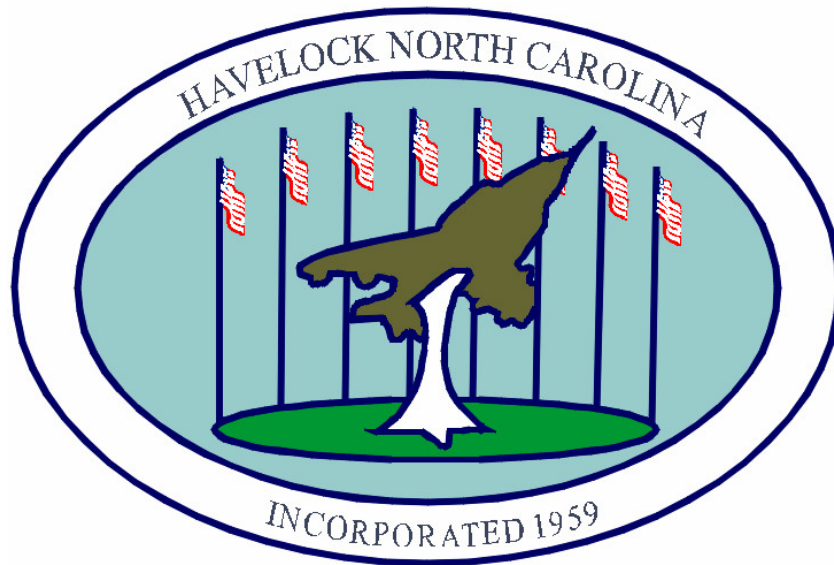


COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF HAVELOCK
HAVELOCK, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2020

CITY OF HAVELOCK
HAVELOCK, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

Prepared by: City of Havelock
Finance Department

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CITY OF HAVELOCK
HAVELOCK, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

Prepared by the City of Havelock Finance Department
Lee W. Tillman, Finance Director

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CITY OF HAVELOCK, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR YEAR ENDED JUNE 30, 2020

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 - Organizational Chart
 - GFOA Certificate of Achievement for Excellence in Financial Reporting
-

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CITY OF HAVELOCK

Post Office Box 368
Havelock, N.C. 28532

September 30, 2020

To the Mayor, Board of Commissioners and Citizens of the City of Havelock, North Carolina:

The comprehensive annual financial report of the City of Havelock, North Carolina, for the fiscal year ended June 30, 2020 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The comprehensive annual financial report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Havelock has established a comprehensive internal control framework that is designed both to protect City assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting standards (GAAP). Because the cost of the internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Havelock's financial statements have been audited by Martin Starnes and Associates, CPAs, P.A. a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2020 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2020 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the Comprehensive Annual Financial Report.

The independent audit of the financial statements of the City was part of a broader, federal and state mandated "Single Audit" designed to meet the specific needs of grantor agencies. The single audit must be in conformity with the provisions of the Uniform Guidance, as described in the Audit Manual for Governmental Auditors in North Carolina and North Carolina's State Single Audit Implementation Act. The standards governing single audit engagements require the independent auditor to report not only on the fair

presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These auditor reports are available in the single audit section of this report.

GAAP requirements specify that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Some information traditionally reported in the transmittal letter is now included in the MD&A as required. The City's MD&A can be found immediately following the report of the independent auditors.

The City of Havelock

The City of Havelock, North Carolina, is located in Craven County within the eastern coastal plains region of North Carolina and includes, within its municipal boundaries, Marine Corps Air Station Cherry Point (MCAS-CP). Havelock comprises about 20 percent of Craven County's population. The certified population estimate was 20,602 for 2020 and the estimate was 20,072 for 2019. The City presently encompasses 46 miles and employs 123 permanent staff.

The City of Havelock and its residents pride themselves in the quality of life in the community. Most of the community is associated with MCAS-CP as active duty Marines, civil service employees, their dependents, service-oriented business providers, local and state government employees and retirees. The City and its residents continue to strive to improve the programs and services that directly affect the quality of life, health and welfare needs of the Citizens. The City readily welcomes visitors and new residents.

The City, incorporated in 1959, has a council-manager form of government. The governing body is comprised of the Mayor and five commissioners who are elected at-large. All Board members including the Mayor serve four-year staggered terms. The Board of Commissioners has legislative authority and establishes policies for the City. The Board appoints the City Manager and the City Attorney. The City Manager is the chief executive officer and responsible for implementing Board policies and ordinances, managing daily operations and appointing department directors. The City Manager is also responsible for preparation of the annual operating budgets.

The City provides a full range of services including police and fire protection; street maintenance; recreational activities and cultural events; and water and sewer services. This report includes all of the City's activities in delivering and administering these services.

City of Havelock's Mission Statement

The City of Havelock's mission is to promote and support the highest quality of life possible for its citizens while recognizing limitations and available resources. Our mission will be accomplished through quality elected and professional leadership, a dedicated workforce and a community of active citizen involvement, according to our Core Values.

City of Havelock's Core Values

H-Honesty/Integrity

We strive to be truthful, ethical, loyal and principled. We say what we mean and do what we say. We take a stand on important issues. We deal with the citizens of Havelock, fairly, and maintain a professional relationship with them.

A- Accountability

We take responsibility for our actions while delivering cost effective and efficient services. We are responsible to our citizens for the dollars we spend and the quality of service we render. We are responsible for the protection and care of the community's resources for positive purposes.

V-Value of Service

Our business is to provide service to the community. Our success - the vitality and prosperity of our city - depends on our productivity. We are most productive when working together and with our citizens. We believe, as trustees of public resources, we have an obligation to ensure that city services are delivered without exception to its citizens in a professional, timely and courteous manner.

E-Excellence

We strive to do our best on every assignment, optimizing the use of our time, resources and energy, to provide the highest quality of service to our citizens. The standards of excellence we apply to our service make a direct and powerful difference in the quality of our jobs and the quality of life in our community.

L-Leadership

We work together to plan, develop recommendations and select the best options available to the citizens of Havelock. We realize that our organization is dependent upon the public's confidence in our commitment to our core values and to meeting our collective goals. We respect the recommendations of our professional staff, recognizing that they are an important part of our team.

O-Openness

We are responsive to the needs of our community. We conduct business in an open manner and invite our citizens' commentary on our plans. We pledge to be consistent and respectful in all communications, written and verbal, as this is vital for reflective and sound decision making for the Havelock community. We will consider the impact of our decisions on resources and recognize the limitations imposed by our environment.

C-Competence

We will strive to be proficient and effective. We will continually work to improve our knowledge of the profession and individual performances. As individuals, our ability to have an effect on our mission is unlimited. By developing our skills and abilities, we enhance not only our job satisfaction but also the quality of service our city offers.

K-Knowledge

We are concerned about our natural, historic, economic resources and endeavor to enhance their sustainability for future generations. We will foster intergovernmental relationships that will bring the expertise of others to bear on our decisions. Through effective communication, positive attitudes and shared workloads we can meet our responsibility to the community.

The Budget Process

The annual budget serves as the foundation for the City of Havelock's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget ordinance adopted by the Board of Commissioners. Activities of general and enterprise funds are included in the annual budget ordinance. Project length financial plans are adopted for those projects which are expected to require more than a fiscal year for completion. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the departmental level. The government also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end. Project budgeted appropriations do not lapse until the completion of the project.

The appropriated budget is prepared by fund and function. The City Manager may make transfers between line items in the function but not between funds, which require Board approval. Budget-to-actual comparisons are provided in basic financial statements of this report for each individual governmental fund for which an appropriated annual budget has been adopted. Also included in the governmental fund subsection are project-length budget-to-actual comparisons for each governmental fund for which a project-length budget has been adopted (i.e. capital projects funds).

Economic Conditions and Outlook

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Havelock operates.

Havelock's economy is driven by Marine Corps Air Station Cherry Point with more than 8,000 active marines. It is home to Fleet Readiness Center East (FRC), which provides maintenance, engineering, and logistics support for aviation operations of the Marine Corps, Navy and other branches of the U.S. military. It is the largest employer of civilians east of Interstate 95 in North Carolina and has an annual payroll of over \$1,150,000. The unemployment rate for June 2020 was 10.3 percent compared with 7.6 percent for the state and 11.1 percent for the nation. The local unemployment rate increased 6.1 percent while the state's rate was increased 3.5 percent. The local economy is suffering as a result of the pandemic.

The City is not expecting any growth in the coming year. All of Eastern North Carolina and especially Havelock was severely impacted in September 2018 by Hurricane Florence and was struggling to recover and rebuild when the area was affected by the COVID-19 pandemic. In planning for the future, the City of Havelock will continue to deliver quality services in the most cost-effective method possible.

Major Initiatives

Planning efforts for the upcoming fiscal year always begin with a planning retreat to present the Board of Commissioners with an overview of issues facing the City. This affords the Board of Commissioners a heightened awareness of possible future projects and programming opportunities as they refine the City's five-year plan and developed guidelines for the upcoming budget year. The City's annual planning session is normally held in March.

The budget process was difficult as requests far exceeded revenues. The City Manager, Finance Director and Management team whittled the requests and presented the Board of Commissioners with a balanced budget. Sales tax growth was expected to grow at 1-3% and there is no growth anticipated in the property tax base.

The tax rate was unchanged at .59 at per hundred for 2019-2020. Water, sewer and solid waste rates were increased by 4.0%. The annual utility rate increases allow the City to meet the mandates that are imposed for drinking water and treating sewer.

The City continues to partner with Allies for Cherry Point's Tomorrow to identify and implement initiatives that protect the health, safety and welfare of the civilian and military communities near MCAS-CP along with initiatives that protect and promote the present and future operational capabilities of MCAS-CP. The City has also worked to increase communication and cooperation among MCAS-CP and surrounding communities and to identify appropriate regulatory and non-regulatory measures to ensure compatibility between existing and future land uses and MCAS-CP air operations.

For the Future

The fiscal year 2020-2021 budget was recommended and adopted. The Board of Commissioners made no changes to the tax rate of .59 per hundred, utility and solid waste rates were increased 1.5 percent.

Due to the COVID-19 pandemic, the City is planning for limited construction and expansion in the new year. The City anticipates using Lewis Farm Park, a new multi-purpose athletic field and playground.

The City of Havelock also provides post-retirement health benefits to certain retirees and their dependents. As of the end of the current fiscal year, there are eleven employees receiving these benefits, which are financed on a pay-as-you-go basis. Additional information on the City's pension arrangements and post-employment benefits can be found in the notes to the financial statements.

Other Information

North Carolina statutes require an annual audit by independent certified public accountants. The accounting firm of Martin Starnes and Associates, CPAs was selected by the City. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The statutes also require the City's audit to include a compliance audit of applicable expenditures of federal and state financial awards, which meets the regulations of the Single Audit Act of 1984 and related OMB Circular A-133. The compliance audit and the related schedule of expenditures of federal and state financial awards are included in the compliance section of this report.

Awards and Acknowledgments

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Havelock for its comprehensive annual financial report ("CAFR") for the fiscal year ended June 30, 2019. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

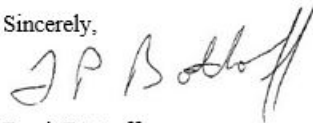
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has also previously received a Certificate of Achievement for the fiscal years ended June 30, 1990 through June 30, 2018. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the finance department staff. Also, of particular value in the process was Mr. Matt Braswell of Martin Starnes and Associates, CPAs, P.A.

In closing, without the leadership and support of the City of Havelock Board of Commissioners, preparation of this report would not have been possible.

Sincerely,

A handwritten signature in dark ink, appearing to read "F. Bottorff", with a stylized flourish at the end.

Frank Bottorff
City Manager

A handwritten signature in dark ink, appearing to read "Lee W. Tillman", with a long horizontal flourish extending to the right.

Lee W. Tillman
Finance Director

CITY OF HAVELOCK

LIST OF PRINCIPAL OFFICIALS

June 30, 2020

BOARD OF COMMISSIONERS

WILL LEWIS, Mayor

DANIEL WALSH

JIM KORR

JOSHUA KORR

BRENDA WILSON

PETE VAN VLIET

ADMINISTRATION

FRANK BOTTORFF

City Manager

LEE TILLMAN

Director of Finance

CINDY MORGAN

City Clerk

RICHARD ZACCARDELLI

Fire/Rescue Chief

MARVIN WILLIAMS

Police Chief

KATRINA MARSHALL

Director of Planning
and Inspections

CHAD IVES

Director of Information
Technology

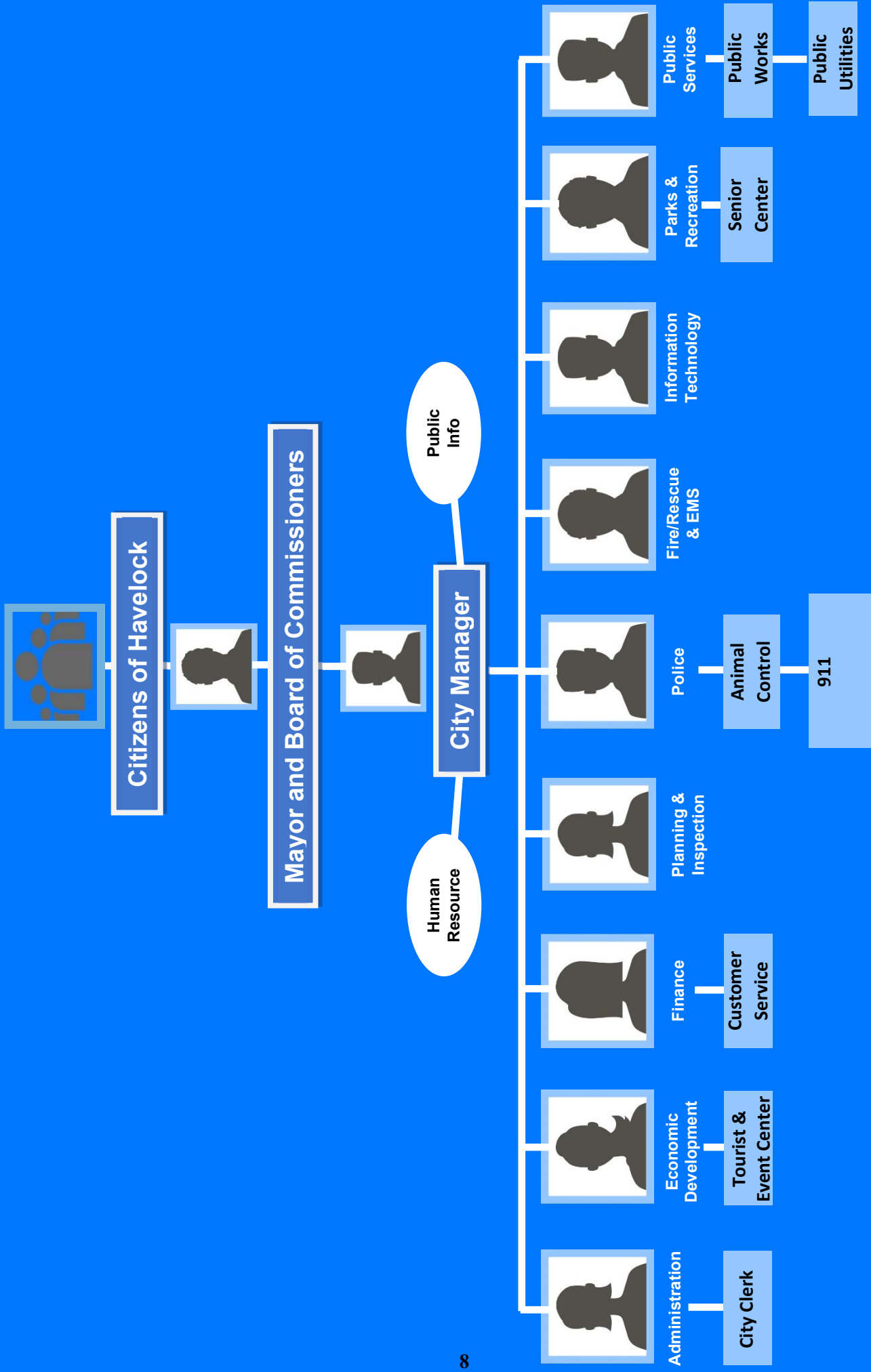
SUE SAYGER

Director of
Public Services

TRAVIS ADAMS

Director of Parks
and Recreation

City of Havelock, North Carolina Fiscal Year 2019-2020





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Havelock
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morrell

Executive Director/CEO

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FINANCIAL SECTION

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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Board of Commissioners
City of Havelock, North Carolina

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 Havelock, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the 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 basic financial statements are free of 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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Havelock, North Carolina, as of June 30, 2020, and the respective changes in financial position, and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of the City of Havelock, North Carolina. The introductory section, combining and individual fund financial statements, budgetary schedules, other schedules, and statistical tables, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical tables have 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 assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2020 on our consideration of the City of Havelock'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 Havelock's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Havelock's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
September 30, 2020

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Management's Discussion and Analysis

As management of the City of Havelock (City), we offer readers of the City of Havelock's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020 with comparisons to the prior year, where appropriate. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the front of this report and the basic financial statements and accompanying notes to the financial statements, which follow this narrative.

Financial Highlights

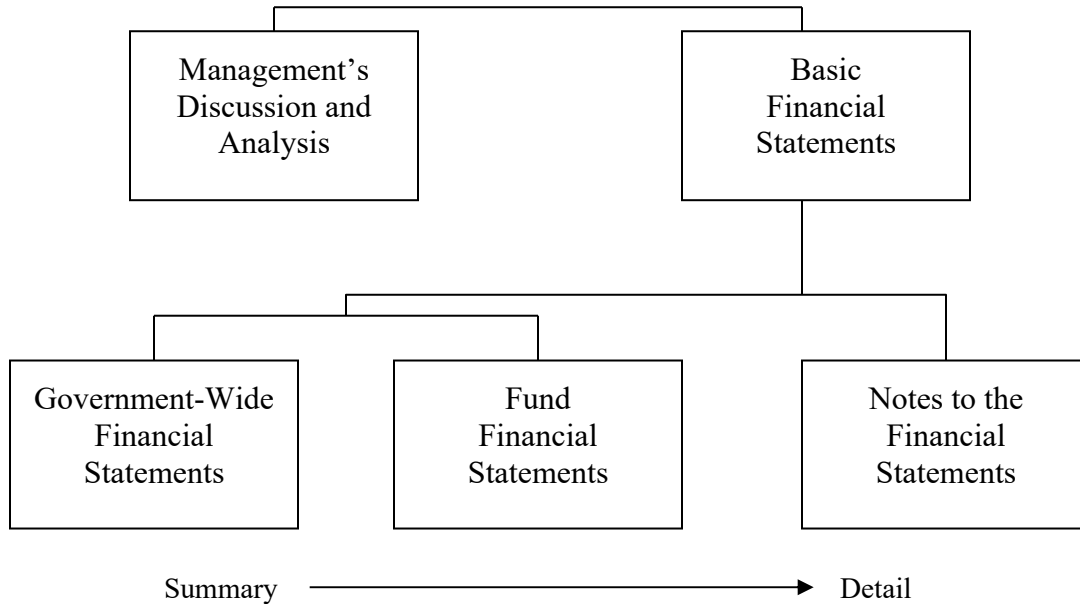
- The City of Havelock's assets and deferred outflows exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$41,950,595.
- The City's total net position increased by \$3,497,330 of which \$1,010,886 was from business-type activities, while net position of governmental activities increased by \$2,486,444.
- The overall financial position of the City increased in 2020 as evidenced by an increase in the unassigned fund balance to \$8,900,466 in the General Fund (an increase in total fund balance of \$1,901,125 in the General Fund) at June 30, which is approximately 63 percent of the budget for fiscal year 2020. This did meet the Board of Commissioners' goal to maintain 32 percent in General Fund balance.
- On a government-wide basis for governmental activities, the City had expenses net of program revenues of \$6,628,416. Total program revenues were \$4,420,728, and expenses were \$11,049,144.
- On a government-wide basis for business-type activities, the City had program revenues net of expenses of \$748,919.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City of Havelock's basic financial statements comprise two components: 1) government-wide financial statements, and 2) fund financial statements along with the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **government-wide financial statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits C through I) 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 budgetary comparison statements; 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, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the general statutes can also be found in this part of the statements.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City of Havelock's assets, deferred outflows and liabilities and deferred inflows, with the difference between the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets, and culture and recreation. The business-type activities of the City of Havelock include water, sewer, solid waste, and the Havelock Tourist and Event Center.

The government-wide financial statements can be found on Exhibits A and B of this report.

In accordance with the Governmental Accounting Standards Board criteria for inclusion in the reporting entity, the City of Havelock has no component units that must be included in this report.

Fund Financials Statements. 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

At year-end, the City maintained three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, which is the only major governmental fund that the City has. All other nonmajor governmental funds have been combined in a single aggregated presentation.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Exhibits C-F of this report.

Proprietary Funds. The City of Havelock maintains four different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, solid waste, and the Tourist and Event Center.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, solid waste, and the Tourist and Event Center. The water, sewer, solid waste, and the Tourist and Event Center funds are all considered major funds of the City.

The basic proprietary fund financial statements can be found on Exhibits G-I of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City does not have any fiduciary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found after Exhibit I of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on Schedule A-1, A-2, A-3, A-4, and A-5 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on Schedules C1-E9 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$41,950,595 at the close of the most recent fiscal year compared to \$38,453,265 for the prior year. The City's net position increased by \$3,497,330 for the fiscal year ended June 30, 2020.

A large portion of the City's net position (46.90 percent) reflects its net investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

City of Havelock's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and other assets	\$ 14,996,123	\$ 13,200,894	\$ 13,351,129	\$ 11,895,778	\$ 28,347,252	\$ 25,096,672
Capital assets	14,232,578	13,442,269	25,462,840	26,077,124	39,695,418	39,519,393
Total assets	<u>29,228,701</u>	<u>26,643,163</u>	<u>38,813,969</u>	<u>37,972,902</u>	<u>68,042,670</u>	<u>64,616,065</u>
Deferred Outflows of Resources	<u>1,398,112</u>	<u>1,529,181</u>	<u>253,410</u>	<u>282,959</u>	<u>1,651,522</u>	<u>1,812,140</u>
Liabilities:						
Current	851,335	914,366	1,235,456	1,005,308	2,086,791	1,919,674
Non-current	<u>10,897,016</u>	<u>10,829,995</u>	<u>14,411,346</u>	<u>14,837,698</u>	<u>25,308,362</u>	<u>25,667,693</u>
Total liabilities	<u>11,748,351</u>	<u>11,744,361</u>	<u>15,646,802</u>	<u>15,843,006</u>	<u>27,395,153</u>	<u>27,587,367</u>
Deferred Inflows of Resources:						
Prepaid taxes	425	6,074	-	-	425	6,074
Pension deferrals	<u>297,914</u>	<u>328,230</u>	<u>50,105</u>	<u>53,269</u>	<u>348,019</u>	<u>381,499</u>
Total deferred inflows of resources	<u>298,339</u>	<u>334,304</u>	<u>50,105</u>	<u>53,269</u>	<u>348,444</u>	<u>387,573</u>
Net Position:						
Net investment in						
capital assets	8,273,295	7,288,247	11,401,361	11,559,108	19,674,656	18,847,355
Restricted	4,093,540	3,757,207	-	-	4,093,540	3,757,207
Unrestricted	<u>6,213,288</u>	<u>5,048,225</u>	<u>11,969,111</u>	<u>10,800,478</u>	<u>18,182,399</u>	<u>15,848,703</u>
Total net position	<u>\$ 18,580,123</u>	<u>\$ 16,093,679</u>	<u>\$ 23,370,472</u>	<u>\$ 22,359,586</u>	<u>\$ 41,950,595</u>	<u>\$ 38,453,265</u>

An additional \$4,093,540 of the City's net position (9.76 percent compared to 9.77 percent for the prior fiscal year) represent resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position \$18,182,399 (43.34 percent) may be used to meet the government's ongoing obligation to citizens and creditors.

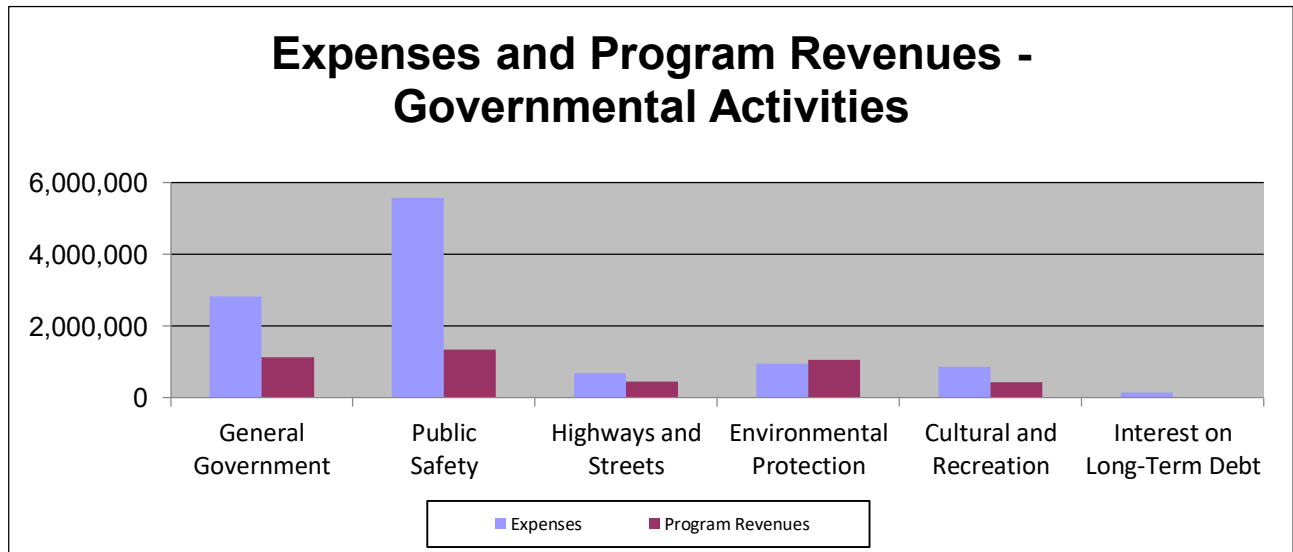
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities. Governmental activities increased the City's net position by \$2,486,444. The following factors caused the increase in governmental activities:

- The main reason for the increase was due to large disaster recovery grants in the current year for unexpected hurricane expenditures in the 2019 fiscal year while holding other expenses steady.

City of Havelock's Changes in Net Position

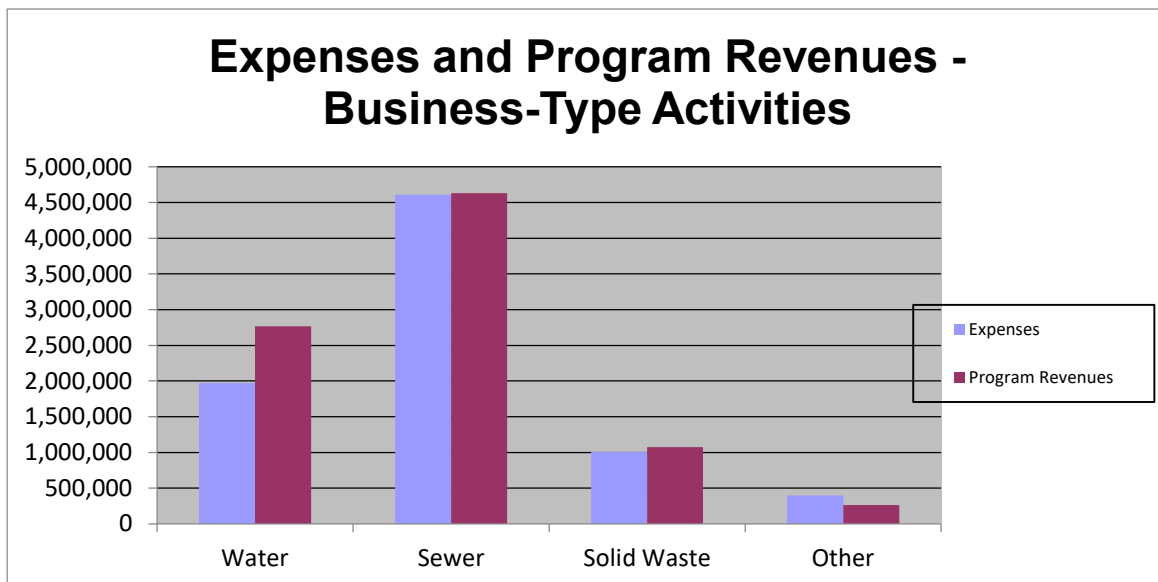
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 1,407,549	\$ 1,746,716	\$ 8,086,505	\$ 7,562,824	\$ 9,494,054	\$ 9,309,540
Operating grants and contributions	1,956,694	2,763,115	-	-	1,956,694	2,763,115
Capital grants and contributions	1,056,485	1,112,954	646,375	-	1,702,860	1,112,954
General revenues:						
Property taxes	5,157,345	5,198,905	-	-	5,157,345	5,198,905
Other taxes	3,937,475	3,914,332	-	-	3,937,475	3,914,332
Investment earnings	211,189	330,712	70,818	88,793	282,007	419,505
Total revenues	<u>13,726,737</u>	<u>15,066,734</u>	<u>8,803,698</u>	<u>7,651,617</u>	<u>22,530,435</u>	<u>22,718,351</u>
Expenses:						
General government	2,824,798	5,004,320	-	-	2,824,798	5,004,320
Public safety	5,587,224	5,378,223	-	-	5,587,224	5,378,223
Highways and streets	679,875	1,207,423	-	-	679,875	1,207,423
Environmental protection	952,159	959,665	-	-	952,159	959,665
Cultural and recreation	858,538	1,031,018	-	-	858,538	1,031,018
Interest on long-term debt	146,550	153,974	-	-	146,550	153,974
Water	-	-	1,970,409	2,014,753	1,970,409	2,014,753
Sewer	-	-	4,605,578	4,349,156	4,605,578	4,349,156
Solid waste	-	-	1,009,143	910,128	1,009,143	910,128
Tourist and Event Center	-	-	398,831	361,438	398,831	361,438
Total expenses	<u>11,049,144</u>	<u>13,734,623</u>	<u>7,983,961</u>	<u>7,635,475</u>	<u>19,033,105</u>	<u>21,370,098</u>
Change in net position before transfers	2,677,593	1,332,111	819,737	16,142	3,497,330	1,348,253
Transfers in (out)	<u>(191,149)</u>	<u>(222,807)</u>	<u>191,149</u>	<u>222,807</u>	<u>-</u>	<u>-</u>
Change in net position	2,486,444	1,109,304	1,010,886	238,949	3,497,330	1,348,253
Net position, July 1	<u>16,093,679</u>	<u>14,984,375</u>	<u>22,359,586</u>	<u>22,120,637</u>	<u>38,453,265</u>	<u>37,105,012</u>
Net position, June 30	<u>\$ 18,580,123</u>	<u>\$ 16,093,679</u>	<u>\$ 23,370,472</u>	<u>\$ 22,359,586</u>	<u>\$ 41,950,595</u>	<u>\$ 38,453,265</u>



Business-Type Activities. Business-type activities increased the City's net position by \$1,010,886. In fiscal year 2018-2019, business-type activities increased the City's net position by \$238,949.

Key elements of this increase are as follows:

- Water revenues increased by \$220,945, an 8% increase compared to an increase of \$258,142 (11% increase) in the prior fiscal year. The increase was a result of an increase in fees. Sewer revenues increased by \$274,860, a 7% increase compared to an increase of \$141,748 (4 percent increase) in FY 18-19. Solid waste revenues decreased by \$21,598, or 2 percent, from the prior year due to less demand. The Tourist and Event Center revenues increased by \$49,474 or 30%. The increase occurred because the Center was closed six months of the prior fiscal year due to damages sustained during Hurricane Florence.



Financial Analysis of the Government's Funds

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

Governmental Funds. The focus on the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,645,578, an increase of \$1,757,640. Approximately 60.19 percent of this total amount (\$8,213,066) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *non-spendable, restricted, assigned or committed* to indicate that it is not available for various reasons. These reasons include 1) a portion is unavailable under state statutes; 2) a portion is legally segregated and can only be spent on specific expenditures; or 3) available for appropriation but the City is segregating out portions for specific expenditures.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, available fund balance of the General Fund was \$11,199,572. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. The City has an available fund balance of 105.42 percent of General Fund expenditures and transfers to other funds, while total fund balance represents 124.52 percent of the same amount. Unassigned fund balance of the General Fund was \$8,900,466 while total fund balance reached \$13,228,694. Other factors concerning the finances of the governmental funds have already been addressed in the discussion of the City's governmental activities.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position of the Water Fund increased by \$833,114 at year-end; Sewer Fund net position increased by \$47,992; Solid Waste Fund net position increased by \$74,967; and the Tourist and Event Center Fund net position increased by \$54,813 at year-end. Other factors concerning the finances of these four funds have already been addressed in the discussion of the City's business-type activities.

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 or expand services. The City increased the General Fund budget revenue estimates by \$472,295. The increase was necessary to incorporate additional funding received during the fiscal year.

Expenditure budgets were increased over the fiscal year primarily to authorize expenditures for hurricane relief, contracts, grant awards, and special studies. Although the City's expenditure budget increased \$1,991,988 over the year, ultimately actual expenditures were \$3,296,137 less than the final budget. Adequate fund balance provided the flexibility so that the City could increase expenditure budgets mid-fiscal year without having to issue debt.

Differences (funded out of fund balance) between the original budget and the final amended budget were relatively major and can be briefly summarized as follows:

- \$571,662 increase in hurricane department due to Hurricane Florence
- \$184,230 increase in police and public services for new fleet vehicles
- \$920,000 increase in streets for road repairs and drainage
- \$125,000 increase for public services equipment storage building

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2020 amounts to \$39,695,418 (net of accumulated depreciation), which is an increase of \$176,025 over the 2018-2019. The investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, and streets. The total increase in the City's investment in capital assets for the current year was less than 1 percent.

Major capital asset events during the current fiscal year included the following:

- Purchase of fleet vehicles for police and public services.

City of Havelock's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 2,802,762	\$ 2,802,762	\$ 306,658	\$ 306,658	\$ 3,109,420	\$ 3,109,420
Construction in progress	-	729,537	-	699,933	-	1,429,470
Buildings	9,853,284	9,853,284	34,578,952	33,846,703	44,432,236	43,699,987
Other improvements	3,488,357	1,838,451	13,017,290	12,932,590	16,505,647	14,771,041
Equipment	4,535,845	4,307,632	1,889,899	1,571,912	6,425,744	5,879,544
Vehicles	4,663,583	4,539,735	1,620,894	1,403,259	6,284,477	5,942,994
Subtotal	25,343,831	24,071,401	51,413,693	50,761,055	76,757,524	74,832,456
Accumulated depreciation	(11,111,253)	(10,629,132)	(25,950,853)	(24,683,931)	(37,062,106)	(35,313,063)
Capital assets, net	<u>\$ 14,232,578</u>	<u>\$ 13,442,269</u>	<u>\$ 25,462,840</u>	<u>\$ 26,077,124</u>	<u>\$ 39,695,418</u>	<u>\$ 39,519,393</u>

Additional information on the City's capital assets can be found in the notes to financial statements in note 3.

Long-Term Debt. At the end of the current fiscal year, the City had a total debt outstanding of \$20,020,762. Of this amount, there is no debt that comprises the full faith and credit of the government.

City of Havelock's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
Notes from direct borrowings and direct placements	<u>\$ 5,959,283</u>	<u>\$ 6,154,022</u>	<u>\$ 14,061,479</u>	<u>\$ 14,518,016</u>	<u>\$ 20,020,762</u>	<u>\$ 20,672,038</u>

The City's total debt decreased during the current fiscal year by \$651,276 due to the City's long-term debt payments in the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total assessed valuation. The current debt limitation for the City of Havelock is approximately \$50,600,000, which is significantly greater than the City's outstanding debt.

Additional information on the City's long-term debt can be found in the notes to financial statements in note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City is 10.3 percent. This is higher than the national rate of 11.1 percent, and the state's rate of 7.6 percent. Inflationary trends in the region compare favorable to national indices. All of these factors were considered in preparing the City's budget for the 2020 fiscal year.

The City tax rate was maintained at .59 cents per hundred. The Board of Commissioners was able to provide all City services while maintaining the tax rate.

The water, sewer and solid waste rates were increased by 1.5 percent. The Board remains committed to their policy of increasing the rates based on the Consumer Price Index in these funds.

Requests for Information

The financial report is designed to provide a general overview of the City of Havelock's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Office of the Director of Finance, City of Havelock, Post Office Box 368, Havelock, North Carolina 28532; (252) 444-6403.

BASIC FINANCIAL SECTION

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CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 12,421,274	\$ 11,259,243	\$ 23,680,517
Intergovernmental receivables	1,881,345	-	1,881,345
Taxes receivable, net	17,523	-	17,523
Accounts receivable, net	105	1,633,836	1,633,941
Inventories	6,459	33,951	40,410
Cash and cash equivalents, restricted	669,417	424,099	1,093,516
Total current assets	14,996,123	13,351,129	28,347,252
Non-current assets:			
Capital assets:			
Capital assets, non-depreciable	2,802,762	306,658	3,109,420
Capital assets, net	11,429,816	25,156,182	36,585,998
Total capital assets	14,232,578	25,462,840	39,695,418
Total assets	29,228,701	38,813,969	68,042,670
Deferred Outflows of Resources:			
Pension deferrals	1,162,308	208,495	1,370,803
OPEB deferrals	235,804	44,915	280,719
Total deferred outflows of resources	1,398,112	253,410	1,651,522
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	282,685	254,733	537,418
Unearned grant revenue	321,362	-	321,362
Current portion of long-term liabilities	247,288	556,624	803,912
Liabilities payable from restricted assets:			
Customer deposits	-	424,099	424,099
Total current liabilities	851,335	1,235,456	2,086,791
Long-term liabilities:			
Net pension liability - LGERS	1,894,363	360,833	2,255,196
Total pension liability - LEOSSA	340,996	-	340,996
Total OPEB liability	2,447,715	466,231	2,913,946
Due in more than one year	6,213,942	13,584,282	19,798,224
Total long-term liabilities	10,897,016	14,411,346	25,308,362
Total liabilities	11,748,351	15,646,802	27,395,153
Deferred Inflows of Resources:			
Prepaid taxes	425	-	425
OPEB deferrals	179,169	34,127	213,296
Pension deferrals	118,745	15,978	134,723
Total deferred inflows of resources	298,339	50,105	348,444
Net Position:			
Net investment in capital assets	8,273,295	11,401,361	19,674,656
Restricted for stabilization by state statute	2,680,485	-	2,680,485
Restricted for streets	610,767	-	610,767
Restricted for debt service	429,516	-	429,516
Restricted for culture and recreation	98,764	-	98,764
Restricted for general government	152,803	-	152,803
Restricted for public safety	121,205	-	121,205
Unrestricted	6,213,288	11,969,111	18,182,399
Total net position	\$ 18,580,123	\$ 23,370,472	\$ 41,950,595

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

CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 2,824,798	\$ 358,233	\$ 777,039	\$ -
Public safety	5,587,224	758,338	581,895	-
Highways and streets	679,875	-	457,668	-
Environmental protection	952,159	5,467	-	1,056,485
Cultural and recreation	858,538	285,511	140,092	-
Interest on long-term debt	146,550	-	-	-
Total governmental activities	<u>11,049,144</u>	<u>1,407,549</u>	<u>1,956,694</u>	<u>1,056,485</u>
Business-Type Activities:				
Water Fund	1,970,409	2,765,324	-	-
Sewer Fund	4,605,578	3,984,339	-	646,375
Solid Waste Fund	1,009,143	1,074,347	-	-
Tourist and Event Center Fund	398,831	262,495	-	-
Total business-type activities	<u>7,983,961</u>	<u>8,086,505</u>	<u>-</u>	<u>646,375</u>
Total primary government	<u>\$ 19,033,105</u>	<u>\$ 9,494,054</u>	<u>\$ 1,956,694</u>	<u>\$ 1,702,860</u>

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

CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ (1,689,526)	\$ -	\$ (1,689,526)
Public safety	(4,246,991)	-	(4,246,991)
Highways and streets	(222,207)	-	(222,207)
Environmental protection	109,793	-	109,793
Cultural and recreation	(432,935)	-	(432,935)
Interest on long-term debt	(146,550)	-	(146,550)
Total governmental activities	(6,628,416)	-	(6,628,416)
Business-Type Activities:			
Water Fund	-	794,915	794,915
Sewer Fund	-	25,136	25,136
Solid Waste Fund	-	65,204	65,204
Tourist and Event Center Fund	-	(136,336)	(136,336)
Total business-type activities	-	748,919	748,919
Total primary government	(6,628,416)	748,919	(5,879,497)
General Revenues:			
Property tax	5,157,345	-	5,157,345
Sales tax	2,112,803	-	2,112,803
Franchise tax	1,151,255	-	1,151,255
Other taxes	673,417	-	673,417
Investment earnings	211,189	70,818	282,007
Total general revenues, excluding transfers	9,306,009	70,818	9,376,827
Transfers	(191,149)	191,149	-
Total general revenues and transfers	9,114,860	261,967	9,376,827
Change in net position	2,486,444	1,010,886	3,497,330
Net Position:			
Beginning of year - July 1	16,093,679	22,359,586	38,453,265
End of year - June 30	\$ 18,580,123	\$ 23,370,472	\$ 41,950,595

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

CITY OF HAVELOCK, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Nonmajor Governmental Funds	Total
Assets:			
Cash and cash equivalents	\$ 11,973,588	\$ 447,686	\$ 12,421,274
Intergovernmental receivables	1,223,523	657,822	1,881,345
Taxes receivable, net	17,523	-	17,523
Accounts receivable, net	105	-	105
Due from other funds	687,400	-	687,400
Inventories	6,459	-	6,459
Restricted cash and cash equivalents	610,767	58,650	669,417
Total assets	<u>\$ 14,519,365</u>	<u>\$ 1,164,158</u>	<u>\$ 15,683,523</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 281,461	\$ 1,224	\$ 282,685
Due to other funds	-	687,400	687,400
Unearned grant revenue	262,712	58,650	321,362
Total liabilities	<u>544,173</u>	<u>747,274</u>	<u>1,291,447</u>
Deferred Inflows of Resources:			
Unavailable taxes	17,523	-	17,523
Grant receivable	728,550	-	728,550
Prepaid taxes	425	-	425
Total deferred inflows of resources	<u>746,498</u>	<u>-</u>	<u>746,498</u>
Fund Balances:			
Non-spendable:			
Inventories	6,459	-	6,459
Restricted:			
Stabilization by state statute	2,022,663	657,822	2,680,485
Restricted, other	1,040,283	372,772	1,413,055
Committed:			
Committed for public safety	-	73,690	73,690
Assigned:			
Assigned, other	1,258,823	-	1,258,823
Unassigned	8,900,466	(687,400)	8,213,066
Total fund balances	<u>13,228,694</u>	<u>416,884</u>	<u>13,645,578</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,519,365</u>	<u>\$ 1,164,158</u>	
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:			
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.			14,232,578
Long-term liabilities, interest payable, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.			(6,461,230)
Deferred inflows of resources in the governmental funds are used to offset accounts receivable not expected to be received within 90 days of year-end. These receivables are a component of net position in the Statement of Net Position.			746,073
Deferred outflows of resources related to pensions are not reported in the funds.			1,162,308
Deferred outflows of resources related to OPEB are not reported in the funds.			235,804
Total pension liability - LEOSA			(340,996)
Net pension liability - LGERS			(1,894,363)
Total OPEB liability			(2,447,715)
Deferred inflows of resources related to pensions are not reported in the funds.			(118,745)
Deferred inflows of resources related to OPEB are not reported in the funds.			(179,169)
Net position of governmental activities per Exhibit A			<u>\$ 18,580,123</u>

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

CITY OF HAVELOCK, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Nonmajor Governmental Funds	Total
Revenues:			
Taxes	\$ 5,172,254	\$ -	\$ 5,172,254
Unrestricted intergovernmental	3,937,475	-	3,937,475
Restricted intergovernmental	1,348,558	1,075,413	2,423,971
Licenses and permits	159,317	-	159,317
Sales and services	1,294,212	-	1,294,212
Investment earnings	204,028	7,161	211,189
Miscellaneous	409,324	-	409,324
Total revenues	<u>12,525,168</u>	<u>1,082,574</u>	<u>13,607,742</u>
Expenditures:			
Current:			
General government	2,630,950	-	2,630,950
Public safety	5,161,506	274,230	5,435,736
Highways and streets	1,548,296	-	1,548,296
Environmental protection	-	952,159	952,159
Cultural and recreation	750,853	(330)	750,523
Debt service:			
Principal	194,739	-	194,739
Interest	146,550	-	146,550
Total expenditures	<u>10,432,894</u>	<u>1,226,059</u>	<u>11,658,953</u>
Revenues over (under) expenditures	2,092,274	(143,485)	1,948,789
Other Financing Sources (Uses):			
Transfers out	<u>(191,149)</u>	<u>-</u>	<u>(191,149)</u>
Net change in fund balances	1,901,125	(143,485)	1,757,640
Fund Balances:			
Beginning of year - July 1	<u>11,327,569</u>	<u>560,369</u>	<u>11,887,938</u>
End of year - June 30	<u>\$ 13,228,694</u>	<u>\$ 416,884</u>	<u>\$ 13,645,578</u>

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

CITY OF HAVELOCK, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

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

Net change in fund balances - total governmental funds (Exhibit D)	\$ 1,757,640
Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:	
Property taxes, grant receivables and business licenses	118,995
Pension expense	(381,521)
Expenses related to compensated absences, OPEB, incurred but not reported (IBNR), and Law Enforcement Officers' Separation Allowance that do not require current financial resources are not reported as expenditures in the governmental funds statement.	6,282
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	1,627,970
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(837,661)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	<u>194,739</u>
Change in net position of governmental activities per Exhibit B	<u>\$ 2,486,444</u>

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

CITY OF HAVELOCK, NORTH CAROLINA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Over/Under
Revenues:				
Taxes	\$ 5,002,250	\$ 5,002,250	\$ 5,172,254	\$ 170,004
Unrestricted intergovernmental	3,961,775	3,961,775	3,937,475	(24,300)
Restricted intergovernmental	656,925	982,610	1,348,558	365,948
Licenses and permits	80,850	80,850	159,317	78,467
Sales and services	1,209,225	1,209,225	1,294,212	84,987
Investment earnings	255,071	255,071	204,028	(51,043)
Miscellaneous	56,934	203,544	409,324	205,780
Total revenues	11,223,030	11,695,325	12,525,168	829,843
Expenditures:				
Current:				
General government	2,903,380	3,452,848	2,630,950	821,898
Public safety	5,478,555	5,766,721	5,161,506	605,215
Highways and streets	2,123,945	3,249,791	1,548,296	1,701,495
Sanitation	30,000	-	-	-
Cultural and recreation	858,139	916,647	750,853	165,794
Debt service:				
Principal	194,739	194,739	194,739	-
Interest	148,285	148,285	146,550	1,735
Total expenditures	11,737,043	13,729,031	10,432,894	3,296,137
Revenues over (under) expenditures	(514,013)	(2,033,706)	2,092,274	4,125,980
Other Financing Sources (Uses):				
Appropriated fund balance	705,162	2,443,513	-	(2,443,513)
Transfers out	(191,149)	(409,807)	(191,149)	218,658
Total other financing sources (uses)	514,013	2,033,706	(191,149)	(2,224,855)
Net change in fund balance	\$ -	\$ -	1,901,125	\$ 1,901,125
Fund Balance:				
Beginning of year - July 1			11,327,569	
End of year - June 30			\$ 13,228,694	

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

CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	Enterprise Funds				
	Water Fund	Sewer Fund	Solid Waste Fund	Tourist and Event Center Fund	Total
Assets:					
Current assets:					
Cash and cash equivalents	\$ 4,552,171	\$ 4,865,845	\$ 1,021,656	\$ 819,571	\$ 11,259,243
Accounts receivable, net	317,233	1,216,241	100,362	-	1,633,836
Inventories	16,253	12,588	-	5,110	33,951
Cash and cash equivalents, restricted	193,735	186,105	-	44,259	424,099
Total current assets	5,079,392	6,280,779	1,122,018	868,940	13,351,129
Non-current assets:					
Capital assets:					
Capital assets, non-depreciable	297,847	8,811	-	-	306,658
Capital assets, net	7,555,152	15,961,508	292,803	1,346,719	25,156,182
Total capital assets	7,852,999	15,970,319	292,803	1,346,719	25,462,840
Total assets	12,932,391	22,251,098	1,414,821	2,215,659	38,813,969
Deferred Outflows of Resources:					
Pension deferrals	91,216	78,187	13,030	26,062	208,495
OPEB deferrals	19,650	16,843	2,807	5,615	44,915
Total deferred outflows of resources	110,866	95,030	15,837	31,677	253,410
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	46,583	180,312	2,102	25,736	254,733
Compensated absences payable	5,247	1,961	166	569	7,943
Current portion of long-term debt	285,591	263,090	-	-	548,681
Liabilities payable from restricted assets:					
Customer deposits	193,735	186,105	-	44,259	424,099
Total current liabilities	531,156	631,468	2,268	70,564	1,235,456
Non-current liabilities:					
Compensated absences payable	47,219	17,648	1,494	5,123	71,484
Other long-term debt	3,051,211	10,461,587	-	-	13,512,798
Total OPEB liability	203,976	174,837	29,140	58,278	466,231
Net pension liability - LGERS	157,864	135,312	22,552	45,105	360,833
Total non-current liabilities	3,460,270	10,789,384	53,186	108,506	14,411,346
Total liabilities	3,991,426	11,420,852	55,454	179,070	15,646,802
Deferred Inflows of Resources:					
OPEB deferrals	14,931	12,798	2,133	4,265	34,127
Pension deferrals	6,990	5,992	999	1,997	15,978
Total deferred inflows of resources	21,921	18,790	3,132	6,262	50,105
Net Position:					
Net investment in capital assets	4,516,197	5,245,642	292,803	1,346,719	11,401,361
Unrestricted	4,513,713	5,660,844	1,079,269	715,285	11,969,111
Total net position	\$ 9,029,910	\$ 10,906,486	\$ 1,372,072	\$ 2,062,004	\$ 23,370,472

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

CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds				
	Water Fund	Sewer Fund	Solid Waste Fund	Tourist and Event Center Fund	Total
Operating Revenues:					
Charges for sales and services	\$ 2,719,682	\$ 3,945,706	\$ 1,074,347	\$ 101,534	\$ 7,841,269
Miscellaneous revenue	45,642	38,633	-	63,961	148,236
Total operating revenues	2,765,324	3,984,339	1,074,347	165,495	7,989,505
Operating Expenses:					
Cost of sales and services:					
Salaries and benefits	665,528	607,088	211,488	160,921	1,645,025
Supplies, maintenance, and administration	911,904	2,741,258	752,979	171,268	4,577,409
Depreciation	326,458	870,086	44,676	66,642	1,307,862
Total operating expenses	1,903,890	4,218,432	1,009,143	398,831	7,530,296
Operating income (loss)	861,434	(234,093)	65,204	(233,336)	459,209
Non-Operating Revenues (Expenses):					
Interest income	38,199	22,856	9,763	-	70,818
Restricted intergovernmental revenues	-	646,375	-	97,000	743,375
Interest expense and fiscal charges	(66,519)	(387,146)	-	-	(453,665)
Total non-operating revenues (expenses)	(28,320)	282,085	9,763	97,000	360,528
Income (loss) before transfers	833,114	47,992	74,967	(136,336)	819,737
Transfers in (out)	-	-	-	191,149	191,149
Change in net position	833,114	47,992	74,967	54,813	1,010,886
Net Position:					
Beginning of year - July 1	8,196,796	10,858,494	1,297,105	2,007,191	22,359,586
End of year - June 30	\$ 9,029,910	\$ 10,906,486	\$ 1,372,072	\$ 2,062,004	\$ 23,370,472

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

CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds				Total
	Water Fund	Sewer Fund	Solid Waste Fund	Tourist and Event Center Fund	
Cash Flows from Operating Activities:					
Cash received from customers	\$ 2,766,716	\$ 3,331,458	\$ 1,060,259	\$ 210,923	\$ 7,369,356
Cash paid for goods and services	(936,126)	(2,662,089)	(756,502)	(151,516)	(4,506,233)
Cash paid to employees	(616,791)	(566,609)	(214,932)	(159,126)	(1,557,458)
Net cash provided (used) by operating activities	<u>1,213,799</u>	<u>102,760</u>	<u>88,825</u>	<u>(99,719)</u>	<u>1,305,665</u>
Cash Flows from Non-Capital Financing Activities:					
Occupancy tax received	-	-	-	97,000	97,000
Transfer in (out)	-	-	-	191,149	191,149
Net cash provided (used) by non-capital financing activities	-	-	-	<u>288,149</u>	<u>288,149</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(92,923)	(427,250)	(150,284)	(23,121)	(693,578)
Capital contributions	-	646,375	-	-	646,375
Proceeds from issuance of notes payable	86,952	-	-	-	86,952
Principal paid on long-term debt	(284,338)	(259,151)	-	-	(543,489)
Interest paid on long-term debt	(66,519)	(387,146)	-	-	(453,665)
Net cash provided (used) for capital and related financing activities	<u>(356,828)</u>	<u>(427,172)</u>	<u>(150,284)</u>	<u>(23,121)</u>	<u>(957,405)</u>
Cash Flows from Investing Activities:					
Interest received from investments	<u>38,199</u>	<u>22,856</u>	<u>9,763</u>	-	<u>70,818</u>
Net increase (decrease) in cash and cash equivalents	895,170	(301,556)	(51,696)	165,309	707,227
Cash and Cash Equivalents:					
Beginning of year - July 1	<u>3,850,736</u>	<u>5,353,506</u>	<u>1,073,352</u>	<u>698,521</u>	<u>10,976,115</u>
End of year - June 30	<u>\$ 4,745,906</u>	<u>\$ 5,051,950</u>	<u>\$ 1,021,656</u>	<u>\$ 863,830</u>	<u>\$ 11,683,342</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 861,434	\$ (234,093)	\$ 65,204	\$ (233,336)	\$ 459,209
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	326,458	870,086	44,676	66,642	1,307,862
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(41,437)	(690,592)	(19,031)	6,100	(744,960)
(Increase) decrease in deferred outflows of resources - OPEB	(2,640)	(2,263)	(377)	(755)	(6,035)
Increase (decrease) in deferred inflows of resources - OPEB	163	140	23	46	372
Increase (decrease) in OPEB liability	5,283	4,528	755	1,509	12,075
(Increase) decrease in inventories	(8,186)	(6,153)	-	(91)	(14,430)
Prepaid items	-	-	-	(785)	(785)
(Increase) decrease deferred outflows - pension	15,568	13,344	2,224	4,448	35,584
Increase (decrease) in net pension liability	17,772	15,233	2,539	5,078	40,622
Increase (decrease) deferred inflows - pension	(1,547)	(1,326)	(221)	(442)	(3,536)
Increase (decrease) in trade accounts payable and accrued liabilities	32,701	125,801	(6,967)	20,853	172,388
Increase (decrease) in prepaid fees	<u>8,230</u>	<u>8,055</u>	<u>-</u>	<u>31,014</u>	<u>47,299</u>
Net cash provided (used) by operating activities	<u>\$ 1,213,799</u>	<u>\$ 102,760</u>	<u>\$ 88,825</u>	<u>\$ (99,719)</u>	<u>\$ 1,305,665</u>

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

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Significant Accounting Policies

A. Nature of Operations

The City of Havelock (the "City") was incorporated July 27, 1959 and operates under the Mayor-Board-Manager form of government. Services provided by the City include public safety (police and fire), highways and streets, cultural recreation, planning and zoning, water and sewer, and general and administrative services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The government's more significant accounting policies are described below.

B. Reporting Entity

The City is a municipal corporation governed by an elected Mayor and a five-member Council. As required by generally accepted accounting principles, these financial statements present the City and all legally separate entities for which the City is financially accountable.

C. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government's net position (the City). 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 (1) fees and charges paid by the recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues for taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds. Separate financial statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities, such as investment earnings.

The City reports the following major governmental fund:

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

The City reports the following nonmajor governmental funds:

EPA Brownsfield Capital Project Fund. This fund is used to account for expenditures related to remediation requested by the EPA.

Emergency Telephone System Fund. This fund is used to account for the fees charged to telephone customers to fund the 911 system.

City Hall Building Capital Project Fund. This fund is used to account for the expenditures related to the additions and construction of the City Hall building.

Lewis Farm PARTF Capital Project Fund. This fund is used to account for expenditures related to the constructing of a new recreation area.

McCotter Capital Project Fund. This fund is used to account for expenditures related to McCotter road related capital expenditures.

Slocum Waterfront Park Capital Project Fund. This fund is used to account for expenditures related to the constructing of a new waterfront recreation area.

Fire Annex Building Capital Project Fund. This fund is used to account for expenses related to demolishing and constructing a new fire annex building.

The City reports the following major enterprise funds:

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

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

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

Tourist and Event Center Fund. This fund is used to account for the City's tourism operations.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

D. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City are accounted for during the year using the modified accrual 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 and 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 recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish between operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. 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 non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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 a revenue because the amount is not susceptible to accrual.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 utilities franchise tax, collected and held by the state at year-end on behalf of the City are susceptible to accrual and are recognized as revenue. Sales taxes are considered a shared revenue for the City of Havelock because the tax is levied by Craven 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. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. 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 by general revenues.

The effect of interfund activity has been eliminated from the government-wide financial statements, with the exception of payments in lieu of taxes and other charges between the City's water and sewer funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

E. Basis of Presentation - Fund Accounting

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate.

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, sales tax, state grant, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and recreation.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Special Revenue Funds. Special revenue funds account for specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Emergency Telephone System Fund (nonmajor) is the City's only special revenue fund.

Capital Project Funds. Capital project funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The City has several capital project funds within its governmental fund types: the Fire Annex Building Capital Project Fund (nonmajor), the City Hall Building Capital Project Fund (nonmajor), the Slocum Waterfront Part Capital Project Fund (nonmajor), the Lewis Farm PARTF Capital Project Fund (nonmajor), the McCotter Capital Project Fund (nonmajor), and the EPA Brownsfield Capital Project Fund (nonmajor).

Proprietary Funds

Enterprise Funds. Enterprise funds account for those operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that the periodical determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has four enterprise funds: Water Fund, Sewer Fund, Tourist and Event Center Fund, and Solid Waste Fund.

F. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. Department heads submit budget requests to the City Manager by April 30. After reviewing requests and making adjustments, a proposed budget is submitted to the Board by June 1. The Board holds public hearings, and the final budget ordinance is adopted prior to July 1.

The annual budget ordinance is adopted at the departmental level. Over-expenditures at the department level are considered to be a violation of state statutes for all annually budgeted funds and at the project level for the multi-year funds. Annual appropriated budgets are adopted for the General Fund, Emergency Telephone System Special Revenue Fund, and enterprise funds. Project budgets are adopted for capital project funds. Appropriations for funds that adopt annual budgets lapse at the end of the budget year. Project budgeted appropriations do not lapse until the completion of the project. All budgets are prepared using the modified accrual basis of accounting. Budgets are susceptible to amendment at any time and are amended as necessary by the governing board. Individual amendments to the original General Fund budget were not material in relation to the original appropriations, and all amendments were legally made. The budget amounts shown in the combined financial statements represent the budget as amended at June 30, 2020.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The City's budget, however, is prepared in greater detail by individual accounts. The City's management may adjust these accounts within a department without affecting the department's total appropriation. Management cannot make changes to a department's total appropriation without Board approval.

The City is required by state statutes to use encumbrance accounting. Encumbrances are not expenditures but represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation, is utilized in the governmental funds. The City has \$840,185 in encumbrances in the General Fund outstanding at year-end.

G. 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 and loan 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)] 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 generally reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT-Government Portfolio, an SEC-registered (2a-7) government money market mutual fund, is measured at fair value. The NCCMT – Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

H. Cash and Cash Equivalents

The City pools monies from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. Investment earnings are allocated to all funds based on the individual fund's cash balance outstanding at the end of each month.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

I. Restricted Assets

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first followed by unrestricted resources as they are needed. Grant revenue received before the earning process is complete is restricted for the intended purpose of the grant until the requirements of the grant are met. Customer deposits held by the City, before any services are supplied, are restricted to the service for which the deposit was collected. At June 30, 2020, restricted cash in the Water Fund, Sewer Fund and Tourist and Event Center Fund represent customer deposits held by the City. Powell Bill funds are also classified as restricted cash, because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. At June 30, 2020, restricted cash in the General Fund represents Powell Bill funds held by the City to be appropriated in future years.

Governmental Activities:

General Fund:

Streets	\$ 610,767
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Nonmajor Governmental Funds:

EPA Brownsfield Capital Project Fund:

Environmental Protection - Unearned grant revenue	58,650
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Total governmental activities	<u>669,417</u>
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Business-Type Activities:

Water Fund:

Customer deposits	193,735
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Sewer Fund:

Customer deposits	186,105
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Tourist and Event Center Fund:

Customer deposits	44,259
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Total business-type activities	<u>424,099</u>
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Total restricted cash	<u><u>\$ 1,093,516</u></u>
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J. Ad Valorem Taxes Receivable

In accordance with state statute [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2019. Ad valorem taxes receivable are not accrued as revenue because the amount is not considered "available". At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the subsequent year. An amount equal to the receivable is shown as deferred inflow of resources on the combined balance sheet.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

K. 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. Receivables are shown net of the following allowances:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Ad valorem tax receivables	\$ 128,651	\$ -
Water Fund receivables	-	23,196
Sewer Fund receivables	-	24,002
Solid Waste Fund receivables	-	4,839
Total	<u>\$ 128,651</u>	<u>\$ 52,037</u>

L. Inventories and Prepaid Items

Inventories are valued at cost, which approximates market, using the first-in first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

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

M. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost greater than \$5,000 and an estimated useful life greater than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or significantly extend the asset's life are not capitalized.

The City capitalizes interest costs, which are incurred during the construction period of capital assets.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Depreciation on buildings, plant assets, equipment, and vehicles is computed using the straight-line method over estimated useful lives as follows:

<u>Asset</u>	<u>Estimated Useful Lives</u>
Water and sewer system plants	40 years
Buildings	40 years
Line costs - water and sewer systems	25 years
Sewer lift station	25 years
Equipment	10 years
Transportation equipment:	
Trucks and heavy equipment	10 years
Vehicles	5 years

N. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation days up to a maximum of 240 hours. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. Vacation pay taken is relieved using the first-in, first-out method. 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 policy provides for unlimited accumulation of earned sick leave.

Sick leave does not vest, but any unused sick leave at the time of retirement may be used in the determination of length of service for retirement benefit purposes. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

O. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criteria, OPEB deferrals and pension deferrals. In addition to liabilities, the Statement of Net Position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criteria for this category – prepaid taxes, grant receivable, unavailable taxes, pension deferrals and OPEB deferrals.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as debt issuance costs during the current period. The face amount of the debt 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, are reported as debt service expenditures.

Q. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, 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 five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

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. Non-spendable fund balance for inventory at June 30, 2020 is \$6,459.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

	General Fund	Nonmajor Governmental Funds
<i>Restricted for Stabilization by State Statute</i> – portion of fund balance that is restricted by state statute [G.S. 159-8(a)]	\$ 2,022,663	\$ 657,822
<i>Restricted for Streets - Powell Bill</i> – portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total expended Powell Bill funds.	610,767	-
<i>Restricted for Debt Service</i> - portion of fund balance that is restricted for debt service	429,516	-
<i>Restricted for Culture and Recreation</i> – portion of fund balance that is restricted by revenue source for PARTF grant expenditures	-	98,764
<i>Restricted for General Government</i> – portion of fund balance that is restricted by revenue source for expenditures related to additions and construction of the new city hall building	-	152,803
<i>Restricted for Public Safety</i> – portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures	-	121,205
Total restricted fund balance	<u>\$ 3,062,946</u>	<u>\$ 1,030,594</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Committed Fund Balance

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

Fire Annex Building Capital Project Fund:

Committed for Public Safety – portion of fund balance that has been budgeted by the Board for expenditures related to demolishing and constructing a new fire annex building

\$ 73,690

Assigned Fund Balance

Assigned fund balance is the portion of fund balance that the City intends to use for specific purposes. The City's governing body has the authority to assign fund balance.

General Fund

Assigned for Health Insurance – portion of fund balance that has been budgeted by the Board for payment of health insurance claims and administrative costs

\$ 261,163

Assigned for Other Miscellaneous Items – portion of fund balance that has been budgeted by the Board for various other items, such as Appearance Commission, DARE, National Night Out, volunteer fire department expenditures, rescue squad expenditures, and seniors

113,913

Assigned for Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

883,747

Total assigned fund balance

\$ 1,258,823

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Unassigned Fund Balance

Unassigned fund balance represents 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 amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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

Total fund balance - General Fund	\$ 13,228,694
Less:	
Non-spendable	(6,459)
Stabilization by state statute	<u>(2,022,663)</u>
Available for appropriation	<u>\$ 11,199,572</u>

The City has not officially adopted a fund balance policy.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

	General Fund
Encumbrances	<u>\$ 840,185</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

R. Defined Benefit Cost Sharing Plans

For purposes of measuring the net pension liability, 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 Havelock's employer contributions are recognized when due and the City of Havelock 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.

S. Interfund Transactions

Interfund services provided are accounted for as revenues or expenses in the government-wide financial statements since they would be treated as such if they involved organizations external to the City. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

T. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

2. Deposits and Investments

A. Deposits

All of 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 agent in the unit's name. 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 agent in the unit's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

for undercollateralization, 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 of North Carolina to enforce strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City complies with G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the City's deposits had a carrying amount of \$5,686,912 and a bank balance of \$5,852,759, of which \$250,000 was covered by federal depository insurance and \$5,602,759 was covered by collateral held by the State Treasurer under the Pooling Method.

At June 30, 2020, the City had \$6,898 cash on hand.

B. Investments

At June 30, 2020, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2020</u>	<u>Maturity</u>	<u>Rating</u>
US Government Agencies	Fair Value Level 2	\$ 3,010,035	Less than 3 years	AA+
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	11,783,742	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	4,286,446	0.15 years	Unrated
Total investments		<u>\$ 19,080,223</u>		

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

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

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

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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. The investments in US Government Agencies are rated AA+ by Standard and Poor's and Aaa by Moody's Investment Service. The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2020.

The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

3. Capital Assets

The following is a summary of changes in the governmental capital assets during the fiscal year:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2020</u>
Governmental Activities:					
By Type:					
Non-Depreciable Capital Assets:					
Land	\$ 2,802,762	\$ -	\$ -	\$ -	\$ 2,802,762
Construction in progress	729,537	920,369	-	(1,649,906)	-
Total non-depreciable capital assets	<u>3,532,299</u>	<u>920,369</u>	<u>-</u>	<u>(1,649,906)</u>	<u>2,802,762</u>
Depreciable Capital Assets:					
Buildings	9,853,284	-	-	-	9,853,284
Other improvements	1,838,451	-	-	1,649,906	3,488,357
Equipment	4,307,632	228,213	-	-	4,535,845
Vehicles	4,539,735	479,388	(355,540)	-	4,663,583
Total depreciable capital assets	<u>20,539,102</u>	<u>707,601</u>	<u>(355,540)</u>	<u>1,649,906</u>	<u>22,541,069</u>
Less Accumulated Depreciation:					
Buildings	2,876,983	230,603	-	-	3,107,586
Other improvements	855,832	60,576	-	-	916,408
Equipment	3,209,194	234,424	-	-	3,443,618
Vehicles	3,687,123	312,058	(355,540)	-	3,643,641
Total accumulated depreciation	<u>10,629,132</u>	<u>\$ 837,661</u>	<u>\$ (355,540)</u>	<u>\$ -</u>	<u>11,111,253</u>
Capital assets, net	<u>\$ 13,442,269</u>				<u>\$ 14,232,578</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

Governmental Activities:

General government	\$ 167,532
Public safety	469,090
Highways and streets	83,766
Cultural and recreation	117,273
Total	<u>\$ 837,661</u>

The following is summary of changes in the Enterprise Fund type capital assets for the fiscal year:

	<u>Water Fund</u>				
	<u>Balance</u>				<u>Balance</u>
	<u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2020</u>
Business-Type Activities:					
By Type:					
Non-Depreciable Capital Assets:					
Land	\$ 297,847	\$ -	\$ -	\$ -	\$ 297,847
Depreciable Capital Assets:					
Plants	12,070,141	-	-	-	12,070,141
Water lines	2,304,418	-	-	-	2,304,418
Equipment	644,534	39,090	-	-	683,624
Vehicles	260,381	53,833	(40,940)	-	273,274
Total depreciable capital assets	<u>15,279,474</u>	<u>92,923</u>	<u>(40,940)</u>	<u>-</u>	<u>15,331,457</u>
Less Accumulated Depreciation:					
Plants	4,800,349	253,858	-	-	5,054,207
Water lines	2,057,619	20,784	-	-	2,078,403
Equipment	408,769	41,272	-	-	450,041
Vehicles	224,050	10,544	(40,940)	-	193,654
Total accumulated depreciation	<u>7,490,787</u>	<u>\$ 326,458</u>	<u>\$ (40,940)</u>	<u>\$ -</u>	<u>7,776,305</u>
Capital assets, net	<u>\$ 8,086,534</u>				<u>\$ 7,852,999</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	Sewer Fund				
	Balance July 1, 2019	Additions	Retirements	Transfers	Balance June 30, 2020
By Type:					
Non-Depreciable Capital Assets:					
Land	\$ 8,811	\$ -	\$ -	\$ -	\$ 8,811
Construction in progress	699,933	-	-	(699,933)	-
Total non-depreciable capital assets	<u>708,744</u>	<u>-</u>	<u>-</u>	<u>(699,933)</u>	<u>8,811</u>
Depreciable Capital Assets:					
Plants	19,336,671	9,195	-	699,933	20,045,799
Sewer lines	10,628,172	84,700	-	-	10,712,872
Equipment	927,378	278,897	-	-	1,206,275
Vehicles	654,553	54,458	-	-	709,011
Total depreciable capital assets	<u>31,546,774</u>	<u>427,250</u>	<u>-</u>	<u>699,933</u>	<u>32,673,957</u>
Less Accumulated Depreciation:					
Plants	7,845,830	430,804	-	-	8,276,634
Sewer lines	6,986,687	299,354	-	-	7,286,041
Equipment	584,335	69,577	-	-	653,912
Vehicles	425,511	70,351	-	-	495,862
Total accumulated depreciation	<u>15,842,363</u>	<u>\$ 870,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>16,712,449</u>
Capital assets, net	<u>\$ 16,413,155</u>				<u>\$ 15,970,319</u>

	Solid Waste Fund			
	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020
Vehicles	\$ 488,325	\$ 150,284	\$ -	\$ 638,609
Less: Accumulated depreciation	301,130	44,676	-	345,806
Capital assets, net	<u>\$ 187,195</u>	<u>\$ 194,960</u>	<u>\$ -</u>	<u>\$ 292,803</u>

	Tourist and Event Center Fund			
	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020
Buildings	\$ 2,439,891	\$ 23,121	\$ -	\$ 2,463,012
Less: Accumulated depreciation	1,049,651	66,642	-	1,116,293
Capital assets, net	<u>\$ 1,390,240</u>	<u>\$ 89,763</u>	<u>\$ -</u>	<u>\$ 1,346,719</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

4. Pension Plan Obligations

A. Local Governmental Employees' Retirement System

Plan Description. The City of Havelock is a participating employer in the state-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Contributions. Contribution provisions are established by general statute 128-30 and may be amended only by the North Carolina General Assembly. City of Havelock 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 Havelock's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 9.00% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Havelock were \$494,390 for the year ended June 30, 2020.

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.

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

At June 30, 2020, the City reported a liability of \$2,255,196 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. 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, 2019, the City's proportion was 0.08258%, which was a decrease of 0.00178% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$948,582. At June 30, 2020, 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	\$ 386,147	\$ -
Changes of assumptions	367,559	-
Net difference between projected and actual earnings on pension plan investments	55,007	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	99,856
City contributions subsequent to the measurement date	494,390	-
Total	<u>\$ 1,303,103</u>	<u>\$ 99,856</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

\$494,390 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, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	Amount
June 30	
2021	\$ 359,951
2022	99,488
2023	196,685
2024	52,733
2025	-
Total	<u>\$ 708,857</u>

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study 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.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

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 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 5,158,044	\$ 2,255,196	\$ (157,660)

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

B. Law Enforcement Officers' Special Separation Allowance

Plan Description. The City administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>26</u>
Total	<u><u>30</u></u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Projected salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

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

Mortality rates are as follows:

Deaths After Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths Before Retirement: RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

Deaths After Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 123% for males and females.

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 \$55,775 as benefits came due for the reporting period.

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

At June 30, 2020, the City reported a total pension liability of \$340,996. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of \$33,864.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,874	\$ 24,605
Changes of assumptions	17,615	10,262
City contributions subsequent to the measurement date	30,211	-
Total	<u>\$ 67,700</u>	<u>\$ 34,867</u>

\$30,211 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2021	\$ (2,917)
2022	(2,537)
2023	1,590
2024	4,356
2025	2,130
Total	<u>\$ 2,622</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 369,039	\$ 340,996	\$ 315,666

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

Beginning balance	\$ 325,590
Service cost	25,945
Interest	10,836
Difference between expected and actual experience	24,464
Changes of assumptions and other inputs	9,936
Benefit payments	(55,775)
Net change in total pension liability	15,406
Beginning of year - July 1	325,590
Ending balance of total pension liability	\$ 340,996

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, 2018 valuation were based on the results of an actuarial experience completed by the actuary for LGERS for the 5-year period ending December 31, 2014.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 948,582	\$ 33,864	\$ 982,446
Pension liability	2,255,196	340,996	2,596,192
Proportionate share of the net pension liability	0.08258%	n/a	-

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 386,147	\$ 19,874	\$ 406,021
Changes of assumptions	367,559	17,615	385,174
Net difference between projected and actual earnings on plan investments	55,007	-	55,007
Benefit payments and administrative costs paid subsequent to the measurement date	<u>494,390</u>	<u>30,211</u>	<u>524,601</u>
Total deferred outflows of resources	<u>\$ 1,303,103</u>	<u>\$ 67,700</u>	<u>\$ 1,370,803</u>

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ -	\$ 24,605	\$ 24,605
Changes of assumptions	-	10,262	10,262
Changes in proportion and differences between contributions and proportionate share of contributions	<u>99,856</u>	<u>-</u>	<u>99,856</u>
Total deferred inflows of resources	<u>\$ 99,856</u>	<u>\$ 34,867</u>	<u>\$ 134,723</u>

C. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (the "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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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. Also, the law enforcement officers may make voluntary contributions to the Plan. The City made contributions of \$65,621 for the reporting year. No amounts were forfeited.

D. Supplemental Retirement Income Plan for Non-Law Enforcement Employees

All non-law enforcement employees employed by the City participate in the Plan, a defined contribution pension plan administered by Prudential Retirement. Participation begins after the completion of at least three (3) months' continuous employment with the City. The City has no requirement or obligation under state statutes to contribute to this Plan; however, the City has adopted the Supplemental Retirement Plan of North Carolina 401(k) for its non-law enforcement employees. The City Council has the authority to establish and amend benefit provisions and contribution requirements of the Plan. The City contributes five percent of each employee's salary, and all amounts contributed are vested immediately. Also, employees may make voluntary contributions to the Plan. The City made contributions of \$203,841 for the reporting year. No amounts were forfeited.

5. Other Post-Employment Benefits

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 Board 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. This Plan provides post-employment healthcare benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System). The City pays the full cost of coverage for these benefits for retirees who began working for the City on or before June 30, 2003. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. Also, retirees can purchase coverage for their dependents at the City's group rates. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the Plan.

<u>Retirement Condition</u>	<u>Minimum Age at Retirement</u>	<u>Years of Service with City at Retirement</u>	<u>Years of Service with NCLGERS at Retirement</u>	<u>City Contribution</u>
A	Under 65	5	30	100%
B	55	5	25	100%
C	62	5	15	100%
D	Under 55	5	29	95%
D	Under 55	5	28	90%
D	Under 55	5	27	85%
D	Under 55	5	26	80%
D	Under 55	5	25	75%
E	Under 65	5	Any	0%
F	65 and Older	5	Any	0%

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Membership of the HCB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation.

	<u>General Employees</u>
Inactive employees or beneficiaries	-
Currently receiving benefits	11
Active employess	122
Total	<u>133</u>

Total OPEB Liability

The City's total OPEB liability of \$2,913,946 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2019 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
Salary increases, including wage inflation:	
General employees and firefighters	3.50 - 7.75 percent
Law enforcement officers	3.50 - 7.35 percent
Discount rate	3.89 percent prior and 3.50 current
Healthcare cost trend rates:	
Pre-Medicare	7.00 percent for 2019 decreasing to an ultimate rate of 4.50 percent by 2026

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

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	<u>\$ 2,838,472</u>
Changes for the year	
Service cost	178,268
Interest	106,309
Differences between expected and actual experience	(35,406)
Changes in assumptions or other inputs	39,513
Benefit payments	<u>(213,210)</u>
Net changes	75,474
Balance at June 30, 2020	<u><u>\$ 2,913,946</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 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.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2019 valuation.

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

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	<u>\$ 3,212,224</u>	<u>\$ 2,913,946</u>	<u>\$ 2,647,963</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Sensitivity of the Total OPEB Liability in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 2,562,373	\$ 2,913,946	\$ 338,590

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$264,979. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 53,077	\$ 33,363
Changes of assumptions	35,093	179,933
City benefit payments and plan administrative expense made subsequent to the measurement date	<u>192,549</u>	<u>-</u>
Total	<u>\$ 280,719</u>	<u>\$ 213,296</u>

\$192,549 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2021	\$ (19,598)
2022	(19,598)
2023	(19,598)
2024	(19,598)
2025	(19,598)
Thereafter	<u>(27,136)</u>
Total	<u>\$ (125,126)</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Other Employment Benefits

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 may not exceed \$50,000 or be less than \$25,000. 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.

6. Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

Source	Amount
Contribution to pension plan in current fiscal year	\$ 494,390
Benefit payments made for LEOSA subsequent to measurement date	30,211
Differences between expected and actual experience	406,021
Differences between expected and actual experience - OPEB	53,077
Changes of assumptions	385,174
Changes of assumptions - OPEB	35,093
Net difference between projected and actual earnings on pension plan investments	55,007
Benefit payments for OPEB subsequent to measurement date	192,549
Total	<u>\$ 1,651,522</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The balance of deferred inflows of resources at year-end is comprised of the following:

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Deferred Inflows:		
Taxes receivable (GF)	\$ -	\$ 17,523
Grant receivable	-	728,550
Prepaid taxes	425	425
Differences between expected and actual experience	57,968	-
Change in assumptions - OPEB	179,933	-
Change in assumptions - pensions	10,262	-
Changes in proportion and differences between employer contributions and proportionate share of contributions - pensions	99,856	-
Total	<u>\$ 348,444</u>	<u>\$ 746,498</u>

7. Net Investment in Capital Assets

Net investment in capital assets at June 30, 2020 is computed as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of accumulated depreciation	\$ 14,232,578	\$ 25,462,840
Less capital debt	<u>(5,959,283)</u>	<u>(14,061,479)</u>
Net investment in capital assets	<u>\$ 8,273,295</u>	<u>\$ 11,401,361</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

8. Long-Term Obligations

A. Notes Payable

Governmental Activities Long-Term Debt

\$3,000,000 USDA loan issued July 2010, interest at 4.0%, payable in annual installments of \$216,600, including interest, final payment due in fiscal year 2041; secured by building	\$ 2,431,359
\$744,800 USDA loan issued July 2010, interest at 4.0%, payable in annual installments of \$43,080, including interest, final payment due in fiscal year 2041; secured by building	603,617
\$691,000 USDA loan issued December 2005, interest at 4.25%, payable in annual installments of \$41,184, including interest, final payment due in fiscal year 2036; secured by real estate	470,142
\$1,700,000 USDA note issued May 2015, interest at 3.50%, payable in annual payments in the amount of \$92,446, including interest, final payment is due in fiscal year 2045; secured by real estate	1,521,763
\$549,000 USDA loan issued June 2012, interest at 2.75%, payable in annual installments of \$22,806, including interest, final payment due in fiscal year 2052; secured by real estate	480,808
\$725,000 USDA loan issued October 2009, interest at 4.25%, payable in annual installments of \$56,384, including interest, final payment due in fiscal year 2030; secured by equipment	<u>451,594</u>
Total governmental activities direct placements payable	<u>\$ 5,959,283</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The future minimum payments of the governmental activities long-term debt installment loans as of June 30, 2020 are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 200,594	\$ 228,189	\$ 428,783
2022	209,802	220,261	430,063
2023	218,046	212,017	430,063
2024	226,614	203,449	430,063
2025	235,523	194,540	430,063
2026-2030	1,323,970	826,206	2,150,176
2031-2035	1,299,245	569,150	1,868,395
2036-2040	1,394,612	308,354	1,702,966
2041-2045	707,748	81,065	788,813
2046-2050	99,684	14,346	114,030
2051-2052	43,445	1,795	45,240
Total	<u>\$ 5,959,283</u>	<u>\$ 2,859,372</u>	<u>\$ 8,818,655</u>

The City's outstanding notes from direct placements related to governmental activities is \$5,959,283 and is comprised of:

A note of \$2,431,359, which is secured with collateral of the West End Fire Station building. The USDA note contains provisions that an event of default would result in (1) the timing of repayment of outstanding amounts become immediately due and payable (2) enforce the City's performance of the applicable covenants of the agreement or recover for the and pay reasonable expenses for repair, maintenance, and operation of the facility to cure the cause of default (3) allow lender to take possession of the facility and to repair, maintain, and operate or rent it and (4) default of the note may be construed by the Federal Government to constitute default under any other not held by the Federal Government.

A note of \$603,617, which is secured with collateral of the West End Fire Station building. The USDA note contains provisions that an event of default would result in (1) the timing of repayment of outstanding amounts become immediately due and payable (2) enforce the City's performance of the applicable covenants of the agreement or recover for the and pay reasonable expenses for repair, maintenance, and operation of the facility to cure the cause of default (3) allow lender to take possession of the facility and to repair, maintain, and operate or rent it and (4) default of the note may be construed by the Federal Government to constitute default under any other not held by the Federal Government.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

A note of \$470,142, which is secured with collateral of the Senior Center building. The USDA note contains provisions that an event of default would result in (1) the timing of repayment of outstanding amounts become immediately due and payable (2) enforce the City's performance of the applicable covenants of the agreement or recover for the and pay reasonable expenses for repair, maintenance, and operation of the facility to cure the cause of default (3) allow lender to take possession of the facility and to repair, maintain, and operate or rent it and (4) default of the note may be construed by the Federal Government to constitute default under any other not held by the Federal Government.

A note of \$1,521,763, which is secured with collateral of Havelock City Hall building. The USDA note contains provisions that an event of default would result in (1) the timing of repayment of outstanding amounts become immediately due and payable (2) enforce the City's performance of the applicable covenants of the agreement or recover for the and pay reasonable expenses for repair, maintenance, and operation of the facility to cure the cause of default (3) allow lender to take possession of the facility and to repair, maintain, and operate or rent it and (4) default of the note may be construed by the Federal Government to constitute default under any other not held by the Federal Government.

A note of \$480,808, which is secured with collateral of the drainage improvements at Joes' Branch. The USDA note contains provisions that an event of default would result in (1) the timing of repayment of outstanding amounts become immediately due and payable (2) enforce the City's performance of the applicable covenants of the agreement or recover for the and pay reasonable expenses for repair, maintenance, and operation of the improvements to cure the cause of default (3) allow lender to take possession of the improvements and to repair, maintain, and operate or rent it and (4) default of the note may be construed by the Federal Government to constitute default under any other not held by the Federal Government.

A note of \$451,594, which is secured with collateral of the Quint Fire Truck. The USDA note contains provisions that an event of default would result in (1) the timing of repayment of outstanding amounts become immediately due and payable (2) enforce the City's performance of the applicable covenants of the agreement or recover for the and pay reasonable expenses for repair, maintenance, and operation of the equipment to cure the cause of default (3) allow lender to take possession of the equipment and to repair, maintain, and operate or rent it and (4) default of the note may be construed by the Federal Government to constitute default under any other not held by the Federal Government.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Business-Type Activities Long-Term Debt

Serviced by Water Fund:

\$2,907,000 DENR State Revolving Loan issued December 2000, interest at 2.87%, payable in annual principal installments of \$128,846, and semi-annual interest payments at 2.87% interest, through 2024; secured by plant and equipment

\$ 515,385

\$3,160,000 DEQ State Revolving Loan issued July 2017, interest at 1.63%, payable in annual principal installments of \$158,000, and semi-annual interest payments at 1.63% interest, through 2038; secured by plant and equipment

2,821,417

Total Water Fund

3,336,802

Serviced by Sewer Fund:

\$8,490,000 USDA loan issued October 2014, interest at 3.25% payable in annual principal installments of \$387,580, including interest through 2054; secured by plant and equipment

7,897,000

\$1,753,441 DENR State Revolving Loan issued April 2001, interest at 2.55%, payable in annual principal installments of \$89,175, and semi-annual interest payments, through 2023; secured by plant and equipment

263,016

\$2,970,000 USDA loan issued October 2007, interest at 4.50%, payable in annual principal installments of \$162,935, including interest through 2047; secured by plant and equipment

2,564,661

Total Sewer Fund

10,724,677

Total business-type activities long-term debt

\$ 14,061,479

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The future minimum payments of the business-type activities long-term debt installment loans payable as of June 30, 2020 are as follows:

Serviced by Water Fund:

Year Ending June 30	Principal	Interest	Total
2021	\$ 285,591	\$ 58,524	\$ 344,115
2022	285,591	52,718	338,309
2023	274,214	46,877	321,091
2024	263,632	41,002	304,634
2025	136,996	35,090	172,086
2026-2030	719,472	140,957	860,429
2031-2035	819,222	79,907	899,129
2036-2038	552,084	16,504	568,588
Total	<u>\$ 3,336,802</u>	<u>\$ 471,579</u>	<u>\$ 3,808,381</u>

Serviced by Sewer Fund:

Year Ending June 30	Principal	Interest	Total
2021	\$ 263,090	\$ 365,638	\$ 628,728
2022	270,176	355,876	626,052
2023	276,358	345,501	621,859
2024	195,969	335,221	531,190
2025	202,356	327,014	529,370
2026-2030	1,128,612	1,506,735	2,635,347
2031-2035	1,350,076	1,276,734	2,626,810
2036-2040	1,614,296	1,022,162	2,636,458
2041-2045	1,930,246	738,893	2,669,139
2046-2050	2,063,498	418,393	2,481,891
2051-2054	1,430,000	117,974	1,547,974
Total	<u>\$ 10,724,677</u>	<u>\$ 6,810,141</u>	<u>\$ 17,534,818</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The City's outstanding notes from direct borrowings related to water fund activities is \$3,336,802 and is comprised of:

A note of \$515,385, which is secured with collateral of water plant upgrades. The NCDENR note contains a provision failure to adopt on or before completion of project, place into effect and agree to maintain the principal sum is paid, a schedule of fees that will adequately provide for proper operation, maintenance and administration of the project and for repayment of all principal of and interest on loans. In the event of default, monies owed to the City by the State of North Carolina may be used to satisfy the debt requirement.

A note of \$2,821,417, which is secured with collateral of water plant backwash basin. The NCDENR note contains a provision failure to adopt on or before completion of project, place into effect and agree to maintain the principal sum is paid, a schedule of fees that will adequately provide for proper operation, maintenance and administration of the project and for repayment of all principal of and interest on loans. In the event of default, monies owed to the City by the State of North Carolina may be used to satisfy the debt requirement.

The City's outstanding notes from direct placements and direct borrowings related to sewer fund activities is \$10,724,677 and is comprised of:

A direct placement note of \$7,897,000, which is secured with collateral of sewer out fall lines. The USDA note contains provisions that an event of default would result in (1) the timing of repayment of outstanding amounts become immediately due and payable (2) enforce the City's performance of the applicable covenants of the agreement or recover for the and pay reasonable expenses for repair, maintenance, and operation of the facility to cure the cause of default (3) allow lender to take possession of the facility and to repair, maintain, and operate or rent it and (4) default of the note may be construed by the Federal Government to constitute default under any other not held by the Federal Government.

A direct placement note of \$2,564,661, which is secured with collateral of sewer out fall lines. The USDA note contains provisions that an event of default would result in (1) the timing of repayment of outstanding amounts become immediately due and payable (2) enforce the City's performance of the applicable covenants of the agreement or recover for the and pay reasonable expenses for repair, maintenance, and operation of the facility to cure the cause of default (3) allow lender to take possession of the facility and to repair, maintain, and operate or rent it and (4) default of the note may be construed by the Federal Government to constitute default under any other not held by the Federal Government.

A direct borrowing note of \$263,016, which is secured with collateral of sewer plant upgrades. The NCDENR note contains a provision failure to adopt on or before completion of project, place into effect and agree to maintain the principal sum is paid, a schedule of fees that will adequately provide for proper operation, maintenance and administration of the project and for repayment of all principal of and interest on loans. In the event of default, monies owed to the City by the State of North Carolina may be used to satisfy the debt requirement.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

B. Changes in Long-Term Debt

The following is a summary of the changes in the governmental activities long-term debt for the fiscal year:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Current</u> <u>Portion</u>
By Type of Debt:					
Notes from direct placements	\$ 6,154,022	\$ -	\$ (194,739)	\$ 5,959,283	\$ 200,594
Total pension liability (LEO)	325,590	71,181	(55,775)	340,996	-
Net pension liability (LGERS)	1,681,098	213,265	-	1,894,363	-
Total OPEB liability	2,384,316	242,495	(179,096)	2,447,715	-
IBNR	77,630	613,455	(656,079)	35,006	-
Compensated absences	441,901	39,245	(14,205)	466,941	46,694
Total	<u>\$ 11,064,557</u>	<u>\$ 1,179,641</u>	<u>\$ (1,099,894)</u>	<u>\$ 11,144,304</u>	<u>\$ 247,288</u>

The General Fund provides the resources for the retirement of compensated absences payable, liability for claims and judgments, other post-employment benefits, and the pension obligations. The City's legal debt limit is 8% of the City's assessed value of taxable property. The City's legal debt margin as of June 30, 2020 amounts to approximately \$50,600,000.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The following is a summary of changes in the City's business-type activities long-term debt:

Serviced by Water Fund:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Current</u> <u>Portion</u>
Notes from direct borrowings	\$ 3,534,188	\$ 86,952	\$ (284,338)	\$ 3,336,802	\$ 285,591
Net pension liability (LGERS)	140,092	17,772	-	157,864	-
Total OPEB liability	198,693	20,208	(14,925)	203,976	-
Compensated absences	43,611	9,985	(1,130)	52,466	5,247
Total	<u>\$ 3,916,584</u>	<u>\$ 134,917</u>	<u>\$ (300,393)</u>	<u>\$ 3,751,108</u>	<u>\$ 290,838</u>

Serviced by Sewer Fund:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Current</u> <u>Portion</u>
Notes from direct borrowings and direct placement	\$ 10,983,828	\$ -	\$ (259,151)	\$ 10,724,677	\$ 263,090
Net pension liability (LGERS)	120,079	15,233	-	135,312	-
Total OPEB liability	170,309	17,321	(12,793)	174,837	-
Compensated absences	13,314	8,545	(2,250)	19,609	1,961
Total	<u>\$ 11,287,530</u>	<u>\$ 41,099</u>	<u>\$ (274,194)</u>	<u>\$ 11,054,435</u>	<u>\$ 265,051</u>

Serviced by Solid Waste Fund:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Current</u> <u>Portion</u>
Net pension liability (LGERS)	\$ 20,013	\$ 2,539	\$ -	\$ 22,552	\$ -
Total OPEB liability	28,385	2,887	(2,132)	29,140	-
Compensated absences	5,859	3,543	(7,742)	1,660	166
Total	<u>\$ 54,257</u>	<u>\$ 8,969</u>	<u>\$ (9,874)</u>	<u>\$ 53,352</u>	<u>\$ 166</u>

Serviced by Tourist Center and Event Fund:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Current</u> <u>Portion</u>
Net pension liability (LGERS)	\$ 40,027	\$ 5,078	\$ -	\$ 45,105	\$ -
Total OPEB liability	56,769	5,773	(4,264)	58,278	-
Compensated absences	5,406	1,745	(1,459)	5,692	569
Total	<u>\$ 102,202</u>	<u>\$ 12,596</u>	<u>\$ (5,723)</u>	<u>\$ 109,075</u>	<u>\$ 569</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Sewer Revenue Bonds

The City has been in compliance with the covenants as to rates, fees, rentals, and charges in Section 5.02 of the bond order, authorizing the issuance of the sewer revenue bonds since their adoption. Section 5.02 of the bond order requires the debt service parity coverage ratio to be no less than 110.0% and the total debt service coverage ratio to be no less than 100.0%. Also, upcoming debt service in the next fiscal year ratio to be no less than 100%.

The debt service parity coverage ratio calculation for the year ended June 30, 2020 is as follows:

Operating revenues	\$ 3,984,339
Operating expenses*	<u>(3,348,346)</u>
Operating income	<u>\$ 635,993</u>
 Debt service on parity indebtedness	 <u>\$ 386,652</u>
 Debt service coverage ratio on parity indebtedness	 164%
 Other indebtedness related to the combined sewer enterprise system	 <u>\$ 252,445</u>
 Debt service coverage ratio on parity and other indebtedness	 100%
 Annual debt service requirement due in upcoming fiscal year	 <u>\$ 628,728</u>
 Debt service coverage ratio on upcoming fiscal year debt service	 101%

*Excludes depreciation and amortization.

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay sewer enterprise system revenue bonds of \$8,490,000 issued in 2014. Proceeds from the bonds provided financing for the sewer plant expansion and outfall line. The bonds are payable solely from sewer customer net revenues and are payable through 2054. The total principal and interest remaining to be paid on the bonds is \$13,163,063. The principal and interest payments for the current year totaled \$386,652, and total net revenues were \$298,537 respectively.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

9. 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 carries commercial coverage for all risks of loss. The City participates in self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains property coverage equal to replacement cost values of listed owned property subject to a \$1,000 deductible. The City also purchases liability insurance for general (\$2 million per occurrence), auto (\$3 million per occurrence), public officials (\$1 million per occurrence / \$3 million aggregate), law enforcement (\$1 million per occurrence / \$3 million aggregate), auto physical damage coverage for owned autos at actual cash value, and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years. The City has purchased commercial insurance to cover health claims for its employees and their dependents. The plan has a \$45,000 deductible. The City reimburses participants for deductibles incurred that exceed \$500.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The Finance Officer and Tax Collector/Deputy City Clerk are individually bonded for \$250,000 and \$50,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$20,000.

The City does not carry flood insurance as it is in an "X" area regarding flood zoning.

The City's employee healthcare program is financed using an entirely self-funded plan. One health plan is available to employees, retirees, covered dependents, and eligible former employees. The City administers the healthcare plan through a self-funded program, supplemented by employee contributions, to pay claims administration and medical claims of the employees and their covered dependents. Specific stop/loss insurance with a deductible of \$45,000 for all occurrences and an aggregate stop/loss insurance of 125% of estimated claims are purchased to limit the City's losses for the overall program. Liabilities of the program are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount of claims that have been incurred, but not reported (IBNRs). The City reasonably expects these claims to be paid within one year of occurrence.

Changes in the City's claims liability balance are as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 77,630	\$ 89,345
Incurring claims (including IBNRs)		
and changes in estimates	613,455	931,461
Less claims payments	<u>(656,079)</u>	<u>(943,176)</u>
Balance, end of year	<u>\$ 35,006</u>	<u>\$ 77,630</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

10. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2020 consist of the following:

Purpose	Amount
From the General Fund to the Tourist Center Fund for operations	\$ 191,149

Due to/from other funds at June 30, 2020 consist of the following:

Receivable Fund	Payable Fund	Amount	Purpose
			Short-term cash shortfall due to timing of grant revenue
General Fund	Slocum Water Front Park CPF	\$ 687,400	

11. Disaggregation Data for Entity-Wide Receivables and Payables

	Governmental Activities	Business-Type Activities
Intergovernmental Receivables:		
Sales tax receivable	\$ 215,000	\$ -
Grant receivable	1,535,430	-
Sales tax refund	130,915	-
Total	<u>\$ 1,881,345</u>	<u>\$ -</u>
Accounts Payable and Accrued Expenses:		
Trade payables	\$ 60,923	\$ 178,216
Accrued expenses	221,762	76,517
Total	<u>\$ 282,685</u>	<u>\$ 254,733</u>

12. Summary Disclosure of Significant Contingencies

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.

13. Subsequent Events

In March, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact City revenues. At the current time, we are unable to quantify the potential effects of this pandemic.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF HAVELOCK, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FOR THE LAST FOUR FISCAL YEARS

	Law Enforcement Officers' Special Separation Allowance			
	2020	2019	2018	2017
Beginning balance	\$ 325,590	\$ 353,995	\$ 395,683	\$ 433,530
Service cost	25,945	25,560	22,573	23,781
Interest on the total pension liability	10,836	10,519	14,176	14,243
Difference between expected and actual experience	24,464	(9,311)	(44,126)	-
Changes in assumptions or other inputs	9,936	(12,972)	22,554	(6,730)
Benefit payments	(55,775)	(42,201)	(56,865)	(69,141)
Ending balance of the total pension liability	<u>\$ 340,996</u>	<u>\$ 325,590</u>	<u>\$ 353,995</u>	<u>\$ 395,683</u>

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

Information is not available for years prior to 2017. It is intended to be shown for ten years and will be displayed as it becomes available.

CITY OF HAVELOCK, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FOR THE LAST FOUR FISCAL YEARS**

	Law Enforcement Officers' Special Separation Allowance			
	2020	2019	2018	2017
Total pension liability	\$ 340,996	\$ 325,590	\$ 353,995	\$ 395,683
Covered payroll	1,219,332	1,092,172	1,102,338	1,187,579
Total pension liability as a percentage of covered payroll	27.97%	29.81%	32.11%	33.32%

Notes to Schedules:

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

Information is not available for years prior to 2017. It is intended to be shown for ten years and will be displayed as it becomes available.

CITY OF HAVELOCK, NORTH CAROLINA

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS

	Total OPEB Liability		
	2020	2019	2018
Service cost	\$ 178,268	\$ 184,323	\$ 199,246
Interest	106,309	96,606	80,122
Differences between expected and actual experience	(35,406)	(2,475)	80,251
Changes of assumptions	39,513	(96,958)	(158,543)
Benefit payments	(213,210)	(112,358)	(185,851)
Net change in total OPEB liability	75,474	69,138	15,225
Total OPEB liability - beginning	2,838,472	2,769,334	2,754,109
Total OPEB liability - ending	\$ 2,913,946	\$ 2,838,472	\$ 2,769,334
Covered payroll	\$ 4,950,780	\$ 3,909,995	\$ 3,909,995
Total OPEB liability as a percentage of covered payroll	58.86%	72.60%	70.83%

Notes to Schedule:

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

Fiscal Year	Rate
2020	3.50%
2019	3.89%
2018	3.56%

CITY OF HAVELOCK, NORTH CAROLINA
**CITY OF HAVELOCKS'S PROPORTIONATE SHARE
 OF NET PENSION LIABILITY (ASSET)
 REQUIRED SUPPLEMENTARY INFORMATION
 LAST SEVEN FISCAL YEARS***

	Local Government Employees' Retirement System						
	2020	2019	2018	2017	2016	2015	2014
City of Havelock's proportion of the net pension liability (asset) (%)	0.08258%	0.08436%	0.08649%	0.08378%	0.09361%	0.09794%	0.10180%
City of Havelock's proportion of the net pension liability (asset) (\$)	\$ 2,255,196	\$ 2,001,309	\$ 1,321,328	\$ 1,778,092	\$ 420,115	\$ (577,598)	\$ 1,227,081
City of Havelock's covered payroll	5,150,923	4,867,849	4,842,911	4,547,693	4,342,966	4,332,300	4,321,634
City of Havelock's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	43.78%	41.11%	27.28%	39.10%	9.67%	(13.33%)	28.39%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

This schedule will not present 10 years worth of information until 2023.

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

CITY OF HAVELOCK, NORTH CAROLINA

CITY OF HAVELOCK'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST SEVEN FISCAL YEARS

	Local Government Employees' Retirement System						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 494,390	\$ 410,966	\$ 375,048	\$ 362,120	\$ 310,939	\$ 335,915	\$ 335,088
Contributions in relation to the contractually required contribution	494,390	410,966	375,048	362,120	310,939	335,915	335,088
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City of Havelock's covered payroll	\$ 5,391,006	\$ 5,150,923	\$ 4,867,849	\$ 4,842,911	\$ 4,547,693	\$ 4,342,966	\$ 4,332,300
Contributions as a percentage of covered payroll	9.17%	7.98%	7.70%	7.48%	6.84%	7.73%	7.73%

This schedule will not present 10 years worth of information until 2023.

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GENERAL FUND

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CITY OF HAVELOCK, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

	2020			2019
	Final Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year property tax	\$ 4,527,250	\$ 4,592,967	\$ 65,717	\$ 4,638,071
Motor vehicle tax - current and delinquent	475,000	579,196	104,196	578,766
Prior years' property tax	-	91	91	270
Total	<u>5,002,250</u>	<u>5,172,254</u>	<u>170,004</u>	<u>5,217,107</u>
Unrestricted Intergovernmental Revenues:				
Gross receipts tax	20,000	17,982	(2,018)	20,853
Payment in lieu of taxes	-	4,611	4,611	3,156
Franchise tax	1,200,000	1,151,255	(48,745)	1,176,375
Beer and wine tax	87,000	85,015	(1,985)	86,801
Local option sales tax	2,079,550	2,112,803	33,253	2,052,334
Hold harmless	540,000	526,758	(13,242)	552,614
Solid waste disposal tax	13,000	15,104	2,104	14,061
Craven County ABC revenue	22,225	23,947	1,722	8,138
Total	<u>3,961,775</u>	<u>3,937,475</u>	<u>(24,300)</u>	<u>3,914,332</u>
Restricted Intergovernmental Revenues:				
Payment in lieu of recreation services	-	22,579	22,579	-
Powell Bill	465,000	457,668	(7,332)	468,503
Federal and state grants	325,685	670,007	344,322	944,704
Craven County BOE contribution - school officer	116,925	116,925	-	116,925
Craven County support - recreation	75,000	81,379	6,379	79,783
Total	<u>982,610</u>	<u>1,348,558</u>	<u>365,948</u>	<u>1,609,915</u>
Licenses and Permits:				
Dog and cat licenses	1,750	1,100	(650)	2,215
Privilege license	-	10	10	-
Beer and wine licenses	800	410	(390)	915
Permits	78,300	157,797	79,497	105,986
Total	<u>80,850</u>	<u>159,317</u>	<u>78,467</u>	<u>109,116</u>
Sales and Services:				
Commission - trash stickers	225	202	(23)	235
Contribution from recreation	17,500	11,049	(6,451)	23,517
Sale of garbage stickers	6,000	5,265	(735)	7,710
EMS billing	700,000	719,830	19,830	638,096
Other	485,500	557,866	72,366	564,344
Total	<u>1,209,225</u>	<u>1,294,212</u>	<u>84,987</u>	<u>1,233,902</u>

CITY OF HAVELOCK, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

	2020			2019
	Final Budget	Actual	Variance Over/Under	Actual
Interest:				
Investment earnings	250,071	194,837	(55,234)	308,076
Investment earnings - Powell Bill	5,000	9,191	4,191	11,451
Total	255,071	204,028	(51,043)	319,527
Miscellaneous Revenue:				
Court facility fee and refunds	2,850	1,185	(1,665)	3,552
Insurance proceeds	102,707	132,422	29,715	590,849
Sale of capital assets	-	37,846	37,846	44,771
Miscellaneous	97,987	237,871	139,884	133,997
Total	203,544	409,324	205,780	773,169
Total revenues	11,695,325	12,525,168	829,843	13,177,068
Expenditures:				
General Government:				
Fees paid to elected officials		61,194		49,432
Operating expenses		85,432		102,579
Total	201,797	146,626	55,171	152,011
Administration:				
Salaries and benefits		712,901		670,077
Operating expenses		263,328		295,782
Capital outlay		2,369		-
Administration fee credit		(151,789)		(151,789)
Total	928,595	826,809	101,786	814,070
Grants:				
Operating expenses		-		474
Total	-	-	-	474
Finance:				
Salaries and benefits		262,438		257,577
Operating expenses		73,339		73,374
Capital outlay		1,573		-
Administration fee credit		(296,164)		(296,164)
Total	84,481	41,186	43,295	34,787
Revenue Collections:				
Salaries and benefits		206,824		170,709
Operating expenses		181,301		158,381
Administration fee credit		(364,607)		(314,607)
Total	84,054	23,518	60,536	14,483

CITY OF HAVELOCK, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

	2020			2019
	Final Budget	Actual	Variance Over/Under	Actual
Legal Department:				
Professional services	85,000	54,910	30,090	56,391
Information Systems:				
Salaries and benefits		317,396		306,924
Operating expenses		332,310		372,201
Capital outlay		76,542		93,810
Administrative fee credit		(77,159)		(77,159)
Total	711,191	649,089	62,102	695,776
Planning and Zoning:				
Salaries and benefits		291,637		296,478
Operating expenses		39,096		71,485
Capital outlay		2,402		(195)
Total	401,195	333,135	68,060	367,768
Public Buildings:				
Salaries and benefits		72,742		72,455
Operating expenses		134,212		128,721
Capital outlay		84,537		73,835
Total	384,873	291,491	93,382	275,011
Hurricane Expenses:				
Salaries and benefits	-	-	-	86,160
Operating expenses	571,662	264,186	307,476	2,685,506
Total	571,662	264,186	307,476	2,771,666
Total general government	3,452,848	2,630,950	821,898	5,182,437
Public Safety:				
Police:				
Salaries and benefits		2,491,174		2,348,557
Operating expenses		348,425		334,995
Capital outlay		258,758		187,376
Total	3,305,418	3,098,357	207,061	2,870,928
Fire:				
Salaries and benefits		579,811		662,860
Operating expenses		241,173		446,810
Capital outlay		33,957		49,737
Total	1,178,235	854,941	323,294	1,159,407

CITY OF HAVELOCK, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

	2020			2019
	Final Budget	Actual	Variance Over/Under	Actual
Emergency Medical Services:				
Salaries and benefits		798,847		741,739
Operating expenses		171,109		159,218
Capital outlay		158,558		134,498
Total	<u>1,187,902</u>	<u>1,128,514</u>	<u>59,388</u>	<u>1,035,455</u>
Animal Control:				
Salaries and benefits		73,148		69,360
Operating expenses		6,546		7,652
Total	<u>95,166</u>	<u>79,694</u>	<u>15,472</u>	<u>77,012</u>
Total public safety	<u>5,766,721</u>	<u>5,161,506</u>	<u>605,215</u>	<u>5,142,802</u>
Highways and Streets:				
Public Works:				
Salaries and benefits		159,204		113,608
Operating expenses		64,372		54,140
Total	<u>332,820</u>	<u>223,576</u>	<u>109,244</u>	<u>167,748</u>
Central Garage:				
Salaries and benefits		99,923		92,804
Operating expenses		26,120		29,359
Capital outlay		18,911		-
Street lights and traffic signals		129,621		146,655
Total	<u>321,904</u>	<u>274,575</u>	<u>47,329</u>	<u>268,818</u>
Powell Bill Funds:				
Salaries and benefits		153,699		120,407
Operating expenses		466,620		222,301
Total	<u>882,155</u>	<u>620,319</u>	<u>261,836</u>	<u>342,708</u>
Non-Powell Bill Funds:				
Salaries and benefits		190,424		186,146
Operating expenses		216,972		147,299
Capital outlay		22,430		185,035
Total	<u>1,712,912</u>	<u>429,826</u>	<u>1,283,086</u>	<u>518,480</u>
Total highways and streets	<u>3,249,791</u>	<u>1,548,296</u>	<u>1,701,495</u>	<u>1,297,754</u>

CITY OF HAVELOCK, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Final Budget	Actual	Variance Over/Under	Actual
Recreation:				
Salaries and benefits		456,265		455,280
Operating expenses		242,437		237,824
Capital outlay		52,151		58,528
Total	916,647	750,853	165,794	751,632
Total cultural and recreation	916,647	750,853	165,794	751,632
Debt Service:				
Principal		194,739		187,406
Interest		146,550		153,973
Total debt service	343,024	341,289	1,735	341,379
Total expenditures	13,729,031	10,432,894	3,296,137	12,716,004
Revenues over (under) expenditures	(2,033,706)	2,092,274	4,125,980	461,064
Other Financing Sources (Uses):				
Transfers out	(409,807)	(191,149)	218,658	(284,332)
Appropriated fund balance	2,443,513	-	(2,443,513)	-
Total other financing sources (uses)	2,033,706	(191,149)	(2,224,855)	(284,332)
Net change in fund balance	\$ -	1,901,125	\$ 1,901,125	176,732
Fund Balance:				
Beginning of year - July 1		11,327,569		11,150,837
End of year - June 30		\$ 13,228,694		\$ 11,327,569

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NONMAJOR GOVERNMENTAL FUNDS

CITY OF HAVELOCK, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020

	Emergency Telephone System Fund	City Hall Building Capital Project Fund	Lewis Farm PARTF Capital Project Fund	McCotter Capital Project Fund
Assets:				
Cash and investments	\$ 122,429	\$ 152,803	\$ 27,695	\$ -
Accounts receivable	-	-	-	657,822
Restricted cash and investments	-	-	-	-
Total assets	<u>\$ 122,429</u>	<u>\$ 152,803</u>	<u>\$ 27,695</u>	<u>\$ 657,822</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,224	\$ -	\$ -	\$ -
Due to other funds	-	-	-	687,400
Unearned grant revenue	-	-	-	-
Total liabilities	<u>1,224</u>	<u>-</u>	<u>-</u>	<u>687,400</u>
Fund Balances:				
Restricted:				
Stabilization for state statute	-	-	-	657,822
Public safety	121,205	-	-	-
Culture and recreation	-	-	27,695	-
General government	-	152,803	-	-
Committed:				
Public safety	-	-	-	-
Unassigned	-	-	-	(687,400)
Total fund balances	<u>121,205</u>	<u>152,803</u>	<u>27,695</u>	<u>(29,578)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 122,429</u>	<u>\$ 152,803</u>	<u>\$ 27,695</u>	<u>\$ 657,822</u>

CITY OF HAVELOCK, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020

	EPA Brownsfield Capital Project Fund	Slocum Waterfront Park Capital Project Fund	Fire Annex Building Capital Project Fund	Total
Assets:				
Cash and investments	\$ -	\$ 71,069	\$ 73,690	\$ 447,686
Accounts receivable	-	-	-	657,822
Restricted cash and investments	<u>58,650</u>	<u>-</u>	<u>-</u>	<u>58,650</u>
Total assets	<u>\$ 58,650</u>	<u>\$ 71,069</u>	<u>\$ 73,690</u>	<u>\$ 1,164,158</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 1,224
Due to other funds	-	-	-	687,400
Unearned grant revenue	<u>58,650</u>	<u>-</u>	<u>-</u>	<u>58,650</u>
Total liabilities	<u>58,650</u>	<u>-</u>	<u>-</u>	<u>747,274</u>
Fund Balances:				
Restricted:				
Stabilization for state statute	-	-	-	657,822
Public safety	-	-	-	121,205
Culture and recreation	-	71,069	-	98,764
General government	-	-	-	152,803
Committed:				
Public safety	-	-	73,690	73,690
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(687,400)</u>
Total fund balances	<u>-</u>	<u>71,069</u>	<u>73,690</u>	<u>416,884</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 58,650</u>	<u>\$ 71,069</u>	<u>\$ 73,690</u>	<u>\$ 1,164,158</u>

CITY OF HAVELOCK, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020**

	Emergency Telephone System Fund	City Hall Building Capital Project Fund	Lewis Farm PARTF Capital Project Fund	McCotter Capital Project Fund
Revenues:				
Restricted intergovernmental	\$ 152,832	\$ -	\$ -	\$ 922,581
Investment income	7,161	-	-	-
Total revenues	<u>159,993</u>	<u>-</u>	<u>-</u>	<u>922,581</u>
Expenditures:				
Public safety	274,230	-	-	-
Environmental protection	-	-	-	952,159
Culture and recreation	-	-	(1,680)	-
Total expenditures	<u>274,230</u>	<u>-</u>	<u>(1,680)</u>	<u>952,159</u>
Net change in fund balances	(114,237)	-	1,680	(29,578)
Fund Balances:				
Beginning of year - July 1	<u>235,442</u>	<u>152,803</u>	<u>26,015</u>	<u>-</u>
End of year - June 30	<u>\$ 121,205</u>	<u>\$ 152,803</u>	<u>\$ 27,695</u>	<u>\$ (29,578)</u>

CITY OF HAVELOCK, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020**

	EPA Brownsfield Capital Project Fund	Slocum Waterfront Park Capital Project Fund	Fire Annex Building Capital Project Fund	Total
Revenues:				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ 1,075,413
Investment income	-	-	-	7,161
Total revenues	-	-	-	1,082,574
Expenditures:				
Public safety	-	-	-	274,230
Environmental protection	-	-	-	952,159
Culture and recreation	-	1,350	-	(330)
Total expenditures	-	1,350	-	1,226,059
Net change in fund balances	-	(1,350)	-	(143,485)
Fund Balances:				
Beginning of year - July 1	-	72,419	73,690	560,369
End of year - June 30	\$ -	\$ 71,069	\$ 73,690	\$ 416,884

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SPECIAL REVENUE FUND

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CITY OF HAVELOCK, NORTH CAROLINA

EMERGENCY TELEPHONE SYSTEM FUND - NONMAJOR SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted Intergovernmental:				
911 access charges	\$ 142,549	\$ 152,832	\$ 10,283	\$ 189,083
Investment earnings	3,000	7,161	4,161	11,185
Total revenues	<u>145,549</u>	<u>159,993</u>	<u>14,444</u>	<u>200,268</u>
Expenditures:				
Public Safety:				
Databasing	32,883	23,818	9,065	23,672
Operating expenses	167,334	127,334	40,000	57,532
Capital outlay	<u>138,023</u>	<u>123,078</u>	<u>14,945</u>	<u>82,979</u>
Total public safety	<u>338,240</u>	<u>274,230</u>	<u>64,010</u>	<u>164,183</u>
Revenues over (under) expenditures	(192,691)	(114,237)	78,454	36,085
Other Financing Sources (Uses):				
Appropriated fund balance	<u>192,691</u>	<u>-</u>	<u>(192,691)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(114,237)</u>	<u>\$ (114,237)</u>	<u>36,085</u>
Fund Balance:				
Beginning of year - July 1		<u>235,442</u>		<u>199,357</u>
End of year - June 30		<u>\$ 121,205</u>		<u>\$ 235,442</u>

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NONMAJOR CAPITAL PROJECT FUNDS

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CITY OF HAVELOCK, NORTH CAROLINA

EPA BROWNSFIELD CAPITAL PROJECT FUND

NONMAJOR CAPITAL PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Restricted intergovernmental revenues	\$ 1,000,000	\$ 941,350	\$ -	\$ 941,350
Expenditures:				
Environmental Protection:				
Professional services	1,000,000	943,800	-	943,800
Revenues over (under) expenditures	-	(2,450)	-	(2,450)
Other Financing Sources (Uses):				
Transfers in	-	2,450	-	2,450
Net change in fund balance	\$ -	\$ -	\$ -	\$ -

CITY OF HAVELOCK, NORTH CAROLINA

CITY HALL BUILDING CAPITAL PROJECT FUND

NONMAJOR CAPITAL PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Restricted intergovernmental revenues	\$ 100,000	\$ 100,000	\$ -	\$ 100,000
Interest income	-	184	-	184
Total revenues	100,000	100,184	-	100,184
Expenditures:				
General Government:				
Professional services	65,000	74,757	-	74,757
Capital outlay	2,300,000	2,157,033	-	2,157,033
Debt service	1,700,000	1,526,692	-	1,526,692
Total expenditures	4,065,000	3,758,482	-	3,758,482
Revenues over (under) expenditures	(3,965,000)	(3,658,298)	-	(3,658,298)
Other Financing Sources (Uses):				
Long-term debt issued	3,400,000	3,200,000	-	3,200,000
Transfers in	565,000	611,101	-	611,101
Total other financing sources (uses)	3,965,000	3,811,101	-	3,811,101
Net change in fund balance	\$ -	\$ 152,803	\$ -	\$ 152,803

CITY OF HAVELOCK, NORTH CAROLINA

MCCOTTER CAPITAL PROJECT FUND

NONMAJOR CAPITAL PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	Project Authorization	Actual		
		Prior Years	Current Year	Total
Revenues:				
Restricted intergovernmental revenues	\$ 991,095	\$ 68,514	\$ 922,581	\$ 991,095
Expenditures:				
Environmental Protection:				
Professional services		66,370	31,790	98,160
Capital outlay		2,144	920,369	922,513
Total expenditures	1,020,673	68,514	952,159	1,020,673
Revenues over (under) expenditures	(29,578)	-	(29,578)	(29,578)
Other Financing Sources (Uses):				
Transfers in	29,578	-	-	-
Net change in fund balance	\$ -	\$ -	\$ (29,578)	\$ (29,578)

CITY OF HAVELOCK, NORTH CAROLINA

LEWIS FARM PARTF CAPITAL PROJECT FUND

NONMAJOR CAPITAL PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	Project Authorization	Actual		
		Prior Years	Current Year	Total
Revenues:				
Restricted intergovernmental revenues	\$ 500,000	\$ 500,000	\$ -	\$ 500,000
Expenditures:				
General Government:				
Professional services		62,090	-	62,090
Capital outlay		729,537	(1,680)	727,857
Total expenditures	817,642	791,627	(1,680)	789,947
Revenues over (under) expenditures	(317,642)	(291,627)	1,680	(289,947)
Other Financing Sources (Uses):				
Transfers in	317,642	317,642	-	317,642
Net change in fund balance	\$ -	\$ 26,015	\$ 1,680	\$ 27,695

CITY OF HAVELOCK, NORTH CAROLINA

SLOCUM WATERFRONT PARK CAPITAL PROJECT FUND

NONMAJOR CAPITAL PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Restricted intergovernmental revenues	\$ 325,475	\$ 393,543	\$ -	\$ 393,543
Expenditures:				
General Government:				
Professional services		12,040	1,350	13,390
Capital outlay		483,609	-	483,609
Total expenditures	500,000	495,649	1,350	496,999
Revenues over (under) expenditures	(174,525)	(102,106)	(1,350)	(103,456)
Other Financing Sources (Uses):				
Transfers in	174,525	174,525	-	174,525
Net change in fund balance	\$ -	\$ 72,419	\$ (1,350)	\$ 71,069

CITY OF HAVELOCK, NORTH CAROLINA

FIRE ANNEX BUILDING CAPITAL PROJECT FUND

NONMAJOR CAPITAL PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	Project Authorization	Actual		Total
		Prior Years	Current Year	
Expenditures:				
Public Safety:				
Professional services		\$ 33,417	\$ -	\$ 33,417
Contracted services		123,150	-	123,150
Capital outlay		719,743	-	719,743
Total expenditures	\$ 950,000	876,310	-	876,310
Revenues over (under) expenditures	(950,000)	(876,310)	-	(876,310)
Other Financing Sources (Uses):				
Transfers in	950,000	950,000	-	950,000
Net change in fund balance	\$ -	\$ 73,690	\$ -	\$ 73,690

ENTERPRISE FUNDS

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CITY OF HAVELOCK, NORTH CAROLINA

ENTERPRISE FUND - WATER
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for sales and services:			
Water charges	\$ 2,548,000	\$ 2,719,682	\$ 171,682
Miscellaneous	<u>59,000</u>	<u>45,642</u>	<u>(13,358)</u>
Total operating revenues	<u>2,607,000</u>	<u>2,765,324</u>	<u>158,324</u>
Non-operating revenues:			
Interest income (loss)	<u>45,150</u>	<u>34,177</u>	<u>(10,973)</u>
Total revenues	<u>2,652,150</u>	<u>2,799,501</u>	<u>147,351</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		630,929	
Supplies and administration		817,536	
Repairs and maintenance		94,368	
Capital outlay		<u>92,923</u>	
Total costs of sales and services		<u>1,635,756</u>	
Debt service:			
Principal repayment		284,338	
Interest		<u>66,519</u>	
Total debt service		<u>350,857</u>	
Total operating expenditures	<u>3,421,844</u>	<u>1,986,613</u>	<u>1,435,231</u>
Revenues over (under) expenditures	<u>(769,694)</u>	<u>812,888</u>	<u>1,582,582</u>
Other Financing Sources (Uses):			
Appropriated fund balance	<u>769,694</u>	<u>-</u>	<u>(769,694)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>812,888</u>	<u>\$ 812,888</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Reconciling items:			
Depreciation		(326,458)	
Capital reserve fund interest		4,022	
Decrease deferred outflows - pension		(15,568)	
Increase in net pension liability		(17,772)	
Decrease deferred inflows - pension		1,547	
(Increase) decrease in other post-employment benefits		(5,283)	
Increase in deferred outflow - OPEB		2,640	
Increase in deferred inflow - OPEB		(163)	
Principal payment		284,338	
Capital outlay, capitalized		<u>92,923</u>	
Change in net position		<u>\$ 833,114</u>	

CITY OF HAVELOCK, NORTH CAROLINA

WATER CAPITAL PROJECT FUND - SCADA

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Expenditures:				
Professional fees	\$ 250,000	\$ 249,646	\$ -	\$ 249,646
Capital outlay	1,470,000	1,476,703	-	1,476,703
Miscellaneous	10,000	22	-	22
Total expenditures	<u>1,730,000</u>	<u>1,726,371</u>	<u>-</u>	<u>1,726,371</u>
Revenues over (under) expenditures	(1,730,000)	(1,726,371)	-	(1,726,371)
Other Financing Sources (Uses):				
Intrafund transfer in	<u>1,730,000</u>	<u>1,450,000</u>	<u>-</u>	<u>1,450,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (276,371)</u>	<u>\$ -</u>	<u>\$ (276,371)</u>

CITY OF HAVELOCK, NORTH CAROLINA

WATER CAPITAL PROJECT FUND - BACKWASH BASIN

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Expenditures:				
Professional fees	\$ -	\$ 357,498	-	\$ 357,498
Capital outlay	-	2,594,676	-	2,594,676
Miscellaneous	-	1,598	-	1,598
Total expenditures	<u>3,160,000</u>	<u>2,953,772</u>	<u>-</u>	<u>2,953,772</u>
Revenues over (under) expenditures	(3,160,000)	(2,953,772)	-	(2,953,772)
Other Financing Sources (Uses):				
Issuance of long-term debt	<u>3,160,000</u>	<u>3,047,956</u>	<u>86,952</u>	<u>3,134,908</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 94,184</u>	<u>\$ 86,952</u>	<u>\$ 181,136</u>

CITY OF HAVELOCK, NORTH CAROLINA

ENTERPRISE FUND - SEWER
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for sales and services:			
Sewer charges	\$ 3,796,000	\$ 3,945,706	\$ 149,706
Miscellaneous	47,000	38,633	(8,367)
Total operating revenue	<u>3,843,000</u>	<u>3,984,339</u>	<u>141,339</u>
Non-operating revenues:			
Interest income (loss)	<u>22,996</u>	<u>18,835</u>	<u>(4,161)</u>
Total revenues	<u>3,865,996</u>	<u>4,003,174</u>	<u>137,178</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		577,432	
Supplies and administration		1,653,963	
Repairs and maintenance		1,087,295	
Capital outlay		<u>427,250</u>	
Total costs of sales and services		<u>3,745,940</u>	
Debt service:			
Principal repayment		259,151	
Interest		<u>387,146</u>	
Total debt service		<u>646,297</u>	
Total expenditures	<u>5,991,733</u>	<u>4,392,237</u>	<u>1,599,496</u>
Revenues over (under) expenditures	(2,125,737)	(389,063)	1,736,674
Other Financing Sources (Uses):			
Appropriated fund balance	<u>2,125,737</u>	<u>-</u>	<u>(2,125,737)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(389,063)</u>	<u>\$ (389,063)</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Depreciation		(870,086)	
Decrease deferred outflows - pension		(13,344)	
Increase in net pension liability		(15,233)	
Decrease deferred inflows - pension		1,326	
(Increase) decrease in other post-employment benefits		(4,528)	
Capital Reserve Fund interest		4,021	
Increase in deferred outflow - OPEB		2,263	
Increase in deferred inflow - OPEB		(140)	
Long-term debt principal payment		259,151	
Capital project revenue		646,375	
Capital outlay items capitalized		<u>427,250</u>	
Change in net position		<u>\$ 47,992</u>	

CITY OF HAVELOCK, NORTH CAROLINA

SEWER CAPITAL PROJECT FUND - SEWER PLANT EXPANSION AND OUTFALL LINE

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	Project Authorization	Actual		
		Prior Years	Current Year	Total
Revenues:				
Interest income	\$ -	\$ 10,541	\$ -	\$ 10,541
Expenditures:				
Professional fees	1,025,000	511,179	-	511,179
Capital outlay	10,584,000	9,749,402	-	9,749,402
Miscellaneous	25,000	1,083	-	1,083
Debt service	8,546,000	8,545,864	-	8,545,864
Total expenditures	20,180,000	18,807,528	-	18,807,528
Revenues over (under) expenditures	(20,180,000)	(18,796,987)	-	(18,796,987)
Other Financing Sources (Uses):				
Issuance of long-term debt	16,980,000	16,980,000	-	16,980,000
Intrafund transfer in	3,200,000	3,200,000	-	3,200,000
Total other financing sources (uses)	20,180,000	20,180,000	-	20,180,000
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,383,013	\$ -	\$ 1,383,013

CITY OF HAVELOCK, NORTH CAROLINA

SEWER CAPITAL PROJECT FUND - UTILITY LINE RELOCATION

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Restricted intergovernmental	\$ 100,000	\$ 53,185	\$ 646,375	\$ 699,560
Expenditures:				
Professional fees	-	141,349	-	141,349
Capital outlay	-	699,933	-	699,933
Total expenditures	856,000	841,282	-	841,282
Revenues over (under) expenditures	(756,000)	(788,097)	646,375	(141,722)
Other Financing Sources (Uses):				
Intrafund transfer in	756,000	756,000	-	756,000
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (32,097)	\$ 646,375	\$ 614,278

CITY OF HAVELOCK, NORTH CAROLINA

ENTERPRISE FUND - SOLID WASTE
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for sales and services:			
Solid waste charges	\$ 1,049,224	\$ 1,074,347	\$ 25,123
Non-Operating Revenues:			
Interest income	8,500	9,763	1,263
Total revenues	<u>1,057,724</u>	<u>1,084,110</u>	<u>26,386</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		206,545	
Supplies and administration		716,925	
Repairs and maintenance		36,054	
Capital outlay		<u>150,284</u>	
Total costs of sales and services		<u>1,109,808</u>	
Total expenditures	<u>1,216,852</u>	<u>1,109,808</u>	<u>107,044</u>
Revenues over (under) expenditures	(159,128)	(25,698)	133,430
Other Financing Sources (Uses):			
Appropriated fund balance	<u>159,128</u>	<u>-</u>	<u>(159,128)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(25,698)</u>	<u>\$ (25,698)</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Depreciation		(44,676)	
Decrease deferred outflows - pension		(2,224)	
Increase in net pension liability		(2,539)	
Decrease deferred inflows - pension		221	
(Increase) decrease in other post-employment benefits		(755)	
Increase in deferred outflow - OPEB		377	
Increase in deferred inflow - OPEB		(23)	
Capital outlay items capitalized		<u>150,284</u>	
Change in net position		<u>\$ 74,967</u>	

CITY OF HAVELOCK, NORTH CAROLINA

ENTERPRISE FUND - TOURIST AND EVENT CENTER
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for sales and services:			
Facilities rent	\$ 115,175	\$ 101,534	\$ (13,641)
Miscellaneous	30,500	63,961	33,461
Total operating revenues	<u>145,675</u>	<u>165,495</u>	<u>19,820</u>
Non-operating revenues:			
Occupancy tax	<u>97,000</u>	<u>97,000</u>	<u>-</u>
Total revenues	<u>242,675</u>	<u>262,495</u>	<u>19,820</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		151,037	
Supplies and administration		120,656	
Repairs and maintenance		37,897	
Capital outlay		23,121	
Exhibits expense		<u>12,715</u>	
Total costs of sales and services		<u>345,426</u>	
Total expenditures	<u>465,829</u>	<u>345,426</u>	<u>120,403</u>
Revenues over (under) expenditures	<u>(223,154)</u>	<u>(82,931)</u>	<u>140,223</u>
Other Financing Sources (Uses):			
Transfers in	191,149	191,149	-
Appropriated fund balance	<u>32,005</u>	<u>-</u>	<u>(32,005)</u>
Total other financing sources (uses)	<u>223,154</u>	<u>191,149</u>	<u>(32,005)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>108,218</u>	<u>\$ 108,218</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Depreciation		(66,642)	
Decrease deferred outflows - pension		(4,448)	
Increase in deferred outflow - OPEB		755	
Increase in deferred inflow - OPEB		(46)	
Increase in net pension liability		(5,078)	
Decrease deferred inflows - pension		442	
Capital outlay items capitalized		23,121	
(Increase) decrease in OPEB		<u>(1,509)</u>	
Change in net position		<u>\$ 54,813</u>	

CITY OF HAVELOCK, NORTH CAROLINA

ENTERPRISE FUND - CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Non-operating revenues:			
Interest income	\$ -	\$ 8,043	\$ 8,043

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SUPPLEMENTARY FINANCIAL DATA

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CITY OF HAVELOCK, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 5,205,771	\$ 5,180,752	\$ 25,019
2018-2019	32,429	-	20,935	11,494
2017-2018	6,443	-	3,216	3,227
2016-2017	3,114	-	904	2,210
2015-2016	2,293	-	92	2,201
2014-2015	2,778	-	13	2,765
2013-2014	22,931	-	94	22,837
2012-2013	34,087	-	404	33,683
2011-2012	24,517	-	417	24,100
2010-2011	18,974	-	336	18,638
2009-2010	16,143	-	16,143	-
Total	\$ 163,709	\$ 5,205,771	\$ 5,223,306	146,174
Less: Allowance for uncollectible ad valorem taxes receivable				<u>(128,651)</u>
Ad valorem taxes receivable, net				<u>\$ 17,523</u>
Reconciliation with Revenues:				
Taxes, ad valorem - General Fund				\$ 5,172,254
Interest and Penalties				20,010
Releases of prior years' motor vehicle levy				14,899
Arrears written off for tax year 2009-2010 per Statute of Limitations				<u>16,143</u>
Total collections and credits				<u>\$ 5,223,306</u>

CITY OF HAVELOCK, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2020

	Property Valuation	Rate	Total Levy	Total Levy	
				Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 883,642,373	\$ 0.590	\$ 5,213,490	\$ 4,627,821	\$ 585,669
Abatements	(1,308,305)		(7,719)	(7,719)	-
Total property valuation	<u>\$ 882,334,068</u>				
Net Levy			5,205,771	4,620,102	585,669
Uncollected taxes at June 30, 2020			<u>25,019</u>	<u>25,019</u>	-
Current Year's Taxes Collected			<u>\$ 5,180,752</u>	<u>\$ 4,595,083</u>	<u>\$ 585,669</u>
Current Levy Collection Percentage			<u>99.52%</u>	<u>99.46%</u>	<u>100.00%</u>
Prior Year Levy Collection Percentage			<u>99.38%</u>	<u>99.29%</u>	<u>100.00%</u>

STATISTICAL SECTION

This part of the City of Havelock's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	109-111
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	112-119
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	120-123
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	124-125
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	126-127

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

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City of Havelock
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets										
Restricted	\$ 3,908,182	\$ 4,699,072	\$ 5,045,723	\$ 5,519,721	\$ 5,708,365	\$ 5,824,398	\$ 5,824,398	\$ 6,300,569	\$ 7,288,247	\$ 8,273,295
Unrestricted	976,614	1,201,385	1,023,347	1,696,334	2,317,900	2,756,966	2,756,966	2,801,196	3,757,207	4,093,540
Total governmental activities net position	<u>6,026,215</u>	<u>4,702,268</u>	<u>4,991,201</u>	<u>5,176,059</u>	<u>6,227,049</u>	<u>7,248,220</u>	<u>7,248,220</u>	<u>5,882,610</u>	<u>5,048,225</u>	<u>6,213,288</u>
	<u>\$ 10,911,011</u>	<u>\$ 10,602,725</u>	<u>\$ 11,060,271</u>	<u>\$ 12,392,114</u>	<u>\$ 14,253,314</u>	<u>\$ 15,829,584</u>	<u>\$ 15,829,584</u>	<u>\$ 14,984,375</u>	<u>\$ 16,093,679</u>	<u>\$ 18,580,123</u>
Business-type activities										
Net investment in capital assets	\$ 9,202,664	\$ 11,150,859	\$ 11,382,120	\$ 12,244,456	\$ 11,873,567	\$ 11,808,087	\$ 11,808,087	\$ 11,560,871	\$ 11,559,108	\$ 11,401,361
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	10,122,186	8,905,273	9,690,226	9,373,991	10,324,335	10,544,665	10,544,665	10,559,766	10,800,478	11,969,111
Total business-type activities net position	<u>\$ 19,324,850</u>	<u>\$ 20,056,132</u>	<u>\$ 21,072,346</u>	<u>\$ 21,618,447</u>	<u>\$ 22,197,902</u>	<u>\$ 22,352,752</u>	<u>\$ 22,352,752</u>	<u>\$ 22,120,637</u>	<u>\$ 22,359,586</u>	<u>\$ 23,370,472</u>
Primary government										
Net investment in capital assets	\$ 13,110,846	\$ 15,849,931	\$ 16,427,843	\$ 17,764,177	\$ 17,581,932	\$ 17,632,485	\$ 17,632,485	\$ 17,861,440	\$ 18,847,355	\$ 19,674,656
Restricted	976,614	1,201,385	1,023,347	1,696,334	2,317,900	2,756,966	2,756,966	2,801,196	3,757,207	4,093,540
Unrestricted	16,148,401	13,607,541	14,681,427	14,550,050	16,551,384	17,792,885	17,792,885	16,442,376	15,848,703	18,182,399
Total primary government net position	<u>\$ 30,235,861</u>	<u>\$ 30,658,857</u>	<u>\$ 32,132,617</u>	<u>\$ 34,010,561</u>	<u>\$ 36,451,216</u>	<u>\$ 38,182,336</u>	<u>\$ 38,182,336</u>	<u>\$ 37,105,012</u>	<u>\$ 38,453,265</u>	<u>\$ 41,950,595</u>

City of Havelock
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government										
Public Safety	\$ 2,170,632	\$ 2,447,607	\$ 2,270,391	\$ 2,305,405	\$ 2,069,313	\$ 2,239,486	\$ 2,582,069	\$ 2,227,946	\$ 5,004,320	\$ 2,824,798
Highways and streets	4,806,721	4,663,093	4,718,645	5,059,054	4,877,015	4,911,264	5,069,121	4,703,051	5,378,223	5,587,224
Environmental protection	1,133,896	1,539,765	1,478,680	1,213,686	1,156,033	966,550	887,467	1,560,339	1,207,423	679,875
Culture and recreations	-	-	-	74,506	213,595	166,469	12,468	71,520	959,665	952,159
Interest on long-term debt	867,587	853,944	1,048,043	815,465	832,935	847,265	886,256	1,241,286	1,031,018	858,538
Total governmental activities expenses	200,118	397,638	244,992	236,945	253,873	178,010	175,494	161,897	153,974	146,550
	<u>9,178,954</u>	<u>9,302,047</u>	<u>9,760,751</u>	<u>9,705,061</u>	<u>9,402,764</u>	<u>9,309,044</u>	<u>9,612,875</u>	<u>9,966,039</u>	<u>13,734,623</u>	<u>11,049,144</u>
Business-type activities										
Water	2,030,596	1,763,697	1,639,411	1,695,142	1,906,359	1,825,652	2,079,724	2,146,243	2,014,753	1,970,409
Sewer	2,838,681	2,566,556	2,782,740	2,528,613	2,896,978	3,040,205	3,953,418	4,007,710	4,349,156	4,605,578
Sanitation		754,011	818,853	786,320	847,268	936,680	867,313	953,348	910,128	1,009,143
Other	1,034,536	400,950	478,114	462,481	413,106	392,551	398,340	397,427	361,438	398,831
Total business-type activities expenses	5,903,813	5,485,214	5,719,118	5,472,556	6,063,711	6,195,088	7,298,795	7,504,728	7,635,475	7,983,961
Total primary government expenses	<u>15,082,767</u>	<u>15,387,261</u>	<u>15,479,869</u>	<u>15,177,617</u>	<u>15,466,475</u>	<u>15,504,132</u>	<u>16,911,670</u>	<u>17,470,767</u>	<u>21,370,098</u>	<u>19,033,105</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 298,126	\$ 332,322	\$ 240,305	\$ 369,659	\$ 306,047	\$ 170,270	\$ 345,265	\$ 121,652	\$ 784,027	\$ 358,233
Public Safety	902,589	764,263	731,181	863,562	792,191	873,905	761,715	743,297	685,045	758,338
Highways and streets	-	-	-	-	-	-	-	-	-	-
Environmental protection	4,218	4,610	4,526	3,898	3,660	3,591	3,795	6,815	7,945	5,467
Culture and recreations	153,181	205,743	174,740	179,781	239,739	239,505	271,839	230,986	269,700	285,511
Other activities	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	1,145,747	1,330,652	1,090,173	976,016	1,065,369	1,147,461	1,085,600	1,168,000	2,763,114	1,956,694
Capital grants and contributions	85,568	23,734	7,183	172,272	1,510,255	617,768	406,350	312,171	1,112,954	1,056,485
Total governmental activities programs revenues	<u>2,589,429</u>	<u>2,661,324</u>	<u>2,248,108</u>	<u>2,565,188</u>	<u>3,917,261</u>	<u>3,052,500</u>	<u>2,854,564</u>	<u>2,582,921</u>	<u>5,622,785</u>	<u>4,420,728</u>
Business-type activities:										
Charges for services:										
Water	1,877,135	1,820,558	1,785,904	1,902,607	1,876,497	1,893,925	2,311,412	2,286,237	2,544,379	2,765,324
Sewer	3,187,289	3,382,037	3,256,698	3,423,486	3,403,940	3,441,432	3,606,073	3,567,731	3,709,479	3,984,339
Other	841,472	822,409	877,102	959,200	1,226,962	934,925	976,078	1,036,324	1,095,945	1,074,347
Operating grants and contributions	-	217,932	275,933	283,585	-	228,994	246,587	327,812	213,021	262,495
Capital grants and contributions	-	-	-	-	-	-	-	-	-	646,375
Total business-type activities program revenues	<u>\$5,905,896</u>	<u>\$6,242,936</u>	<u>\$6,195,637</u>	<u>\$6,566,878</u>	<u>\$6,507,399</u>	<u>\$6,499,276</u>	<u>\$7,140,150</u>	<u>\$7,218,104</u>	<u>\$7,562,824</u>	<u>\$8,732,880</u>
Total primary government program revenues	<u>\$ 8,495,325</u>	<u>\$ 8,904,260</u>	<u>\$ 8,443,745</u>	<u>\$ 9,134,066</u>	<u>\$ 10,424,660</u>	<u>\$ 9,551,776</u>	<u>\$ 9,994,714</u>	<u>\$ 9,801,025</u>	<u>\$ 13,185,609</u>	<u>\$ 13,153,608</u>

City of Havelock
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net (expense)/revenue										
Governmental activities	\$ (6,589,525)	\$ (7,240,723)	\$ (7,512,643)	\$ (7,139,873)	\$ (5,485,503)	\$ (6,256,544)	\$ (6,758,311)	\$ (7,383,118)	\$ (8,111,838)	\$ (6,628,416)
Business-type activities	2,083	757,722	476,519	1,096,322	443,688	304,188	(158,645)	(286,624)	(72,651)	748,919
Total primary government net expense	<u><u>(\$6,587,442)</u></u>	<u><u>(\$6,483,001)</u></u>	<u><u>(\$7,036,124)</u></u>	<u><u>(\$6,043,551)</u></u>	<u><u>(\$5,041,815)</u></u>	<u><u>(\$5,952,356)</u></u>	<u><u>(\$6,916,956)</u></u>	<u><u>(\$7,669,742)</u></u>	<u><u>(\$8,184,489)</u></u>	<u><u>(\$5,879,497)</u></u>
General Revenues and Other Changes in										
Net Assets										
Governmental activities:										
Taxes										
Ad Valorem taxes	\$ 4,255,278	\$ 4,272,576	\$ 4,438,418	\$ 4,469,420	\$ 4,496,412	\$ 4,887,046	\$ 5,082,534	\$ 5,105,262	\$ 5,198,905	\$ 5,157,345
Other taxes and licenses	3,456,802	2,993,853	3,018,748	3,018,894	3,290,524	1,619,631	1,794,936	1,865,479	2,052,334	2,112,803
Inter-governmental	-	-	-	-	-	1,201,246	1,177,168	1,168,166	1,176,375	1,151,255
Licenses and Permits	-	-	-	-	-	624,072	683,434	694,102	685,623	673,417
Sales and Services	-	-	-	-	-	-	-	-	-	-
Gain on sale of capital asset	-	-	-	-	-	-	-	-	-	-
Investment Earnings	42,511	25,887	11,790	16,163	17,053	38,426	31,808	145,357	419,505	211,189
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	-	(398,221)	(242,516)	92,942	(237,369)	(252,677)	(222,662)	(333,084)	(222,807)	(191,149)
Total governmental activities	<u><u>\$ 7,754,591</u></u>	<u><u>\$ 6,894,095</u></u>	<u><u>\$ 7,226,440</u></u>	<u><u>\$ 7,597,419</u></u>	<u><u>\$ 7,566,620</u></u>	<u><u>\$ 8,117,744</u></u>	<u><u>\$ 8,547,218</u></u>	<u><u>\$ 8,645,282</u></u>	<u><u>\$ 9,309,935</u></u>	<u><u>\$ 9,114,860</u></u>
Business-type activities:										
Investment Earnings	\$ 33,729	\$ 16,020	\$ 12,247	\$ 12,834	\$ 7,764	\$ 22,590	\$ 37,648	\$ 63,080	\$ -	\$ 70,818
Transfers	97,000	398,221	242,516	(92,942)	237,369	252,677	222,662	333,084	222,807	191,149
Total business-type activities	130,729	414,241	254,763	(80,108)	245,133	275,267	260,310	396,164	222,807	261,967
Total primary government	<u><u>\$ 1,167,149</u></u>	<u><u>\$ 411,094</u></u>	<u><u>\$ 190,316</u></u>	<u><u>\$ 1,553,868</u></u>	<u><u>\$ 2,524,805</u></u>	<u><u>\$ 2,165,388</u></u>	<u><u>\$ 1,630,262</u></u>	<u><u>\$ 975,540</u></u>	<u><u>\$ 1,125,446</u></u>	<u><u>\$ 3,235,363</u></u>
Change in Net Position										
Governmental activities	\$ 1,165,066	\$ (346,628)	\$ (286,203)	\$ 457,546	\$ 2,081,117	\$ 1,861,200	\$ 1,788,907	\$ 1,262,164	\$ 1,198,097	\$ 2,486,444
Business-type activities	132,812	1,171,963	731,282	1,016,214	688,821	579,455	101,665	109,540	150,156	1,010,886
Total primary government	<u><u>\$ 1,297,878</u></u>	<u><u>\$ 825,335</u></u>	<u><u>\$ 445,079</u></u>	<u><u>\$ 1,473,760</u></u>	<u><u>\$ 2,769,938</u></u>	<u><u>\$ 2,440,655</u></u>	<u><u>\$ 1,890,572</u></u>	<u><u>\$ 1,371,704</u></u>	<u><u>\$ 1,348,253</u></u>	<u><u>\$ 3,497,330</u></u>

City of Havelock
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Motor Vehicle Tax	Sales Tax	Franchise Tax	Total
2011	\$ 4,023,167	\$ 283,711	\$ 1,501,608	\$ 1,809,905	\$ 7,618,391
2012	3,871,479	316,430	1,451,371	1,066,445	6,705,725
2013	4,063,618	358,759	1,378,710	1,095,139	6,896,226
2014	4,020,030	495,800	1,443,105	1,027,514	6,986,449
2015	4,203,711	358,687	1,958,154	1,152,045	7,672,597
2016	4,462,460	408,895	2,093,978	1,201,246	8,166,579
2017	4,579,951	506,225	2,331,590	1,177,168	8,594,934
2018	4,569,970	515,591	2,414,253	1,168,166	8,667,980
2019	4,638,071	578,766	2,604,948	1,176,375	8,998,160
2020	4,593,058	579,196	2,639,561	1,151,255	8,963,070

City of Havelock
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Non Spendable	16,936	16,488	8,389	12,601	5,330	14,137	5,979	14,630	11,952	6,459
Restricted	1,623,126	1,068,870	1,117,864	1,148,675	966,286	1,529,067	1,833,141	1,898,594	3,234,599	3,062,946
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	735,950	1,891,082	522,527	549,326	769,015	771,283	862,374	1,367,015	725,516	1,258,823
Unassigned	4,670,815	3,962,176	4,693,486	4,884,041	5,724,845	6,664,374	7,743,539	7,870,598	7,355,502	8,900,466
Total General Fund	<u>\$ 7,046,827</u>	<u>\$ 6,938,616</u>	<u>\$ 6,342,266</u>	<u>\$ 6,594,643</u>	<u>\$ 7,465,476</u>	<u>\$ 8,978,861</u>	<u>\$ 10,445,033</u>	<u>\$ 11,150,837</u>	<u>\$ 11,327,569</u>	<u>\$ 13,228,694</u>
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Restricted in Capital Project	-	-	-	-	165,776	585,427	665,445	703,245	287,166	657,822
Restricted in Special revenue	651,491	399,200	93,260	44,373	564,272	203,406	238,380	199,357	235,442	372,772
Committed in Capital Project	524,726	820,925	81,752	1,415,896	73,690	73,690	73,690	73,690	73,690	73,690
Unassigned	-	-	-	-	(73,300)	(62,835)	-	-	(35,929)	(687,400)
Total all other governmental funds	<u>\$ 1,176,217</u>	<u>\$ 1,220,125</u>	<u>\$ 175,012</u>	<u>\$ 1,460,269</u>	<u>\$ 730,438</u>	<u>\$ 799,688</u>	<u>\$ 977,515</u>	<u>\$ 976,292</u>	<u>\$ 560,369</u>	<u>\$ 416,884</u>

The City adopted GASB statement 54 for the year ending 2011. Prior to the time, fund balance was properly referred to as reserved (nonspendable or restrictions on expenditures or unreserved (spendable).

City of Havelock
Changes in fund Balance of Governmental Funds
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Taxes	\$ 4,310,266	\$ 4,209,805	\$ 4,425,587	\$ 4,515,830	\$ 4,562,398	\$ 4,872,255	\$ 5,086,176	\$ 5,085,595	\$ 5,217,107	\$ 5,172,254
Intergovernmental	3,456,802	2,993,853	3,018,748	3,018,894	3,290,524	3,444,949	4,769,304	4,823,444	3,914,332	3,937,475
Licenses and Permits	1,188,191	1,163,946	799,809	997,142	117,169	142,999	131,372	71,360	2,960,753	2,423,971
Sales and Services	230,781	273,598	150,182	229,363	1,188,690	1,314,328	1,249,870	1,226,012	109,116	159,317
Other taxes	1,028,763	1,035,655	983,037	1,056,450	1,656,951	1,448,332	-	-	1,233,902	1,294,212
Investment Earnings	42,511	25,887	11,790	16,163	17,053	38,426	31,808	145,357	330,712	211,189
Miscellaneous	141,694	188,125	272,017	298,278	326,381	146,841	306,371	141,051	773,169	409,324
Total revenues	<u>10,399,008</u>	<u>9,890,869</u>	<u>9,661,170</u>	<u>10,132,120</u>	<u>11,159,166</u>	<u>11,408,130</u>	<u>11,574,901</u>	<u>11,492,819</u>	<u>14,539,091</u>	<u>13,607,742</u>
Expenditures										
General government										
Public Safety	2,084,386	2,453,383	2,113,766	2,964,195	1,943,545	2,182,609	2,343,194	2,430,966	5,182,437	2,463,027
Highways and streets	4,391,151	4,888,960	4,409,207	4,763,445	4,486,630	4,493,280	4,575,210	3,626,477	5,306,985	4,984,133
Environmental Protection	954,793	724,838	1,271,528	1,188,591	1,154,320	916,163	852,443	1,780,635	1,297,754	1,544,162
Culture and recreation	-	-	-	-	213,595	166,469	12,468	71,520	959,665	-
Capital Outlay	762,451	771,458	965,741	74,506	743,021	756,998	814,717	1,178,905	1,467,255	698,372
Debt Service	355,912	732,138	1,901,981	807,341	2,029,703	682,439	716,454	925,249	-	1,627,970
Principal	-	-	-	-	-	-	-	-	-	-
Interest	560,545	137,536	152,902	152,405	1,656,108	196,850	198,260	180,350	187,406	194,739
Other charges	200,118	397,638	244,992	236,945	253,873	178,010	175,494	161,897	153,973	146,550
Total expenditures	<u>9,309,356</u>	<u>10,105,951</u>	<u>11,060,117</u>	<u>10,187,428</u>	<u>12,480,795</u>	<u>9,572,818</u>	<u>9,688,240</u>	<u>10,355,999</u>	<u>14,555,475</u>	<u>11,658,953</u>
Excess of revenues over (under) expenditures										
Other financing sources (uses)										
Transfers in	550,000	400,000	-	565,001	131,742	60,000	-	347,450	61,525	-
Transfers out	(550,000)	(798,221)	(242,516)	(472,059)	(369,111)	(312,677)	(222,662)	(680,534)	(284,332)	(191,149)
Debt issued	646,300	549,000	-	1,500,000	1,700,000	-	-	-	-	-
Capital leases	-	-	-	-	-	-	-	-	-	-
Sale of Capital assets	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>646,300</u>	<u>150,779</u>	<u>(242,516)</u>	<u>1,592,942</u>	<u>1,462,631</u>	<u>(252,677)</u>	<u>(222,662)</u>	<u>(333,084)</u>	<u>(222,807)</u>	<u>(191,149)</u>
Net Change in fund balances	<u>\$ 1,735,952</u>	<u>\$ (64,303)</u>	<u>\$ (1,641,463)</u>	<u>\$ 1,537,634</u>	<u>\$ 141,002</u>	<u>\$ 1,582,635</u>	<u>\$ 1,663,999</u>	<u>\$ 803,736</u>	<u>\$ (239,191)</u>	<u>\$ 1,757,640</u>
Debt service as a percentage of noncapital expenditures	9.3%	1.7%	2.2%	4.4%	18.3%	4.4%	4.2%	3.6%	2.9%	3.5%

City of Havelock
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Motor Vehicle Tax	Sales Tax	Franchise Tax	Total
2011	\$ 4,023,167	\$ 283,711	\$ 1,501,608	\$ 1,809,905	\$ 7,618,391
2012	3,871,479	316,430	1,451,371	1,066,445	6,705,725
2013	4,063,618	358,759	1,378,710	1,095,139	6,896,226
2014	4,020,030	495,800	1,848,876	1,027,514	7,392,220
2015	4,203,711	358,687	1,958,154	1,152,045	7,672,597
2016	4,462,460	408,895	2,093,978	1,201,246	8,166,579
2017	4,579,951	506,225	2,331,590	1,177,168	8,594,934
2018	4,569,970	515,591	2,414,253	1,168,166	8,667,980
2019	4,638,071	578,766	2,604,948	1,176,375	8,998,160
2020	4,593,058	579,196	2,639,561	1,151,255	8,963,070

City of Havelock
Assessed Valued and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential	Commercial	Motor	Vehicles					
2011	\$ 906,490,259	\$ 450,932,412	\$ 83,729,677	\$ 60,545,225	\$ 1,380,607,123	0.53	\$ 1,725,758,904	83.51%	
2012	862,286,882	582,140,703	114,328,602	62,361,582	1,496,394,605	0.465	1,870,493,256	83.33%	
2013	869,038,280	599,604,924	120,917,634	62,410,409	1,527,150,429	0.465	1,908,938,037	83.27%	
2014	832,396,899	604,299,615	132,730,323	43,261,010	1,526,165,826	0.465	1,755,090,700	89.42%	
2015	833,182,424	592,509,388	132,855,579	43,301,835	1,515,245,556	0.465	1,530,398,011	101.84%	
2016	841,514,248	593,068,533	79,534,706	43,734,853	1,470,382,634	0.485	1,485,086,460	101.95%	
2017	494,408,880	598,999,218	109,884,803	30,615,421	1,172,677,480	0.51	1,530,666,496	78.61%	
2018	581,132,325	241,767,652	92,194,068	49,930,655	865,163,390	0.59	863,971,280	105.92%	
2019	410,520,959	244,185,329	124,638,305	49,312,794	730,031,799	0.59	780,513,610	99.85%	
2020	590,895,267	243,461,828	100,915,884	51,630,655	883,642,324	0.59	880,531,903	99.65%	

Property located in the City of Havelock was revalued by the Craven County Tax Office. The new values were effective for the 2017 Fiscal Year.

Source: Craven County Tax Office

City of Havelock
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>City Of Havelock Tax Rate</u>	<u>Overlapping Rate Craven County Tax Rate</u>	<u>Total Direct & Overlapping Rates</u>
2011	\$ 0.4650	\$ 0.4728	\$ 0.9378
2012	0.4650	0.4728	0.9378
2013	0.4650	0.4675	0.9325
2014	0.4650	0.4675	0.9325
2015	0.4850	0.4675	0.9525
2016	0.5100	0.4675	0.9775
2017*	0.5900	0.5394	1.1294
2018	0.5900	0.5394	1.1294
2019	0.5900	0.5394	1.1294
2020	0.5900	0.5494	1.1394

*Property assessment values were re-valued effective Fiscal year 2017. The tax rate was proposed revenue neutral.

Source: City of Havelock Finance Department and Craven County Tax Office

City of Havelock
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collections Amount	Percentage of Levy	Collections in Subsequent Years	Total Collections to Date	
					Amount	Percentage of Levy
2011	\$ 3,613,925	\$ 3,521,462	97.44%	\$ 73,419	\$ 3,599,761	99.61%
2012	3,712,112	3,602,390	97.04%	92,211	3,697,185	99.60%
2013	4,452,486	4,332,406	97.30%	109,062	4,433,706	99.58%
2014	4,548,225	4,488,118	98.68%	53,709	4,529,181	99.58%
2015	4,592,055	4,572,237	99.57%	1,049	4,584,644	99.84%
2016	4,847,423	4,812,813	99.29%	4,801	4,817,614	99.39%
2017	4,592,584	4,575,150	99.62%	34	4,575,184	99.62%
2018	4,560,519	4,556,207	99.91%	270	4,556,477	99.91%
2019	4,598,133	4,596,341	99.96%	91	4,596,432	99.96%
2020	4,620,102	4,595,083	99.46%	-	4,595,083	99.46%

City of Havelock
Principal Property Taxpayers
June 30, 2020

	2020			2010		
	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank
	Property Management/Development	\$ 28,630,309	1	3.66%	\$ 27,728,329	1
	Property Management/Development	13,604,069	2	1.74%	9,175,616	2
	Property Management/Development	10,605,280	3	1.36%	5,829,370	3
	Property Management/Development	6,221,540	4	0.80%	5,077,320	4
	Property Management/Development	6,132,934	5	0.80%	4,961,598	5
	Property Management/Development	6,042,750	6	0.77%	4,745,235	6
	Property Management/Development	5,436,680	7	0.70%	4,044,420	7
	Public Utility	5,315,515	8	0.68%	3,993,663	8
	Property Management/Development	4,920,380	9	0.63%	3,722,424	9
	Property Management/Development	4,323,850	10	0.55%	3,589,300	10
	Totals	\$ 91,233,307		11.68%	\$ 72,867,275	
						7.00%

Source: Craven County Tax Office

City of Havelock
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Installment Loans	Sewer Bonds	Water Bonds	Installment Loans			
2011	\$ -	\$ -	\$ 5,266,839	\$ 4,923,283	\$ 1,675,002	\$ 485,062	\$ 12,350,186	\$ 550	
2012	-	-	5,678,303	4,512,361	1,546,155	174,167	11,910,986	523	
2013	-	-	5,525,401	12,546,351	1,417,310	144,400	19,633,462	861	
2014	-	-	6,872,996	12,088,838	1,288,463	109,566	20,359,863	858	
2015	-	-	6,916,888	11,964,672	1,159,618	53,200	20,094,378	969	
2016	-	-	6,720,038	11,727,863	1,030,772	38,634	19,517,307	926	
2017	-	-	6,521,778	11,485,338	901,924	-	18,909,040	899	
2018	-	-	6,341,428	11,237,020	3,694,334	-	21,272,782	1,007	
2019	-	-	6,154,022	10,983,828	3,534,188	-	20,672,038	987	
2020	-	-	5,959,283	10,724,677	3,336,802	-	20,020,762	997	

Note:

- (1) Details regarding the city's outstanding debt can be found in the notes to the financial statements.
- (2) Percentage of Personal Income cannot be calculated because separate personal income is not available for the City of Havelock.
- (3) See demographic statistics for population data.

City of Havelock
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Governmental Activities Debt</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property (1)</u>	<u>Per Capita (2)</u>
2011	\$ 5,266,839	\$ -	\$ 5,266,839	-	243
2012	5,678,303	-	5,678,303	-	253
2013	5,525,401	-	5,525,401	-	243
2014	6,872,996	-	6,872,996	-	301
2015	6,916,888	-	6,916,888	-	291
2016	6,720,038	-	6,720,038	-	324
2017	6,521,778	-	6,521,778	-	310
2018	6,341,428	-	6,341,428	-	302
2019	6,154,022	-	6,154,022	-	291
2020	5,959,283	-	5,959,283	-	297

City of Havelock
Direct and Overlapping Activities Debt
As of June 30, 2020

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Governmental Unit			
Debt repaid with property taxes: County	\$51,427,340	23.38%	<u>\$ 12,023,712</u>
Subtotal, overlapping debt			
City of Havelock direct debt			<u>\$ 5,959,283</u>
Total direct and overlapping debt			<u>\$ 17,982,995</u>

Sources: Assessed value data used to estimate applicable percentages provide by the Craven County Tax Office. Debt outstanding is provided by Craven County Finance Office.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt to those overlapping governments that is borne by the taxpayers of the City of Havelock. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property tax values. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the government's boundaries and dividing it by the City's total taxable assessed value.

City of Havelock
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Limit	\$55,500,000	\$63,700,000	\$57,000,000	\$57,900,000	\$55,600,000	\$56,500,000	\$49,800,000	\$47,900,000	\$50,200,000	\$50,600,000
Total net debt applicable to limit	<u>\$55,500,000</u>	<u>\$63,700,000</u>	<u>\$57,000,000</u>	<u>\$57,900,000</u>	<u>\$55,600,000</u>	<u>\$56,500,000</u>	<u>\$49,800,000</u>	<u>\$47,900,000</u>	<u>\$50,200,000</u>	<u>\$50,600,000</u>
Legal debt margin										

City of Havelock
Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	Median Age	School Enrollment (3)	Unemployment Rate (4)
2011	20,735	-	-	34.4	4,239	9.80%
2012	21,067	-	-	34.4	4,224	9.70%
2013	21,022	-	-	34.4	4,294	9.90%
2014	21,128	-	-	36.5	3,852	7.80%
2015	20,940	-	-	36.5	3,533	6.50%
2016	20,364	-	-	36.5	4,241	5.70%
2017	20,735	-	-	36.5	4,153	4.70%
2018	20,087	-	-	36.5	4,064	4.30%
2019	20,072	-	-	36.5	4,068	4.20%
2020	20,072	-	-	36.5	3,944	10.30%

Note:

Sources:

(1) Office of State Budget and Management.

(2) Personal Income and per capita personal income are not shown because separate personal income is not available for the City of Havelock.

(3) National Center for Education Statistics

(3) Unemployment rates for Craven County total.

City of Havelock
Full-time Equivalent City Employees by Function
Last Ten Fiscal Years

	Full-time Equivalent Employees as of June 30									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Function										
General government	21	21	22	21	21	21	22	22	22	22
Public Safety										
Police	29	29	29	29	29	29	29	29	29	29
Officers	7	7	8	8	8	8	8	8	8	8
Civilians										
Fire/EMS										
Firefighters and officers	19	19	19	19	18	18	18	18	18	18
Highways and Streets	13	13	13	13	13	12	12	12	13	13
Sanitation	1	1	1	1	1	1	1	1	1	1
Culture and recreation	9	9	9	9	8	8	8	8	8	8
Water	9	9	9	9	9	9	9	9	10	10
Sewer	11	11	11	11	11	11	11	11	12	12
Tourist and Event Center	2	2	2	2	2	2	2	2	2	2
Total	121	121	123	122	120	119	120	120	123	123

Source: City of Havelock Personnel Office.

City of Havelock
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Planning										
Number of permits issued	911	1,028	679	711	924	1,002	848	952	1,901	976
Police										
Physical arrests	2,109	1,822	1,599	1,277	1,688	776	805	735	800	881
Accidents	597	623	699	506	508	585	557	622	628	528
E911	33,465	31,232	35,277	32,549	37,294	32,357	29,404	27,598	26,868	26,342
Fire										
Number of calls answered	613	533	584	517	526	486	490	582	654	315
EMS										
Number of calls answered	1,985	2,117	2,185	2,170	2,271	2,233	1,719	2,517	2,518	2,630
Culture and recreation										
Recreation Participants	128,360	106,398	96,664	94,183	100,542	118,605	79,894	78,902	69,043	60,287
Water										
Number of miles of main	71	72	72	72	80	80	80	80	80	80
Number of connections	5,363	5,400	5,143	5,615	5,625	5,638	5,573	5,583	5,602	5,651
Average daily consumption (000s of gallons)	964	1,400	1,160	1,100	959	1,041	976	1,043	925	1,089
Solid Waste										
Number of containers*	4,949	4,970	4,936	4,865	4,865	4,971	4,979	4,893	4,971	4,999
Sewer										
Number of miles of main	74	74	74	74	74	74	74	74	74	74
Number of connections	5,248	5,208	5,002	5,732	5,638	5,704	5,586	5,600	5,710	5,770
Average daily treatment (000s of gallons)	1,476	1,300	1,400	1,450	1,530	1,308	1,057	1,487	903	1,498
Tourist and Event Center										
Event Days (1)	176	204	219	217	200	181	199	218	124	153

* City did not start contracting for solid waste until 2010.

Source: City of Havelock Departmental Activity Reports.

City of Havelock
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	29	29	29	29	29	29	29	29	29	29
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Fire Trucks	4	4	5	5	5	5	5	5	5	6
EMS										
Stations	2	2	2	2	2	2	2	2	2	2
EMS Units	4	4	4	4	4	4	4	4	4	4
Streets										
Miles of Streets	44.13	44.13	44.13	46.00	46.00	46.00	46.00	46.00	46.00	46.00
Culture and recreation										
Number of Parks	11	11	11	11	11	11	11	12	12	12
Tennis Courts	3	3	3	3	3	3	3	3	3	3
Recreation Centers	2	2	2	2	2	2	2	2	2	2
Number of Playgrounds	7	7	7	7	7	7	7	7	7	7
Water										
Number of miles of main	79	72	72	72	80	80	80	80	80	80
Fire hydrants	580	567	567	567	569	566	566	565	566	566
Maximum daily capacity (000s of gallons)	2,100	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800
Sewer										
Number of miles of main	80	74	74	74	74	74	74	74	74	74
Maximum daily treatment capacity (000s of gallons)	2,250	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800
Tourist and Event Center Centers										
Centers	1	1	1	1	1	1	1	1	1	1

Source: City of Havelock Fixed Asset System and GIS.

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COMPLIANCE SECTION

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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management 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

To the Honorable Mayor and
Members of the Board of Commissioners
City of Havelock, North Carolina

We have audited, 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, 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 Havelock, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Havelock's basic financial statements, and have issued our report thereon dated September 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Havelock'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 of Havelock'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Havelock's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
September 30, 2020

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the Board of Commissioners
City of Havelock, North Carolina

Report on Compliance for Each Major State Program

We have audited the City of Havelock's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Havelock's major state programs for the year ended June 30, 2020. The City of Havelock's major state 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 state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Havelock's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, applicable sections of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Havelock'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 state program. However, our audit does not provide a legal determination of the City of Havelock's compliance.

Opinion on Each Major State Program

In our opinion, the City of Havelock 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 state programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
September 30, 2020

CITY OF HAVELOCK, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(s) identified?

No

None reported

Non-compliance material to financial statements noted?

No

State Awards

Internal control over major state programs:

- Material weakness(es) identified?
- Significant deficiency(s) identified?

No

None reported

Type of auditor's report issued on compliance for major state programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?

No

Identification of major state programs:

Program Name

Golden Leaf Foundation Disaster Recovery Act

2. Findings Related to the Audit of the Basic Financial Statements

None reported.

3. Findings and Questioned Costs Related to the Audit of State Awards

None reported.

CITY OF HAVELOCK, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

None reported.

CITY OF HAVELOCK, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Fed. (Direct & Pass-Through) Expenditures	State Expenditures	Pass-Through to Subrecipients
Federal Grant:					
U.S. Department of Homeland Security:					
Passed-Through N.C Department of Public Safety:					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	69348	\$ 462,463	\$ 153,514	\$ -
U.S. Department of Treasury :					
Passed through the Office of State Budget and Management:					
NC Pandemic Recovery Office:					
Passed through Craven County:					
COVID-19 - Coronavirus Relief Fund	21.019		149,058	-	-
U.S. Department of Health and Human Services:					
Passed through the Coronavirus Aid, Relief, and Economic Security					
Act (CARES Act):					
Provider Relief Fund	93.498		26,757	-	-
State Programs:					
N.C Department of Commerce:					
Passed through the Golden Leaf Foundation:					
Disaster Recovery Act of 2016		FY2017-140	-	653,282	-
N.C. Department of Transportation:					
Powell Bill		DOT-4	-	643,945	-
Total federal expenditures			\$ 638,278		
Total state expenditures				\$ 1,450,741	

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

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFA) includes the federal and state grant activity of the City of Havelock under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audited Requirements for Federal Awards and the State Single Audit Implementation Act. Because the SEFA presents only a selected portion of the operations of the City of Havelock, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Havelock.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Indirect Cost Rate

The City has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

Note 4 - Coronavirus Relief Funds

The City of Havelock received \$149,058 of funding from the Coronavirus Relief Fund (21.019) from Craven County in accordance with HB 1043 and HB 1023. Havelock has a plan to spend these funds approved by OSBM. According to the Office of State Budget and Management, the State's pass-through agency, municipalities are considered subrecipients of the Counties; however, municipalities are not liable to the County for any misused or misspent funds. CRF must be spent during the period March 1, 2020 to December 30, 2020.

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