$101,123 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2022	$ 130,095
2023	133,363
2024	138,612
2025	135,095
2026	134,150
Total	$ 671,315

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 1.93% 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (.93%)	**Discount Rate (1.93%)**	**1% Increase (2.93%)**
Total Pension Liability	$ 2,426,666	$ 2,225,070	$ 2,040,185

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, 2019 valuation were based on the results of an actuarial experience study for the 5-year period ending December 31, 2019.

	2021
Beginning balance	$ 1,444,342
Service Cost	85,122
Interest on the total pension liability	45,555
Differences between expected and actual experience in the measurement of the total pension liability	91,783
Changes of assumptions or other inputs	652,137
Benefit payments	(93,869)
Other changes	-
Ending balance of the total pension liability	2,225,070

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

B. Liabilities (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:

	LEOSSA	LGERS	Total
Pension expense	$ 260,772	$ 2,227,195	$ 2,487,967
Pension liability	2,225,070	6,576,533	8,801,603
Proportionate share of the net position liability	N/A	0.18404%	-
Deferred Outflows of Resources:			
Difference between expected and actual experience	140,047	830,501	970,548
Changes of assumptions and other inputs	604,904	489,423	1,094,327
Net difference between projected and actual earnings on pension plan investments	-	925,470	925,470
Changes in proportion and differences between contributions and proportionate share of contributions	-	17,060	17,060
Benefit payments and administrative cost paid subsequent to the measurement date	101,123	1,392,430	1,493,553
Total deferred outflows of resources	$ 846,074	$ 3,654,884	$ 4,500,958
Deferred Inflows of Resources:			
Difference between expected and actual experience	$ 37,274	$ -	$ 37,274
Changes of assumptions and other inputs	36,362	-	36,362
Changes in proportion and differences between contributions and proportionate share of contributions	-	76,841	76,841
Total deferred inflows of resources	$ 73,636	$ 76,841	$ 150,477

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.

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

B. Liabilities (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, 2021 were $896,100 which consisted of $673,156 from the City and $222,944 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.

Plan Description. Under the terms of a City resolution, the City administers a single-employer defined benefit plan. 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 you 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	262
Total	377

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

B. Liabilities (Continued)

Total OPEB Liability

The City's total OPEB liability of $15,966,323 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	1.00 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50-7.75%
Municipal Bond Index Rate	
Prior measurement date	3.50%
Measurement date	2.21%
Heath care cost trends	
Pre-medical and prescription drug	7.0% for 2020 decreasing to an ultimate rate of 4.5% by 2030
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

	Total OPEB Liability
Balance at 6/30/2020	$ 17,390,656
Changes for the year	
Service cost	570,548
Interest	614,552
Differences between expected and actual experience	(4,055,251)
Changes in assumptions or other inputs	2,257,950
Benefit payments	(812,132)
Net changes	(1,424,333)
Balance at 6/30/2021	$ 15,966,323

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

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

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

B. Liabilities (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, 2010 through December 31, 2014, adopted by the LGERS Board.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the 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 (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease	Discount Rate (2.21%)	1% Increase
Total OPEB liability	$ 18,084,321	$ 15,966,323	$ 14,220,660

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:

	1% Decrease	Current	1% Increase
Total OPEB liability	$ 14,064,236	$ 15,966,323	$ 18,311,661

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

For the year ended June 30, 2021, the City recognized OPEB expense of $749,535. At June 30, 2021, 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	$ -	$ 3,600,848
Changes of assumptions	2,461,706	757,279
Benefit payments and administrative costs made subsequent to the measurement date	632,993	-
Total	$ 3,094,699	$ 4,358,127

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

B. Liabilities (Continued)

$632,993 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, 2022. 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:	
2022	$ (435,565)
2023	(435,565)
2024	(426,668)
2025	(255,799)
2026	(167,149)
Thereafter	(175,675)
Total	$ (1,896,421)

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.

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:

	Statement of Net Position
Difference between expected and actual experience	$ 970,548
Changes of assumptions and other inputs - pension and OPEB	3,556,033
Net difference between projected and actual earnings on pension plan investments	925,470
Changes in proportion and differences between contributions and proportionate share of contributions	17,060
Benefit payments and administrative cost paid subsequent to the measurement date - pensions and OPEB	2,126,546
Total deferred outflows of resources	$ 7,595,657

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, net	$ -	$ 768,120
Difference between expected and actual experience - pension and OPEB	3,638,122	-
Changes of assumptions and other inputs - pensions and OPEB	793,641	-
Changes in proportion and differences between contributions and proportionate share of contributions	76,841	-
Special assessments receivable	-	68,796
Prepaid tax	91,584	91,584
Total deferred inflows of resources	$ 4,600,188	$ 928,500

NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (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 7/1/2020-7/1/2021 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

In August 2012, the City entered into a direct borrowing installment note for $1,225,825 to finance the purchase of additional water capacity. The finance contract requires ten annual payments of amounts varying from $122,582 to $161,809, plus 4.0% interest rate and matures in calendar year 2021. (Water and SewerFund)	$	122,582
In January 2013, the City entered into a direct borrowing installment note for $3,100,000 to finance the purchase of electric delivery point. The finance contract requires one hundred eight monthly payments of amounts of $28,594, plus 2.05% interest rate and matures in 2022. The note is secured by the assets acquired during the the electric delivery point project. (Electric Fund)		191,703

NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (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)	$	482,519
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.		360,000
In September 2016, the City entered into a direct borrowing installment note for $255,500 to finance the purchase of vehicles. The finance contract requires sixty monthly payments of amounts of $4,436, plus 1.62% interest rate and matures in 2022. The note is secured by the vehicles. (Governmental Activities)		13,272
In December 2016, the City entered into a direct borrowing installment note for $460,017 to finance the purchase of a police radio system. The finance contract requires one hundred seventeen monthly payments of amounts varying from $7,808 to $8,477, plus 1.74% interest rate and matures in 2022. The note is secured by the police radio system. (Governmental Activities)		38,984
In December 2016, the City entered into a direct borrowing installment note for $235,879 to finance the purchase of a fire radio system. The finance contract requires fifty-nine monthly payments of amounts of $4,174, plus 1.74% interest rate and matures in 2022. The note is secured by the fire radio system. (Governmental Activities)		20,781
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)		154,167
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)		60,000
In December 2017, the City entered into a direct borrowing installment note for $325,000 to finance the improvements of the municpal building. The finance contract requires sixty monthly payments of amounts 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)		92,083

NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (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 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 $86,780 and Solid Waste Fund $65,263)	$	152,043
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 amounts of $2,083, plus 2.49% interest rate and matures in 2023. The note is secured by the Charles Creek Park. (Governmental Activities)		41,667
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 amounts of $13,867, plus 2.99% interest rate and matures in 2024. The note is secured by the vehicles and equipment. (Governmental Activities $264,894 and Solid Waste Fund $148,298)		413,192
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 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)		1,200,000
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 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)		542,821
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 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)		477,404
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 amounts of $6,861, plus 2.15% interest rate and matures in 2024. The note is secured by the SCADA equipment. (Water and Sewer		264,625

NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (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 amounts of $6,598, plus 2.15% interest rate and matures in 2024. he note is secured by the Vactor truck. (Water and Sewer Fund)	$	254,448
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 amounts of $12,227, plus 2.15% interest rate and matures in 2024. The note is secured by the vehicles and equipment. (Governmental Activities $207,629 Water and Sewer Fund $125,532 and Solid Waste Fund $91,133)		424,294
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 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)		219,068
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 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)		217,289
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 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)		209,529
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 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)		89,244
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 amounts of $46,182, plus 1.89% interest rate and matures in 2025. The note is secured by the electric meters. (Electric Fund)		1,918,600
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 amounts of $1,810, plus 5.14% interest rate and matures in 2025. The note is secured by the chiller. (Governmental Activities)		75,106

NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (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 amounts of $5,389, plus 1.36% interest rate and matures in 2023. The note is secured by the surveillance cameras. (Governmental	$	143,224
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 amounts of $12,250, plus 1.51% interest rate and matures in 2025. The note is secured by the equipment and vehicles. (Governmental Activities)		604,748
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 amounts of $702, plus 2.05% interest rate and matures in 2026. The note is secured by the vehicle. (Governmental Activities)		36,820
Total installment purchase direct borrowings	$	8,820,213

The future minimum payments of the installment purchases as of June 30, 2021, including $428,562 of interest, are as follows:

	Governmental Activities		Business-type Activities		Total	
Years Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 1,157,989	$ 91,568	$ 1,606,799	$ 84,301	$ 2,764,788	$ 175,869
2023	945,206	65,609	1,272,208	51,268	2,217,414	116,877
2024	744,320	44,470	1,264,485	24,673	2,008,805	69,143
2025	606,233	26,955	541,436	2,932	1,147,669	29,887
2026	231,537	16,182	-	-	231,537	16,182
2027-2031	450,000	20,604	-	-	450,000	20,604
Total	$ 4,135,285	$ 265,388	$ 4,684,928	$ 163,174	$ 8,820,213	$ 428,562

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.

Revolving loans payable at June 30, 2021 are comprised of the following individual issues:

$1,183,128 - 2010 Water revolving loan due in annual installments of $59,156 through May 2030, interest at 0%. Payments began in 2011	$	532,408

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

8. Long-Term Obligations (Continued)

A. Installment Purchase (Continued)

The future minimum payments of the revolving loans as of June 30, 2021 are as follows:

	Business-type Activities	
Years Ending June 30,	Principal	Interest
2022	$ 59,156	$ -
2023	59,156	-
2024	59,156	-
2025	59,156	-
2026	59,156	-
2027-2031	236,628	-
Total	$ 532,408	$ -

At June 30, 2021, City of Elizabeth City, North Carolina had a legal debt margin of $111,222,207.

B. Changes in Long-Term Liabilities

	Beginning Balance, as restated	Additions	Retirements	Ending Balance	Current Portion of Balance
Governmental Activities:					
Installment purchases-direct borrowings	$ 4,512,850	$ 937,500	$ 1,315,065	$ 4,135,285	$ 1,157,989
Total OPEB liability	12,183,894	-	999,034	11,184,860	-
Net pension liability (LGERS)	3,406,274	1,193,136	-	4,599,410	-
Total pension liability (LEOSSA)	1,444,342	780,728	-	2,225,070	-
Compensated absences	602,352	106,632	-	708,984	298,070
Total	$ 22,149,712	$ 3,017,996	$ 2,314,099	$ 22,853,609	$ 1,456,059

The beginning OPEB liability was restated to correct the beginning balance by ($888,324).

	Beginning Balance, as restated	Additions	Retirements	Ending Balance	Current Portion of Balance
Business-Type Activities:					
Water and Sewer Fund:					
Installment purchases-direct borrowings	$ 2,386,845	$ -	$ 599,433	$ 1,787,412	$ 610,177
Revolving loan	591,560	-	59,152	532,408	59,156
Total OPEB liability	2,074,705	-	169,883	1,904,822	-
Net pension liability (LGERS)	681,633	101,664	-	783,297	-
Compensated absences	84,463	22,204	-	106,667	39,773
Water and Sewer long-term liabilities	$ 5,819,206	$ 123,868	$ 828,468	$ 5,114,606	$ 709,106

The beginning OPEB liability was restated to correct the beginning balance by $178,779.

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

8. Long-Term Obligations (Continued)

B. Changes in Long-Term Liabilities (Continued)

	Beginning Balance, as restated	Additions	Retirements	Ending Balance	Current Portion of Balance
Electric Fund:					
Installment purchases-direct borrowings	$ 2,958,415	$ -	$ 848,112	$ 2,110,303	$ 714,132
Net pension liability (LGERS)	655,161	257,649	-	912,810	-
Total OPEB liability	2,417,301	-	197,534	2,219,767	-
Compensated absences	101,241	31,017	-	132,258	73,439
Electric long-term liabilities	$ 6,132,118	$ 288,666	$ 1,045,646	$ 5,375,138	$ 787,571
The beginning OPEB liability was restated to correct the beginning balance by $143,953.					
Stormwater Fund:					
Installment purchases-direct borrowings	$ 619,664	$ -	$ 137,145	$ 482,519	$ 140,812
Net pension liability (LGERS)	13,979	-	3,081	10,898	-
Stormwater long-term liabilities	$ 633,643	$ -	$ 140,226	$ 493,417	$ 140,812
Solid Waste Fund:					
Installment purchases-direct	$ 473,013	$ -	$ 168,319	$ 304,694	$ 141,678
Total OPEB liability	714,756	-	57,882	656,874	-
Net pension liability (LGERS)	257,745	12,373	-	270,118	-
Compensated absences	25,128	8,970	-	34,098	17,766
Solid Waste long-term liabilities	$ 1,470,642	$ 21,343	$ 226,201	$ 1,265,784	$ 159,444
The beginning OPEB liability was restated to adjust the beginning balance by $565,592.					
Business activity long-term liabilities	$ 14,055,609	$ 433,877	$ 2,240,541	$ 12,248,945	$ 1,796,933

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

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2021, consist of the following:

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.

	Governmental Activities			Enterprise Funds			
	General Fund	Non-major Funds	Total Governmental Activities	Water and Sewer Fund	Electric Fund	Solid Waste Fund	Total Enterprise Funds
Due to General Fund	$ -	$ 157,971	$ 157,971	$ 475,147	$ 1,083,338	$ -	$ 1,558,485
Due to Water and Sewer Fund	68,645	-	68,645	-	502,303	249	502,552
Due to Electric Fund	1,474,186	-	1,474,186	964,351	-	27,037	991,388
Due to Solid Waste Fund	465	-	465	-	7,492	-	7,492
Total due to other funds	$ 1,543,296	$ 157,971	$ 1,701,267	$ 1,439,498	$ 1,593,133	$ 27,286	$ 3,059,917

NOTE III – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (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	$ -	$ -	$ -	$ 68,645	$ 1,474,186	$ 465	$ 1,543,296
Due from Water and Sewer Fun	475,147	-	475,147	-	964,351	-	964,351
Due from Electric Fund	1,083,338	-	1,083,338	502,303		7,492	509,795
Due from Solid Waste Fund	-	-	-	249	27,037	-	27,286
Due from Nonmajor Funds	157,971	-	157,971	-	-	-	-
Total due from other funds	$ 1,716,456	$ -	1,716,456	$ 571,197	$ 2,465,574	$ 7,957	$ 3,044,728
Net due to/from other funds			$ (15,189)				$ 15,189

An advance of $1,204,482 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 $1,204,482.

Transfers to / from other funds at June 30, 2021, consist of the following:

	Amount
From the Electric Fund to the General Fund in lieu of taxes	$ 925,000
From Aviation Fund to the General Fund	80,000
	$ 1,005,000

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, 2021 is composed of the following:

Governmental Activities	
Capital assets	$ 31,586,651
Long-term debt	(4,135,285)
Net investment in capital assets	$ 27,451,366

Business-Type Activities	Water and Sewer Fund	Electric Fund	Nonmajor Funds	Total Business-Type Activities
Capital assets	$ 49,334,411	$ 19,839,616	$ 5,687,929	$ 74,861,956
Unspent bond proceeds	979,762	-	10,339	990,101
Long-term debt	(2,319,820)	(2,110,303)	(787,213)	(5,217,336)
Net investment in capital assets	$ 47,994,353	$ 17,729,313	$ 4,911,055	$ 70,634,721

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

10. Fund Balance

Total fund balance - General Fund	$ 6,686,238
Less:	
Inventories	98,777
Prepaid expenditures	32,094
Stabilization by state statute	3,647,854
Streets - Powell bill	369,325
Remaining fund balance	$ 2,538,188

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, 2021. 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 Albermarle 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 Albermarle 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, 2021. The City contributed no amounts to the AEDC during the fiscal year ended June 30, 2021. 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

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 – RESTATEMENT PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2021, the City determined that Accounts Payable was overstated by $224,981, and Fixed Assets were overstated by $2,339,664 in the governmental activities for the year ended June 30, 2020. In the Water and Sewer Fund, Electric Fund, Stormwater Fund and Solid waste fund, fixed assets were overstated by $1,162 and understated by $8,990, $5,629 and $41,239, respectively. Also, the City determined the OPEB deferred inflow of resources, deferred outflow of resources and the total OPEB liability were incorrectly calculated in the fiscal year 2020, resulting in an adjustment to beginning net position of $452,246 in the governmental activities, $262,995 in the Water and Sewer Fund, $ 248,098 in the Electric Fund and $614,953 in the Solid Waste Fund. Grants were overstated in the Water and Sewer fund of $72,122. The LEOSSA deferred outflows were understated in prior year by $100,195.

Governmental Activities	
Net Position, June 30, 2020	$ 22,287,674
Deferred outflows LEOSSA	100,195
Capital assets	(2,329,965)
Capital assets, accumulated depreciation	(9,699)
Deferred outflows OPEB	515,967
Deferred inflows OPEB	(79,890)
Total OPEB liability	(888,324)
Accounts payable	224,981
Net Position, restated, June 30, 2020	$ 19,820,939

NOTE VII – RESTATEMENT PRIOR PERIOD ADJUSTMENT (Continued)

Business-Type Activities	Water and Sewer Fund	Electric Fund	Stormwater Fund	Solid Waste Fund	Total Enterprise Funds
Net Position, June 30, 2020	$ 48,999,975	$25,262,012	$ 6,050,845	$ 69,396	$ 80,382,228
Capital assets	(92,105)	94,761	-	(27,094)	(24,438)
Capital assets, accumulated depreciation	93,267	(85,771)	5,629	68,333	81,458
Deferred outflows OPEB	69,842	97,578	-	(9,588)	157,832
Deferred inflows OPEB	14,374	6,567	-	58,949	79,890
Total OPEB liability	178,779	143,953	-	565,592	888,324
Water and Sewer grant	(72,122)	-	-	-	(72,122)
Net Position, restated, June 30, 2020	$ 49,192,010	$25,519,100	$ 6,056,474	$ 725,588	$ 81,493,172

NOTE VIII – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 7, 2023 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 Eight Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014
Elizabeth City's proportion of the net pension liability (asset) (%)	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) ($)	$ 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	$ 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	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 **	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.

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

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 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	1,392,430	1,177,660	973,492	929,950	920,243	758,252	822,124	788,988
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Elizabeth City's covered payroll	$ 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	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 Five Fiscal Years*

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

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

Notes to Schedule:

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	1.93 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 Five Fiscal Years*

	2021	2020	2019	2018	2017
Total pension liability	$ 2,225,070	$ 1,444,342	$ 1,357,547	$ 1,324,170	$ 1,325,257
Covered employee payroll	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	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 is intended to show information for ten years. Additional years' information will be displayed as it becomes

* - 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,

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

Fiscal year	Rate
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

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, 2021

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes:			
Taxes	$ -	$ 8,527,457	$ 8,527,457
Penalties and interest	-	65,360	65,360
Total	8,450,280	8,592,817	142,537
Other taxes and licenses:			
Short-term lease rent receipts		87,530	
Aircraft taxes		17,938	
Total	85,000	105,468	20,468
Unrestricted intergovernmental:			
Local option sales tax		4,564,610	
Franchise fees-waste		80,839	
Sales tax on electricity		1,076,979	
Sales tax on piped natural gas		37,340	
Sales tax on telecommunications		143,065	
Sales tax on video programming		135,571	
Beer and wine tax		74,196	
ABC profit distributions		255,035	
Total	5,253,432	6,367,635	1,114,203
Restricted intergovernmental:			
COPS rehiring grant		16,722	
CDBG-CV grant		45,784	
Bulletproof vest grant		4,855	
Governor's crime commission		3,862	
PAL mentoring grant		18,820	
Hurricane Dorian grant		14,467	
Electricities grant		5,000	
Senior center grant		40,242	
Police donations		3,200	
Coronavirus Relief Fund		450,000	
COPS grant		16,966	
JAG grant		10,134	
Coronavirus emergency supplement		29,444	
NCDPS grant		5,472	
NCDOT grant		143,802	
Donations		9,000	
Elizabeth City downtown salary grant		37,404	
Police - DSS County grant		54,619	
Drug tax stamp		84	
Recreation fees - Pasquotank County		992,073	
Fourth of July		680	
Senior Center - Pasquotank County		298,520	
Fire protection - County		447,524	
Fire protection - state building		46,281	
Fire protection - Camden County		33,813	
Powell Bill allocation		436,860	
Total	4,145,222	3,165,628	(979,594)
Payment in lieu of services	850,000	850,000	-

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
Licenses and fees:			
Business registration		$ 18,756	
Motor vehicle licensing		185,200	
Building permits and inspections fees		666,024	
Miscellaneous planning		30,315	
Fire code fees		1,339	
Waterfront market vendor fees		5,210	
South park fees		17,164	
Concession fees		26,068	
Miscellaneous		150	
Total	$ 979,622	950,226	$ (29,396)
Sales and services:			
Recreation department fees		155,678	
Parking revenues and penalties		21,250	
Officer arrest fees		4,822	
Rental income		1,200	
Total	124,000	182,950	58,950
Investment earnings	200,000	1,022	(198,978)
Miscellaneous:			
Interest on special assessments		5,603	
ASMT housing demolition		9,374	
Lot clearing		32,651	
Sale of foreclosed property		65,180	
Administrative fees		5,071	
Insurance reimbursement		89,553	
Other		504,240	
Total	434,180	711,672	277,492
Total revenues	20,521,736	20,927,418	405,682
EXPENDITURES			
General Government:			
Governing body:			
Salaries and employee benefits		111,481	
Operating expenditures		35,430	
Total		146,911	
Administration:			
Salaries and employee benefits		581,997	
Operating expenditures		83,022	
Capital outlay		40,445	
Total		705,464	
Finance:			
Salaries and employee benefits		437,042	
Operating expenditures		55,746	
Total		492,788	
Tax collection;			
Contracted services		118,106	
NCVTS billing cost		34,011	
Taxes foreclosed property		8,563	
Capital outlay		452	
Total		161,132	
Legal		74,070	
Community development - code enforcement:			
Salaries and employee benefits		108,724	
Operating expenditures		54,177	
Total		162,901	

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
Planning & Inspections:			
Salaries and employee benefits		$ 302,535	
Operating expenditures		49,277	
Total		351,812	
Public buildings			
Salaries and employee benefits		150,025	
Operating expenditures		259,615	
Capital outlay		30,733	
Total		440,373	
Total general government	$ 2,549,766	2,535,451	$ 14,315
Public Safety:			
Police:			
Salaries and employee benefits		5,496,483	
Contracted services		513,949	
Operating expenditures		1,312,115	
Capital outlay		560,882	
Total		7,883,429	
Fire:			
Salaries and employee benefits		2,837,481	
Contracted services		284,690	
Operating expenditures		589,687	
Capital outlay		172,860	
Total		3,884,718	
Fire inspections:			
Salaries and employee benefits		194,249	
Operating expenditures		35,983	
Total		230,232	
Inspections:			
Salaries and employee benefits			
Contracted services		227,281	
Operating expenditures		36,471	
Total		263,752	
Total public safety	12,233,986	12,262,131	(28,145)
Transportation:			
Garage:			
Salaries and employee benefits		273,548	
Operating expenditures		(239,846)	
Capital outlay		27,294	
Total		60,996	
GIS:			
Salaries and employee benefits		128,120	
Operating expenditures		18,099	
Contracted services		26,800	
Total		173,019	
Powell bill:			
Salaries and employee benefits		70,471	
Operating expenditures		49,430	
Capital outlay		315,605	
Total		435,506	
Public works administration:			
Salaries and employee benefits		28,167	
Operating expenditures		34,412	
Contracted services		3,923	
Total		66,502	

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
Street repair:			
Salaries and employee benefits		$ 598,746	
Operating expenditures		392,682	
Contracted services		500	
Capital outlay		30,942	
Total		1,022,870	
Total transportation	$ 2,732,815	1,758,893	$ 973,922
Cultural and recreational:			
Parks and recreation:			
Salaries and employee benefits		1,295,602	
Contracted services		25,489	
Operating expenditures		664,076	
Capital outlay		250,475	
Total		2,235,642	
Senior center:			
Salaries and employee benefits		359,710	
Operating expenditures		149,506	
Capital outlay		19,774	
Total		528,990	
Total cultural and recreation	2,744,754	2,764,632	(19,878)
Environmental protection:			
Cemetery:			
Maintenance and repairs grounds		7,607	
Contracted services		38,529	
Total environmental protection	50,000	46,136	3,864
Human resources and risk management:			
Salaries and employee benefits		309,074	
Operating expenditures		148,220	
Capital outlay		10,500	
Total human resources and risk managemenet	464,114	467,794	(3,680)
Information technologies:			
Salaries and employee benefits		185,082	
Operating expenditures		293,391	
Capital outlay		18,312	
Total information technologies	499,355	496,785	2,570
Non-departmental			
Salaries and employee benefits		36,052	
Operating expenditures		759,600	
Total non-departmental	956,593	795,652	160,941
Debt Service:			
Principal		1,140,794	
Interest		106,385	
Total	1,191,328	1,247,179	(55,851)
Total expenditures	23,422,711	22,374,653	1,048,058
Revenues over (under) expenditures	(2,900,975)	(1,447,235)	1,453,740

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
OTHER FINANCING SOURCES:			
Sale of capital assets	$ 22,000	$ 13,605	$ (8,395)
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	960,545	937,500	(23,045)
Total other financing sources	2,067,545	1,956,105	(111,440)
Appropriated fund balance	833,430	-	(833,430)
Total	833,430	-	(833,430)
Revenues and other financing sources over expenditures	$ -	508,870	$ 508,870
Fund balances, beginning		6,177,368	
Fund balances, ending		$ 6,686,238	

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2021

	Capital Project Funds			
	Aviation Commerce Park Grant	Community Revitalization Fund	Coast Guard Park Project Fund	Total Nonmajor Governmental Funds
ASSETS:				
Cash and cash equivalents	$ 549,652	$ 62,486	$ -	$ 612,138
Total assets	$ 549,652	$ 62,486	$ -	$ 612,138
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:				
Liabilities:				
Due to General Fund	$ -	$ -	$ 157,971	$ 157,971
Total liabilities	-	-	157,971	157,971
Fund Balances;				
Committed	549,652	62,486	-	612,138
Unaissigned fund balance	-	-	(157,971)	(157,971)
Total fund balance	549,652	62,486	(157,971)	454,167
Total liabilities and fund balance	$ 549,652	$ 62,486	$ -	$ 612,138

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	Capital Project Funds			
	Aviation Commerce Park Grant	Community Revitalization Fund	Coast Guard Park Project Fund	Total Nonmajor Governmental Funds
REVENUES				
Sales and services	$ 84,132	$ -	$ -	$ 84,132
Investment earnings	147	14	-	161
Total revenues	84,279	14	-	84,293
EXPENDITURES				
Contracted services	14,329	-	-	14,329
Debt service	198,671	-	-	198,671
Total expenditures	213,000	-	-	213,000
Revenues over (under) expenditures	(128,721)	14	-	(128,707)
Other financing (uses)				
Transfer to the general fund	(80,000)	-	-	(80,000)
Total other financing (uses)	(80,000)	-	-	(80,000)
Net change in fund balance	(208,721)	14	-	(208,707)
Fund balances, beginning of year	758,373	62,472	(157,971)	662,874
Fund balances (deficit), end of year	$ 549,652	$ 62,486	$ (157,971)	$ 454,167

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, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues					
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	10,796,514	10,785,025	-	10,785,025	(11,489)
Sales and services					
DRS Technologies lease	-	3,218,201	-	3,218,201	3,218,201
USCG land lease	-	854,068	84,132	938,200	938,200
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	-	4,098,420	84,132	4,182,552	4,182,552
Investment earnings	-	39,096	147	39,243	39,243
Total revenues	10,796,514	14,922,541	84,279	15,006,820	4,210,306
Expenditures					
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	83,045	14,329	97,374	99,140
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	-	124,004	198,671	322,675	(322,675)
Total expenditures	15,530,603	16,182,498	213,000	16,395,498	(864,895)
Revenues under expenditures	(4,734,089)	(1,259,957)	(128,721)	(1,388,678)	3,345,411
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)	(491,070)	(80,000)	(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	4,734,089	2,018,330	(80,000)	1,938,330	(2,795,759)
Revenues and other financing sources (uses) over (under) expenditures	$ -	$ 758,373	(208,721)	$ 549,652	$ 549,652
Fund balance, beginning			758,373		
Fund balance, ending			$ 549,652		

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, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Program income	$ -	$ 52,222	$ -	$ 52,222	$ 52,222
Investment earnings	25,000	29,475	14	29,489	4,489
Total revenues	25,000	81,697	14	81,711	56,711
Expenditures					
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)	(154,531)	14	(154,517)	62,392
Other financing sources (uses):					
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	$ -	$ 62,472	14	$ 62,486	$ 62,486
Fund balance, beginning			62,472		
Fund balance, ending			$ 62,486		

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, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted					
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	-
Expenditures					
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)
Other financing sources:					
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			$ (157,971)		

MAJOR ENTERPRISE FUNDS

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services		$ 9,065,248	
Antenna rental		218,501	
Sale of scrap		3,993	
Tap and connection fees		24,432	
Miscellaneous		213,567	
Total operating revenues	$ 9,438,143	9,525,741	$ 87,598
Nonoperating revenues:			
Interest earnings		18	
Total nonoperating revenues	2,052,027	18	(2,052,009)
Total revenues	11,490,170	9,525,759	(1,964,411)
Expenditures:			
Water treatment and distribution			
Salaries and employee benefits		471,198	
Chemicals and departmental supplies		367,867	
Purchased water		302,008	
Contracted services		374,763	
Other operating expenses		384,843	
Maintenance and repair		116,322	
Total water treatment and distribution	1,617,277	2,017,001	(399,724)
Waste treatment			
Salaries and employee benefits		462,927	
Electric power		171,594	
Supplies		79,243	
Contracted services		669,114	
Other operating expenses		155,069	
Maintenance and repair		150,709	
Total waste treatment	1,420,810	1,688,656	(267,846)
Water and sewer line maintenance			
Salaries and employee benefits		1,223,795	
Supplies		55,050	
Electric power		197,715	
Line maintenance		103,998	
Contracted services		134,768	
Other operating expenses		203,125	
Maintenance and repair		176,310	
Total water and sewer line maintenance	2,617,457	2,094,761	522,696

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Customer service			
Salaries and employee benefits		$ 221,143	
Supplies		11,941	
Electric power		769	
Contracted services		53,239	
Other operating expenses		42,734	
Maintenance and repair		1,242	
Total customer service	$ 466,945	331,068	$ 135,877
Data processing			
Salaries and employee benefits		73,354	
Supplies		1,750	
Contracted services		36,326	
Other operating expenses		3,988	
Maintenance and repair		7	
Total data processing	186,520	115,425	71,095
Other			
Group insurance - retirees		71,469	
Payment in lieu of services		250,000	
Other operating expenses		12,485	
Bad debt expense		89,606	
Total customer service	515,084	423,560	91,524
Capital outlay:			
Water and sewer capital outlay		2,129,071	
Total capital outlay	4,152,529	2,129,071	2,023,458
Debt service:			
Interest and other charges		47,285	
Principal retirement		658,585	
Total debt service	577,002	705,870	(128,868)
Total expenditures	11,553,624	9,505,412	2,048,212
Revenues over (under) expenditures	(63,454)	20,347	83,801
Fund balance appropriated	63,454	-	(63,454)
Revenues, other financing sources, and fund balance appropriated over expenditures	-	20,347	20,347

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Other financing sources and (uses)			
Loss on disposal of fixed assets	$ -	$ -	$ -
Proceeds from long-term debt	-	-	-
Total other financing sources and (uses)	-	-	-
Revenues and other financing sources over expenditures and other financing uses	-	20,347	20,347
Fund balance appropriated	-	-	-
Revenues, other financing sources, and fund balance appropriated over expenditures	$ -	20,347	$ 20,347
Reconciling items:			
Principal retirement		658,585	
Change in compensated absences		(22,204)	
Change in deferred outflows of resources - pensions		25,617	
Change in net pension liability		(101,664)	
Change in deferred inflows of resources - pensions		7,632	
Change in deferred outflows of resources - OPEB		210,990	
Change in deferred inflows of resources - OPEB		(378,317)	
Change in total OPEB liability		169,883	
Interest income from water and sewer capital reserve		73	
Grant proceeds from Raw Water Transmission Project		621,812	
Grant proceeds from Water Asset Inventory Project		49,620	
Grant proceeds from Waste Water Asset Inventory Project		141,635	
Waste Water Asset Inventory Project expenditures		(146,720)	
Capital outlay		2,129,071	
Depreciation and amortization		(2,174,061)	
Total reconciling items		1,191,952	
Change in net position		$ 1,212,299	

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, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Investment earnings	$ -	$ 52,233	$ 73	$ 52,306	$ 52,306
Total revenues	-	52,233	73	52,306	52,306
Revenues over expenditures	-	52,233	73	52,306	52,306
Other financing sources (uses):					
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	$ -	$ 302,233	$ 73	$ 302,306	$ 302,306

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, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted					
NC Department of Commerce - rural economic development	$ 646,952	$ 646,942	$ -	$ 646,942	$ (10)
Total revenues	646,952	646,942	-	646,942	(10)
Expenditures					
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	646,952	666,215	-	666,215	(19,263)
Revenues (under) expenditures	$ -	$ (19,273)	$ -	$ (19,273)	$ (19,273)

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, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted					
Raw Water Transmission Project Grant	$ 1,070,437	$ 424,558	$ 621,812	$ 1,046,370	$ (24,067)
Total revenues	1,070,437	424,558	621,812	1,046,370	(24,067)
Expenditures					
Capital improvements	1,126,802	448,064	725,062	1,173,126	(46,324)
Total expenditures	1,126,802	448,064	725,062	1,173,126	(46,324)
Other financing sources:					
Fund balance appropriated	56,365	-	-	-	(56,365)
Total other financing sources	56,365	-	-	-	(56,365)
Revenues and other financing sources (under) expenditures	$ -	$ (23,506)	$ (103,250)	$ (126,756)	$ (126,756)

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, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted					
NC Department of Environmental Quality	$ 150,000	$ 72,122	$ 49,620	$ 121,742	$ (28,258)
Total revenues	150,000	72,122	49,620	121,742	(28,258)
Expenditures					
Supplies	21,850	-	-	-	21,850
Capital outlay - equipment	128,150	78,286	-	78,286	49,864
Total expenditures	150,000	78,286	-	78,286	71,714
Revenues over (under) expenditures	$ -	$ (6,164)	$ 49,620	$ 43,456	$ 43,456

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, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted					
Rural Center Grant	$ 150,000	$ -	$ 141,635	$ 141,635	$ (8,365)
Total revenues	150,000	-	141,635	141,635	(8,365)
Expenditures					
Professional services			146,720	146,720	(146,720)
Supplies	150,000	2,250	-	2,250	147,750
Total expenditures	150,000	2,250	146,720	148,970	1,030
Revenues and other sources over (under) expenditures	$ -	$ (2,250)	$ (5,085)	$ (7,335)	$ (7,335)

ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services		$ 32,277,008	
Sale of scrap		1,486	
Pole agreements		44,530	
Developments fees		13,986	
Miscellaneous revenue		148,251	
Total operating revenues	$ 32,905,348	32,485,261	$ (420,087)
Nonoperating revenues:			
Interest earnings		1,775	
Total nonoperating revenues	30,000	1,775	(28,225)
Total revenues	32,935,348	32,487,036	(420,087)
Expenditures:			
Electric distribution			
Salaries and employee benefits		1,634,992	
Maintenance		729,280	
Supplies		55,330	
Contracted services		78,247	
Insurance		83,243	
Other operating expenses		120,914	
Total electric operations	620,811	2,702,006	(2,081,195)
Energy management			
Salaries and employee benefits		529,876	
Energy management		72,178	
Load management fuel		46,973	
Peak generator fuel		60,758	
Supplies		16,381	
Other operating expenses		61,644	
Contracted services		16,431	
Maintenance and repairs		362,865	
Total energy management	1,153,544	1,167,106	(13,562)
Purchasing			
Salaries and employee benefits		171,300	
Supplies		9,646	
Contracted services		11,847	
Other operating expenses		14,204	
Maintenance and repairs		7,882	
Total Purchasing	217,550	214,879	2,671

ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Customer service			
Salaries and employee benefits		$ 262,676	
Supplies		15,763	
Contracted services		52,353	
Other operating expenses		44,830	
Maintenance and repairs		1,233	
Total customer service	$ 468,745	376,855	$ 91,890
Data processing			
Salaries and employee benefits		73,120	
Supplies		1,750	
Contracted services		36,326	
Other operating expenses		4,125	
Maintenance and repairs		7	
Total data processing	186,520	115,328	71,192
Other			
Electric power purchased		23,409,887	
Payment in lieu of services		600,000	
Bad debt		780,305	
Group insurance - retirees		74,778	
Other operating expenses		98,774	
Total other	26,238,455	24,963,744	1,274,711
Capital outlay:			
Electric capital outlay		2,397,000	
Total capital outlay	3,295,958	2,397,000	898,958
Debt service:			
Interest and other charges		49,192	
Principal retirement		848,112	
Total debt service	897,315	897,304	11
Total expenditures	33,078,898	32,834,222	244,676
Revenues over(under) expenditures	(143,550)	(347,186)	203,636

ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Other financing sources and (uses)			
Payment from water and sewer fund	$ 20,000	$ (925,000)	$ 945,000
Sale of fixed assets	1,500	-	1,500
Total other financing sources and (uses)	21,500	(925,000)	945,000
Revenues and other sources over expenditures and other uses	(122,050)	(1,272,186)	(1,150,136)
Fund balance appropriated	122,050	-	(122,050)
Revenues, other financing sources, and fund balance appropriated over expenditures	$ -	(1,272,186)	$ (1,272,186)
Reconciling items:			
Principal retirement		848,112	
Change in compensated absences		(31,017)	
Change in deferred outflows of resources - OPEB		245,909	
Change in deferred inflows of resources - OPEB		(440,898)	
Change in total OPEB liability		197,534	
Change in deferred outflows of resources - pensions		126,688	
Change in net pension liability		(257,649)	
Change in deferred inflows of resources - pensions		5,957	
Capital outlay		2,397,000	
Depreciation		(1,382,056)	
Total reconciling items		1,709,580	
Change in net position		$ 437,394	

NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2021

	Stormwater Utility Fund	Solid Waste Fund	Total non-major funds
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,529,935	$ 1,175,746	$ 2,705,681
Accounts receivable, net - billed	94,036	256,191	350,227
Due from other governments	2,659	-	2,659
Due from other funds	-	7,957	7,957
Restricted cash and cash equivalents	-	10,339	10,339
Total current assets	1,626,630	1,450,233	3,076,863
Capital assets:			
Land and construction in progress	74,040	-	74,040
Other capital assets, net of depreciation	5,150,084	463,805	5,613,889
Capital assets	5,224,124	463,805	5,687,929
Total noncurrent assets	5,224,124	463,805	5,687,929
Total assets	6,850,754	1,914,038	8,764,792
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	6,056	150,117	156,173
OPEB deferrals	-	127,320	127,320
Total deferred outflows of resources	6,056	277,437	283,493
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	14,752	63,735	78,487
Current portion of long-term debt	140,812	159,444	300,256
Due to other funds	-	27,286	27,286
Total current liabilities	155,564	250,465	406,029
Noncurrent liabilities:			
Compensated absences	-	16,332	16,332
Installment loan payable	341,707	163,016	504,723
Total OPEB liability	-	656,874	656,874
Net pension liability	10,898	270,118	281,016
Total noncurrent liabilities	352,605	1,106,340	1,458,945
Total liabilities	508,169	1,356,805	1,864,974
DEFERRED INFLOWS OF RESOURCES			
OPEB deferrals	-	179,299	179,299
Pension deferrals	127	3,156	3,283
Total deferred inflows of resources	127	182,455	182,582
NET POSITION			
Net investment in capital assets	4,741,605	169,450	4,911,055
Unrestricted	1,606,909	482,765	2,089,674
Total net position	$ 6,348,514	$ 652,215	$ 7,000,729

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2021

	Stormwater Utility Fund	Solid Waste Fund	Total
OPERATING REVENUES			
Charges for services	$ 572,815	$ 1,576,847	$ 2,149,662
Miscellaneous revenue	19,050	15,247	34,297
Total operating revenues	591,865	1,592,094	2,183,959
OPERATING EXPENSES			
Stormwater	61,842	-	61,842
Solid waste	-	1,427,178	1,427,178
Depreciation and amortization	230,402	232,343	462,745
Total operating expenses	292,244	1,659,521	1,951,765
Operating income (loss)	299,621	(67,427)	232,194
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	88	16	104
Interest earned on fees	5,827	-	5,827
Interest and other charges	(13,496)	(5,962)	(19,458)
Total nonoperating revenue (expenses), net	(7,581)	(5,946)	(13,527)
Change in net position	292,040	(73,373)	218,667
Total net position, beginning as previously reported	6,050,845	69,396	6,120,241
Prior period adjustment	5,629	656,192	661,821
Total net position, beginning as restated	6,056,474	725,588	6,782,062
Total net position, ending	$ 6,348,514	$ 652,215	$ 7,000,729

STORMWATER FUND - SCHEDULE OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services		$ 572,815	
Miscellaneous revenue		19,050	
Total operating revenues	$ 583,000	591,865	$ 8,865
Nonoperating revenues:			
Operating income			
Interest earned on fees		5,827	
Interest earnings		88	
Total nonoperating revenues	7,000	5,915	(1,085)
Total revenues	590,000	597,780	7,780
Expenditures:			
Stormwater			
Salaries and employee benefits		35,262	
Insurance		7,767	
Contracted services		13,437	
Other operating expenses		12,992	
Total stormwater	124,358	69,458	54,900
Capital outlay:			
Capital outlay		337,715	
Total capital outlay	315,000	337,715	(22,715)
Debt service:			
Interest and other charges		13,496	
Principal retirement		137,145	
Total debt service	150,642	150,641	1
Total expenditures	590,000	557,814	32,186
Revenues over expenditures	-	39,966	(39,966)
Fund balance appropriated	-	-	-
Revenues, other financing sources, and fund balance appropriated over expenditures	$ -	39,966	$ 39,966
Reconciling items:			
Principal retirement		137,145	
Change in deferred outflows of resources - pensions		4,079	
Change in net pension liability		3,081	
Change in deferred inflows of resources - pensions		456	
Capital outlay		337,715	
Depreciation		(230,402)	
Total reconciling items		252,074	
Change in net position		$ 292,040	

SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services		$ 1,576,847	
Miscellaneous revenue		15,247	
Total operating revenues	$ 1,722,588	1,592,094	$ (130,494)
Nonoperating revenues:			
Operating income			
Interest earnings		16	
Total nonoperating revenues	-	16	16
Total revenues	1,722,588	1,592,110	(130,494)
Expenditures:			
Solid Waste			
Salaries and employee benefits		754,943	
Supplies		10,411	
Contracted services		4,388	
Other departmental expenses		307,761	
Maintenance and repair		188,871	
Group insurance - retirees		57,986	
Bad debt		62,643	
Total Solid Waste operations	1,555,198	1,387,003	168,195
Debt service:			
Interest and other charges		5,962	
Principal retirement		168,319	
Total debt service	167,390	174,281	(6,891)
Total expenditures	1,722,588	1,561,284	161,304
Revenues over(under) expenditures	-	30,826	(30,826)
Revenues and fund balance appropriated over expenditures	$ -	30,826	$ 30,826
Reconciling items:			
Principal retirement		168,319	
Change in compensated absences		(8,970)	
Change in deferred outflows of resources - OPEB		72,814	
Change in deferred inflows of resources - OPEB		(130,510)	
Change in total OPEB liability		57,882	
Change in deferred outflows of resources - pensions		(21,584)	
Change in net pension liability		(12,373)	
Change in deferred inflows of resources - pensions		2,566	
Depreciation		(232,343)	
Total reconciling items		(104,199)	
Change in net position		$ (73,373)	

OTHER SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULES OF AD VALOREM TAXES RECEIVABLE
June 30, 2021

Fiscal Year	Uncollected Balance July 1, 2020	Additions	Collections And Credits	Uncollected Balance June 30, 2021
2020-2021	$ -	$ 8,554,289	$ 8,209,778	$ 344,511
2019-2020	380,531	-	204,144	176,387
2018-2019	184,047	-	79,348	104,699
2017-2018	122,270	-	52,747	69,523
2016-2017	55,815	-	16,502	39,313
2015-2016	32,748	-	7,414	25,334
2014-2015	25,850	-	4,108	21,742
2013-2014	38,932	-	1,939	36,993
2012-2013	26,319	-	1,192	25,127
2011-2012	17,853	-	387	17,466
2010-2011	15,174	-	15,174	-
	$ 899,539	$ 8,554,289	$ 8,592,733	861,095
	Less: allowance for uncollectible accounts:			
	General Fund			92,975
	Ad valorem taxes receivable - net			$ 768,120
	Ad valorem taxes - General Fund			$ 8,592,817
	Reconciling items:			
	Discount allowed			15,809
	Advertising and interest collected			(65,360)
	Refunds, releases and adjustments			34,605
	Taxes written off			14,862
	Total collections and credits			$ 8,592,733

ANALYSIS OF CURRENT TAX LEVY
CITY - WIDE LEVY
For the Year Ended June 30, 2021

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	$ 1,234,996,947	0.655	$ 8,089,230	$ 7,405,350	$ 683,880
Municipal tax	38,310,588	0	32,564	32,564	-
Total	1,273,307,535		8,121,794	7,437,914	683,880
Discoveries:					
Current year taxes	69,207,328	1	453,308	294,632	158,676
Penalties	-		3,386	3,386	-
Abatements	(3,689,466)	1	(24,199)	(24,199)	-
Total property valuation	$ 1,338,825,397				
Net levy			8,554,289	7,711,733	842,556
Uncollected taxes at June 30, 2021			(344,511)	(344,511)	-
Current year's taxes collected			$ 8,209,778	$ 7,367,222	$ 842,556
Current levy collection percentage			95.97%	95.53%	100.00%

COMPLIANCE SECTION

PBMares SM
CPAs and Consultants

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

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 if the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elizabeth City, North Carolina (the City), as of and for the year ended June 30, 2021, 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 7, 2023.

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 2021-001 through 2021-013 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 Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-003, 2021-005 and 2021-012.

City of Elizabeth City's Response to Findings

Government Auditing 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 response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to 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 7, 2023

PBMares SM
CPAs and Consultants

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

We have audited City of Elizabeth City's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Elizabeth City's major federal programs for the year ended June 30, 2021. City of Elizabeth City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Elizabeth City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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), as described in the Audit Manual for Governmental Auditors in North Carolina and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, the Single Audit Implementation Act, and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Elizabeth City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Elizabeth City's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Elizabeth 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, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items, 2021-001 through 2021-012. Our opinion on each major federal program is not modified with respect to these matters.

City of Elizabeth City's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

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

PBMares, LLP

Morehead City, North Carolina
April 7, 2023

PBMares SM
CPAs and Consultants

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

Report on Compliance for the Major State Program

We have audited City of Elizabeth City's 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 each of City of Elizabeth City's major State program for the year ended June 30, 2021. City of Elizabeth City's major State program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its federal awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Elizabeth City's major State program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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), as described in the Audit Manual for Governmental Auditors in North Carolina and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, the Single Audit Implementation Act, and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Elizabeth City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Elizabeth City's compliance.

Opinion on the Major State Program

In our opinion, City of Elizabeth 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, 2021.

Report on Internal Control over Compliance

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

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

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

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

PBMares, LLP

Morehead City, North Carolina
April 7, 2023

CITY OF ELIZABETH CITY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021

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?	X	Yes		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
14.228	Community Development Block Grants/Entitlement Grants
21.019	COVID-19 Coronavirus Relief Fund

Dollar threshold used to between Type A and Type B programs $ 750,000

Auditee qualified as low-risk auditee? _____ Yes ___X___ No

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

State Awards

Internal control over State 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 State program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? _____ Yes X No

Identification of major State programs:

Nonstate System Street Aid Allocation (Powell Bill)

CITY OF ELIZABETH CITY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021

Section 2. Financial Statement Findings

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

Criteria: City of Elizabeth City has approved stated billing rates for Electric, Water rate and Sewer rate. Reviews are performed to ensure that the correct rates are being applied to their customers.

Condition and context: During the review of the City Council's meetings PBMares noted that there was a mentioned in the May 24, 2021 minutes that it had been discovered the City overcharged the US Coast Guard a total of $534,749 due to a meter that was installed incorrectly in 2019. This error was corrected on October 2021, the City adjusted their utility account to reflect the overpayment as a credit. The City failed to record a payable and corresponding reduction of revenue as of June 30, 2021.

Cause: Management oversight during the utility revenue/receivables review and reconciliation.

Recommendation: PBMares recommends management implement a detail review of all utility charges at the end of each fiscal year to confirm that all overpayments and/or errors have been identified and recorded at year-end.

Management's response: See Corrective Action Plan

Section 2. Financial Statement Findings (Continued)

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

Criteria: Per the City's Personnel Handbook the maximum vacation leave that an employee may accumulate is 240 hours for employees working an 8 hours schedule and 336 hours for employees on a 56 hour schedule. All vacation over the maximum hour budgets will be converted to sick leave at the end of the last pay period of each calendar year (January). Vacation accumulates to the credit of each full-time regular employee based on the employee's length of service.

Condition and context: During testing of accrued absences, PBMares noted that the beginning balance per June 30, 2020 audited financial statements did not agree to the balance per the City's trial balance for Governmental Activities. In addition, while reviewing the June 30, 2021 accrued vacation schedule we noted two retired employees included in the calculation and twenty two that were excluded that should have been included in the calculation. The beginning balance of governmental activities accrued compensated absences was overstated by $74,377.

Cause: Insufficient review of accrued compensated absences detail at year end.

Recommendation: We recommend management perform a detailed review of the accrued compensated absences detail at year end to for accuracy and completeness.

Management's response: See Corrective Action Plan

Finding: 2021-003: Material Compliance Violation and 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. Additionally, 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. These three purchases were 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.

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.

Section 2. Financial Statement Findings (Continued)

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

Criteria: GASB Codification 1300.126 indicates capital projects funds in which projects will extend past a single fiscal year should be accounted for in a project ordinance. Additionally, G.S. 159-13.2 defines a capital project as "a project involving the construction or acquisition of capital assets."

Condition and context: The City is applying an annual appropriation methodology to fund projects that extend beyond a single fiscal year. While this is allowable per NC G.S. 159-13.2(b), it is not recommended. The City is not appropriately re-appropriating capital projects on an annual basis within the general fund and has not adopted any project ordinances to allow carryover of prior appropriations.

Effect: Total costs of projects are unable to be calculated and assets added to the capital assets listing are either partial, incomplete, or lack sufficient documentation as to the origin and totality of a given asset. Additionally, the budget maintained within the financial software contains carryover appropriations that were not authorized in the current year resulting in over-expenditure of budget. As a result, the preaudit certification required under G.S. 159-28(a1) is not effective. See Finding 2021-012.

Cause: Lack of sufficient knowledge of GASB and NC G.S. fund accounting rules and best practices.

Recommendation: We recommend the City establish a standing General Capital Projects fund to fund individual projects with project ordinances, or separately identify and establish capital projects for individual large projects that span multiple fiscal years. Additionally we recommend the Council and Management attend trainings related to budgeting laws and best practices.

Management's response: See Corrective Action Plan

Finding: 2021-005: 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, 2021 financial statements were not submitted to the Local Government Commission until over 17 months past the original due date or 16 months past the extended due date. This is a repeat of finding 2020-001.

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

Section 2. Financial Statement Findings (Continued)

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

Criteria: GASB Codification 1400.102-104 states "Capital assets should be reported at historical cost" and "depreciated over their estimated useful lives unless they are inexhaustible" (such as land). Sufficient documentation should be maintained to track capital assets.

Condition and context: During our testing of Capital Assets, we noted that the beginning balance of capital assets per the June 30, 2020 audited financial statements did not agree to the City's trial balance , which did not agree to the capital assets subsidiary ledger. Upon inspection, the subsidiary ledger contained depreciable capital assets for which no depreciation had ever been taken and also contained assets for which there was no identifiable record for existence of the asset.

Effect: The beginning net capital assets and net position for governmental activities, the Water and Sewer fund, Electric Fund, Stormwater fund and Solid Waste fund have been restated by ($2,339,664), $1,162, $8,990, $5,629, and $41,239, respectively.

Cause: Insufficient maintenance of capital assets subsidiary ledger, lack of year-end reconciliation of the subsidiary capital assets ledger to the general ledger, and insufficient review of the year-end financial statements against the City's underlying financial records prior to completion by someone with the appropriate skills, knowledge, and experience in governmental accounting and GASB reporting requirements.

Recommendation: We recommend the City implement policies and procedures to properly maintain the capital assets subsidiary ledger. We also recommend year-end reconciliation reviews be implemented to ensure subsidiary capital asset ledgers agree to the general ledger and the year-end financial statements.

Management's response: See Corrective Action Plan

Finding: 2021-007: 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: City failed to perform the bank reconciliations on a timely basis. During the initial understandings and inquiries we noted that the City was over 18 months in arrears in preparing bank reconciliations.

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 bank reconciliations timely and accurately.

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

Section 2. Financial Statement Findings (Continued)

Finding: 2021-008: Material Weakness in Internal Control- Benefit Payments Subsequent the Measurement Date for OPEB and LEOSSA

Criteria: In accordance with GASB Codification P52.127, "Deferred outflows of resources related to OPEB should be reported for (a) amounts paid by the employer for OPEB as the benefits come due subsequent to the measurement date of the total OPEB liability and before the end of the reporting period..." In accordance with GASB Codification PXX.136 "…the following information should be disclosed, if applicable… (h.) The employers balances of deferred outflows of resources and deferred inflows of resources related to pensions, classified as follows, if applicable (4) Amounts associated with transactions subsequent to the measurement date of the total pension liability."

Condition and context: During testing of the June 30, 2021 Total OPEB Obligation and LOESSA pension obligation, it was noted that benefit payments subsequent to the measurement date in the amount of $673,798 and $100,195, respectively, were not reported in the June 30, 2020 financial statements.

Effect: The net position of Governmental Activities, the Water and Sewer Fund, Electric Fund, and Solid Waste Fund as of June 30, 2020 has been restated by $572,258, $80,384, $93,658, $27,693, respectively.

Cause: Insufficient review of the year-end OPEB and LEOSSA journal entries by someone with the skills, knowledge, and experience to appropriately identify all the GAAP-required inputs to the OPEB and LEOSSA expense calculations.

Recommendation: We recommend management to perform a detail review of the related entry once posted to ensure it includes all required amounts and ties to the actuarial report.

Management's response: See Corrective Action Plan

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

Criteria: In accordance with GASB Codification 1500.102, "Bonds, notes, and other long-term liabilities (for example, for leases, pensions, claims and judgments, compensated absences, termination benefits, landfill closure and postclosure care and other asset retirement obligations, pollution remediation obligations, and similar commitments) directly related to and expected to be paid from proprietary funds and fiduciary funds should be included in the accounts of such funds."

Condition and context: During testing of the June 30, 2021 Total OPEB Obligation, it was noted that there was no documentation related to the June 30, 2020 allocation of the Total OPEB obligation and related deferred inflows and outflows of resources between Governmental Activities, the Water and Sewer Fund, Electric Fund, and Solid Waste Fund. Additionally, after our analysis, the City agreed the allocation at June 30, 2020 was not a reasonable allocation based on the related salaries of Governmental Activities and the respective Business-Type Activity funds.

Effect: The net position of Governmental Activities, the Water and Sewer Fund, Electric Fund, and Stormwater Fund as of June 30, 2020 have been restated by ($924,309), $182,610, $154,440 and $587,259, respectively.

Section 2. Financial Statement Findings (Continued)

Finding: 2021-009: Material Weakness in Internal Control - Allocation of the Total OPEB Liability (Continued)

Cause: Lack of staff with insufficient skills, knowledge, and experience to appropriately allocate the Total OPEB liability and related deferred outflows and deferred inflows of resources in accordance with GAAP.

Recommendation: We recommend management to perform a detail review of the related entry once posted to ensure it includes all required amounts and ties to the actuarial report.

Management's response: See Corrective Action Plan

Finding: 2021-010: Material Weakness in Internal Control- Fund Balance and Net Position

Criteria: It is important for governments to maintain adequate and accurate track of their fund balances. Is essential to know the available balances to mitigate current and future risk as shortfalls or unexpected expenditures.

Condition and context: While importing the trial balance for the June 30, 2021 audit, it was noted several fund balances did not agree to the June 30, 2020 audited financial statements ending balance for the Governmental Activities, General Fund, Electric Fund and Water and Sewer Fund.

Effect: The net position of Governmental Activities and the Water and Sewer fund have been restated by $224,981 and ($72,122), respectively. The General Fund and Electric Fund have prior-period passed adjustments of $17,168 and $28,049, respectively.

Cause: High staff turnover and management oversight during year-end procedures.

Recommendation: We recommend management establish review procedures to ensure fund balances per the general ledger agree to the audited financial statements.

Management's response: See Corrective Action Plan

Finding: 2021-011: Material Weakness in Internal Control – Fiduciary Oversight

Criteria: City Council has the fiduciary oversight responsibility and should be regularly monitoring and communicating with Management on the financial matters. Additionally, the City Council should be involved in the financial risk assessment process as part of their fiduciary responsibility.

Condition and context: The Council is not regularly receiving/reviewing financial information with Management to ensure timely and accurate reporting. Additionally, Council has not performed and/or documented an appropriate risk assessment of the financial reporting process including having management staff with the appropriate skills, knowledge and experience to provide accurate financial information and guide the risk assessment process.

Effect: The City is operating on either outdated or inaccurate information. The City's financial statements have not been on-time to the LGC since the June 30, 2017 fiscal year end.

Section 2. Financial Statement Findings (Continued)

Finding: 2021-011: Material Weakness in Internal Control – Fiduciary Oversight (Continued)

Cause: Turnover of key financial reporting staff, Council turnover, inadequate training of new Council on fiduciary responsibilities.

Recommendation: We recommend the City establish a formal risk assessment policy and/or committee that specifically addresses financial risks at least annually. This includes assessment of key financial reporting positions and the staff filling those roles. Additionally, new Council members should be provided training on their fiduciary role as a Councilmember at the beginning of their term.

Management's response: See Corrective Action Plan

Finding: 2021-012: Material Compliance Violation and Material Weakness in Internal Control Over Compliance– Over expenditure of Budget

Criteria: North Carolina G.S. 159-28(a) states "No obligation may be incurred in a program, function. Or activity accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year."

Condition and context: The City over expended their adopted budget ordinance in the General Fund, fund in the public safety, cultural and recreation, and human resources departments by $28,145, $19,878, and$ 3,680, respectively and in debt service by $55,852. The City over expended their adopted project budget ordinances in the Aviation Commerce Park Grant Fund, Coast Guard Park Project Fund, Parkview Sewer Project, and the Raw Water Transmission Project by $1,275,965, $31,971, $19,273 and $46,624, respectively. See Finding 2021-004.

Effect: The City authorized and paid obligations not budgeted in violation of G.S. 159-28.

Cause: Turnover of key financial reporting staff and lack of budgetary oversight and guidance by someone with the appropriate skills, knowledge and experience to ensure adherence to N.C. G.S. 159-28. See Finding 2021-004.

Recommendation: We recommend the City appropriately budget annual expenditures and separately budget project ordinance expenditures. We recommend the financial software only include budget appropriation for current year adopted budget amounts only. We recommend City personnel attend trainings by the LGC and/or NC School of Government on budgeting including General Statute requirements and best practices.

Management's response: See Corrective Action Plan

Section 2. Financial Statement Findings (Continued)

Finding: 2021-013: Material Weakness in Internal Control over Compliance– Council Minutes

Criteria: North Carolina G.S. 143-318.10(e) states "Every public body shall keep a full and accurate minutes of all official meetings, including any closed sessions held pursuant to G.S. 143-318.11. Such minutes may be in written form or, at the option of the public body, may be in the form of sound or video and sound recordings."

Condition and context: Of the 32 meetings of the City Council during the fiscal year, 19 did not have an approved set of minutes or summarization. Additionally, there were 12 sets of minutes/meeting summaries that were not prepared until requested by the audit team. Additionally, all 32 sets of minutes and/or summaries examined were not signed by the Mayor.

Effect: The City Council, staff, and public do not have readily available minutes/summaries of prior meetings. This can result in inaccurate information being acted up by the Council and inefficient and/or ineffective searches for prior historical and/or background information. This is particularly important to newly seated Council members to have background and context of prior Council actions to be effective fiduciaries for the City.

Cause: Difficulties arising from virtual meetings due to the COVID-19 pandemic and lack of an effective tracking tool to ensure all meeting minutes and/or summaries are provided to and approved by the Council.

Recommendation: We recommend the City ensure the minutes and/or summaries of previous meetings are available in the immediate subsequent meeting to ensure accuracy in either print or electronic format. We also recommend Council hold a separate vote to approve each set of presented minutes for accuracy and that approval be reflected in the minutes of the meeting where approval and acceptance occurs. The Mayor or presiding Council member should sign each set of minutes that has been accepted and approved and the signed copies be posted to the City's website. A tracking mechanism should be implemented to ensure completeness of the minutes record.

Management's response: See Corrective Action Plan

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
BARBARA A.BAXTER
JOHNSON BIGGS
KATHERINE W. FELTON
FREDERICK D. GIBBS (JAVIS)
JOSEPH W. PEEL
JOHNNIE B. WALTON
ROSE M. WHITEHURST

CITY OF ELIZABETH CITY

April 6, 2023

Corrective Action Plan
For Fiscal Year ended June 30, 2021

Finding: 2021-001

Material Weakness in Internal Control- Overcharged of Utilities

Responsible Individuals: Finance Director, Customer Service Manager, Public Utilities Director

Corrective Action to be taken: The City will implement a second utility staff at supervisory level to go out after the completion of a new meter to inspect (e.g., do a second check) as a means of additional checks and balances to ensure the installation is adequate/complete before moving forward with the use of the new meter. The current form will be modified so that there is a sign off by the installer and a second sign off by the 2nd staff checking the installation. This form will be filed accordingly after the installation is complete. In addition, the City will have a bi-annual detail review of all utility charges to confirm that all overpayments and/or consumption, etc. have been identified and corrected accordingly. Also, the Public Utilities Director will ensure adequate training for the meter installation staff to ensure that meters are installed properly. The billing staff receive an abnormal usage report, which is reviewed by staff to check the meter reading (e.g., meter is "re-read" to ensure reading is accurate) before that billing cycle is completed and will continue this process with each billing cycle.

Expected date of completion:

- Abnormal usage report procedure already in place and will continue.
- 2nd Staff checking new meter installation – July 1, 2023
- Bi-annual detail review of all utility charges for that 6-month period – effective for June 30 fiscal year end (FYE) review

---

Finding: 2021-002

Material Weakness in Internal Control- Accrued Compensated Absences

Responsible Individuals: City Manager, Human Resource Director, and Finance Director

Corrective Action to be taken: The Human Resources (HR) staff will review the listing of employees with accrued compensation at calendar year-end to ensure that the list is complete and accurate (e.g., only current active employees). The review will be signed off at completion by the assigned HR staff that the list is accurate and complete and provide to the HR Director or their designee for review and filing. In addition, the HR Director and staff will update policy language in the Personnel Policy and Handbook to include more detailed information regarding how vacation leave is paid out upon the retirement, resignation or termination of an employee, etc. Payroll (PR) staff in HR will convert the excessive amount of accrued vacation above personnel policy to sick in January of the next calendar year and reconcile between the PR detail to the general ledger (g/l). Upon completion of the conversion of accrued vacation above personnel policy accruals to sick leave, and the reconciliation will be signed off by the assigned PR staff and provided to the Finance Director or their designee for review and filing. PR staff working with Finance staff will reconcile the accrued compensation to the g/l at the close of the fiscal year. This reconciliation will include the sign off that it is complete and accurate and will be provided to their supervisor for review and filing and to the appropriate Finance staff that is managing the year-end audit process.

Expected date of completion:

- Validation of active employees with accrued compensation and conversion of accrued vacation above personnel policy accruals to sick leave – January 2024 (Note: The conversion for these accruals was completed in January of 2023).
- Update to Personnel Policy and Handbook – April 30, 2023
- Reconciliation of accrued compensation to the g/l – FY23 audit process

---

Finding: 2021-003

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

Responsible Individual: Purchasing Manager

Corrective Action to be taken: The City Manager will work with the Finance Director and the Purchasing Manager to review the current City's procurement policy and procedures and will add additional processes, checks and balances, etc. to strengthen internal controls and the review process before entering into these contracts. In addition, the City Manager is including in his assessment regarding having a sufficient staffing level within Finance if there is a need for a new position for procurement, contracts, etc. in order to have the proper oversight, review, etc. to ensure that the City complies with federal guidelines, state statutes, and that City policy, etc. is being followed. Department Heads will also receive additional training on the informal and formal bid processes, City policy, etc. Bids between $5K and $499,999 will be stored in one centralized location. The City does have a retention policy that was approved by Council. City staff will be educated on the retention policy to ensure that the retention policy is adhered to.

Expected date of completion:
Review and revision of procurement policy and procedures – September 1, 2023
Assessment regarding sufficient staffing or need for a new position – September 1, 2023

Additional training for department heads – This will begin August 1, 2023, and continue through the fiscal year 2023. The training schedule will be determined by the UNC School of Government
Educating City staff on retention policy – September 29, 2023

Finding: 2021-004

Material Weakness in Internal Control- Capital Project Budgeting

Responsible Individuals: City Manager and Finance Director

Corrective Action to be taken: The City will establish a Capital Projects Fund to fund individual projects with project ordinances that span multiple fiscal years. During the fiscal year, with the current accounting system, this will be accomplished by using capital project "sub-funds" in order to account for the City's current multi-year capital projects. The City Manager will also work with the IT Director and the Finance Director to identify which software might be available that would account for these capital projects by project. Also, the City Manager, Finance Director and Procurement Manager will attend School of Government (SOG) training for Capital Project Best Practices as well as any other Finance/Procurement staff assigned to capital projects budgeting, accounting and financial reporting. The Finance Director will also attend any other training regarding the accounting and financial reporting for multi-year capital projects (e.g., budgetary, actual expenditures, capitalization, reporting, etc.) as well as any other Finance/Procurement staff assigned to capital projects budgeting, accounting and financial reporting.

Expected date of completion:
Establishment of Capital Project Fund – July 1, 2023
Capital project software – Beginning July 1, 2023, the IT Director and Finance Director begin researching Enterprise Resource Planning software that will meet the needs managing capital projects for our organization. The City Manager will select based on the recommendation of the IT Director and Finance Director. The projected date for purchase is November 2023.
Capital project training - This training will be scheduled according to UNC School of Government class schedule for school year 2022/2023 for managing capital projects.

Finding: 2021-005

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

Responsible Individuals: Finance Director and Assistant Finance Director

Corrective Action to be taken: The City Manager will work with the Finance Director and the Assistant Finance Director in assessing the current staffing level in the Finance Department and for additional positions to ensure that the City has the "human capital" resources in place to ensure that the City has sufficient staffing with the various levels of skills, knowledge, and experience in local government accounting, GASB reporting requirements, and NC General Statutes. Current Finance staff are working diligently in doing all that they can to get the City on a timely reporting

schedule to adhere to statutory requirements. Once this assessment is complete, the City Manager will bring a recommendation to Council for consideration.

Expected date of completion: August 1, 2023

Finding: 2021-006

Material Weakness in Internal Control- Capital Assets Existence

Responsible Individual: Finance Director

Corrective Action to be taken: The City Manager will work with the Finance Director to document policies and procedures to properly maintain the capital assets subsidiary ledger, timely reconciliation of the subsidiary ledger to the g/l, annual inventory and validation of the physical inventory to the subsidiary ledger, etc. that will include strong internal controls, timely reconciliations and supporting documentation, supervisor review and sign off, etc. The City Manager's assessment regarding sufficient resources in Finance will also include the area of capital assets.

Expected date of completion: September 29, 2023

Finding: 2021-007

Material Weakness in Internal Control- Timeliness of Bank Reconciliations

Responsible Individuals: City Manager and Finance Director

Corrective Action to be taken: The City Manager and Finance Director will request an additional Full Time Equivalent (FTE) to be approved by City Council, to hire staff whose responsibilities will include the City's bank reconciliations that will have the appropriate skills, knowledge and experience to complete them. In addition, the City Manager and Finance Director will develop written procedures for the timely reconciliation of the City's bank accounts (e.g., monthly) that will include strong internal controls (e.g., segregation of duties, etc.), ensure bank reconciliations tie to the g/l, supervisor review and sign off, etc.

Expected date of completion:
Approval of position to begin advertisement – This position will be presented to Council in August
Begin advertisement for hiring process – Upon Council's approval, September 29, 2023
Develop written procedures for implementation – August 31, 2023

Finding: 2021-008

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

Responsible Individual: Finance Director

Corrective Action to be taken: The Finance Director will assign personnel the responsibility of the financial accounting and reporting for the OPEB and LEOSSA requirements both during the fiscal year and for the audit and financial accounting and reporting at fiscal yearend. Because of the implementation of Government Accounting Standards Board (GASB) Statements regarding post-employment benefits, the OPEB is a complicated process in the annual audit, financial statements and the Annual Comprehensive Financial Report (ACFR). As a result, the Finance Director will work directly with assigned staff until they feel confident that the assigned staff understand the process and what is required both from an accounting standpoint as well as the fiscal yearend journal entries and reporting requirements based on the actuarial studies for both OPEB and LEOSSA. The City Manager will also assess the complexity of this process, the reporting requirements, financial statement and note disclosure regarding recommending a new position in Finance at a higher level for tasks/assignments such as this.

Expected date of completion: City Manager will begin assessing the employment needs for this process on July 1, 2023 with a projected date for presenting a finding on this matter by September 1, 2023.

Finding: 2021-009

Material Weakness in Internal Control- Allocation of the Total OPEB Liability

Responsible Individual: Finance Director

Corrective Action to be taken: The Finance Director will assign personnel the responsibility of the financial accounting and reporting for the OPEB and LEOSSA requirements both during the fiscal year and for the audit and financial accounting and reporting at fiscal yearend. Because of the implementation of GASB Statements regarding post-employment benefits, the OPEB is a complicated process in the annual audit, financial statements and the Annual Comprehensive Financial Report (ACFR). As a result, the Finance Director will work directly with assigned staff until they feel confident that the assigned staff understand the process and what is required both from an accounting standpoint as well as the fiscal year-end journal entries and reporting requirements based on the actuarial studies for both OPEB and LEOSSA. The City Manager will also assess the complexity of this process, the reporting requirements, financial statement and note disclosure regarding recommending a new position in Finance at a higher level for tasks/assignments such as this.

Expected date of completion: City Manager will begin assessing the employment needs for this process on July 1, 2023 with a projected date for presenting a finding on this matter by September 1, 2023.

Finding: 2021-010

Material Weakness in Internal Control- Fund Balances

Responsible Individuals: City Manager and Finance Director

Corrective Action to be taken: The Finance Director will review the trial balances that will include fund balance. The review of the trial balances and their fund balance will occur quarterly to ensure that they are in balance and to identify any potential items for questions/clarity from staff. Any questions from the review will be sent to the Finance staff assigned to that area (e.g., utility billing, capital assets, etc.). Staff will research, analyze and provide responses to the Finance Director within a required timeframe assigned by the Finance Director. In addition, the Finance Director will also review to ensure accurate fund balance reporting in the City's financial statements and the ACFR at fiscal yearend working with the appropriate Finance staff assigned to the annual audit and ACFR preparation.

Expected date of completion: July 1, 2023

Finding: 2021-011

Material Weakness in Internal Control- Fiduciary Oversight

Responsible Individual: City Manager

Corrective Action to be taken: The City Manager and Finance Director will provide bi-monthly budget to actual reports prepared by the Finance Department to the Council by the end of the fiscal month following the end of the two-month period so that the Council can review the financial activity and ask any questions, etc. This will provide Council oversight regarding how the City is performing regarding revenues and expenditures compared to the current budget. The City Manager will also coordinate training to be conducted by the NC SOG and/or the NC League of Municipalities (NCLM) at the beginning of the upcoming fiscal year for all the current Council. Then, going forward, the City Manager will coordinate training to be conducted by the SOG and/or the NCLM for new Council members on their fiduciary role as a Council member at the beginning of their term as well as the current Council members should they choose to be included as a refresher training.

Expected date of completion: July 1, 2023

Finding: 2021-012

Material Compliance Violation and Material Weakness in Internal Control Over Compliance- Over expenditure of Budget

Responsible Individuals: City Manager, Finance Director, Assistant Finance Director, IT Director

Corrective Action to be taken: The City Manager, Finance Director and other City personnel will attend the trainings by the Local Government Commission (LGC) and/or NC SOG on budgeting including General Statute requirements and best practices. The City Manager will also work with the IT Director and Finance Director to identify software that will account for these capital projects efficiently and effectively in addition to the controls within the g/l.

Expected date of completion: October 1, 2023

Finding 2021 – 013

Material Weakness in Internal Control over Compliance- Council Minutes

Responsible Individual: City Clerk, IT Director, City Manager

Corrective Action to be taken: In performing our due diligence with this finding, there are not 19 minutes that did not have an approved set of minutes or summarization, nor were there 12 sets of minutes/meeting summaries that were not prepared until requested by the audit team. The City moved to a new platform during the fiscal year and for some reason, which the City cannot determine, some of the minutes did not convert to the new platform. The Clerk has since uploaded these to the new platform. However, there were three sets of minutes.
June 13, 2022 (Regular Session), June 27, 2022 – (Work Session), and June 27, 2022 (Regular Session) that apparently were not approved in a formal meeting by the Council.
These minutes will be presented to Council for approval on Monday April 10, 2023 during the regular session council meeting for "formal" approval as to content and accuracy.

Effective Date of completion: April 10, 2023, Regular Session Council Meeting

The Council will be presented with minutes for review and approval within a bi-weekly meeting schedule. For example, the first meeting in April will be presented for review and approval for the first Council meeting in May. This will allow sufficient time for finalization and preparation for Council review, questions, comments, etc. The Council will discuss and vote on those minutes as a separate agenda item at that time. Of course, if there are special sessions and/or closed sessions during that timeframe, the Council will be provided those minutes as well for approval after that bi-weekly period at the next Council meeting.

Effective Date of Completion: May 8, 2023, Regular Session Council Meeting

Although it is a widespread practice in North Carolina for presiding officers to sign copies of approved minutes, there is no statutory requirement that they do so. Under Chapter 160, the mayor or clerk could certify an ordinance in order for it to be admitted into evidence. However, current G.S. 160A-79, which applies to both cities and counties, requires only the certification of the clerk. (UNC School of Government, Coates's Canons NC Local Government Law,) (Published 10.30/09 authored by David M. Lawrence). Please see the link, (https://canons.sog.unc.edu/2009/10/signing-minutes-and-ordinances/).

The City Clerk also reached out to some of our peers to see what they do regarding mayor signatures. The results were some do sign and some do not sign because it is not required. Based on the City's research and due diligence, it appears that this is a task that is not required and has no legal standing and thus not warranted. As such, the City will no longer have the mayor sign these agenda minutes as the Council's approval is the official approval.

Effective Date of Completion: April 10, 2023, Regular Session Council Meeting

Regarding a tracking mechanism, the City currently does not have a software for agenda items. So, the "tracking mechanism" resides with the Clerk. Items going to the Council are sent to the Clerk with the required attachments. However, the Clerk will ensure that the minutes are completed for each session, whether regular or work session, and approved by Council as previously stated within that timeframe. Any requests as to the status of the agenda items, minutes and approval of minutes should be directed to the City Clerk.

Expected Date of Completion: May 8, 2023, Regular Session Council Meeting.

Respectfully submitted,

Montré D. Freeman

Montré Freeman
City Manager

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

CITY COUNCIL MEMBERS
BARBARA A.BAXTER
JOHNSON BIGGS
KATHERINE W. FELTON
FREDERICK D. GIBBS (JAVIS)
JOSEPH W. PEEL
JOHNNIE B. WALTON
ROSE M. WHITEHURST

CITY OF ELIZABETH CITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2021

Section I. **Financial Statement Findings**

2020-001: Timeliness of Audit Report Submission

Upgraded from a Significant Deficiency in internal control to a Material Compliance Violation and Material Weakness in Internal Control over Compliance. See finding 2021-005.

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

There were no findings reported during the year ended June 30, 2020.

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

There were no findings reported during the year ended June 30, 2020.

Montre Freeman
City Manager

Alicia Steward
Finance Officer

CITY OF ELIZABETH CITY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2021

GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL ASSISTANCE LISTING NUMBER	STATE/ FEDERAL PASS-THROUGH GRANTOR'S NUMBER	FEDERAL (DIRECT AND PASS-THROUGH) EXPENDITURES	STATE EXPENDITURES	SUB-RECIPIENT	TOTAL
FEDERAL GRANTS						
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Passed though NC Dept. of Environmental Quality						
Community Development Block Grant	14.228	17-I-2960 / 13-I-3068	$ 622,012	$ -	$ -	$ 622,012
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Passed though NC Dept. of Commerce						
COVID 19 - Community Development Block Grant	14.228	20-V-3513	45,784	-	-	45,784
US DEPARTMENT OF TREASURY						
Passed through NC Pandemic Recovery Office:						
Passed through Pasquotank County:						
COVID-19 Coronavirus Relief Fund	21.019	CRF 02-68	468,236	-	-	468,236
US DEPARTMENT OF JUSTICE						
Direct Grants:						
Public Safety Partnership and Community Policing Grant	16.710	2017-UM-WX-0045	36,041	-	-	36,041
Public Safety Partnership and Community Policing Grant	16.710	2020-UM-WX-0127	33,679	-	-	33,679
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0375	29,444	-	-	29,444
DOJ Bulletproof Vest Partnership Program	16.607	Unknown	8,453	-	-	8,453
Passed thru the NC Department of Public Safety						
Juvenile Mentoring Program	16.726	2019-JU-FX-0038	16,770	-	16,770	16,770
Total expenditure of federal grants			**1,260,419**	**-**	**16,770**	**1,260,419**
STATE GRANTS						
NC DEPARTMENT OF ENVIRONMENTAL QUALITY						
Division of Water Infrastructure		E-AIA-W-20-01970	-	141,560	-	141,560
NC DEPARTMENT OF TRANSPORTATION						
Powell Bill		DOT-4 8675	-	477,964	-	477,964
GOLDEN LEAF FOUNDATION						
Sanitary Sewer Pump Station Replacement		FY2020-192	-	83,964	-	83,964
Total expenditure of state grants			-	703,488	-	703,488
Total expenditure of all grants			**$ 1,260,419**	**$ 703,488**	**$ 16,770**	**$ 1,963,907**

CITY OF ELIZABETH CITY, NORTH CAROLINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2021

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, 2021. 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. Negative amounts shown on the SEFSA, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

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.