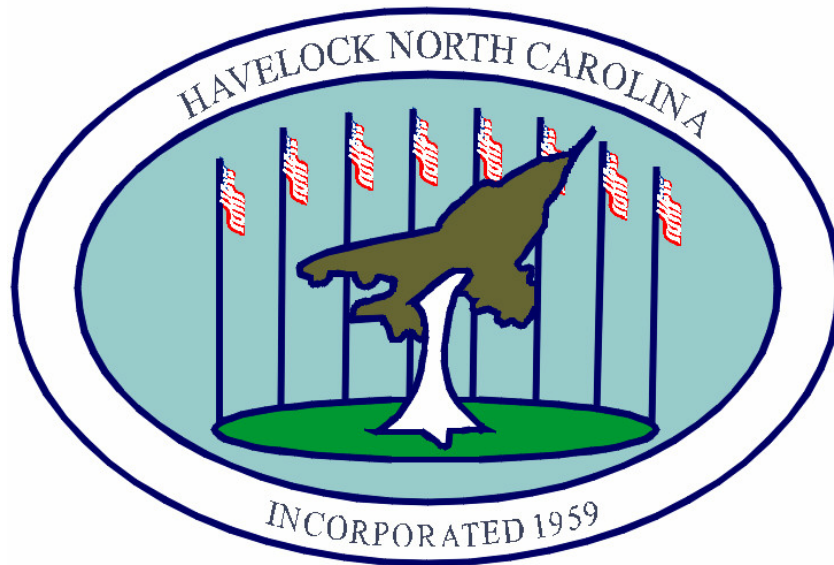


REVIEWED

By SLGFD at 10:36 am, Sep 30, 2021

ANNUAL COMPREHENSIVE FINANCIAL REPORT



CITY OF HAVELOCK
HAVELOCK, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2021

CITY OF HAVELOCK
HAVELOCK, NORTH CAROLINA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

Prepared by: City of Havelock
Finance Department

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CITY OF HAVELOCK
HAVELOCK, NORTH CAROLINA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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

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CITY OF HAVELOCK, NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR YEAR ENDED JUNE 30, 2021

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CITY OF HAVELOCK, NORTH CAROLINA

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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

August 31, 2021

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

The annual comprehensive financial report of the City of Havelock, North Carolina for the fiscal year ended June 30, 2021 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 annual comprehensive 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, 2021, 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, 2021 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the Annual Comprehensive 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 Mission Statement

City of Havelock and our community will work together to enhance quality of life and deliver efficient, high quality services while providing for growth and responsible development.

City of Havelock Core Values

At the City of Havelock, our work is driven by our values. We are committed to upholding a Culture of Excellence by providing Open Communication, Accountability and Leadership through Stewardship for our citizens, visitors and future generations.

Principles of Excellent Service

- Concern for the Individual
- Taking Ownership
- Professionalism
- Respect for Personal Liberties
- Embracing Innovation
- Public Confidence
- Unified Team
- Transparency
- Efficiency

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 and departments in the same fund 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 7,000 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 \$515,967,875. The unemployment rate for June 2021 was 4.4 percent compared with 4.6 percent for the state and 5.9 percent for the nation. The local economy is still suffering as a result of the pandemic but has started to rebound.

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 2020-2021. Water, sewer and solid waste rates were increased by 1.5%. 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 2021-2022 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 2.5 percent.

Due to still recovering from the COVID-19 pandemic, the City is planning limited construction and no expansion in the new-year. The City anticipates finally using Lewis Farm Park, a multi-purpose athletic field and playground completely shortly before the pandemic started.

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, CPA's, P.A. 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 Uniform Guidance. 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 annual comprehensive financial report ("ACFR") for the fiscal year ended June 30, 2020. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

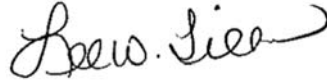
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized annual comprehensive financial report, whose contents conform to program standards. Such ACFR must satisfy both generally accepted accounting principles and applicable legal 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, 2019. 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 annual comprehensive 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 black ink, appearing to read "Lee W. Tillman", with a stylized flourish at the end.

Lee W. Tillman
Director of Finance

CITY OF HAVELOCK

LIST OF PRINCIPAL OFFICIALS

June 30, 2021

BOARD OF COMMISSIONERS

WILL LEWIS, Mayor

DANIEL WALSH

JIM KOHR

JOSHUA KOHR

BRENDA WILSON

KAREN LEWIS

ADMINISTRATION

LEE TILLMAN

Director of Finance

CINDY MORGAN

City Clerk

TOM DORN

Fire/Rescue Chief

MARVIN WILLIAMS

Police Chief

KATRINA MARSHALL

Director of Planning
and Inspections

CHAD IVES

Director of Information
Technology

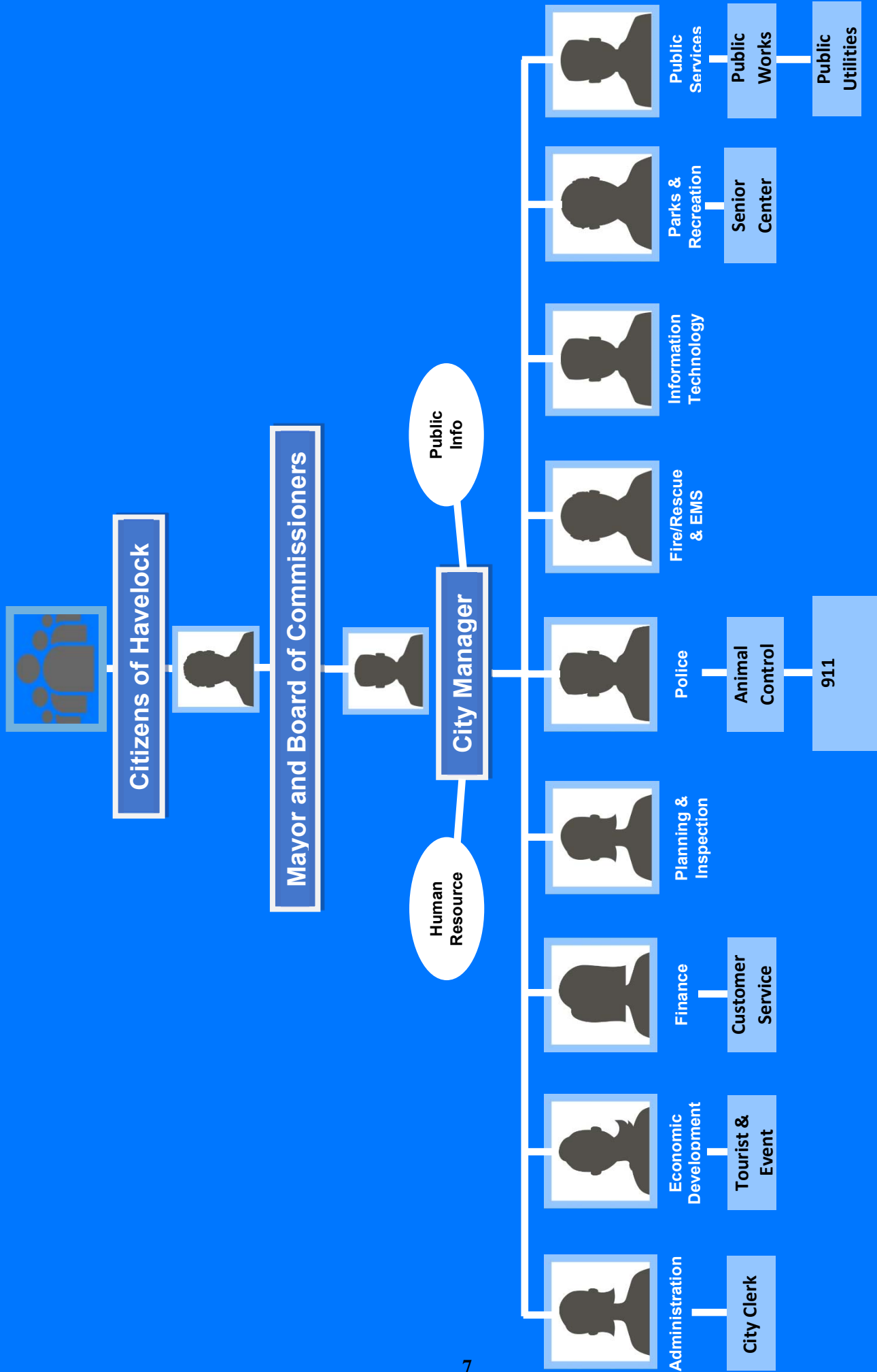
PATRICK LEE

Director of
Public Works

TRAVIS ADAMS

Director of Parks
and Recreation

City of Havelock, North Carolina Fiscal Year 2020-2021





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, 2020

Christopher P. Morill

Executive Director/CEO

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, 2021, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2021, 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 August 31, 2021 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
August 31, 2021

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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, 2021 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

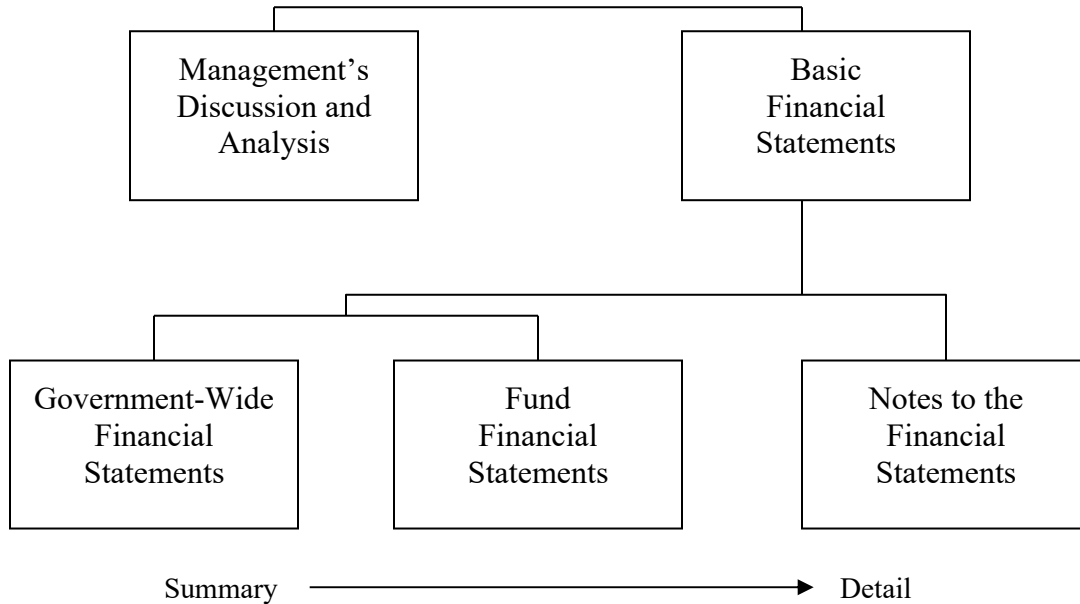
- The City of Havelock's assets and deferred outflows exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$42,250,336.
- The City's total net position increased by \$299,741 of which \$258,614 was from business-type activities, while net position of governmental activities increased by \$41,127.
- The overall financial position of the City increased in 2021 as evidenced by an increase in the unassigned fund balance to \$10,504,953 in the General Fund (an increase in total fund balance of \$1,435,820 in the General Fund) at June 30, which is approximately 72 percent of the budget for fiscal year 2021. 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 \$9,254,827. Total program revenues were \$2,904,272, and expenses were \$12,159,099.
- On a government-wide basis for business-type activities, the City had program expenses net of revenues of \$54,295.

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 \$42,250,336 at the close of the most recent fiscal year compared to \$41,950,595 for the prior year. The City's net position increased by \$299,741 for the fiscal year ended June 30, 2021.

A large portion of the City's net position (50.01 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	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and other assets	\$ 15,109,631	\$ 14,996,123	\$ 12,484,185	\$ 13,351,129	\$ 27,593,816	\$ 28,347,252
Capital assets	14,311,043	14,232,578	26,087,338	25,462,840	40,398,381	39,695,418
Total assets	<u>29,420,674</u>	<u>29,228,701</u>	<u>38,571,523</u>	<u>38,813,969</u>	<u>67,992,197</u>	<u>68,042,670</u>
Deferred Outflows of Resources	<u>2,141,479</u>	<u>1,398,112</u>	<u>364,742</u>	<u>253,410</u>	<u>2,506,221</u>	<u>1,651,522</u>
Liabilities:						
Current	730,836	851,335	1,213,952	1,235,456	1,944,788	2,086,791
Non-current	11,960,295	10,897,016	14,055,022	14,411,346	26,015,317	25,308,362
Total liabilities	<u>12,691,131</u>	<u>11,748,351</u>	<u>15,268,974</u>	<u>15,646,802</u>	<u>27,960,105</u>	<u>27,395,153</u>
Deferred Inflows of Resources:						
Prepaid taxes	28,039	425	-	-	28,039	425
Pension deferrals	221,733	297,914	38,205	50,105	259,938	348,019
Total deferred inflows of resources	<u>249,772</u>	<u>298,339</u>	<u>38,205</u>	<u>50,105</u>	<u>287,977</u>	<u>348,444</u>
Net Position:						
Net investment in						
capital assets	8,554,123	8,273,295	12,576,647	11,401,361	21,130,770	19,674,656
Restricted	2,734,202	4,093,540	-	-	2,734,202	4,093,540
Unrestricted	7,332,925	6,213,288	11,052,439	11,969,111	18,385,364	18,182,399
Total net position	<u>\$ 18,621,250</u>	<u>\$ 18,580,123</u>	<u>\$ 23,629,086</u>	<u>\$ 23,370,472</u>	<u>\$ 42,250,336</u>	<u>\$ 41,950,595</u>

An additional \$2,734,202 of the City's net position (6.47 percent compared to 9.76 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 \$18,385,364 (43.52 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.

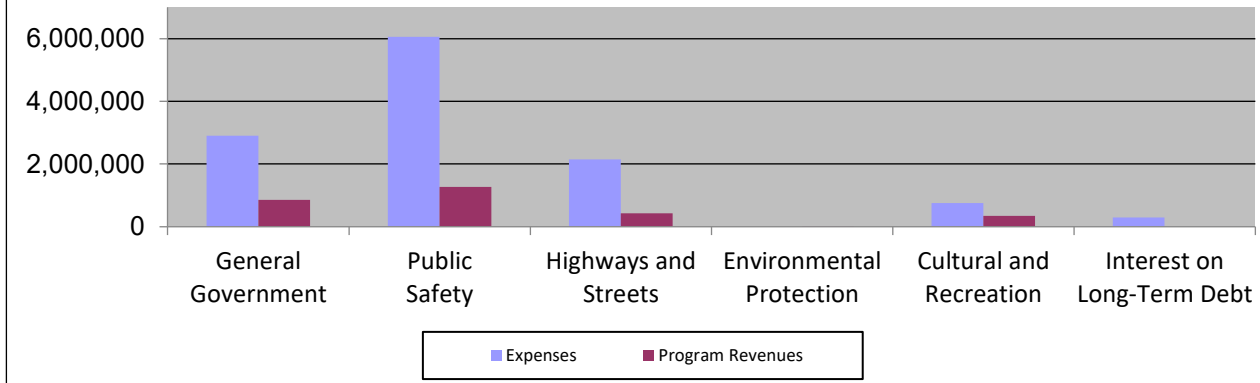
Governmental Activities. Governmental activities increased the City's net position by \$41,127. The following factors caused the increase in governmental activities:

- The main reason for the increase was a surge in sales tax which was much larger than the City anticipated when the budget was developed and for FEMA payments received for Hurricane Florence. The prior year had expenses associated with Hurricane Florence recovery efforts while the current fiscal year reflects the purchase of several public safety vehicles.

City of Havelock's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 1,297,466	\$ 1,407,549	\$ 8,076,605	\$ 8,086,505	\$ 9,374,071	\$ 9,494,054
Operating grants and contributions	1,606,806	1,956,694	-	-	1,606,806	1,956,694
Capital grants and contributions	-	1,056,485	-	646,375	-	1,702,860
General revenues:						
Property taxes	5,254,652	5,157,345	-	-	5,254,652	5,157,345
Other taxes	4,227,190	3,937,475	93,983	-	4,321,173	3,937,475
Investment earnings	8,944	211,189	24,094	70,818	33,038	282,007
Total revenues	<u>12,395,058</u>	<u>13,726,737</u>	<u>8,194,682</u>	<u>8,803,698</u>	<u>20,589,740</u>	<u>22,530,435</u>
Expenses:						
General government	2,904,265	2,824,798	-	-	2,904,265	2,824,798
Public safety	6,054,567	5,587,224	-	-	6,054,567	5,587,224
Highways and streets	2,148,207	679,875	-	-	2,148,207	679,875
Environmental protection	-	952,159	-	-	-	952,159
Cultural and recreation	760,531	858,538	-	-	760,531	858,538
Interest on long-term debt	291,529	146,550	-	-	291,529	146,550
Water	-	-	2,046,205	1,970,409	2,046,205	1,970,409
Sewer	-	-	4,604,128	4,605,578	4,604,128	4,605,578
Solid waste	-	-	1,117,263	1,009,143	1,117,263	1,009,143
Tourist and Event Center	-	-	363,304	398,831	363,304	398,831
Total expenses	<u>12,159,099</u>	<u>11,049,144</u>	<u>8,130,900</u>	<u>7,983,961</u>	<u>20,289,999</u>	<u>19,033,105</u>
Change in net position before transfers	235,959	2,677,593	63,782	819,737	299,741	3,497,330
Transfers in (out)	<u>(194,832)</u>	<u>(191,149)</u>	<u>194,832</u>	<u>191,149</u>	<u>-</u>	<u>-</u>
Change in net position	41,127	2,486,444	258,614	1,010,886	299,741	3,497,330
Net position, July 1	<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>
Net position, June 30	<u>\$ 18,621,250</u>	<u>\$ 18,580,123</u>	<u>\$ 23,629,086</u>	<u>\$ 23,370,472</u>	<u>\$ 42,250,336</u>	<u>\$ 41,950,595</u>

Expenses and Program Revenues - Governmental Activities

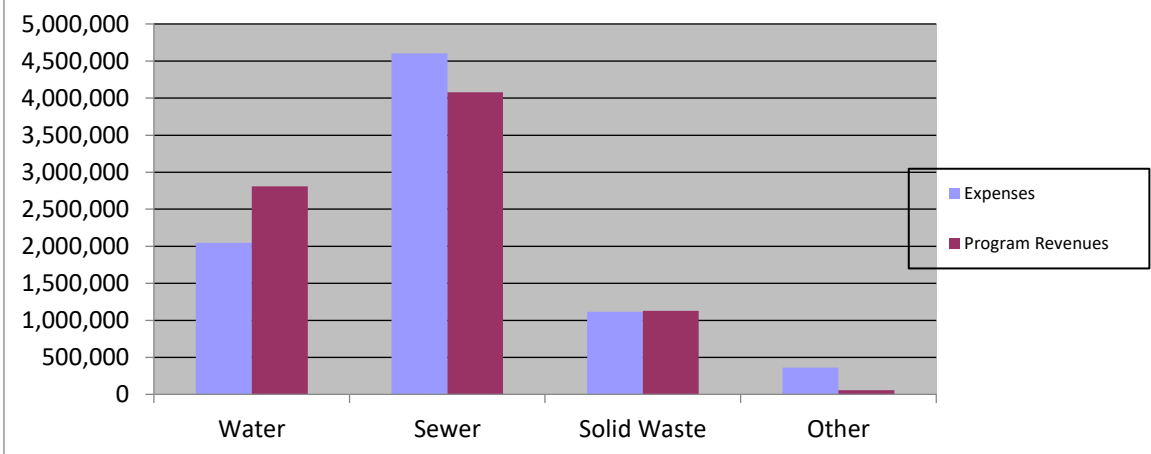


Business-Type Activities. Business-type activities increased the City's net position by \$258,614. In fiscal year 2019-2020, business-type activities increased the City's net position by \$1,010,886.

Key elements of this increase are as follows:

- Water revenues increased by \$46,065, a 2% increase compared to an increase of \$220,945 (8% increase) in the prior fiscal year. The increase was the result of an rise in the per gallon and meter fees. Sewer revenues increased by \$95,434, a 2% increase compared to an increase of \$274,860 (7 percent increase) in FY 19-20. This increase was also from a 1.5% increase the Board of Commissioners adopted in per gallon use charges. Solid waste revenues increased by \$52,549, or .5 percent, from the prior year due to a slight increase in number of customers served. The Tourist and Event Center revenues decreased by \$106,948 or 65%. The decrease is a direct result of the Center being closed for eight months due to COVID-19 gathering restrictions.

Expenses and Program Revenues - Business-Type Activities



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 \$14,722,471, an increase of \$1,076,893. Approximately 71.15 percent of this total amount (\$10,475,375) 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 \$13,234,510. 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 111.48 percent of General Fund expenditures and transfers to other funds, while total fund balance represents 120.23 percent of the same amount. Unassigned fund balance of the General Fund was \$10,504,953 while total fund balance reached \$14,664,514. 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 \$773,358 at year-end; Sewer Fund net position decreased by \$516,287; Solid Waste Fund net position increased by \$17,485; and the Tourist and Event Center Fund net position decreased by \$15,942 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 \$407,046. 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 COVID-19 expenditures, building and street contracts, recreation courts and fields, hurricane relief efforts, and grant awards. Although the City's expenditure budget increased \$2,464,621 over the year, ultimately actual expenditures were \$2,810,524 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:

- \$721,690 increase in the Street Department expenditure budget for a major paving project
- \$500,000 increase in Fire Department expenditure budget for new fire engine and fire marshal vehicle
- \$104,000 increase in Recreation expenditure budget for athletic courts and building improvements , partially in response to COVID-19
- \$261,913 increase in Hurricane expenditure budget for consultant assistance
- \$330,731 increase in Finance expenditure budget for COVID-19 expenses
- \$25,000 increase in Governing Body expenditure budget for land purchase
- \$121,782 increase in Police expenditure budget for patrol vehicles
- \$102,887 increase in Street Department expenditure budget to purchase vehicles and equipment

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, 2021 amounts to \$40,398,381 (net of accumulated depreciation), which is an increase of \$702,963 over the 2019-2020. 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 1.77 percent.

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

- Purchase of land, equipment and fleet vehicles for police, fire and public services.

City of Havelock's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 2,827,738	\$ 2,802,762	\$ 306,658	\$ 306,658	\$ 3,134,396	\$ 3,109,420
Buildings	9,853,284	9,853,284	35,055,395	34,578,952	44,908,679	44,432,236
Other improvements	3,488,357	3,488,357	13,690,498	13,017,290	17,178,855	16,505,647
Equipment	4,689,331	4,535,845	2,601,250	1,889,899	7,290,581	6,425,744
Vehicles	4,923,594	4,663,583	1,389,597	1,620,894	6,313,191	6,284,477
Subtotal	25,782,304	25,343,831	53,043,398	51,413,693	78,825,702	76,757,524
Accumulated depreciation	(11,471,261)	(11,111,253)	(26,956,060)	(25,950,853)	(38,427,321)	(37,062,106)
Capital assets, net	<u>\$ 14,311,043</u>	<u>\$ 14,232,578</u>	<u>\$ 26,087,338</u>	<u>\$ 25,462,840</u>	<u>\$ 40,398,381</u>	<u>\$ 39,695,418</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 \$19,267,611. 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	
	2021	2020	2021	2020	2021	2020
Notes from direct borrowings and direct placements	<u>\$ 5,756,920</u>	<u>\$ 5,959,283</u>	<u>\$ 13,510,691</u>	<u>\$ 14,061,479</u>	<u>\$ 19,267,611</u>	<u>\$ 20,020,762</u>

The City's total debt decreased during the current fiscal year by \$753,151 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 \$52,300,000, 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 4.4 percent. This is higher than the national rate of 5.9 percent, and the state's rate of 4.6 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 2021 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 2.5 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, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 13,744,401	\$ 11,205,592	\$ 24,949,993
Intergovernmental receivables	465,605	-	465,605
Taxes receivable, net	27,364	-	27,364
Accounts receivable, net	-	797,029	797,029
Inventories	4,521	37,612	42,133
Prepaid items	8,100	-	8,100
Cash and cash equivalents, restricted	859,640	443,952	1,303,592
Total current assets	15,109,631	12,484,185	27,593,816
Non-current assets:			
Capital assets:			
Capital assets, non-depreciable	2,827,738	306,658	3,134,396
Capital assets, net	11,483,305	25,780,680	37,263,985
Total capital assets	14,311,043	26,087,338	40,398,381
Total assets	29,420,674	38,571,523	67,992,197
Deferred Outflows of Resources:			
Pension deferrals	1,567,789	255,468	1,823,257
OPEB deferrals	573,690	109,274	682,964
Total deferred outflows of resources	2,141,479	364,742	2,506,221
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	425,325	210,238	635,563
Unearned grant revenue	58,650	-	58,650
Current portion of long-term liabilities	246,861	559,762	806,623
Liabilities payable from restricted assets:			
Customer deposits	-	443,952	443,952
Total current liabilities	730,836	1,213,952	1,944,788
Long-term liabilities:			
Net pension liability - LGERS	2,542,120	484,215	3,026,335
Total pension liability - LEOSSA	540,526	-	540,526
Total OPEB liability	2,934,043	558,866	3,492,909
Due in more than one year	5,943,606	13,011,941	18,955,547
Total long-term liabilities	11,960,295	14,055,022	26,015,317
Total liabilities	12,691,131	15,268,974	27,960,105
Deferred Inflows of Resources:			
Prepaid taxes	28,039	-	28,039
OPEB deferrals	151,385	28,835	180,220
Pension deferrals	70,348	9,370	79,718
Total deferred inflows of resources	249,772	38,205	287,977
Net Position:			
Net investment in capital assets	8,554,123	12,576,647	21,130,770
Restricted for stabilization by state statute	1,417,383	-	1,417,383
Restricted for streets	800,990	-	800,990
Restricted for debt service	428,294	-	428,294
Restricted for public safety	87,535	-	87,535
Unrestricted	7,332,925	11,052,439	18,385,364
Total net position	\$ 18,621,250	\$ 23,629,086	\$ 42,250,336

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, 2021

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 2,904,265	\$ 377,789	\$ 481,164	\$ -
Public safety	6,054,567	690,134	574,224	-
Highways and streets	2,148,207	-	429,719	-
Environmental protection	-	1,845	-	-
Cultural and recreation	760,531	227,698	121,699	-
Interest on long-term debt	291,529	-	-	-
Total governmental activities	<u>12,159,099</u>	<u>1,297,466</u>	<u>1,606,806</u>	<u>-</u>
Business-Type Activities:				
Water Fund	2,046,205	2,811,389	-	-
Sewer Fund	4,604,128	4,079,773	-	-
Solid Waste Fund	1,117,263	1,126,896	-	-
Tourist and Event Center Fund	363,304	58,547	-	-
Total business-type activities	<u>8,130,900</u>	<u>8,076,605</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 20,289,999</u>	<u>\$ 9,374,071</u>	<u>\$ 1,606,806</u>	<u>\$ -</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, 2021

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ (2,045,312)	\$ -	\$ (2,045,312)
Public safety	(4,790,209)	-	(4,790,209)
Highways and streets	(1,718,488)	-	(1,718,488)
Environmental protection	1,845	-	1,845
Cultural and recreation	(411,134)	-	(411,134)
Interest on long-term debt	(291,529)	-	(291,529)
Total governmental activities	(9,254,827)	-	(9,254,827)
Business-Type Activities:			
Water Fund	-	765,184	765,184
Sewer Fund	-	(524,355)	(524,355)
Solid Waste Fund	-	9,633	9,633
Tourist and Event Center Fund	-	(304,757)	(304,757)
Total business-type activities	-	(54,295)	(54,295)
Total primary government	(9,254,827)	(54,295)	(9,309,122)
General Revenues:			
Property tax	5,254,652	-	5,254,652
Sales tax	2,371,710	-	2,371,710
Franchise tax	1,108,482	-	1,108,482
Other taxes	746,998	93,983	840,981
Investment earnings	8,944	24,094	33,038
Total general revenues, excluding transfers	9,490,786	118,077	9,608,863
Transfers	(194,832)	194,832	-
Total general revenues and transfers	9,295,954	312,909	9,608,863
Change in net position	41,127	258,614	299,741
Net Position:			
Beginning of year - July 1	18,580,123	23,370,472	41,950,595
End of year - June 30	<u>\$ 18,621,250</u>	<u>\$ 23,629,086</u>	<u>\$ 42,250,336</u>

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

CITY OF HAVELOCK, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Nonmajor Governmental Funds	Total
Assets:			
Cash and cash equivalents	\$ 13,655,750	\$ 88,651	\$ 13,744,401
Intergovernmental receivables	465,605	-	465,605
Taxes receivable, net	27,364	-	27,364
Due from other funds	29,578	-	29,578
Inventories	4,521	-	4,521
Prepaid items	8,100	-	8,100
Restricted cash and cash equivalents	800,990	58,650	859,640
Total assets	<u>\$ 14,991,908</u>	<u>\$ 147,301</u>	<u>\$ 15,139,209</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 271,991	\$ 1,116	\$ 273,107
Due to other funds	-	29,578	29,578
Unearned grant revenue	-	58,650	58,650
Total liabilities	<u>271,991</u>	<u>89,344</u>	<u>361,335</u>
Deferred Inflows of Resources:			
Unavailable taxes	27,364	-	27,364
Prepaid taxes	28,039	-	28,039
Total deferred inflows of resources	<u>55,403</u>	<u>-</u>	<u>55,403</u>
Fund Balances:			
Non-spendable:			
Prepays	8,100	-	8,100
Inventories	4,521	-	4,521
Restricted:			
Stabilization by state statute	1,417,383	-	1,417,383
Restricted, other	1,229,284	87,535	1,316,819
Assigned:			
Assigned, other	1,500,273	-	1,500,273
Unassigned	10,504,953	(29,578)	10,475,375
Total fund balances	<u>14,664,514</u>	<u>57,957</u>	<u>14,722,471</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,991,908</u>	<u>\$ 147,301</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.			14,311,043
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.			(6,190,467)
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.			27,364
Deferred outflows of resources related to pensions are not reported in the funds.			1,567,789
Deferred outflows of resources related to OPEB are not reported in the funds.			573,690
Total pension liability - LEOSA			(540,526)
Net pension liability - LGERS			(2,542,120)
Total OPEB liability			(2,934,043)
Accrued interest payable			(152,218)
Deferred inflows of resources related to pensions are not reported in the funds.			(70,348)
Deferred inflows of resources related to OPEB are not reported in the funds.			(151,385)
Net position of governmental activities per Exhibit A			<u>\$ 18,621,250</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, 2021**

	General Fund	Nonmajor Governmental Funds	Total
Revenues:			
Taxes	\$ 5,244,811	\$ -	\$ 5,244,811
Unrestricted intergovernmental	4,227,190	-	4,227,190
Restricted intergovernmental	1,785,087	131,159	1,916,246
Licenses and permits	117,773	-	117,773
Sales and services	1,235,858	-	1,235,858
Investment earnings	8,895	49	8,944
Miscellaneous	362,945	-	362,945
Total revenues	<u>12,982,559</u>	<u>131,208</u>	<u>13,113,767</u>
Expenditures:			
Current:			
General government	2,522,876	-	2,522,876
Public safety	6,000,899	164,878	6,165,777
Highways and streets	2,158,585	-	2,158,585
Cultural and recreation	653,130	-	653,130
Debt service:			
Principal	202,363	-	202,363
Interest	139,311	-	139,311
Total expenditures	<u>11,677,164</u>	<u>164,878</u>	<u>11,842,042</u>
Revenues over (under) expenditures	<u>1,305,395</u>	<u>(33,670)</u>	<u>1,271,725</u>
Other Financing Sources (Uses):			
Transfers in	325,257	-	325,257
Transfers out	(194,832)	(325,257)	(520,089)
Total other financing sources (uses)	<u>130,425</u>	<u>(325,257)</u>	<u>(194,832)</u>
Net change in fund balances	1,435,820	(358,927)	1,076,893
Fund Balances:			
Beginning of year - July 1	<u>13,228,694</u>	<u>416,884</u>	<u>13,645,578</u>
End of year - June 30	<u>\$ 14,664,514</u>	<u>\$ 57,957</u>	<u>\$ 14,722,471</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, 2021**

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)	\$ 1,076,893
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	(718,709)
Pension expense	(366,465)
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.	(79,202)
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.	1,059,899
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(981,434)
Change in interest payable	(152,218)
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>202,363</u>
Change in net position of governmental activities per Exhibit B	<u>\$ 41,127</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, 2021

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Over/Under
Revenues:				
Taxes	\$ 5,205,000	\$ 5,205,000	\$ 5,244,811	\$ 39,811
Unrestricted intergovernmental	3,870,935	3,870,935	4,227,190	356,255
Restricted intergovernmental	641,925	1,022,497	1,785,087	762,590
Licenses and permits	87,300	87,300	117,773	30,473
Sales and services	1,315,500	1,319,475	1,235,858	(83,617)
Investment earnings	158,700	158,700	8,895	(149,805)
Miscellaneous	56,259	78,758	362,945	284,187
Total revenues	<u>11,335,619</u>	<u>11,742,665</u>	<u>12,982,559</u>	<u>1,239,894</u>
Expenditures:				
Current:				
General government	3,030,481	3,282,683	2,522,876	759,807
Public safety	5,571,193	6,337,167	6,000,899	336,268
Highways and streets	2,241,334	3,211,892	2,158,585	1,053,307
Cultural and recreation	838,335	1,314,222	653,130	661,092
Contingency	100,000	-	-	-
Debt service:				
Principal	202,363	202,363	202,363	-
Interest	139,361	139,361	139,311	50
Total expenditures	<u>12,123,067</u>	<u>14,487,688</u>	<u>11,677,164</u>	<u>2,810,524</u>
Revenues over (under) expenditures	<u>(787,448)</u>	<u>(2,745,023)</u>	<u>1,305,395</u>	<u>4,050,418</u>
Other Financing Sources (Uses):				
Appropriated fund balance	982,280	2,614,598	-	(2,614,598)
Transfers in	-	325,257	325,257	-
Transfers out	<u>(194,832)</u>	<u>(194,832)</u>	<u>(194,832)</u>	<u>-</u>
Total other financing sources (uses)	<u>787,448</u>	<u>2,745,023</u>	<u>130,425</u>	<u>(2,614,598)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,435,820</u>	<u>\$ 1,435,820</u>
Fund Balance:				
Beginning of year - July 1			<u>13,228,694</u>	
End of year - June 30			<u>\$ 14,664,514</u>	

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

CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Enterprise Funds				
	Water Fund	Sewer Fund	Solid Waste Fund	Tourist and Event Center Fund	Total
Assets:					
Current assets:					
Cash and cash equivalents	\$ 4,604,421	\$ 4,871,956	\$ 969,574	\$ 759,641	\$ 11,205,592
Accounts receivable, net	235,297	368,610	84,832	108,290	797,029
Inventories	14,066	18,917	-	4,629	37,612
Cash and cash equivalents, restricted	204,590	197,785	-	41,577	443,952
Total current assets	5,058,374	5,457,268	1,054,406	914,137	12,484,185
Non-current assets:					
Capital assets:					
Capital assets, non-depreciable	297,847	8,811	-	-	306,658
Capital assets, net	8,099,885	16,018,110	385,713	1,276,972	25,780,680
Total capital assets	8,397,732	16,026,921	385,713	1,276,972	26,087,338
Total assets	13,456,106	21,484,189	1,440,119	2,191,109	38,571,523
Deferred Outflows of Resources:					
Pension deferrals	111,766	95,802	15,966	31,934	255,468
OPEB deferrals	47,807	40,978	6,829	13,660	109,274
Total deferred outflows of resources	159,573	136,780	22,795	45,594	364,742
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	39,753	157,611	4,000	8,874	210,238
Compensated absences payable	4,380	1,041	178	503	6,102
Current portion of long-term debt	285,591	268,069	-	-	553,660
Liabilities payable from restricted assets:					
Customer deposits	204,590	197,785	-	41,577	443,952
Total current liabilities	534,314	624,506	4,178	50,954	1,213,952
Non-current liabilities:					
Compensated absences payable	39,415	9,371	1,598	4,526	54,910
Other long-term debt	2,765,620	10,191,411	-	-	12,957,031
Total OPEB liability	244,504	209,575	34,930	69,857	558,866
Net pension liability - LGERS	211,844	181,580	30,263	60,528	484,215
Total non-current liabilities	3,261,383	10,591,937	66,791	134,911	14,055,022
Total liabilities	3,795,697	11,216,443	70,969	185,865	15,268,974
Deferred Inflows of Resources:					
OPEB deferrals	12,615	10,813	1,802	3,605	28,835
Pension deferrals	4,099	3,514	586	1,171	9,370
Total deferred inflows of resources	16,714	14,327	2,388	4,776	38,205
Net Position:					
Net investment in capital assets	5,346,521	5,567,441	385,713	1,276,972	12,576,647
Unrestricted	4,456,747	4,822,758	1,003,844	769,090	11,052,439
Total net position	\$ 9,803,268	\$ 10,390,199	\$ 1,389,557	\$ 2,046,062	\$ 23,629,086

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, 2021

	Enterprise Funds				
	Water Fund	Sewer Fund	Solid Waste Fund	Tourist and Event Center Fund	Total
Operating Revenues:					
Charges for sales and services	\$ 2,578,260	\$ 3,738,752	\$ 1,126,896	\$ 31,519	\$ 7,475,427
Miscellaneous revenue	233,129	341,021	-	27,028	601,178
Total operating revenues	<u>2,811,389</u>	<u>4,079,773</u>	<u>1,126,896</u>	<u>58,547</u>	<u>8,076,605</u>
Operating Expenses:					
Cost of sales and services:					
Salaries and benefits	638,315	605,494	209,706	153,913	1,607,428
Supplies, maintenance, and administration	1,018,967	2,688,339	841,917	139,644	4,688,867
Depreciation	328,142	931,525	65,640	69,747	1,395,054
Total operating expenses	<u>1,985,424</u>	<u>4,225,358</u>	<u>1,117,263</u>	<u>363,304</u>	<u>7,691,349</u>
Operating income (loss)	<u>825,965</u>	<u>(145,585)</u>	<u>9,633</u>	<u>(304,757)</u>	<u>385,256</u>
Non-Operating Revenues (Expenses):					
Interest income	8,174	8,068	7,852	-	24,094
Restricted intergovernmental revenues	-	-	-	93,983	93,983
Interest expense and fiscal charges	(60,781)	(378,770)	-	-	(439,551)
Total non-operating revenues (expenses)	<u>(52,607)</u>	<u>(370,702)</u>	<u>7,852</u>	<u>93,983</u>	<u>(321,474)</u>
Income (loss) before transfers	773,358	(516,287)	17,485	(210,774)	63,782
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>194,832</u>	<u>194,832</u>
Change in net position	773,358	(516,287)	17,485	(15,942)	258,614
Net Position:					
Beginning of year - July 1	<u>9,029,910</u>	<u>10,906,486</u>	<u>1,372,072</u>	<u>2,062,004</u>	<u>23,370,472</u>
End of year - June 30	<u>\$ 9,803,268</u>	<u>\$ 10,390,199</u>	<u>\$ 1,389,557</u>	<u>\$ 2,046,062</u>	<u>\$ 23,629,086</u>

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, 2021

	Enterprise Funds				
	Water Fund	Sewer Fund	Solid Waste Fund	Tourist and Event Center Fund	Total
Cash Flows from Operating Activities:					
Cash received from customers	\$ 2,904,267	\$ 4,939,141	\$ 1,142,436	\$ (52,405)	\$ 8,933,439
Cash paid for goods and services	(1,064,225)	(2,752,164)	(840,020)	(156,025)	(4,812,434)
Cash paid to employees	(565,864)	(545,160)	(203,800)	(142,997)	(1,457,821)
Net cash provided (used) by operating activities	<u>1,274,178</u>	<u>1,641,817</u>	<u>98,616</u>	<u>(351,427)</u>	<u>2,663,184</u>
Cash Flows from Non-Capital Financing Activities:					
Occupancy tax received	-	-	-	93,983	93,983
Transfer in (out)	-	-	-	194,832	194,832
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>288,815</u>	<u>288,815</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(872,875)	(988,127)	(158,550)	-	(2,019,552)
Principal paid on long-term debt	(285,591)	(265,197)	-	-	(550,788)
Interest paid on long-term debt	(60,781)	(378,770)	-	-	(439,551)
Net cash provided (used) for capital and related financing activities	<u>(1,219,247)</u>	<u>(1,632,094)</u>	<u>(158,550)</u>	<u>-</u>	<u>(3,009,891)</u>
Cash Flows from Investing Activities:					
Interest received from investments	<u>8,174</u>	<u>8,068</u>	<u>7,852</u>	<u>-</u>	<u>24,094</u>
Net increase (decrease) in cash and cash equivalents	63,105	17,791	(52,082)	(62,612)	(33,798)
Cash and Cash Equivalents:					
Beginning of year - July 1	<u>4,745,906</u>	<u>5,051,950</u>	<u>1,021,656</u>	<u>863,830</u>	<u>11,683,342</u>
End of year - June 30	<u>\$ 4,809,011</u>	<u>\$ 5,069,741</u>	<u>\$ 969,574</u>	<u>\$ 801,218</u>	<u>\$ 11,649,544</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 825,965	\$ (145,585)	\$ 9,633	\$ (304,757)	\$ 385,256
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	328,142	931,525	65,640	69,747	1,395,054
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	41,429	812,895	9,740	(164,128)	699,936
(Increase) decrease in deferred outflows of resources - OPEB	(28,157)	(24,135)	(4,022)	(8,045)	(64,359)
Increase (decrease) in deferred inflows of resources - OPEB	(2,316)	(1,985)	(331)	(660)	(5,292)
Increase (decrease) in OPEB liability	40,528	34,738	5,790	11,579	92,635
(Increase) decrease in inventories	2,187	(6,329)	-	481	(3,661)
(Increase) decrease deferred outflows - pension	(20,550)	(17,615)	(2,936)	(5,872)	(46,973)
Increase (decrease) in net pension liability	53,980	46,268	7,711	15,423	123,382
Increase (decrease) deferred inflows - pension	(2,891)	(2,478)	(413)	(826)	(6,608)
Increase (decrease) in trade accounts payable and accrued liabilities	25,006	2,838	7,804	(5,946)	29,702
Increase (decrease) in prepaid fees	<u>10,855</u>	<u>11,680</u>	<u>-</u>	<u>41,577</u>	<u>64,112</u>
Net cash provided (used) by operating activities	<u>\$ 1,274,178</u>	<u>\$ 1,641,817</u>	<u>\$ 98,616</u>	<u>\$ (351,427)</u>	<u>\$ 2,663,184</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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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 Park 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, 2021.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 \$922,200 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. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

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, 2021

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, 2021, restricted cash in the Water Fund, Sewer Fund and Tourist and Event Center Fund represent customer deposits held by the City. At June 30, 2021, restricted cash in the EPA Brownsfield Capital Project Fund represents unearned grant revenue. 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, 2021, 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	\$ 800,990
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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>859,640</u>
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Business-Type Activities:

Water Fund:

Customer deposits	204,590
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Sewer Fund:

Customer deposits	197,785
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Tourist and Event Center Fund:

Customer deposits	41,577
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Total business-type activities	<u>443,952</u>
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Total restricted cash	<u>\$ 1,303,592</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, 2020. 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, 2021

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</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
Ad valorem tax receivables	\$ 108,588	\$ -
Water Fund receivables	-	22,206
Sewer Fund receivables	-	34,788
Solid Waste Fund receivables	-	8,006
Total	<u>\$ 108,588</u>	<u>\$ 65,000</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, 2021

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, unavailable taxes, pension deferrals and OPEB deferrals.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021 is \$4,521.

Prepays – portion of fund balance that is not an available resource because it represents the asset amount of prepaid expenditures, which are not spendable resources. Non-spendable fund balance for prepaids at June 30, 2021 is \$8,100.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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)]	\$ 1,417,383	\$ -
<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.	800,990	-
<i>Restricted for Debt Service</i> - portion of fund balance that is restricted for debt service	428,294	-
<i>Restricted for Public Safety</i> – portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures	-	87,535
Total restricted fund balance	<u>\$ 2,646,667</u>	<u>\$ 87,535</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

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.

	<u>General Fund</u>
<i>Assigned for Health Insurance</i> – portion of fund balance that has been budgeted by the Board for payment of health insurance claims and administrative costs	\$ 261,163
<i>Assigned for Other Miscellaneous Items</i> – 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	120,056
<i>Assigned for Subsequent Year's Expenditures</i> – 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.	<u>1,119,054</u>
Total assigned fund balance	<u><u>\$ 1,500,273</u></u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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	\$ 14,664,514
Less:	
Non-spendable	(12,621)
Stabilization by state statute	<u>(1,417,383)</u>
Available for appropriation	<u>\$ 13,234,510</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>\$ 922,200</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021

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, 2021, the City's deposits had a carrying amount of \$5,253,319 and a bank balance of \$6,153,674, of which \$250,000 was covered by federal depository insurance and \$5,903,674 was covered by collateral held by the State Treasurer under the Pooling Method.

At June 30, 2021, the City had \$3,598 cash on hand.

B. Investments

At June 30, 2021, the City had the following investments and maturities:

Investment Type	Valuation Measurement Method	Book Value at 6/30/2021	Maturity	Rating
US Government Agencies	Fair Value Level 2	\$ 4,245,877	Less than 3 years	AA+
NC Capital Management Trust	Fair Value Level 1			
- Government Portfolio		16,750,791	N/A	AAAm
Total investments		<u>\$ 20,996,668</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, 2021

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 and AAA-mf by Moody's Investors Service as of June 30, 2021.

3. Capital Assets

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

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2021</u>
Governmental Activities:				
By Type:				
Non-Depreciable Capital Assets:				
Land	\$ 2,802,762	\$ 24,976	\$ -	\$ 2,827,738
Depreciable Capital Assets:				
Buildings	9,853,284	-	-	9,853,284
Other improvements	3,488,357	-	-	3,488,357
Equipment	4,535,845	301,586	(148,100)	4,689,331
Vehicles	4,663,583	733,337	(473,326)	4,923,594
Total depreciable capital assets	<u>22,541,069</u>	<u>1,034,923</u>	<u>(621,426)</u>	<u>22,954,566</u>
Less Accumulated Depreciation:				
Buildings	3,107,586	230,315	-	3,337,901
Other improvements	916,408	163,072	-	1,079,480
Equipment	3,443,618	243,737	(148,100)	3,539,255
Vehicles	3,643,641	344,310	(473,326)	3,514,625
Total accumulated depreciation	<u>11,111,253</u>	<u>\$ 981,434</u>	<u>\$ (621,426)</u>	<u>11,471,261</u>
Capital assets, net	<u>\$ 14,232,578</u>			<u>\$ 14,311,043</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

Governmental Activities:

General government	\$ 196,287
Public safety	549,603
Highways and streets	98,143
Cultural and recreation	137,401
Total	<u>\$ 981,434</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>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2021</u>
Business-Type Activities:				
By Type:				
Non-Depreciable Capital Assets:				
Land	\$ 297,847	\$ -	\$ -	\$ 297,847
Depreciable Capital Assets:				
Plants	12,070,141	175,000	-	12,245,141
Water lines	2,304,418	-	-	2,304,418
Equipment	683,624	697,875	-	1,381,499
Vehicles	273,274	-	(90,082)	183,192
Total depreciable capital assets	<u>15,331,457</u>	<u>872,875</u>	<u>(90,082)</u>	<u>16,114,250</u>
Less Accumulated Depreciation:				
Plants	5,054,207	247,179	-	5,301,386
Water lines	2,078,403	20,825	-	2,099,228
Equipment	450,041	39,502	-	489,543
Vehicles	193,654	20,636	(90,082)	124,208
Total accumulated depreciation	<u>7,776,305</u>	<u>\$ 328,142</u>	<u>\$ (90,082)</u>	<u>8,014,365</u>
Capital assets, net	<u>\$ 7,852,999</u>			<u>\$ 8,397,732</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	Sewer Fund			
	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
By Type:				
Non-Depreciable Capital Assets:				
Land	\$ 8,811	\$ -	\$ -	\$ 8,811
Depreciable Capital Assets:				
Plants	20,045,799	301,443	-	20,347,242
Sewer lines	10,712,872	673,208	-	11,386,080
Equipment	1,206,275	13,476	-	1,219,751
Vehicles	709,011	-	(11,657)	697,354
Total depreciable capital assets	<u>32,673,957</u>	<u>988,127</u>	<u>(11,657)</u>	<u>33,650,427</u>
Less Accumulated Depreciation:				
Plants	8,276,634	430,689	-	8,707,323
Sewer lines	7,286,041	329,163	-	7,615,204
Equipment	653,912	92,993	-	746,905
Vehicles	495,862	78,680	(11,657)	562,885
Total accumulated depreciation	<u>16,712,449</u>	<u>\$ 931,525</u>	<u>\$ (11,657)</u>	<u>17,632,317</u>
Capital assets, net	<u>\$ 15,970,319</u>			<u>\$ 16,026,921</u>

	Solid Waste Fund			
	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
Vehicles	\$ 638,609	\$ 158,550	\$ (288,108)	\$ 509,051
Less: Accumulated depreciation	345,806	65,640	(288,108)	123,338
Capital assets, net	<u>\$ 292,803</u>	<u>\$ 224,190</u>	<u>\$ (576,216)</u>	<u>\$ 385,713</u>

	Tourist and Event Center Fund			
	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
Buildings	\$ 2,463,012	\$ -	\$ -	\$ 2,463,012
Less: Accumulated depreciation	1,116,293	69,747	-	1,186,040
Capital assets, net	<u>\$ 1,346,719</u>	<u>\$ 69,747</u>	<u>\$ -</u>	<u>\$ 1,276,972</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

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, 2021

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, 2021, was 10.84% of compensation for law enforcement officers and 10.20% 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 \$563,411 for the year ended June 30, 2021.

Refunds of Contributions. City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions, or any other benefit provided by LGERS.

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

At June 30, 2021, the City reported a liability of \$3,026,335 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the City's proportion was 0.08469%, which was an increase of 0.00211% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$999,679. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 382,173	\$ -
Changes of assumptions	225,219	-
Net difference between projected and actual earnings on pension plan investments	425,876	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	58,559
City contributions subsequent to the measurement date	563,411	-
Total	<u>\$ 1,596,679</u>	<u>\$ 58,559</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

\$563,411 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Amount
2022	\$ 265,805
2023	365,403
2024	217,462
2025	126,039
2026	-
Total	<u>\$ 974,709</u>

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
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, 2019 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, 2021

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	<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 2020 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 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, 2021

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)	\$ 6,140,103	\$ 3,026,335	\$ 438,574

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

B. Law Enforcement Officers' Special Separation Allowance

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

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

Retirees receiving benefits	5
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	26
Total	31

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Summary of Significant Accounting Policies

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria, which are outlined in GASB Statement 73.

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

Inflation	2.5 percent
Projected salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 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:

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

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

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

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

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

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

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021, the City reported a total pension liability of \$540,526. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$78,314.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 51,982	\$ 14,432
Changes of assumptions	148,790	6,727
City contributions subsequent to the measurement date	25,806	-
Total	<u>\$ 226,578</u>	<u>\$ 21,159</u>

\$25,806 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, 2022. 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
2022	\$ 34,422
2023	38,549
2024	41,315
2025	39,089
2026	26,238
Total	<u>\$ 179,613</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate. The following presents the City's total pension liability calculated using the discount rate of 1.93 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 599,960	\$ 540,526	\$ 487,102

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

Beginning balance	\$ 340,996
Service cost	34,065
Interest	10,207
Difference between expected and actual experience	44,490
Changes of assumptions and other inputs	166,543
Benefit payments	(55,775)
Net change in total pension liability	199,530
Beginning of year - July 1	325,590
Ending balance of total pension liability	\$ 540,526

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements. The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience completed by the actuary for LGERS for the 5-year period ending December 31, 2019.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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	\$ 999,679	\$ 78,314	\$ 1,077,993
Pension liability	3,026,335	540,526	3,566,861
Proportionate share of the net pension liability	0.08469%	n/a	-

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 382,173	\$ 51,982	\$ 434,155
Changes of assumptions	225,219	148,790	374,009
Net difference between projected and actual earnings on plan investments	425,876	-	425,876
Benefit payments and administrative costs paid subsequent to the measurement date	<u>563,411</u>	<u>25,806</u>	<u>589,217</u>
Total deferred outflows of resources	<u>\$ 1,596,679</u>	<u>\$ 226,578</u>	<u>\$ 1,823,257</u>

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ -	\$ 14,432	\$ 14,432
Changes of assumptions	-	6,727	6,727
Changes in proportion and differences between contributions and proportionate share of contributions	<u>58,559</u>	<u>-</u>	<u>58,559</u>
Total deferred inflows of resources	<u>\$ 58,559</u>	<u>\$ 21,159</u>	<u>\$ 79,718</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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 \$69,082 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 \$202,766 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.

Retirement Condition	Minimum Age at Retirement	Years of Service with City at Retirement	Years of Service with NCLGERS at Retirement	City Contribution
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, 2021

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

	General Employees
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 \$3,492,909 was measured as of June 30, 2020 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	3.50 percent prior and 2.21 percent 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, 2021

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2020	\$ 2,913,946
Changes for the year	
Service cost	197,859
Interest	105,572
Differences between expected and actual experience	44,200
Changes in assumptions or other inputs	423,881
Benefit payments	<u>(192,549)</u>
Net changes	578,963
Balance at June 30, 2021	<u>\$ 3,492,909</u>

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

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

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 (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	<u>1% Decrease (1.21%)</u>	<u>Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Total OPEB liability	\$ 3,866,632	\$ 3,492,909	\$ 3,158,906

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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	\$ 3,004,015	\$ 3,492,909	\$ 4,092,246

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$336,190. At June 30, 2021, 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	\$ 83,275	\$ 29,124
Changes of assumptions	407,140	151,096
City benefit payments and plan administrative expense made subsequent to the measurement date	<u>192,549</u>	<u>-</u>
Total	<u>\$ 682,964</u>	<u>\$ 180,220</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, 2022. 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>
2022	\$ 32,760
2023	32,760
2024	32,760
2025	32,760
2026	33,992
Thereafter	<u>145,163</u>
Total	<u>\$ 310,195</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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	\$ 563,411
Benefit payments made for LEOSA subsequent to measurement date	25,806
Differences between expected and actual experience	434,155
Differences between expected and actual experience - OPEB	83,275
Changes of assumptions	374,009
Changes of assumptions - OPEB	407,140
Net difference between projected and actual earnings on pension plan investments	425,876
Benefit payments for OPEB subsequent to measurement date	192,549
Total	<u>\$ 2,506,221</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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)	\$ -	\$ 27,364
Grant receivable	-	-
Prepaid taxes	28,039	28,039
Differences between expected and actual experience - OPEB	43,556	-
Change in assumptions - OPEB	151,096	-
Change in assumptions - pensions	6,727	-
Changes in proportion and differences between employer contributions and proportionate share of contributions - pensions	58,559	-
Total	<u>\$ 287,977</u>	<u>\$ 55,403</u>

7. Net Investment in Capital Assets

Net investment in capital assets at June 30, 2021 is computed as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of accumulated depreciation	\$ 14,311,043	\$ 26,087,338
Less capital debt	<u>(5,756,920)</u>	<u>(13,510,691)</u>
Net investment in capital assets	<u>\$ 8,554,123</u>	<u>\$ 12,576,647</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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	\$ 2,355,093
\$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	584,682
\$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	448,939
\$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	1,482,579
\$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	471,224
\$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>414,403</u>
Total governmental activities direct placements payable	<u>\$ 5,756,920</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The future minimum payments of the governmental activities long-term debt installment loans as of June 30, 2021 are as follows:

Year Ending June 30	Principal	Interest	Total
2022	\$ 208,033	\$ 220,261	\$ 428,294
2023	218,046	212,017	430,063
2024	226,614	203,449	430,063
2025	235,523	194,540	430,063
2026	244,785	185,278	430,063
2027-2031	1,319,696	774,096	2,093,792
2032-2036	1,348,722	518,980	1,867,702
2037-2041	1,403,432	254,868	1,658,300
2042-2046	427,809	55,490	483,299
2047-2051	102,425	11,605	114,030
2052	21,835	600	22,436
Total	<u>\$ 5,756,920</u>	<u>\$ 2,631,184</u>	<u>\$ 8,388,104</u>

The City's outstanding notes from direct placements related to governmental activities is \$5,756,920 and is comprised of:

A note of \$2,355,093, 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 \$584,682, 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, 2021

A note of \$448,939, 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 \$1,482,579, 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 \$471,224, 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 \$414,403, 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, 2021

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

\$ 386,539

\$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

2,664,672

Total Water Fund

3,051,211

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

7,767,000

\$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

175,344

\$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

2,517,136

Total Sewer Fund

10,459,480

Total business-type activities long-term debt

\$ 13,510,691

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The future minimum payments of the business-type activities long-term debt installment loans payable as of June 30, 2021 are as follows:

Serviced by Water Fund:

Year Ending June 30	Principal	Interest	Total
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	139,245	32,840	172,085
2027-2031	731,288	129,142	860,430
2032-2036	844,940	67,089	912,029
2037-2041	375,305	8,297	383,602
Total	<u>\$ 3,051,211</u>	<u>\$ 413,055</u>	<u>\$ 3,464,266</u>

Serviced by Sewer Fund:

Year Ending June 30	Principal	Interest	Total
2022	\$ 268,069	\$ 355,876	\$ 623,945
2023	276,358	345,501	621,859
2024	195,969	335,221	531,190
2025	202,356	327,014	529,370
2026	209,853	318,677	528,530
2027-2031	1,169,928	1,462,549	2,632,477
2032-2036	1,398,996	1,227,900	2,626,896
2037-2041	1,672,728	967,932	2,640,660
2042-2046	2,001,327	678,390	2,679,717
2047-2051	1,974,896	353,943	2,328,839
2052-2055	1,089,000	71,499	1,160,499
Total	<u>\$ 10,459,480</u>	<u>\$ 6,444,502</u>	<u>\$ 16,903,982</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The City's outstanding notes from direct borrowings related to water fund activities is \$3,051,211 and is comprised of:

A note of \$386,539, 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 \$2,664,672, 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 \$10,459,480 and is comprised of:

A direct placement note of \$7,767,000, 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 \$2,517,136, 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 \$175,344, 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, 2021

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, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Current</u> <u>Portion</u>
By Type of Debt:					
Notes from direct placements	\$ 5,959,283	\$ -	\$ (202,363)	\$ 5,756,920	\$ 208,033
Total pension liability (LEO)	340,996	255,305	(55,775)	540,526	-
Net pension liability (LGERS)	1,894,363	647,757	-	2,542,120	-
Total OPEB liability	2,447,715	648,069	(161,741)	2,934,043	-
IBNR	35,006	915,683	(905,426)	45,263	-
Compensated absences	466,941	40,127	(118,784)	388,284	38,828
Total	<u>\$ 11,144,304</u>	<u>\$ 2,506,941</u>	<u>\$ (1,444,089)</u>	<u>\$ 12,207,156</u>	<u>\$ 246,861</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, 2021 amounts to approximately \$52,300,000.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

Serviced by Water Fund:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Current Portion
Notes from direct borrowings	\$ 3,336,802	\$ -	\$ (285,591)	\$ 3,051,211	\$ 285,591
Net pension liability (LGERS)	157,864	53,980	-	211,844	-
Total OPEB liability	203,976	54,006	(13,478)	244,504	-
Compensated absences	52,466	10,296	(18,967)	43,795	4,380
Total	<u>\$ 3,751,108</u>	<u>\$ 118,282</u>	<u>\$ (318,036)</u>	<u>\$ 3,551,354</u>	<u>\$ 289,971</u>

Serviced by Sewer Fund:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Current Portion
Notes from direct borrowings and direct placement	\$ 10,724,677	\$ -	\$ (265,197)	\$ 10,459,480	\$ 268,069
Net pension liability (LGERS)	135,312	46,268	-	181,580	-
Total OPEB liability	174,837	46,291	(11,553)	209,575	-
Compensated absences	19,609	9,425	(18,622)	10,412	1,041
Total	<u>\$ 11,054,435</u>	<u>\$ 101,984</u>	<u>\$ (295,372)</u>	<u>\$ 10,861,047</u>	<u>\$ 269,110</u>

Serviced by Solid Waste Fund:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Current Portion
Net pension liability (LGERS)	\$ 22,552	\$ 7,711	\$ -	\$ 30,263	\$ -
Total OPEB liability	29,140	7,715	(1,925)	34,930	-
Compensated absences	1,660	3,742	(3,626)	1,776	178
Total	<u>\$ 53,352</u>	<u>\$ 19,168</u>	<u>\$ (5,551)</u>	<u>\$ 66,969</u>	<u>\$ 178</u>

Serviced by Tourist Center and Event Fund:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Current Portion
Net pension liability (LGERS)	\$ 45,105	\$ 15,423	\$ -	\$ 60,528	\$ -
Total OPEB liability	58,278	15,430	(3,851)	69,857	-
Compensated absences	5,692	1,835	(2,498)	5,029	503
Total	<u>\$ 109,075</u>	<u>\$ 32,688</u>	<u>\$ (6,349)</u>	<u>\$ 135,414</u>	<u>\$ 503</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021 is as follows:

Operating revenues	\$ 4,079,773
Operating expenses*	<u>(3,293,833)</u>
Operating income	<u>\$ 785,940</u>
Debt service on parity indebtedness	<u>\$ 386,652</u>
Debt service coverage ratio on parity indebtedness	203%
Other indebtedness related to the combined sewer enterprise system	<u>\$ 257,315</u>
Debt service coverage ratio on parity and other indebtedness	122%
Annual debt service requirement due in upcoming fiscal year	<u>\$ 623,945</u>
Debt service coverage ratio on upcoming fiscal year debt service	126%

*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 \$12,776,411. The principal and interest payments for the current year totaled \$386,652, and total net revenues were \$785,940 respectively.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 35,006	\$ 77,630
Incurred claims (including IBNRs) and changes in estimates	915,683	613,455
Less claims payments	<u>(905,426)</u>	<u>(656,079)</u>
Balance, end of year	<u>\$ 45,263</u>	<u>\$ 35,006</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

10. Interfund Balances and Activity

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

Purpose	Amount
From the City Hall Capital Project Fund to the General Fund to close fund	\$ 152,803
From the Fire Annex Building Capital Project Fund to the General Fund to close fund	73,690
From the Lewis Farm PARTF Fund to General Fund to close fund	27,695
From the Slocum Water Front Capital Project Fund to General Fund to close fund	71,069
From the General Fund to the Tourist Center Fund for operations	194,832
Total transfers	<u>\$ 520,089</u>

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

Receivable Fund	Payable Fund	Amount	Purpose
			Short-term cash shortfall
General Fund	Slocum Water Front Park CPF	<u>\$ 29,578</u>	due to timing of grant revenue

11. Disaggregation Data for Entity-Wide Receivables and Payables

	Governmental Activities	Business-Type Activities
Intergovernmental Receivables:		
Sales tax receivable	\$ 250,000	\$ -
Sales tax refund	215,605	-
Total	<u>\$ 465,605</u>	<u>\$ -</u>
Accounts Payable and Accrued Expenses:		
Trade payables	\$ 22,020	\$ 141,195
Accrued expenses	403,305	69,043
Total	<u>\$ 425,325</u>	<u>\$ 210,238</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.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 the pandemic.

The City of Havelock was awarded \$6,327,419 from the Federal American Rescue Plan (ARP). Subsequent to year-end the City of Havelock received \$3,163,710. The remaining amount of \$3,163,709 is expected to be received within the next 12 months.

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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 FIVE FISCAL YEARS

	Law Enforcement Officers' Special Separation Allowance				
	2021	2020	2019	2018	2017
Beginning balance	\$ 340,996	\$ 325,590	\$ 353,995	\$ 395,683	\$ 433,530
Service cost	34,065	25,945	25,560	22,573	23,781
Interest on the total pension liability	10,207	10,836	10,519	14,176	14,243
Difference between expected and actual experience	44,490	24,464	(9,311)	(44,126)	-
Changes in assumptions or other inputs	166,543	9,936	(12,972)	22,554	(6,730)
Benefit payments	(55,775)	(55,775)	(42,201)	(56,865)	(69,141)
Ending balance of the total pension liability	<u>\$ 540,526</u>	<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 FIVE FISCAL YEARS**

	Law Enforcement Officers' Special Separation Allowance				
	2021	2020	2019	2018	2017
Total pension liability	\$ 540,526	\$ 340,996	\$ 325,590	\$ 353,995	\$ 395,683
Covered payroll	1,317,546	1,219,332	1,092,172	1,102,338	1,187,579
Total pension liability as a percentage of covered payroll	41.03%	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 FOUR FISCAL YEARS

	Total OPEB Liability			
	2021	2020	2019	2018
Service cost	\$ 197,858	\$ 178,268	\$ 184,323	\$ 199,246
Interest	105,572	106,309	96,606	80,122
Differences between expected and actual experience	44,200	(35,406)	(2,475)	80,251
Changes of assumptions	423,882	39,513	(96,958)	(158,543)
Benefit payments	(192,549)	(213,210)	(112,358)	(185,851)
Net change in total OPEB liability	578,963	75,474	69,138	15,225
Total OPEB liability - beginning	2,913,946	2,838,472	2,769,334	2,754,109
Total OPEB liability - ending	<u>\$ 3,492,909</u>	<u>\$ 2,913,946</u>	<u>\$ 2,838,472</u>	<u>\$ 2,769,334</u>
Covered payroll	\$ 4,950,780	\$ 4,950,780	\$ 3,909,995	\$ 3,909,995
Total OPEB liability as a percentage of covered payroll	70.55%	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
2021	2.21%
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 EIGHT FISCAL YEARS*

	Local Government Employees' Retirement System			
	2021	2020	2019	2018
City of Havelock's proportion of the net pension liability (asset) (%)	0.08469%	0.08258%	0.08436%	0.08649%
City of Havelock's proportion of the net pension liability (asset) (\$)	\$ 3,026,335	\$ 2,255,196	\$ 2,001,309	\$ 1,321,328
City of Havelock's covered payroll	5,391,006	5,150,923	4,867,849	4,842,911
City of Havelock's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	56.14%	43.78%	41.11%	27.28%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%

* 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 HAVELOCKS'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS***

	Local Government Employees' Retirement System			
	2017	2016	2015	2014
City of Havelock's proportion of the net pension liability (asset) (%)	0.08378%	0.09361%	0.09794%	0.10180%
City of Havelock's proportion of the net pension liability (asset) (\$)	\$ 1,778,092	\$ 420,115	\$ (577,598)	\$ 1,227,081
City of Havelock's covered payroll	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	39.10%	9.67%	(13.33%)	28.39%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

CITY OF HAVELOCK, NORTH CAROLINA**CITY OF HAVELOCK'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS**

	Local Government Employees' Retirement System			
	2021	2020	2019	2018
Contractually required contribution	\$ 563,411	\$ 494,390	\$ 410,966	\$ 375,048
Contributions in relation to the contractually required contribution	<u>563,411</u>	<u>494,390</u>	<u>410,966</u>	<u>375,048</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Havelock's covered payroll	\$ 5,436,941	\$ 5,391,006	\$ 5,150,923	\$ 4,867,849
Contributions as a percentage of covered payroll	10.36%	9.17%	7.98%	7.70%

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

CITY OF HAVELOCK, NORTH CAROLINA

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

	Local Government Employees' Retirement System			
	2017	2016	2015	2014
Contractually required contribution	\$ 362,120	\$ 310,939	\$ 335,915	\$ 335,088
Contributions in relation to the contractually required contribution	<u>362,120</u>	<u>310,939</u>	<u>335,915</u>	<u>335,088</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Havelock's covered payroll	\$ 4,842,911	\$ 4,547,693	\$ 4,342,966	\$ 4,332,300
Contributions as a percentage of covered payroll	7.48%	6.84%	7.73%	7.73%

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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, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Final Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year property tax	\$ 4,630,000	\$ 4,615,224	\$ (14,776)	\$ 4,592,967
Motor vehicle tax - current and delinquent	575,000	629,116	54,116	579,196
Prior years' property tax	-	471	471	91
Total	<u>5,205,000</u>	<u>5,244,811</u>	<u>39,811</u>	<u>5,172,254</u>
Unrestricted Intergovernmental Revenues:				
Gross receipts tax	22,000	18,419	(3,581)	17,982
Payment in lieu of taxes	-	-	-	4,611
Franchise tax	1,185,000	1,108,482	(76,518)	1,151,255
Beer and wine tax	86,750	80,703	(6,047)	85,015
Local option sales tax	2,017,160	2,371,710	354,550	2,112,803
Hold harmless	523,800	599,098	75,298	526,758
Solid waste disposal tax	14,000	14,449	449	15,104
Craven County ABC revenue	<u>22,225</u>	<u>34,329</u>	<u>12,104</u>	<u>23,947</u>
Total	<u>3,870,935</u>	<u>4,227,190</u>	<u>356,255</u>	<u>3,937,475</u>
Restricted Intergovernmental Revenues:				
Payment in lieu of recreation services	-	-	-	22,579
Powell Bill	450,000	429,719	(20,281)	457,668
Federal and state grants	380,572	1,157,064	776,492	670,007
Craven County BOE contribution - school officer	116,925	116,925	-	116,925
Craven County support - recreation	<u>75,000</u>	<u>81,379</u>	<u>6,379</u>	<u>81,379</u>
Total	<u>1,022,497</u>	<u>1,785,087</u>	<u>762,590</u>	<u>1,348,558</u>
Licenses and Permits:				
Dog and cat licenses	1,000	610	(390)	1,100
Privilege license	-	-	-	10
Beer and wine licenses	-	1,015	1,015	410
Permits	<u>86,300</u>	<u>116,148</u>	<u>29,848</u>	<u>157,797</u>
Total	<u>87,300</u>	<u>117,773</u>	<u>30,473</u>	<u>159,317</u>
Sales and Services:				
Commission - trash stickers	-	60	60	202
Contribution from recreation	17,500	1,511	(15,989)	11,049
Sale of garbage stickers	7,500	1,785	(5,715)	5,265
EMS billing	725,000	668,834	(56,166)	719,830
Other	<u>569,475</u>	<u>563,668</u>	<u>(5,807)</u>	<u>557,866</u>
Total	<u>1,319,475</u>	<u>1,235,858</u>	<u>(83,617)</u>	<u>1,294,212</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, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Final Budget	Actual	Variance Over/Under	Actual
Interest:				
Investment earnings	150,100	8,877	(141,223)	194,837
Investment earnings - Powell Bill	8,600	18	(8,582)	9,191
Total	158,700	8,895	(149,805)	204,028
Miscellaneous Revenue:				
Court facility fee and refunds	850	3,674	2,824	1,185
Insurance proceeds	19,985	38,290	18,305	132,422
Sale of capital assets	-	204,743	204,743	37,846
Miscellaneous	57,923	116,238	58,315	237,871
Total	78,758	362,945	284,187	409,324
Total revenues	11,742,665	12,982,559	1,239,894	12,525,168
Expenditures:				
General Government:				
Fees paid to elected officials		56,283		61,194
Operating expenses		65,248		85,432
Capital outlay		24,976		-
Total	265,294	146,507	118,787	146,626
Administration:				
Salaries and benefits		771,630		712,901
Operating expenses		298,955		263,328
Capital outlay		-		2,369
Administration fee credit		(180,537)		(151,789)
Total	975,043	890,048	84,995	826,809
Finance:				
Salaries and benefits		276,115		262,438
Operating expenses		90,367		73,339
Capital outlay		-		1,573
Administration fee credit		(324,912)		(296,164)
Total	127,530	41,570	85,960	41,186
Revenue Collections:				
Salaries and benefits		197,703		206,824
Operating expenses		172,047		181,301
Administration fee credit		(364,607)		(364,607)
Total	106,094	5,143	100,951	23,518

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, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Final Budget	Actual	Variance Over/Under	Actual
Legal Department:				
Professional services	87,000	86,299	701	54,910
Information Systems:				
Salaries and benefits		329,209		317,396
Operating expenses		429,492		332,310
Capital outlay		26,400		76,542
Administrative fee credit		(105,907)		(77,159)
Total	725,761	679,194	46,567	649,089
Planning and Zoning:				
Salaries and benefits		317,103		291,637
Operating expenses		45,591		39,096
Capital outlay		949		2,402
Total	436,832	363,643	73,189	333,135
Public Buildings:				
Salaries and benefits		77,574		72,742
Operating expenses		123,116		134,212
Capital outlay		2,973		84,537
Total	297,217	203,663	93,554	291,491
Hurricane Expenses:				
Operating expenses	261,912	106,809	155,103	264,186
Total general government	3,282,683	2,522,876	759,807	2,630,950
Public Safety:				
Police:				
Salaries and benefits		2,647,446		2,491,174
Operating expenses		346,703		348,425
Capital outlay		251,787		258,758
Total	3,372,312	3,245,936	126,376	3,098,357
Fire:				
Salaries and benefits		497,583		579,811
Operating expenses		595,274		241,173
Capital outlay		493,489		33,957
Total	1,746,057	1,586,346	159,711	854,941

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, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Final Budget	Actual	Variance Over/Under	Actual
Emergency Medical Services:				
Salaries and benefits		804,400		798,847
Operating expenses		195,871		171,109
Capital outlay		78,689		158,558
Total	1,121,960	1,078,960	43,000	1,128,514
Animal Control:				
Salaries and benefits		82,939		73,148
Operating expenses		6,718		6,546
Total	96,838	89,657	7,181	79,694
Total public safety	6,337,167	6,000,899	336,268	5,161,506
Highways and Streets:				
Public Works:				
Salaries and benefits		182,400		159,204
Operating expenses		57,825		64,372
Capital outlay		35,070		-
Total	294,075	275,295	18,780	223,576
Central Garage:				
Salaries and benefits		125,321		99,923
Operating expenses		34,283		26,120
Capital outlay		45,920		18,911
Street lights and traffic signals		143,935		129,621
Total	406,812	349,459	57,353	274,575
Powell Bill Funds:				
Salaries and benefits		147,048		153,699
Operating expenses		69,661		466,620
Total	625,727	216,709	409,018	620,319
Non-Powell Bill Funds:				
Salaries and benefits		184,063		190,424
Operating expenses		1,015,509		216,972
Capital outlay		117,550		22,430
Total	1,885,278	1,317,122	568,156	429,826
Total highways and streets	3,211,892	2,158,585	1,053,307	1,548,296

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, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Final Budget	Actual	Variance Over/Under	Actual
Recreation:				
Salaries and benefits		407,540		456,265
Operating expenses		215,590		242,437
Capital outlay		30,000		52,151
Total	1,314,222	653,130	661,092	750,853
Total cultural and recreation	1,314,222	653,130	661,092	750,853
Debt Service:				
Principal		202,363		194,739
Interest		139,311		146,550
Total debt service	341,724	341,674	50	341,289
Total expenditures	14,487,688	11,677,164	2,810,524	10,432,894
Revenues over (under) expenditures	(2,745,023)	1,305,395	4,050,418	2,092,274
Other Financing Sources (Uses):				
Transfers out	(194,832)	(194,832)	-	(191,149)
Transfers in	325,257	325,257	-	-
Appropriated fund balance	2,614,598	-	(2,614,598)	-
Total other financing sources (uses)	2,745,023	130,425	(2,614,598)	(191,149)
Net change in fund balance	\$ -	1,435,820	\$ 1,435,820	1,901,125
Fund Balance:				
Beginning of year - July 1		13,228,694		11,327,569
End of year - June 30		\$ 14,664,514		\$ 13,228,694

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NONMAJOR GOVERNMENTAL FUNDS

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CITY OF HAVELOCK, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2021

	Emergency Telephone System Fund	McCotter Capital Project Fund	EPA Brownsfield Capital Project Fund	Total
Assets:				
Cash and investments	\$ 88,651	\$ -	\$ -	\$ 88,651
Restricted cash and investments	-	-	58,650	58,650
Total assets	<u>\$ 88,651</u>	<u>\$ -</u>	<u>\$ 58,650</u>	<u>\$ 147,301</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,116	\$ -	\$ -	\$ 1,116
Due to other funds	-	29,578	-	29,578
Unearned grant revenue	-	-	58,650	58,650
Total liabilities	<u>1,116</u>	<u>29,578</u>	<u>58,650</u>	<u>89,344</u>
Fund Balances:				
Restricted:				
Public safety	87,535	-	-	87,535
Unassigned	-	(29,578)	-	(29,578)
Total fund balances	<u>87,535</u>	<u>(29,578)</u>	<u>-</u>	<u>57,957</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 88,651</u>	<u>\$ -</u>	<u>\$ 58,650</u>	<u>\$ 147,301</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, 2021**

	Emergency Telephone System Fund	City Hall Building Capital Project Fund	Lewis Farm PARTF Capital Project Fund	McCotter Capital Project Fund
Revenues:				
Restricted intergovernmental	\$ 131,159	\$ -	\$ -	\$ -
Investment income	49	-	-	-
Total revenues	<u>131,208</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Public safety	<u>164,878</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	(33,670)	-	-	-
Other Financing Sources (Uses):				
Transfers out	<u>-</u>	<u>(152,803)</u>	<u>(27,695)</u>	<u>-</u>
Net change in fund balances	(33,670)	(152,803)	(27,695)	-
Fund Balances:				
Beginning of year - July 1	<u>121,205</u>	<u>152,803</u>	<u>27,695</u>	<u>(29,578)</u>
End of year - June 30	<u>\$ 87,535</u>	<u>\$ -</u>	<u>\$ -</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, 2021

	EPA Brownsfield Capital Project Fund	Slocum Waterfront Park Capital Project Fund	Fire Annex Building Capital Project Fund	Total
Revenues:				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ 131,159
Investment income	-	-	-	49
Total revenues	-	-	-	131,208
Expenditures:				
Public safety	-	-	-	164,878
Revenues over (under) expenditures	-	-	-	(33,670)
Other Financing Sources (Uses):				
Transfers out	-	(71,069)	(73,690)	(325,257)
Net change in fund balances	-	(71,069)	(73,690)	(358,927)
Fund Balances:				
Beginning of year - July 1	-	71,069	73,690	416,884
End of year - June 30	\$ -	\$ -	\$ -	\$ 57,957

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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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	<u>2021</u>			<u>2020</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Restricted Intergovernmental:				
911 access charges	\$ 141,355	\$ 131,159	\$ (10,196)	\$ 152,832
Investment earnings	6,000	49	(5,951)	7,161
Total revenues	<u>147,355</u>	<u>131,208</u>	<u>(16,147)</u>	<u>159,993</u>
Expenditures:				
Public Safety:				
Databasing	29,350	25,799	3,551	23,818
Operating expenses	141,430	128,441	12,989	127,334
Capital outlay	<u>25,138</u>	<u>10,638</u>	<u>14,500</u>	<u>123,078</u>
Total public safety	<u>195,918</u>	<u>164,878</u>	<u>31,040</u>	<u>274,230</u>
Revenues over (under) expenditures	(48,563)	(33,670)	14,893	(114,237)
Other Financing Sources (Uses):				
Appropriated fund balance	<u>48,563</u>	<u>-</u>	<u>(48,563)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(33,670)</u>	<u>\$ (33,670)</u>	<u>(114,237)</u>
Fund Balance:				
Beginning of year - July 1		<u>121,205</u>		<u>235,442</u>
End of year - June 30		<u>\$ 87,535</u>		<u>\$ 121,205</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, 2021

		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, 2021

		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	2,200,000	2,157,033	-	2,157,033
Debt service	1,647,197	1,526,692	-	1,526,692
Total expenditures	3,912,197	3,758,482	-	3,758,482
Revenues over (under) expenditures	(3,812,197)	(3,658,298)	-	(3,658,298)
Other Financing Sources (Uses):				
Long-term debt issued	3,400,000	3,200,000	-	3,200,000
Transfers out	(152,803)	-	(152,803)	(152,803)
Transfers in	565,000	611,101	-	611,101
Total other financing sources (uses)	3,812,197	3,811,101	(152,803)	3,658,298
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, 2021

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Restricted intergovernmental revenues	\$ 991,095	\$ 991,095	\$ -	\$ 991,095
Expenditures:				
Environmental Protection:				
Professional services		98,160	-	98,160
Capital outlay		922,513	-	922,513
Total expenditures	1,020,673	1,020,673	-	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, 2021

		Actual		
	Project Authorization	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		727,857	-	727,857
Total expenditures	789,947	789,947	-	789,947
Revenues over (under) expenditures	(289,947)	(289,947)	-	(289,947)
Other Financing Sources (Uses):				
Transfers out	(27,695)	-	(27,695)	(27,695)
Transfers in	317,642	317,642	-	317,642
Total other financing sources (uses)	289,947	317,642	(27,695)	289,947
Net change in fund balance	\$ -	\$ 27,695	\$ (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, 2021

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Restricted intergovernmental revenues	\$ 393,543	\$ 393,543	\$ -	\$ 393,543
Expenditures:				
General Government:				
Professional services		13,390	-	13,390
Capital outlay		483,609	-	483,609
Total expenditures	496,999	496,999	-	496,999
Revenues over (under) expenditures	(103,456)	(103,456)	-	(103,456)
Other Financing Sources (Uses):				
Transfers out	(71,069)	-	(71,069)	(71,069)
Transfers in	174,525	174,525	-	174,525
Total other financing sources (uses)	103,456	174,525	(71,069)	103,456
Net change in fund balance	\$ -	\$ 71,069	\$ (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, 2021

	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	\$ 876,310	876,310	-	876,310
Revenues over (under) expenditures	(876,310)	(876,310)	-	(876,310)
Other Financing Sources (Uses):				
Transfers out	(73,690)	-	(73,690)	(73,690)
Transfers in	950,000	950,000	-	950,000
Total other financing sources (uses)	876,310	950,000	(73,690)	876,310
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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for sales and services:			
Water charges	\$ 2,665,000	\$ 2,578,260	\$ (86,740)
Miscellaneous	<u>232,500</u>	<u>233,255</u>	<u>755</u>
Total operating revenues	<u>2,897,500</u>	<u>2,811,515</u>	<u>(85,985)</u>
Non-operating revenues:			
Interest income (loss)	<u>45,150</u>	<u>8,020</u>	<u>(37,130)</u>
Total revenues	<u>2,942,650</u>	<u>2,819,535</u>	<u>(123,115)</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		597,721	
Supplies and administration		874,718	
Repairs and maintenance		144,249	
Capital outlay		<u>872,875</u>	
Total costs of sales and services		<u>2,489,563</u>	
Debt service:			
Principal repayment		285,591	
Interest		<u>60,781</u>	
Total debt service		<u>346,372</u>	
Total operating expenditures	<u>4,747,162</u>	<u>2,835,935</u>	<u>1,911,227</u>
Revenues over (under) expenditures	(1,804,512)	(16,400)	1,788,112
Other Financing Sources (Uses):			
Appropriated fund balance	<u>1,804,512</u>	<u>-</u>	<u>(1,804,512)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(16,400)</u>	<u>\$ (16,400)</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Reconciling items:			
Depreciation		(328,142)	
Capital reserve fund interest		28	
Increase deferred outflows - pension		20,550	
Increase in net pension liability		(53,980)	
Decrease deferred inflows - pension		2,891	
(Increase) decrease in other post-employment benefits		(40,528)	
Increase in deferred outflow - OPEB		28,157	
Decrease in deferred inflow - OPEB		2,316	
Principal payment		285,591	
Capital outlay, capitalized		<u>872,875</u>	
Change in net position		<u>\$ 773,358</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, 2021

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Revenues:				
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	1,730,000	1,726,371	-	1,726,371
Revenues over (under) expenditures	(1,730,000)	(1,726,371)	-	(1,726,371)
Other Financing Sources (Uses):				
Intrafund transfer in	1,730,000	1,450,000	-	1,450,000
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (276,371)	\$ -	\$ (276,371)

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, 2021

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Revenues:				
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>3,134,908</u>	<u>-</u>	<u>3,134,908</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 181,136</u>	<u>\$ -</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for sales and services:			
Sewer charges	\$ 3,905,000	\$ 3,738,752	\$ (166,248)
Miscellaneous	337,687	341,147	3,460
Total operating revenue	<u>4,242,687</u>	<u>4,079,899</u>	<u>(162,788)</u>
Non-operating revenues:			
Interest income (loss)	<u>22,000</u>	<u>7,915</u>	<u>(14,085)</u>
Total revenues	<u>4,264,687</u>	<u>4,087,814</u>	<u>(176,873)</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		570,701	
Supplies and administration		1,883,491	
Repairs and maintenance		804,848	
Capital outlay		<u>988,127</u>	
Total costs of sales and services		<u>4,247,167</u>	
Debt service:			
Principal repayment		265,197	
Interest		<u>378,770</u>	
Total debt service		<u>643,967</u>	
Total expenditures	<u>6,413,051</u>	<u>4,891,134</u>	<u>1,521,917</u>
Revenues over (under) expenditures	(2,148,364)	(803,320)	1,345,044
Other Financing Sources (Uses):			
Appropriated fund balance	<u>2,148,364</u>	<u>-</u>	<u>(2,148,364)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(803,320)</u>	<u>\$ (803,320)</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Depreciation		(931,525)	
Increase deferred outflows - pension		17,615	
Increase in net pension liability		(46,268)	
Decrease deferred inflows - pension		2,478	
(Increase) decrease in other post-employment benefits		(34,738)	
Capital Reserve Fund interest		27	
Increase in deferred outflow - OPEB		24,135	
Decrease in deferred inflow - OPEB		1,985	
Long-term debt principal payment		265,197	
Capital outlay items capitalized		<u>988,127</u>	
Change in net position		<u>\$ (516,287)</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, 2021

	Project Authorization	Actual		Total
		Prior Years	Current Year	
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, 2021

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Restricted intergovernmental	\$ 100,000	\$ 699,560	\$ -	\$ 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)	(141,722)	-	(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	\$ -	\$ 614,278	\$ -	\$ 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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for sales and services:			
Solid waste charges	\$ 1,101,375	\$ 1,126,896	\$ 25,521
Non-Operating Revenues:			
Interest income	9,343	7,852	(1,491)
Total revenues	<u>1,110,718</u>	<u>1,134,748</u>	<u>24,030</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		203,907	
Supplies and administration		829,891	
Repairs and maintenance		12,026	
Capital outlay		<u>158,550</u>	
Total costs of sales and services		<u>1,204,374</u>	
Total expenditures	<u>1,269,268</u>	<u>1,204,374</u>	<u>64,894</u>
Revenues over (under) expenditures	(158,550)	(69,626)	88,924
Other Financing Sources (Uses):			
Appropriated fund balance	<u>158,550</u>	<u>-</u>	<u>(158,550)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(69,626)</u>	<u>\$ (69,626)</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Depreciation		(65,640)	
Increase deferred outflows - pension		2,936	
Increase in net pension liability		(7,711)	
Decrease deferred inflows - pension		413	
(Increase) decrease in other post-employment benefits		(5,790)	
Increase in deferred outflow - OPEB		4,022	
Decrease in deferred inflow - OPEB		331	
Capital outlay items capitalized		<u>158,550</u>	
Change in net position		<u>\$ 17,485</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for sales and services:			
Facilities rent	\$ 113,000	\$ 31,519	\$ (81,481)
Miscellaneous	<u>46,592</u>	<u>27,028</u>	<u>(19,564)</u>
Total operating revenues	<u>159,592</u>	<u>58,547</u>	<u>(101,045)</u>
Non-operating revenues:			
Occupancy tax	<u>97,000</u>	<u>93,983</u>	<u>(3,017)</u>
Total revenues	<u>256,592</u>	<u>152,530</u>	<u>(104,062)</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		142,314	
Supplies and administration		87,459	
Repairs and maintenance		26,878	
Exhibits expense		<u>25,307</u>	
Total costs of sales and services		<u>281,958</u>	
Total expenditures	<u>451,424</u>	<u>281,958</u>	<u>169,466</u>
Revenues over (under) expenditures	(194,832)	(129,428)	65,404
Other Financing Sources (Uses):			
Transfers in	<u>194,832</u>	<u>194,832</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	65,404	<u>\$ 65,404</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Depreciation		(69,747)	
Increase deferred outflows - pension		5,872	
Increase in deferred outflow - OPEB		8,045	
Decrease in deferred inflow - OPEB		660	
Increase in net pension liability		(15,423)	
Decrease deferred inflows - pension		826	
(Increase) decrease in OPEB		<u>(11,579)</u>	
Change in net position		<u>\$ (15,942)</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Non-operating revenues:			
Interest income	\$ -	\$ 55	\$ 55

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SUPPLEMENTARY FINANCIAL DATA

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CITY OF HAVELOCK, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2021

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 5,277,797	\$ 5,250,432	\$ 27,365
2019-2020	25,019	-	13,943	11,076
2018-2019	11,494	-	4,148	7,346
2017-2018	3,227	-	52	3,175
2016-2017	2,210	-	14	2,196
2015-2016	2,201	-	5	2,196
2014-2015	2,765	-	51	2,714
2013-2014	22,837	-	230	22,607
2012-2013	33,683	-	356	33,327
2011-2012	24,100	-	150	23,950
2010-2011	18,638	-	18,638	-
Total	<u>\$ 146,174</u>	<u>\$ 5,277,797</u>	<u>\$ 5,288,019</u>	135,952
Less: Allowance for uncollectible ad valorem taxes receivable				<u>(108,588)</u>
Ad valorem taxes receivable, net				<u>\$ 27,364</u>
Reconciliation with Revenues:				
Taxes, ad valorem - General Fund				\$ 5,244,811
Interest and penalties				24,570
Arrears written off for tax year 2010-2011 per Statute of Limitations				<u>18,638</u>
Total collections and credits				<u>\$ 5,288,019</u>

CITY OF HAVELOCK, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Total Levy</u>	
				<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	\$ 898,718,644	\$ 0.590	\$ 5,302,440	\$ 4,640,949	\$ 661,491
Abatements	<u>(4,176,780)</u>		<u>(24,643)</u>	<u>(24,643)</u>	<u>-</u>
Total property valuation	<u>\$ 894,541,864</u>				
Net Levy			5,277,797	4,616,306	661,491
Uncollected taxes at June 30, 2021			<u>27,365</u>	<u>27,365</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 5,250,432</u>	<u>\$ 4,588,941</u>	<u>\$ 661,491</u>
Current Levy Collection Percentage			<u>99.48%</u>	<u>99.41%</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 Annual Comprehensive 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.	110-112
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	113-120
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.	121-124
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.	125-126
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.	127-128

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive 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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Net investment in capital assets										
Restricted	\$ 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	\$ 8,564,123
Unrestricted	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	2,734,202
	4,702,268	4,991,201	5,176,059	6,227,049	7,248,220	7,248,220	5,882,610	5,048,225	6,213,288	7,332,925
Total governmental activities net position	<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>	<u>\$ 18,621,250</u>
Business-type activities										
Net investment in capital assets										
Unrestricted	\$ 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	\$ 12,576,647
	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	11,052,439
Total business-type activities net position	<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>	<u>\$ 23,629,086</u>
Primary government										
Net investment in capital assets										
Restricted	\$ 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	\$ 21,130,770
Unrestricted	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	2,734,202
	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	18,385,364
Total primary government net position	<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>	<u>\$ 42,250,336</u>

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities:										
General government	\$ 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	\$ 2,904,265
Public Safety	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	6,054,567
Highways and streets	1,539,765	1,478,680	1,213,686	1,156,033	966,550	887,467	1,560,339	1,207,423	679,875	2,148,207
Environmental protection	-	-	74,506	213,595	166,469	12,468	71,520	959,665	952,159	-
Culture and recreations	853,944	1,048,043	815,465	832,935	847,265	886,256	1,241,286	1,031,018	858,538	760,531
Interest on long-term debt	397,638	244,992	236,945	253,873	178,010	175,494	161,897	153,974	146,550	291,529
Total governmental activities expenses	9,902,047	9,760,751	9,705,061	9,402,764	9,309,044	9,612,875	9,966,039	13,734,623	11,049,144	12,159,099
Business-type activities										
Water	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	2,046,205
Sewer	2,566,556	2,782,740	2,528,613	2,896,978	3,040,205	3,963,418	4,007,710	4,349,156	4,605,578	4,604,128
Sanitation	754,011	818,853	786,320	847,268	936,680	867,313	953,348	910,128	1,009,143	1,117,263
Other	400,950	478,114	462,481	413,106	392,551	398,340	397,427	361,438	398,831	363,304
Total business-type activities expenses	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	8,130,900
Total primary government expenses	\$ 15,387,261	\$ 15,479,869	\$ 15,177,617	\$ 15,466,475	\$ 15,504,132	\$ 16,911,670	\$ 17,470,767	\$ 21,370,098	\$ 19,033,105	\$ 20,289,999
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 332,322	\$ 240,305	\$ 369,659	\$ 306,047	\$ 170,270	\$ 345,265	\$ 121,652	\$ 784,027	\$ 358,233	\$ 377,789
Public Safety	764,263	731,181	863,562	792,191	873,905	761,715	743,297	685,045	758,338	690,134
Environmental protection	4,610	4,526	3,898	3,660	3,591	3,795	6,815	7,945	5,467	1,845
Culture and recreations	205,743	174,740	179,781	239,739	239,505	271,839	230,986	269,700	285,511	227,698
Operating grants and contributions	1,330,652	1,090,173	976,016	1,065,369	1,147,461	1,065,600	1,168,000	2,763,114	1,956,694	1,606,806
Capital grants and contributions	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	2,661,324	2,248,108	2,565,188	3,917,261	3,052,500	2,854,564	2,582,921	5,622,785	4,420,728	2,904,272
Business-type activities:										
Charges for services:										
Water	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	2,811,389
Sewer	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	4,079,773
Other	822,409	877,102	959,200	1,226,962	934,925	976,078	1,036,324	1,095,945	1,074,347	1,185,443
Operating grants and contributions	217,932	275,933	283,595	-	228,994	246,587	327,812	213,021	262,495	93,983
Capital grants and contributions	-	-	-	-	-	-	-	-	646,375	-
Total business-type activities program revenues	6,242,936	6,195,637	6,568,878	6,507,399	6,499,276	7,140,150	7,218,104	7,562,824	8,732,880	8,170,588
Total primary government program revenues	\$ 8,904,260	\$ 8,443,745	\$ 9,134,066	\$ 10,424,660	\$ 9,551,776	\$ 9,994,714	\$ 9,801,025	\$ 13,185,609	\$ 13,153,608	\$ 11,074,860

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (9,254,827)
Business-type activities	757,722	476,519	1,096,322	443,688	304,188	(158,645)	(286,624)	(72,651)	748,919	39,688
Total primary government net expense	\$ (6,483,001)	\$ (7,036,124)	\$ (6,043,551)	\$ (5,041,815)	\$ (5,952,356)	\$ (6,916,956)	\$ (7,669,742)	\$ (8,184,489)	\$ (5,879,497)	\$ (9,215,139)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Ad Valorem taxes	\$ 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	\$ 5,254,652
Other taxes and licenses	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	4,227,190
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	-
Investment Earnings	25,887	11,790	16,163	17,053	38,426	31,808	145,357	419,505	211,189	8,944
Transfers	(398,221)	(242,516)	92,942	(237,369)	(252,677)	(222,662)	(333,084)	(222,807)	(191,149)	(194,832)
Total governmental activities	6,894,095	7,226,440	7,597,419	7,566,620	8,117,744	8,547,218	8,645,282	9,309,935	9,114,860	9,295,954
Business-type activities:										
Investment Earnings	\$ 16,020	\$ 12,247	\$ 12,834	\$ 7,764	\$ 22,590	\$ 37,648	\$ 63,080	\$ -	\$ 70,818	\$ 24,094
Transfers	398,221	242,516	(92,942)	237,369	252,677	222,662	333,084	222,807	191,149	194,832
Total business-type activities	414,241	254,763	(80,108)	245,133	275,267	260,310	396,164	222,807	261,967	218,926
Total primary government	\$ 411,094	\$ 190,316	\$ 1,553,868	\$ 2,524,805	\$ 2,165,388	\$ 1,630,262	\$ 975,540	\$ 1,125,446	\$ 3,235,363	\$ 80,815
Change in Net Position										
Governmental activities	\$ (346,628)	\$ (286,203)	\$ 457,546	\$ 2,081,117	\$ 1,861,200	\$ 1,788,907	\$ 1,262,164	\$ 1,198,097	\$ 2,486,444	\$ 41,127
Business-type activities	1,171,963	731,282	1,016,214	688,821	579,455	101,665	109,540	150,156	1,010,886	258,614
Total primary government	\$ 825,335	\$ 445,079	\$ 1,473,760	\$ 2,769,938	\$ 2,440,655	\$ 1,890,572	\$ 1,371,704	\$ 1,348,253	\$ 3,497,330	\$ 299,741

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
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
2021	4,615,224	629,116	2,371,710	1,108,482	8,724,532

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

	Fiscal Year									
General Fund	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Non Spendable	16,488	8,389	12,601	5,330	14,137	5,979	14,630	11,952	6,459	12,621
Restricted	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	2,646,667
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	1,891,082	522,527	549,326	769,015	771,283	862,374	1,367,015	725,516	1,258,823	1,500,273
Unassigned	3,962,176	4,693,486	4,884,041	5,724,845	6,684,374	7,743,539	7,870,598	7,355,502	8,900,466	10,504,953
Total General Fund	<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>	<u>\$ 14,664,514</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	399,200	93,260	44,373	564,272	203,406	238,380	199,357	235,442	372,772	87,535
Committed in Capital Project	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)	(29,578)
Total all other governmental funds	<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>	<u>\$ 57,957</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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Taxes	\$ 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	\$ 5,244,811
Intergovernmental	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	4,227,190
Licenses and Permits	1,163,946	799,809	997,142	117,169	142,999	131,372	71,360	2,960,753	2,423,971	117,773
Sales and Services	273,598	150,182	229,363	1,188,690	1,314,328	1,249,870	1,226,012	109,116	159,317	1,235,858
Other taxes	1,035,655	983,037	1,056,450	1,656,951	1,448,332	-	-	1,233,902	1,294,212	1,916,246
Investment Earnings	25,887	11,790	16,163	17,053	38,426	31,808	145,357	330,712	211,189	8,944
Miscellaneous	188,125	272,017	298,278	326,381	146,841	306,371	141,051	773,169	409,324	362,945
Total revenues	9,890,869	9,661,170	10,132,120	11,159,166	11,408,130	11,574,901	11,492,819	14,539,091	13,607,742	13,113,767
Expenditures										
General government	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	2,467,578
Public Safety	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	5,341,812
Highways and streets	724,838	1,271,528	1,188,591	1,154,320	916,163	852,443	1,780,635	1,297,754	1,544,162	1,960,045
Environmental Protection	-	-	-	213,595	166,469	12,468	71,520	959,665	-	-
Culture and recreation	771,458	965,741	74,506	743,021	756,998	814,717	1,178,905	1,467,255	698,372	623,130
Capital Outlay	732,138	1,901,981	807,341	2,029,703	682,439	716,454	925,249	-	1,627,970	1,107,803
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	137,536	152,902	152,405	1,656,108	196,850	198,260	180,350	187,406	194,739	202,363
Interest	397,638	244,992	236,945	253,873	178,010	175,494	161,897	153,973	146,550	139,311
Other charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	10,105,951	11,060,117	10,187,428	12,480,795	9,572,818	9,688,240	10,355,999	14,555,475	11,658,953	11,842,042
Excess of revenues over (under) expenditures										
Other financing sources (uses)										
Transfers in	400,000	-	565,001	131,742	60,000	-	347,450	61,525	-	325,257
Transfers out	(798,221)	(242,516)	(472,059)	(369,111)	(312,677)	(222,662)	(680,534)	(284,332)	(191,149)	(520,089)
Debt issued	549,000	-	1,500,000	1,700,000	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-	-	-	-	-
Sale of Capital assets	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	150,779	(242,516)	1,592,942	1,462,631	(252,677)	(222,662)	(333,084)	(222,807)	(191,149)	(194,832)
Net Change in fund balances	\$ (64,303)	\$ (1,641,463)	\$ 1,537,634	\$ 141,002	\$ 1,582,635	\$ 1,663,999	\$ 803,736	\$ (239,191)	\$ 1,757,640	\$ 1,076,893
Debt service as a percentage of noncapital expenditures	1.7%	2.2%	4.4%	18.3%	4.4%	4.2%	3.6%	2.9%	3.5%	3.3%

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
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
2021	4,615,224	629,116	2,371,710	1,108,482	8,724,532

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 Motor Vehicles	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 Property	Commercial Property						
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%
2021	491,390,420	241,912,738	101,196,506	8,632,550	825,867,114	0.59	814,139,801	98.58%

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

Fiscal Year	City Of Havelock Tax Rate	Overlapping Rate Craven County Tax Rate	Total Direct & Overlapping Rates
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
2021	0.5900	0.5600	1.1500

*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
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%	471		4,595,554	99.47%
2021	4,616,306	4,588,941	99.41%	-		4,588,941	99.41%

City of Havelock

Principal Property Taxpayers

June 30, 2021

2021		2011	
Taxpayer	Taxable Assessed Value	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Property Management/Development	\$ 28,325,000	\$ 33,026,305	3.17%
Property Management/Development	12,981,907	11,182,870	1.07%
Property Management/Development	10,650,280	7,362,907	0.71%
Property Management/Development	6,184,530	6,143,072	0.59%
Property Management/Development	6,088,380	6,133,100	0.59%
Property Management/Development	5,784,004	5,702,300	0.55%
Property Management/Development	5,436,680	5,478,020	0.53%
Property Management/Development	4,923,478	5,392,378	0.52%
Public Utility	4,681,379	5,116,909	0.49%
Public Utility	4,549,861	4,832,225	0.46%
Totals	\$ 89,605,499	\$ 90,370,086	8.68%

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	
	General	Special	Assessment		Installment	Sewer Bonds	Water Bonds	Installment Loans	Primary Government	Per Capita
	Obligation Bonds	Bonds	Bonds		Loans					
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
2021	-	-	-	-	5,756,920	10,459,480	3,051,211	-	19,267,611	970

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

Fiscal Year	Governmental Activities Debt	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
	\$	\$	\$	\$	\$
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
2021	5,756,920	-	5,756,920	-	294

City of Havelock
Direct and Overlapping Activities Debt
As of June 30, 2021

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County	\$43,938,652	23.38%	\$ 10,272,857
Subtotal, overlapping debt			
City of Havelock direct debt			\$ 5,959,283
Total direct and overlapping debt			<u>\$ 16,232,140</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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt Limit	\$ 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	\$ 52,300,000
Total net debt applicable to limit	<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>	<u>\$ 52,300,000</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)
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%
2021	19,854	-	-	23.7	3,937	4.40%

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									
Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government	21	22	21	21	21	22	22	22	22	22
Public Safety										
Police										
Officers	29	29	29	29	29	29	29	29	29	29
Civilians	7	8	8	8	8	8	8	8	8	10
Fire/EMS										
Firefighters and officers	19	19	19	18	18	18	18	18	18	18
Highways and Streets	13	13	13	13	12	12	12	13	13	13
Sanitation	1	1	1	1	1	1	1	1	1	1
Culture and recreation	9	9	9	8	8	8	8	8	8	8
Water	9	9	9	9	9	9	9	10	10	10
Sewer	11	11	11	11	11	11	11	12	12	12
Tourist and Event Center	2	2	2	2	2	2	2	2	2	2
Total	121	123	122	120	119	120	120	123	123	125

Source: City of Havelock Personnel Office.

City of Havelock
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Planning										
Number of permits issued	1,028	679	711	924	1,002	848	952	1,901	976	813
Police										
Physical arrests	1,822	1,599	1,277	1,688	776	805	735	800	881	800
Accidents	623	699	506	508	585	557	622	628	528	416
E911	31,232	35,277	32,549	37,294	32,357	29,404	27,598	26,868	26,342	36,861
Fire										
Number of calls answered	533	584	517	526	486	490	582	654	315	565
EMS										
Number of calls answered	2,117	2,185	2,170	2,271	2,233	1,719	2,517	2,518	2,630	3,076
Culture and recreation										
Recreation Participants	106,398	96,664	94,183	100,542	118,605	79,894	78,902	69,043	60,287	7,871
Water										
Number of miles of main	72	72	72	80	80	80	80	80	80	80
Number of connections	5,400	5,143	5,615	5,625	5,638	5,573	5,583	5,602	5,651	5,752
Average daily consumption (000s of gallons)	1,400	1,160	1,100	959	1,041	976	1,043	925	1,089	869
Solid Waste										
Number of containers*	4,970	4,936	4,865	4,865	4,971	4,979	4,893	4,971	4,999	5,068
Sewer										
Number of miles of main	74	74	74	74	74	74	74	74	74	80
Number of connections	5,208	5,002	5,732	5,638	5,704	5,586	5,600	5,710	5,770	5,761
Average daily treatment (000s of gallons)	1,300	1,400	1,450	1,530	1,308	1,057	1,487	903	1,498	1,540
Tourist and Event Center										
Event Days (1)	204	219	217	200	181	199	218	124	153	59

* 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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
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	5	5	5	5	5	5	5	6	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	46.00	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	12	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	72	72	72	80	80	80	80	80	80	80
Fire hydrants	567	567	567	569	566	566	565	566	566	566
Maximum daily capacity (000s of gallons)	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800
Sewer										
Number of miles of main	74	74	74	74	74	74	74	74	74	74
Maximum daily treatment capacity (000s of gallons)	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800
Tourist and Event Center 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, 2021, 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 August 31, 2021.

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
August 31, 2021

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, 2021. 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, 2021.

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 each 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
August 31, 2021

CITY OF HAVELOCK, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

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? No
- Significant deficiency(s) identified? None reported

Non-compliance material to financial statements noted?

No

State Awards

Internal control over major state programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? 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

N.C. Department of Commerce – Rural Housing Recovery Infrastructure Grant

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, 2021**

None reported.

CITY OF HAVELOCK, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

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:					
Division of Emergency Management					
Passed-Through N.C Department of Public Safety:					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	69348	\$ 186,478	\$ 62,159	\$ -
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		177,077	-	-
State Programs:					
N.C Department of Commerce:					
Rural Housing Recovery Infrastructure Grant		2019-135-3215-2545	-	350,000	-
N.C. Department of Transportation:					
Powell Bill		DOT-4	-	239,515	-
Total federal expenditures			\$ 363,555		
Total state expenditures				\$ 651,674	

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, 2021. 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 \$177,077 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.

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