



PASQUOTANK
COUNTY·NC

PASQUOTANK COUNTY, NORTH CAROLINA
ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

PREPARED BY THE FINANCE DEPARTMENT
SHERI SMALL, FINANCE OFFICER

PASQUOTANK COUNTY, NORTH CAROLINA

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INTRODUCTORY SECTION

COMMISSIONERS
Charles Jordan, Chairman
Barry Overman, Vice-Chairman
Lloyd E. Griffin, III
Sean Lavin
Jonathan Meads
Sam Davis, III
Clifford Shaw



COUNTY MANAGER
Sparty Hammett
ASSISTANT COUNTY MANAGER
John Shannon
COUNTY ATTORNEY
R. Michael Cox
CLERK TO THE BOARD
Lynn B. Scott

The Board of County Commissioners
Citizens of Pasquotank County
Pasquotank County, North Carolina

November 6, 2023

We are pleased to present the annual comprehensive financial report (ACFR) of Pasquotank County for the fiscal year ended June 30, 2023. The financial statements and supplemental schedules contained herein have been audited by the independent, certified public accounting firm of Thompson, Price, Scott, Adams & Co. P.A. and that firm's unmodified opinion is included in the financial section of this report. The County Finance Office; however, has prepared the report, and is responsible for the accuracy of the data and for the completeness and fairness of its presentation, including all disclosures. We believe that the data as presented is accurate in all material aspects; that it is presented in a manner designed to set forth fairly the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

Generally accepted accounting principles require 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 the MD&A and should be read in conjunction with it. Pasquotank County's MD&A can be found immediately following the report of independent auditors.

The financial reporting entity includes all of the funds of the primary government (Pasquotank County), as well as its component unit. A component unit is a legally separate entity for which the primary government is financially accountable. Discretely presented component units are reported in a separate column in the basic financial statements to emphasize that they are legally separate from the primary government and to distinguish their financial positions, results of operations, and cash flows from those of the primary government. Elizabeth City-Pasquotank County Tourism Development Authority is reported as a discretely presented component unit.

The Elizabeth City-Pasquotank County Tourism Development Authority is reported in the financial statements in a manner similar to a governmental fund. The Pasquotank County Industrial Facilities and Pollution Control Financing Authority is also a component unit of Pasquotank County; however, this authority has no financial transactions or account balances and therefore is not reported in the financial statements.

Description of the County

Pasquotank County is located in the northeastern section of North Carolina and is bordered on three sides by water: the Pasquotank River to the east, the Albemarle Sound to the south, and the Little River to the west. The City of Elizabeth City is the County seat and is centrally located within the County. Pasquotank Precinct was created in 1672 from Albemarle County, the original County of North Carolina. Pasquotank Precinct was named for a tribe of Native Americans who inhabited the area. Pasquotank Precinct became a County in 1738 and is one of the four oldest counties in North Carolina. In 1793, the General Assembly authorized a town at the narrows of the Pasquotank River to be known as Redding, which later changed its name to Elizabeth City. The County is known for being the site of many first events in the state. In 1660, the first known land deed in North Carolina was executed and is preserved in the Pasquotank County Courthouse; in 1665, the first Grand Assembly (the precursor to today's General Legislative Assembly) in North Carolina convened in the County; the Culpepper Rebellion, the first armed revolt against England occurred in 1677; and the first public school in North Carolina was established in the County in 1705. Pasquotank County has a land area of 229 square miles and a population of 40,629.

The County has a commissioner/manager form of government. The seven members of the Board of Commissioners are elected from a combination of districts and at-large on a partisan basis and serve staggered four-year terms. The Board of Commissioners is the policy-making and legislative authority for the County. They are also responsible for adopting a budget and appointing a County manager. The manager is responsible for implementing policies, managing daily operations, and appointing County employees. The County provides its citizens with a wide range of services that include public safety, human services, solid waste services, cultural and recreational activities, general government, and others. This report includes all of the County's activities in maintaining these services. The County also provides financial support to other boards and agencies to assist them in providing services to the citizens. Among these are the Elizabeth City-Pasquotank County Board of Education, College of the Albemarle, Albemarle Regional Health Services, Albemarle Commission, and Trillium Health Resources.

Economic Conditions and Outlook

The economy of Pasquotank County remained about the same over the past year. The local unemployment rate was 4.2%, the state unemployment rate was 3.3% and the national rate was 3.8% at the end of fiscal year 2023. Major industries in Pasquotank County include Sentara Albemarle Medical Center, Hoffer Flow Controls, Inc., TCOM, J.W. Jones Lumber Company, and Universal Forest Products. The largest employers in Pasquotank County; however, continue to be government facilities such as the U.S. Coast Guard, the Elizabeth City-Pasquotank County Public School System, the Pasquotank Correctional Institute, Elizabeth City State University, College of the Albemarle, Pasquotank County, and Elizabeth City. Pasquotank County continues to have a diversified employment base, although it is somewhat dominated by governmental jobs.

In the 2022-2023 fiscal year, residential development occurred primarily in existing subdivisions throughout the County. The total number of new home permits issued in the County were 95. Permits for new modular and manufactured homes issued in the County were 24. In addition, 95 permits for accessory structures including garages, sheds, and swimming pools were issued.

Pasquotank County issued 19 commercial construction permits during this period consisting mainly of additions and renovations to existing buildings and a new cell tower.

Major Initiatives

The permanent booster pump station for the Newland Territory was completed in the 2022-2023 fiscal year.

A project ordinance for the American Rescue Plan Act funds was approved in July of 2022. The Board elected to use the standard allowance for revenue replacement. General Fund received \$4,413,288 and the Utilities Fund received \$2,438,780.

The County sold property located in Kitty Hawk, North Carolina, to the Town of Kitty Hawk for \$4.1 million. This property was acquired from Sentara Albemarle Medical Center as part of the lease buy-out agreement. The receipt of these funds allowed the County to pay for capital items such as two fire trucks, construction of a new board room and construction of Phase I of the Newland Park without seeking financing.

The County's Emergency Medical Services Department received an innovation award from the North Carolina Association of County Commissioners for implementation of a Tiered Response System.

A contract for the design of the Reverse Osmosis Plant expansion was awarded to Green Engineering. The County has received \$9.3 million in the State budget for the expansion of the plant from 2MGD to 3MGD. The receipt of these funds from the State will eliminate the need for the County to seek financing for this project.

College of the Albemarle will receive a total of \$25 million as part of the State budget for the construction of a new Allied Health Sciences Simulation Center. The receipt of these funds from the State will eliminate the need for the County to seek financing for this project.

Financial Information

Accounting

The annual budget which is adopted by the County Board of Commissioners is an integral part of the County's accounting system and daily operations. The budget ordinance creates a legal limit on spending authorizations. The County's accounting records for general governmental operations are maintained on the modified accrual basis whereby revenues are recognized when measurable and available, and expenditures are recognized when fund liabilities have occurred. Enterprise funds are reported on the full accrual basis of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred. Adherence to generally accepted accounting principals is maintained with a concerted effort to follow the accounting and financial reporting guidelines of the Government Finance Officers Association of the United States and Canada (GFOA) and the Governmental Accounting Standards Board (GASB).

Internal Control

County management is responsible for the accounting system and for establishing and maintaining an internal control structure. The internal control structure is designed to provide reasonable, but not absolute, assurance regarding (1) safeguarding of assets against loss from unauthorized use or disposition; (2) reliability of financial records for preparing financial statements in conformity with generally accepted accounting principals and maintaining accountability for assets; and (3) compliance with applicable laws and regulations related to federal and state financial assistance programs. The concept of reasonable assurance recognizes that (1) the cost of controls should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management. We believe that the County's internal accounting controls adequately protect assets and provide reasonable assurance

of the proper recording of financial transactions. As part of the County's single audit, the independent auditor performed a review of the County's internal control structure. The procedures performed by the independent auditor did not indicate any material internal control weaknesses or reportable conditions.

Other Information

Independent Audit

Pasquotank County is required by state law (G.S. 159-34) to have an annual independent financial audit. A compliance audit on federal and state financial assistance programs is also required under the Federal Single Audit Act of 1984 and the State Single Audit Implementation Act. The County's auditor, Thompson, Price, Scott, Adams & Co. P.A. was selected through a formal request for proposals process. The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports required as part of a single audit are found in the compliance section of this report.


Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Pasquotank County for its annual comprehensive financial report for the fiscal year ended June 30, 2022. This was the twenty-fifth year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report would not have been possible without the dedicated efforts of the Finance Department staff. We also thank the members of the Board of County Commissioners for their continued support during the past year.

Respectfully submitted,



Sparty Hammett
County Manager



Sheri Small
Finance Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Pasquotank County
North Carolina**

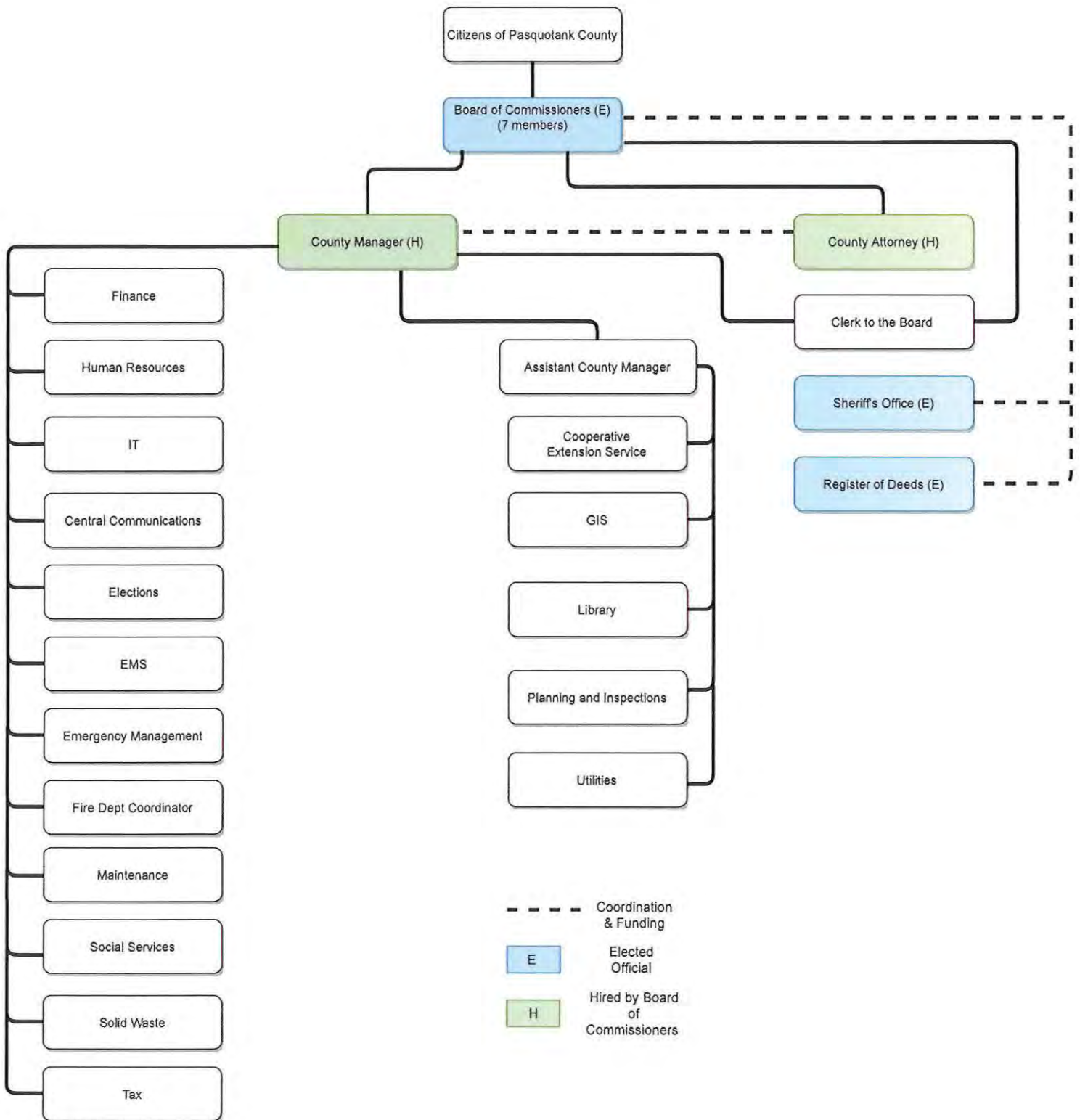
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

Pasquotank County Organizational Chart



PASQUOTANK COUNTY, NORTH CAROLINA

PRINCIPAL OFFICIALS
JUNE 30, 2023

BOARD OF COMMISSIONERS

Charles Jordan, Chairman

Barry Overman, Vice-Chairman
Jonathan Meads
Sam Davis, III

Lloyd E. Griffin, III
Clifford Shaw
Sean Lavin

Lynn Scott, Clerk to the Board
R. Michael Cox, County Attorney

Office of the County Manager
Sparty Hammett, County Manager
John Shannon, Assistant County Manager
Michael Barclift, Management Fellow

Tommy S. Wooten, II, Sheriff
Kathy Ford, Director,
Department of Social Services
David Smithson, Supervisor, Water Department
Brian Parnell,
Emergency Management Coordinator
Gerald E. Newell, Director,
Emergency Medical Services
Clementine White, Register of Deeds
Ellen Owens, Director, Agricultural
Extension Service
Kylie Felton, Central Communications
Director

Patrice Stewart, Tax Administrator
Gayle McCullen, Human Resources Director
Sheri Small, Finance Officer
Ronald Brown, IT Manager
Bobby Micklewright, Building Inspector
Emma Tate, Election Supervisor
Shelley Cox, County Planner
Christopher Jones, Maintenance Supervisor
Kim Perry, Librarian,
Pasquotank County Library
Brad Gardner, Solid Waste Director
Robert Boyce, Fire Department
Coordinator

FINANCIAL SECTION



Thompson, Price, Scott, Adams & Co., P.A.
4024 Oleander Drive Suite 103
Wilmington, North Carolina 28403
Telephone (910) 791-4872
Fax (910) 239-8294

Independent Auditor's Report

To the Board of County Commissioners
Pasquotank County, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Pasquotank County, North Carolina as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Pasquotank County's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pasquotank County as of June 30, 2023, and the respective changes in financial position and cash flows, thereof and the respective budgetary comparison for the General Fund and Grants Fund, and Elizabeth City-Pasquotank County Tourism Development Authority for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pasquotank County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial Statements of the TDA were not audited in accordance with Governmental Auditing Standards.

Responsibilities of Management for the Audit of 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards* we

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Pasquotank County. The combining and individual fund financial statements, budgetary schedules, other schedules, and component unit schedules as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules component unit 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 as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory information and the statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, on our consideration of Pasquotank County'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 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 Pasquotank County'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 Pasquotank County's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., PA
Wilmington, North Carolina
October 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Pasquotank County (the "County"), we offer readers of Pasquotank County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

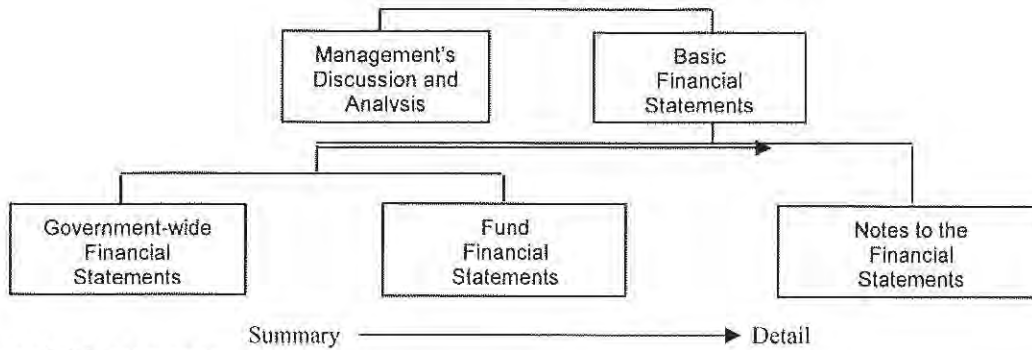
Financial Highlights

- The assets and deferred outflows of resources of Pasquotank County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$79,303,166 (net position).
- On the government-wide statements, assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources of the governmental activities at the close of the fiscal year by \$47,531,495. The governmental activities' net assets are impacted considerably by the certificates of participation (COPS) and the qualified school construction bonds (QSCB) that the County has issued on behalf of the Elizabeth City-Pasquotank County Board of Education to fund capital projects. Under North Carolina law, the County is responsible for providing capital funding for the school system. The County has chosen to meet its legal obligation to provide school capital funding by using a mixture of County funds, installment purchase, bank qualified debt, certificates of participation, and qualified school construction bonds. The assets are not reflected in the County's financial statements and the full amount of the long-term debt \$5,629,822, is reflected in the County's financial statements. Under North Carolina law, the County is also responsible for capital and maintenance cost at College of the Albemarle. As of June 30, 2023, the outstanding debt relating to the expansion of Building A totaled \$856,800. The assets are not reflected in the County's financial statements.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$53,091,239, an increase of \$16,244,930 in comparison with the prior year. Approximately 55 percent of this total amount or \$29,261,226 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$29,261,226 or approximately 51.53 percent of total general fund expenditures for the fiscal year. The County appropriated \$1,000,000 for the 2023-2024 budget.
- The County's total debt decreased by \$4,166,680 during the current fiscal year. No new debt was issued this fiscal year.
- The County has an "A+" bond rating (Standard & Poor's Investor Services) and a rating of 80 from North Carolina Municipal Council, Inc.
- The County implemented GASB Statement No. 97, Subscription Based Information Technology Agreements (SBITAs).

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 11) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements for major governmental funds; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's major and non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's pension plans.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as general administration, taxation and records, human services, education, and public safety. Property and other taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water, sewer, and landfill services offered by the County. The final category is the component units. Although the component unit is legally separate from the County, the County appoints the majority of the board members on the Elizabeth City-Pasquotank County Tourism Development Authority.

The government-wide financial statements are on Pages 19 and 20 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of the County can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the Statement of Revenues, Expenditures and Changes in Fund Balance. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The County has one kind of proprietary fund. An *Enterprise Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Utilities Department activity and for its Landfill operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of others outside the government. The County has two fiduciary funds, both are custodial funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 33 – 77 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning The County's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found beginning on page 78 of this report.

Government-wide Financial Analysis

Pasquotank County's Net Position

| | Governmental Activities | | Business-type Activities | | Totals | |
|--------------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Current and other assets | \$ 61,681,986 | \$ 53,927,112 | \$ 17,087,565 | \$ 16,762,124 | \$ 78,769,551 | \$ 70,689,236 |
| Capital assets | 39,220,089 | 39,165,883 | 26,071,715 | 23,745,816 | 65,291,804 | 62,911,699 |
| Total assets | <u>100,902,075</u> | <u>93,092,995</u> | <u>43,159,280</u> | <u>40,507,940</u> | <u>144,061,355</u> | <u>133,600,935</u> |
| Total deferred outflows of resources | 11,338,180 | 9,889,633 | 1,289,482 | 1,103,868 | 12,627,662 | 10,993,501 |
| Long-term liabilities/schools | 6,486,622 | 7,124,134 | - | - | 6,486,622 | 7,124,134 |
| Long-term liabilities/other | 14,352,066 | 16,917,824 | 6,675,954 | 7,604,579 | 21,028,020 | 24,522,403 |
| Other Liabilities | 32,784,291 | 37,241,879 | 3,891,346 | 3,084,925 | 36,675,637 | 40,326,804 |
| Total liabilities | <u>53,622,979</u> | <u>61,283,837</u> | <u>10,567,300</u> | <u>10,689,504</u> | <u>64,190,279</u> | <u>71,973,341</u> |
| Total deferred inflows of resources | 11,085,781 | 12,405,149 | 2,109,791 | 2,244,746 | 13,195,572 | 14,649,895 |
| Net position: | | | | | | |
| Net investment in capital assets | 25,299,205 | 23,834,297 | 21,074,028 | 16,195,719 | 46,373,233 | 40,030,016 |
| Restricted/Bonds | 8,098,370 | 8,277,773 | | | 8,098,370 | 8,277,773 |
| Unrestricted | 14,133,920 | (2,818,428) | 10,697,643 | 12,481,839 | 24,831,563 | 9,663,411 |
| Total net position | <u>\$ 47,531,495</u> | <u>\$ 29,293,642</u> | <u>\$ 31,771,671</u> | <u>\$ 28,677,558</u> | <u>\$ 79,303,166</u> | <u>\$ 57,971,200</u> |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the County exceeded liabilities and deferred inflows of resources by \$79,303,166 as of June 30, 2023. The County's net position increased by \$21,331,966 for the fiscal year ended June 30, 2023. Net position is reported in three categories: Net investment in capital assets of \$46.3 million, Restricted of \$8 million and Unrestricted of \$24.8 million.

The net investment in capital assets is defined as the County's investment in County owned capital assets (e.g. land, buildings, automotive equipment, office and other equipment, infrastructure and right to use assets), less any related debt still outstanding that was issued to acquire those items. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. At June 30, 2023 the increase in this category of net position is due to a decrease in debt related to assets and the addition of new assets exceeding the current year depreciation.

The second category of net position is restricted. This represents resources that are subject to external restrictions on how they may be used.

The final category of net position is unrestricted. This balance may be used to meet the government's ongoing obligations to citizens and creditors.

The deficit in unrestricted net position in the Governmental Activities decreased this year by \$16,952,348 due primarily to using American Rescue Plan Act funds for revenue replacement for prior and current year allowable costs as well as an increase in sales tax and land transfer tax received. A portion of both sales tax and land transfer tax, \$1,060,284, was transferred to the Capital Reserve Fund for future school capital needs. The remaining amount of the difference can be attributed to the funding for school projects being deferred to the 2023-2024 year. The County's Governmental Funds showed an increase in fund balance by \$16,224,930. The decrease in the deficit is reflected below:

- The deferral of school projects to 2023-2024 by \$1.6 million
- Increase sales tax received over budget in the amount of \$2.1 million
- Sale of properties acquired as part of the Sentara Lease Buy-Out \$4.2 million
- Continued diligence in the collection of ad valorem taxes
- American Rescue Plan Act revenue replacement \$5.4 million
- Increase in land transfer tax received over budget in the amount of \$1.5 million

Pasquotank County Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 7,688,356 | \$ 7,912,830 | \$ 14,239,513 | \$ 11,995,001 | \$ 21,927,869 | \$ 19,907,831 |
| Operating grants and contributions | 14,167,671 | 8,155,324 | 138,068 | 237,790 | 14,305,739 | 8,393,114 |
| Capital grants and contributions | 7,725 | 346,021 | 147,940 | 206,050 | 155,665 | 552,071 |
| General revenues: | | | | | | |
| Property taxes | 27,240,041 | 26,419,526 | | | 27,240,041 | 26,419,526 |
| Other taxes | 17,956,386 | 17,213,771 | | | 17,956,386 | 17,213,771 |
| Other general revenues | 9,507,357 | 4,794,053 | 601,945 | 150,926 | 10,109,302 | 4,944,979 |
| Total revenues | 76,567,536 | 64,841,525 | 15,127,466 | 12,589,767 | 91,695,002 | 77,431,292 |
| Expenses: | | | | | | |
| General government | 6,171,682 | 6,170,252 | | | 6,171,682 | 6,170,252 |
| Public safety | 18,098,621 | 17,900,793 | | | 18,098,621 | 17,900,793 |
| Environmental protection | 600 | 4,915 | | | 600 | |
| Economic and physical development | 3,577,246 | 2,911,241 | | | 3,577,246 | 2,911,241 |
| Human services | 9,239,055 | 9,468,771 | | | 9,239,055 | 9,468,771 |
| Cultural and recreational | 2,292,267 | 2,237,837 | | | 2,292,267 | 2,237,837 |
| Education | 15,892,690 | 14,500,130 | | | 15,892,690 | 14,500,130 |
| Interest on long-term debt | 718,742 | 819,125 | | | 718,742 | 819,125 |
| Water system | | | 7,928,581 | 6,726,773 | 7,928,581 | 6,726,773 |
| Landfill operations | | | 6,443,552 | 5,599,817 | 6,443,552 | 5,599,817 |
| Total expenses | 55,990,903 | 54,013,064 | 14,372,133 | 12,326,590 | 70,363,036 | 66,334,739 |
| Increase in net position before transfers | 20,576,633 | 10,828,461 | 755,333 | 263,177 | 21,331,966 | 11,096,553 |
| Transfers in (out) | (2,338,780) | 100,000 | 2,338,780 | (100,000) | | |
| Increase (decrease) in net position | 18,237,853 | 10,928,461 | 3,094,113 | 163,177 | 21,331,966 | 11,091,638 |
| Net position--beginning | 29,293,642 | 18,365,181 | 28,677,558 | 28,514,381 | 57,971,200 | 46,879,562 |
| Restatement | | | | | | 6,328 |
| Net position--beginning restated | 29,293,642 | 18,365,181 | 28,677,558 | 28,514,381 | 57,971,200 | 46,879,562 |
| Net position June 30 | \$ 47,531,495 | \$ 29,293,642 | \$ 31,771,671 | \$ 28,677,558 | \$ 79,303,166 | \$ 57,971,200 |

Governmental activities: Governmental activities increased the County's net position by \$18,237,853. Key elements of this increase are as follows:

- School capital projects in the amount of \$1.6 million were deferred to 2023-2024
- American Rescue Plan Act revenue replacement in the amount of \$5.4 million
- Sales tax receipts came in approximately \$2.1 million more than anticipated, an increase of 5% over the prior year's receipts. The increase in sales tax received reflects the economy's rebound from COVID.
- Sale of properties acquired as part of the Sentara Lease Buy-Out \$4.2 million

Business-type activities: Business-type activities increased the County's net position by \$3,094,113 as compared to an increase of \$163,177 in the prior year. The difference between the two years of \$2,930,936 can be attributed to the following:

- The Utilities Fund increased revenue as a result of a rate increase effective July 1, 2022.
- An increase in tipping fees for the Landfill Fund were implemented on January 1, 2023. The increase was implemented mid-year to help offset the escalating cost of scrap tire disposal. Tire disposal cost increased from \$146,855 in the prior year, to \$341,199 in the current year; an increase of 232.33%.
- American Rescue Plan Act funds were transferred into the Utilities Fund for revenue replacement, in the amount of \$2.4 million. These funds will be used to offset capital projects in lieu of financing.

Financial Analysis of the County's Funds

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

Governmental Funds: The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the County's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, Pasquotank County's fund balance available in the General Fund was \$29,261,226 while total fund balance increased to \$52,458,627 from \$36,411,964 at June 30, 2023. The County currently has an available fund balance of approximately 51.53 percent of total General Fund expenses, while total fund balance represents approximately 92 percent of that same amount.

At June 30, 2023, the governmental funds of the County reported a combined fund balance of \$53,091,239, an approximate 44 percent increase from last year. The bulk of the increase is a result of the transfer of American Rescue Plan funds in the amount of \$5.4 million and the sale of the Kitty Hawk property in the amount of \$4.1 million.

General Fund Budgetary Highlights: The County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues and expenditures by \$2,664,156 or approximately 5%. The increase is a result of funds in the amount of \$369,000 received from Perquimans and Camden counties, \$868,000 in grants received, and approximately \$1,700,000 of school projects rolled over from the 2021-2022 year.

Proprietary Funds: The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Landfill Fund is \$1,973,786 at the end of the fiscal year and for the Utilities Fund equaled \$10,338,942. The decrease in net position for the Landfill Fund was \$359,948. This decrease is directly linked to the cost of tire disposal and the result of truck repairs that were unable to be done in a timely manner due to supply shortages. Outside hauling contractors were hired to transport the waste. The increase in net position in the Utilities Fund was \$3,454,061. The bulk of this increase is the transfer of American Rescue Plan funds in the amount of \$2.4 million and the water rate increase effective July 1, 2022.

Capital Asset and Debt Administration

Capital assets: The County's investment in capital assets for its governmental and business-type activities as of June 30, 2023, totals \$64,897,947 (net of accumulated depreciation) an increase of \$2,239,628 from last year. These assets include construction in progress, land, buildings, automotive equipment, office and other equipment, and water and sewer lines. With the implementation of GASB 97, Subscription Based Information Technology Agreements (SBITAs); the amount of right to use assets (net of accumulated amortization) is \$393,857. The net increase in capital assets is a result of assets added that were more than annual depreciation. Additional information on the County's capital assets can be found in Note 3 pages 50 – 52.

Pasquotank County's Capital Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|----------------------------|---------------|-----------------------------|---------------|---------------|---------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | | | | | | |
| Land | \$ 6,782,019 | \$ 6,782,019 | \$ 1,267,627 | \$ 1,247,627 | \$ 8,049,646 | \$ 8,029,646 |
| Buildings | 26,478,084 | 27,128,707 | 8,992,644 | 9,453,350 | 35,470,728 | 36,582,057 |
| Transfer station | | | 206,756 | 204,596 | 206,756 | 204,596 |
| Infrastructure | 759,164 | 886,356 | 11,221,380 | 11,615,535 | 11,980,544 | 12,501,891 |
| Furniture and fixtures | 1,538,625 | 1,731,650 | | | 1,538,625 | 1,731,650 |
| Machinery and equipment | | | 504,798 | 306,331 | 504,798 | 306,331 |
| Vehicles and motorized equipment | 2,908,625 | 1,912,110 | 392,975 | 482,920 | 3,301,600 | 2,395,030 |
| Construction in progress | 412,601 | 527,564 | 3,432,649 | 379,554 | 3,845,250 | 907,118 |
| Total net capital assets | \$ 38,879,118 | \$ 38,968,406 | \$ 26,018,829 | \$ 23,689,913 | \$ 64,897,947 | \$ 62,658,319 |
| Right to use assets, net | \$ 340,971 | \$ 197,477 | \$ 52,886 | \$ 55,903 | \$ 393,857 | \$ 253,380 |

Additional information on the County's capital assets can be found in Note 3 of the Basic Financial Statements.

Long-term Debt: As of June 30, 2023, the County has \$26,694,674 in outstanding debt that is related to the construction of a reverse osmosis water treatment facility, capital improvements, construction of a new library and public safety building, construction of a new jail, and additional schools built on behalf of the Elizabeth City-Pasquotank School Board. The County has several installment notes outstanding. A summary of total long-term debt is shown in below:

Revenue Bonds, Installment Notes Payable, Certificates of Participation, and Qualified School Construction Bonds

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------------|----------------------------|---------------|-----------------------------|--------------|---------------|---------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | | | | | | |
| Revenue bonds | \$ | \$ | \$ 6,558,704 | \$ 7,493,831 | \$ 6,558,704 | \$ 7,493,831 |
| Direct borrowing installment purchase | 16,346,850 | 18,603,819 | | | 16,346,850 | 18,603,819 |
| Qualified School Construction Bonds | 533,333 | 666,667 | | | 533,333 | 666,667 |
| Advance Refundings | 3,255,787 | 4,097,037 | | | 3,255,787 | 4,097,037 |
| Total | \$ 20,135,970 | \$ 23,367,523 | \$ 6,558,704 | \$ 7,493,831 | \$ 26,694,674 | \$ 30,861,354 |

During the past fiscal year, the County's total debt decreased by \$4,166,680 or 15.60%. The County did not issue any new debt in the 2022-2023 year.

The County has been assigned a rating of "80" with the North Carolina Municipal Bond Council, Inc. and a rating of "A+" from Standard & Poor's rating service.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the County is \$328,987,864. Additional information regarding the County's long-term debt can be found in Note 3 on pages 68 - 73 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate in the County was at 4.2% on June 30, 2023, compared with a national rate of 3.8% and a State rate of 3.3%.
- The County was awarded a \$175,000 Land and Water Conservation Fund Grant for purchase of land for the Newland Park.
- The booster pump station and transmission line for the County's northern water territory is 90% complete.
- Expansion of the County's reverse osmosis plant from 2MGD to 3MGD is scheduled to start in early 2024.

Budget Highlights for the Fiscal Year Ending June 30, 2024

Governmental Activities: The County has approved a \$56.4 million general fund budget for fiscal year 2024 which represents an increase of approximately \$3.6 million or approximately 6% over fiscal year 2023. The majority of the increase is for additional positions in the Sheriff's Office (2), additional telecommunicators (4), and three fire trucks. A cost of living adjustment in the amount of 5% was given and the County's required contribution to the Local Government Retirement System (LGRS) increased by 1.0% for law enforcement and .75% for all other employees. The County's tax rate for the 2023-2024 budget year is \$.62 per \$100, no change from the prior year. The County kept the school current expense budget the same at \$11,364,000 and increased the capital budget by \$585,638. The small increase in capital funding for the school system is in anticipation of rolling over approximately \$1.8 million in unspent funds from the 2022-2023 fiscal year. College of the Albemarle's current expense budget increased by \$88,625 to \$1,861,125 and \$700,000 was appropriated for capital projects.

Business – type Activities: The Landfill Fund's budget includes plans to upgrade and improve several convenience sites, as well as to purchase a trailer, a transfer truck, a roll-off truck and to purchase several roll-off dumpsters for \$1,415,000. The Utilities Fund's budget includes the purchase of several vehicles, a continuation of implementing remote read meters and expansion of the reverse osmosis plant capacity from 2MGD to 3MGD in the amount of \$8,083,000 million.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Pasquotank County, 206 East Main Street, P.O. Box 529, Elizabeth City, NC 27907.

BASIC FINANCIAL STATEMENTS

Pasquotank County, North Carolina

Exhibit 1

Statement of Net Position
June 30, 2023

| | Primary Government | | | Component Unit |
|--|-------------------------|--------------------------|---------------|-------------------------------------|
| | Governmental Activities | Business-type Activities | Total | EC-PC Tourism Development Authority |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 46,980,321 | \$ 12,426,673 | \$ 59,406,994 | \$ 1,472,029 |
| Receivables (net) | 3,139,898 | 1,412,797 | 4,552,695 | 109,781 |
| Other receivables | 6,057,985 | 57,515 | 6,115,500 | |
| Inventories | | 305,304 | 305,304 | |
| Prepaid items | 5,834 | | 5,834 | 6,360 |
| Restricted cash and cash equivalents | 2,511,146 | 1,505,855 | 4,017,001 | |
| Prepaid trustee fees on debt issuance | | 4,463 | 4,463 | |
| Lease receivable | 2,934,264 | 1,374,958 | 4,309,222 | |
| Net pension asset-register of deeds | 52,538 | | 52,538 | |
| Capital assets: | | | | |
| Land, improvements, and construction in progress | 7,194,620 | 4,700,276 | 11,894,896 | |
| Right to use leased assets, net of amortization | 340,971 | 52,886 | 393,857 | |
| Other capital assets, net of depreciation | 31,684,498 | 21,318,553 | 53,003,051 | 259,342 |
| Total capital assets | 39,220,089 | 26,071,715 | 65,291,804 | 259,342 |
| Total assets | 100,902,075 | 43,159,280 | 144,061,355 | 1,847,512 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension plan-LGERS | 6,496,079 | 785,170 | 7,281,249 | 105,972 |
| Pension plan-LEOSSA | 571,800 | | 571,800 | |
| Pension plan-register of deeds | 29,427 | | 29,427 | |
| Other post employment benefits | 4,240,874 | 504,312 | 4,745,186 | |
| Total deferred outflows of resources | 11,338,180 | 1,289,482 | 12,627,662 | 105,972 |
| LIABILITIES | | | | |
| Accounts payable and accrued expenses | 1,215,055 | 750,858 | 1,965,913 | 10,409 |
| Other liabilities | 519,366 | | 519,366 | |
| Liabilities to be paid from restricted assets | | 127,488 | 127,488 | |
| Accrued interest | 245,960 | 39,310 | 285,270 | |
| Prepaid rents | 895,439 | | 895,439 | |
| Prepaid health services | 300,000 | | 300,000 | |
| Medicaid expansion | 199,844 | | 199,844 | |
| Contribution for future training | 4,924 | | 4,924 | |
| Long-term liabilities: | | | | |
| Due within one year | 4,411,233 | 1,077,364 | 5,488,597 | |
| Due in more than one year | 17,189,407 | 5,656,443 | 22,845,850 | |
| Compensated absences | 462,796 | 74,562 | 537,358 | 4,768 |
| Other post employment benefits | 16,888,070 | 1,702,117 | 18,590,187 | |
| Net pension liability-LGERS | 9,639,355 | 1,139,158 | 10,778,513 | 133,138 |
| Total pension liability-LEOSSA | 1,651,530 | | 1,651,530 | |
| Total liabilities | 53,622,979 | 10,567,300 | 64,190,279 | 148,315 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Prepaid Taxes | 111,950 | | 111,950 | |
| Prepaid solid waste fees | | 288 | 288 | |
| Leases | 3,244,104 | 1,310,968 | 4,555,072 | |
| Other post employment benefits | 7,143,492 | 793,722 | 7,937,214 | |
| Pension plan-register of deeds | 5,086 | | 5,086 | |
| Pension plan-LEOSSA | 323,043 | | 323,043 | |
| Pension plan-LGERS | 258,106 | 4,813 | 262,919 | 2,673 |
| Total deferred inflows of resources | 11,085,781 | 2,109,791 | 13,195,572 | 2,673 |
| NET POSITION | | | | |
| Net investment in capital assets | 25,299,205 | 19,458,943 | 44,758,148 | 259,342 |
| Restricted for: | | | | |
| Stabilization by State Statute | 7,292,146 | | 7,292,146 | 109,781 |
| Register of deeds | 89,334 | | 89,334 | |
| Human services | 342,278 | | 342,278 | |
| Law enforcement | 15,688 | | 15,688 | |
| Education | 170,450 | | 170,450 | |
| Emergency telephone system | 188,474 | | 188,474 | |
| Other governmental entities | | | | 736,338 |
| Unrestricted (deficit) | 14,133,920 | 12,312,728 | 26,446,648 | 697,035 |
| Total net position | \$ 47,531,495 | \$ 31,771,671 | \$ 79,303,166 | \$ 1,802,496 |

The notes to the financial statements are an integral part of this statement.

Pasquotank County, North Carolina

Statement of Activities
For the Year Ended June 30, 2023

Exhibit 2

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit EC-PC Tourism Development Authority |
|---|----------------------|-------------------------|--|-------------------------------------|---|-----------------------------|----------------------|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total | |
| | | | | | Governmental Activities | Business-type Activities | | |
| Primary government: | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| General government | \$ 6,171,682 | \$ 1,920,140 | \$ 1,010,714 | \$ 7,725 | \$ (3,233,103) | | \$ (3,233,103) | |
| Public safety | 18,098,621 | 5,694,361 | 5,919,625 | | (6,484,635) | | (6,484,635) | |
| Environmental protection | 600 | 5,028 | | | 4,428 | | 4,428 | |
| Economic and physical development | 3,577,246 | 34,241 | 1,447,074 | | (2,095,931) | | (2,095,931) | |
| Human services | 9,239,055 | 22,775 | 4,841,778 | | (4,374,502) | | (4,374,502) | |
| Cultural and recreation | 2,292,267 | 11,811 | 312,323 | | (1,968,133) | | (1,968,133) | |
| Education | 15,892,690 | | 636,157 | | (15,256,533) | | (15,256,533) | |
| Interest on long-term debt | 718,742 | | | | (718,742) | | (718,742) | |
| Total governmental activities | 55,990,903 | 7,688,356 | 14,167,671 | 7,725 | (34,127,151) | - | (34,127,151) | |
| Business-type activities: | | | | | | | | |
| Landfill | 6,443,552 | 5,859,802 | 125,568 | | | (458,182) | (458,182) | |
| Utilities | 7,928,581 | 8,379,711 | 12,500 | 147,940 | | 611,570 | 611,570 | |
| Total business-type activities | 14,372,133 | 14,239,513 | 138,068 | 147,940 | - | 153,388 | 153,388 | |
| | <u>\$ 70,363,036</u> | <u>\$ 21,927,869</u> | <u>\$ 14,305,739</u> | <u>\$ 155,665</u> | <u>(34,127,151)</u> | <u>153,388</u> | <u>(33,973,763)</u> | |
| Component unit: | | | | | | | | |
| EC-PC Tourism Development Authority | \$ 1,082,073 | \$ 317,911 | | | | | | (764,162) |
| Total component unit | <u>\$ 1,082,073</u> | <u>\$ 317,911</u> | <u>\$ -</u> | <u>\$ -</u> | | | | <u>(764,162)</u> |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes, levied for general purpose | | | | | 27,240,041 | | 27,240,041 | |
| Local option sales tax | | | | | 13,803,775 | | 13,803,775 | |
| Other taxes and licenses | | | | | 4,152,611 | | 4,152,611 | 1,001,024 |
| Investment earnings, unrestricted | | | | | 1,674,859 | 397,825 | 2,072,684 | 19,664 |
| Unrestricted intergovernmental | | | | | 108,448 | | 108,448 | |
| Restricted intergovernmental | | | | | 2,322,056 | | 2,322,056 | |
| Miscellaneous, unrestricted | | | | | 5,401,994 | 204,120 | 5,606,114 | 2,148 |
| Total general revenues, excluding transfers | | | | | 54,703,784 | 601,945 | 55,305,729 | 1,022,836 |
| Transfers | | | | | (2,338,780) | 2,338,780 | - | |
| Total general revenues and transfers | | | | | 52,365,004 | 2,940,725 | 55,305,729 | 1,022,836 |
| Change in net position | | | | | 18,237,853 | 3,094,113 | 21,331,966 | 258,674 |
| Net position--beginning | | | | | 29,293,642 | 28,677,558 | 57,971,200 | 1,543,822 |
| Net position--ending | | | | | <u>\$ 47,531,495</u> | <u>\$ 31,771,671</u> | <u>\$ 79,303,166</u> | <u>\$ 1,802,496</u> |

The notes to the financial statements are an integral part of this statement.

Pasquotank County, North Carolina

Balance Sheet
 Governmental Funds
 June 30, 2023

Exhibit 3
 Page 1 of 2

| | Major | | Non-Major | | Total Governmental Funds |
|---|---------------|-------------------------|--------------------------------|----|--------------------------------|
| | General | American Rescue Plan | Other Governmental Funds | | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 46,678,170 | \$ | \$ 302,151 | \$ | 46,980,321 |
| Receivables (net): | | | | | |
| Taxes | 1,655,178 | | | | 1,655,178 |
| Assessments | 14,725 | | 724 | | 15,449 |
| Other | 5,322,216 | | 19,299 | | 5,341,515 |
| Emergency medical services | 1,469,271 | | | | 1,469,271 |
| Sales taxes | 339,570 | | - | | 339,570 |
| Restricted cash and cash equivalents | 2,192,512 | | 318,634 | | 2,511,146 |
| Lease Receivable | 2,934,264 | | | | 2,934,264 |
| Prepaid items | 5,834 | | | | 5,834 |
| Total assets | \$ 60,611,740 | \$ - | \$ 640,808 | \$ | 61,252,548 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 1,207,553 | \$ | \$ 7,502 | \$ | 1,215,055 |
| Prepaid revenues | 1,400,207 | | | | 1,400,207 |
| Miscellaneous liabilities | 519,366 | | | | 519,366 |
| Total liabilities | 3,127,126 | - | 7,502 | | 3,134,628 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Prepaid taxes | 111,950 | | | | 111,950 |
| Leases | 3,244,104 | | | | 3,244,104 |
| Unavailable taxes receivable | 1,655,178 | | | | 1,655,178 |
| Unavailable assessments receivable | 14,725 | | 724 | | 15,449 |
| Total deferred inflows of resources | 5,025,957 | - | 724 | | 5,026,681 |
| Fund balances: | | | | | |
| Nonspendable: | | | | | |
| Prepaid items | 5,834 | | | | 5,834 |
| Restricted: | | | | | |
| Stabilization by State statute | 7,272,847 | | 19,299 | | 7,292,146 |
| School capital needs | 170,450 | | | | 170,450 |
| Register of deeds | 89,334 | | | | 89,334 |
| Human services | | | 342,278 | | 342,278 |
| Law enforcement | | | 15,688 | | 15,688 |
| Emergency telephone system | | | 188,474 | | 188,474 |
| Committed: | | | | | |
| Tax Revaluation | 56,067 | | | | 56,067 |
| School capital needs | 14,912,739 | | | | 14,912,739 |
| Drainage | | | 25,549 | | 25,549 |
| Library | | | 41,294 | | 41,294 |
| Assigned: | | | | | |
| Subsequent year's expenditures | 1,000,000 | | | | 1,000,000 |
| Unassigned: | | | | | |
| | 28,951,386 | | | | 28,951,386 |
| Total fund balances | 52,458,657 | - | 632,582 | | 53,091,239 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 60,611,740 | \$ - | \$ 640,808 | | |

The notes to the financial statements are an integral part of this statement.

(continued)

Pasquotank County, North Carolina

Balance Sheet
Governmental Funds
June 30, 2023

Exhibit 3
Page 2 of 2

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

| | |
|--|----------------------|
| Total fund balance, Governmental funds | 53,091,239 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 38,879,118 |
| Right to use assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 340,971 |
| Other long-term assets are not available to pay current-period expenditures and therefore are unavailable in the funds. | 3,621,004 |
| Net pension asset | 52,538 |
| Deferred outflows of resources related to pensions are not reported in the funds | 6,496,079 |
| Deferred outflows of resources related to LEOSA are not reported in the funds | 571,800 |
| Deferred outflows of resources related to OPEB are not reported in the funds | 4,240,874 |
| Deferred outflows of resources related to ROD are not reported in the funds | 29,427 |
| Net pension liability | (9,639,355) |
| Total OPEB liability | (17,254,926) |
| Total pension liability | (1,775,090) |
| Deferred inflows of resources for taxes and special assessments receivable | 1,670,627 |
| Deferred inflows of resources related to pensions are not reported in the funds | (586,235) |
| Deferred inflows of resources related to OPEB are not reported in the funds | (7,143,492) |
| Deferred inflows of resources related to leases are not reported in the funds | (3,244,104) |
| Some liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds. | <u>(21,818,980)</u> |
| Net position of governmental activities | <u>\$ 47,531,495</u> |

The notes to the financial statements are an integral part of this statement.

Pasquotank County, North Carolina

Exhibit 4

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Governmental Funds
 For the Year Ended June 30, 2023

| | Major | | Non-Major | Total Governmental Funds |
|---|----------------------|--------------------|--------------------------------|--------------------------------|
| | General Fund | Grants Fund/ARP | Other Governmental Funds | |
| REVENUES | | | | |
| Ad valorem taxes | \$ 27,274,776 | \$ - | \$ - | \$ 27,274,776 |
| Assessments | 235 | | 4,994 | 5,229 |
| Local option sales taxes | 13,803,775 | | | 13,803,775 |
| Other taxes and licenses | 4,154,371 | | | 4,154,371 |
| Unrestricted intergovernmental | 106,393 | | | 106,393 |
| Restricted intergovernmental | 6,596,189 | 7,735,345 | 231,588 | 14,563,122 |
| Restricted other | 629,589 | | 1,450,504 | 2,080,093 |
| Permits and fees | 523,657 | | | 523,657 |
| Sales and services | 4,766,933 | | | 4,766,933 |
| Investment earnings | 1,545,058 | 115,275 | 14,526 | 1,674,859 |
| Miscellaneous | 7,664,530 | | 52 | 7,664,582 |
| Total revenues | <u>67,065,506</u> | <u>7,850,620</u> | <u>1,701,664</u> | <u>76,617,790</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 4,855,135 | | 168,192 | 5,023,327 |
| Public safety | 15,320,915 | | 111,117 | 15,432,032 |
| Environmental protection | | | 600 | 600 |
| Economic and physical development | 2,531,186 | | 981,743 | 3,512,929 |
| Human services | 8,578,575 | | 67,514 | 8,646,089 |
| Cultural and recreational | 2,179,257 | | 3,451 | 2,182,708 |
| Intergovernmental: | | | | |
| Education | 15,892,690 | | | 15,892,690 |
| Capital outlay | 3,300,961 | | 189,362 | 3,490,323 |
| Debt service: | | | | |
| Principal | 3,366,940 | | | 3,366,940 |
| Interest and other charges | 754,168 | | | 754,168 |
| Total expenditures | <u>56,779,827</u> | <u>-</u> | <u>1,521,979</u> | <u>58,301,806</u> |
| Excess (deficiency) of revenues over expenditures | <u>10,285,679</u> | <u>7,850,620</u> | <u>179,685</u> | <u>18,315,984</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer in (out) | 5,513,288 | (7,852,068) | | (2,338,780) |
| Subscription liabilities issued | 247,726 | | | 247,726 |
| Total other financing sources and (uses) | <u>5,761,014</u> | <u>(7,852,068)</u> | | <u>(2,091,054)</u> |
| Net change in fund balance | 16,046,693 | (1,448) | 179,685 | 16,224,930 |
| Fund balances-beginning | 36,411,964 | 1,448 | 452,897 | 36,866,309 |
| Fund balances-ending | <u>\$ 52,458,657</u> | <u>\$ -</u> | <u>\$ 632,582</u> | <u>\$ 53,091,239</u> |

The notes to the financial statements are an integral part of this statement.

Pasquotank County, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances in Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|--|----------------------|
| Net changes in fund balances - total governmental funds | \$ 16,224,930 |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period | 77,196 |
| Cost of capital asset disposed of during the year, not recognized on modified accrual basis | (22,990) |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | 1,724,790 |
| Benefit payments and pension administration costs for LEOSA are deferred outflows of resources on the Statement of Net Position | 69,692 |
| Contributions and administration costs for OPEB are deferred outflows of resources on the Statement of Net Position | 347,384 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds | (27,263) |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 3,130,931 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | <u>(3,286,817)</u> |
| Total changes in net position of governmental activities | <u>\$ 18,237,853</u> |

The notes to the financial statements are an integral part of this statement.

Pasquotank County, North Carolina

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2023

| | Original Budget | Final Budget | Actual | Variance With Final Positive (Negative) |
|--|--------------------|---------------------|----------------------|--|
| Revenues: | | | | |
| Ad valorem taxes | \$ 26,615,500 | \$ 26,628,594 | \$ 27,274,776 | \$ 646,182 |
| Local option sales tax | 11,615,900 | 11,615,900 | 13,803,775 | 2,187,875 |
| Other taxes and licenses | 2,367,500 | 2,367,500 | 4,154,606 | 1,787,106 |
| Unrestricted intergovernmental | 99,000 | 99,000 | 106,393 | 7,393 |
| Restricted intergovernmental | 5,910,711 | 7,602,050 | 6,596,189 | (1,005,861) |
| Restricted other | 465,000 | 546,218 | 629,589 | 83,371 |
| Permits and fees | 404,000 | 418,400 | 523,657 | 105,257 |
| Sales and services | 5,154,475 | 5,154,475 | 4,766,933 | (387,542) |
| Investment earnings | 25,200 | 622,260 | 1,545,058 | 922,798 |
| Miscellaneous | 2,319,224 | 2,586,269 | 7,664,530 | 5,078,261 |
| Total revenues | <u>54,976,510</u> | <u>57,640,666</u> | <u>67,065,506</u> | <u>9,424,840</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 5,990,605 | 7,668,675 | 6,279,599 | 1,389,076 |
| Public safety | 16,883,777 | 18,102,722 | 17,119,584 | 983,138 |
| Economic and physical development | 2,065,971 | 2,747,616 | 2,564,900 | 182,716 |
| Human services | 9,411,086 | 9,539,080 | 8,608,256 | 930,824 |
| Cultural and recreational | 2,327,746 | 2,719,920 | 2,193,690 | 526,230 |
| Intergovernmental: | | | | |
| Education | 15,345,862 | 17,540,058 | 15,892,690 | 1,647,368 |
| Reserve funds | - | 13,861,785 | | 13,861,785 |
| Debt service: | | | | |
| Principal retirement | 2,966,801 | 3,366,940 | 3,366,940 | - |
| Interest and other charges | 788,334 | 774,115 | 754,168 | 19,947 |
| Total expenditures | <u>55,780,182</u> | <u>76,320,911</u> | <u>56,779,827</u> | <u>19,541,084</u> |
| Revenues over (under) expenditures | <u>(803,672)</u> | <u>(18,680,245)</u> | <u>10,285,679</u> | <u>28,965,924</u> |
| Other financing sources (uses): | | | | |
| Issuance of debt | 1,112,156 | 1,112,156 | | (1,112,156) |
| Subscription liabilities issued | | | 247,726 | 247,726 |
| Transfer in (out) | (1,115,284) | 25,770 | 5,513,288 | 5,487,518 |
| Fund balance appropriated | 806,800 | 17,542,319 | | (17,542,319) |
| Total other financing sources (uses) | <u>803,672</u> | <u>18,680,245</u> | <u>5,761,014</u> | <u>(12,919,231)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 16,046,693 | <u>\$ 16,046,693</u> |
| Fund balances: | | | | |
| Fund balance, beginning | | | 36,411,964 | |
| Fund balance, ending (Exhibit 4) | | | <u>\$ 52,458,657</u> | |

The notes to the financial statements are an integral part of this statement.

PASQUOTANK COUNTY, NORTH CAROLINA

Exhibit 6

AMERICAN RESCUE PLAN FUND

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

--BUDGET AND ACTUAL--

FOR THE YEAR ENDED JUNE 30, 2023

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--------------------------------------|--------------------|------------------|--------------------|------------------------------------|
| Revenue: | | | | |
| Restricted revenue: | | | | |
| American Rescue Plan | \$ 7,735,345 | \$ 7,735,345 | \$ 7,735,345 | \$ - |
| Total | <u>7,735,345</u> | <u>7,735,345</u> | <u>7,735,345</u> | <u>-</u> |
| Investment earnings: | | 115,275 | 115,275 | - |
| Total Revenue | <u>7,735,345</u> | <u>7,850,620</u> | <u>7,850,620</u> | <u>-</u> |
| Expenditures | | | | |
| County Manager | 573,879 | 465,383 | | 465,383 |
| Finance Office | 589,674 | 445,825 | | 445,825 |
| Law Enforcement | 4,502,080 | 4,502,080 | | 4,502,080 |
| Utilities | 2,069,712 | 2,438,780 | | 2,438,780 |
| Total expenditures | <u>7,735,345</u> | <u>7,852,068</u> | <u>-</u> | <u>7,852,068</u> |
| Other financing sources (uses): | | | | |
| Transfer to General Fund | | | (5,413,288) | (5,413,288) |
| Transfer to Utilities | | | (2,438,780) | (2,438,780) |
| Fund balance appropriated | | 1,448 | | (1,448) |
| Total other financing sources (uses) | | | <u>(7,852,068)</u> | |
| Revenue over expenditures | \$ <u>-</u> | \$ <u>-</u> | (1,448) | \$ <u>(1,448)</u> |
| Fund balance, beginning of year | | | <u>1,448</u> | |
| Fund balance, end of year | | | <u>\$ -</u> | |

The notes to the financial statements are an integral part of this statement.

Statement of Net Position
 Proprietary Funds
 June 30, 2023

| | Enterprise Funds | | |
|--|---------------------|----------------------|----------------------|
| | Landfill Fund | Utilities Fund | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 2,412,825 | \$ 10,013,848 | \$ 12,426,673 |
| Accounts receivables, net | 752,505 | 660,292 | 1,412,797 |
| Other receivables | 46,758 | 10,757 | 57,515 |
| Cash reserve-current year debt payment | | 296,564 | 296,564 |
| Prepaid trustee fees on debt issuance | | 4,463 | 4,463 |
| Cash reserve-customer deposits | 1,625 | 125,863 | 127,488 |
| Lease receivable | | 40,174 | 40,174 |
| Inventories | 8,326 | 296,978 | 305,304 |
| Total current assets | <u>3,222,039</u> | <u>11,448,939</u> | <u>14,670,978</u> |
| Noncurrent assets: | | | |
| Cash-Debt service reserve-trustee | | 1,081,803 | 1,081,803 |
| Lease receivable, non-current | | 1,334,784 | 1,334,784 |
| Capital assets: | | | |
| Land, improvements, and construction in progress | 539,363 | 4,160,913 | 4,700,276 |
| Right to use leased assets, net of amortization | | 52,886 | 52,886 |
| Other capital assets, net of depreciation | 1,075,722 | 20,242,831 | 21,318,553 |
| Total capital assets | <u>1,615,085</u> | <u>24,456,630</u> | <u>26,071,715</u> |
| Total noncurrent assets | <u>1,615,085</u> | <u>26,873,217</u> | <u>28,488,302</u> |
| Total assets | <u>4,837,124</u> | <u>38,322,156</u> | <u>43,159,280</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Pension plan-LGERS | 329,396 | 455,774 | 785,170 |
| Other post employment benefits | 185,696 | 318,616 | 504,312 |
| Total deferred outflows of resources | <u>515,092</u> | <u>774,390</u> | <u>1,289,482</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 192,408 | 558,450 | 750,858 |
| Liabilities payable from restricted assets: | | | |
| Customer deposits | 1,625 | 125,863 | 127,488 |
| Accrued interest payable | | 39,310 | 39,310 |
| Lease liability | | 2,218 | 2,218 |
| Compensated absences, current | 28,700 | 36,700 | 65,400 |
| Current portion, long-term debt | | 954,111 | 954,111 |
| Total current liabilities | <u>222,733</u> | <u>1,716,652</u> | <u>1,939,385</u> |
| Noncurrent liabilities: | | | |
| Compensated absences | 37,107 | 37,455 | 74,562 |
| Lease liability | | 51,850 | 51,850 |
| Net pension liability | 477,899 | 661,259 | 1,139,158 |
| Other post employment benefits liability | 705,809 | 1,051,943 | 1,757,752 |
| Noncurrent portion, long-term debt | | 5,604,593 | 5,604,593 |
| Total noncurrent liabilities | <u>1,220,815</u> | <u>7,407,100</u> | <u>8,627,915</u> |
| Total liabilities | <u>1,443,548</u> | <u>9,123,752</u> | <u>10,567,300</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Prepaid solid waste fees | 288 | | 288 |
| Leases | | 1,310,968 | 1,310,968 |
| Pension plan-LGERS | 2,020 | 2,793 | 4,813 |
| Other post employment benefits | 317,489 | 476,233 | 793,722 |
| Total deferred inflows of resources | <u>319,797</u> | <u>1,789,994</u> | <u>2,109,791</u> |
| NET POSITION | | | |
| Net investment in capital assets | 1,615,085 | 17,843,858 | 19,458,943 |
| Unrestricted | 1,973,786 | 10,338,942 | 12,312,728 |
| Total net position | <u>\$ 3,588,871</u> | <u>\$ 28,182,800</u> | <u>\$ 31,771,671</u> |

The notes to the financial statements are an integral part of this statement.

Pasquotank County, North Carolina

Exhibit 8

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2023

| | Enterprise Funds | | |
|---|---------------------|----------------------|----------------------|
| | Landfill Fund | Utilities Fund | Total |
| OPERATING REVENUES | | | |
| Charges for services | \$ 3,193,879 | \$ 5,102,083 | \$ 8,295,962 |
| Water sales-reverse osmosis plant | | 3,060,268 | 3,060,268 |
| Solid waste fees | 2,552,024 | | 2,552,024 |
| Service fees and penalties | 39,724 | 134,555 | 174,279 |
| Other operating revenue | 94,720 | 109,135 | 203,855 |
| Total operating revenues | <u>5,880,347</u> | <u>8,406,041</u> | <u>14,286,388</u> |
| OPERATING EXPENSES | | | |
| Conventional plant operations | | 4,747,956 | 4,747,956 |
| Reverse osmosis plant operations | | 1,076,878 | 1,076,878 |
| Waste water treatment plant operations | | 216,188 | 216,188 |
| Professional services | | 71,938 | 71,938 |
| Administrative services | | 323,847 | 323,847 |
| Depreciation and amortization | 178,079 | 1,252,766 | 1,430,845 |
| Transfer station | 154,887 | | 154,887 |
| Landfill operations | 3,560,382 | | 3,560,382 |
| Convenience sites | 2,489,720 | | 2,489,720 |
| Total operating expenses | <u>6,383,068</u> | <u>7,689,573</u> | <u>14,072,641</u> |
| Operating income (loss) | <u>(502,721)</u> | <u>716,468</u> | <u>213,747</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| State grants | 24,201 | | 24,201 |
| N C Department of Revenue: | | | |
| Tire disposal fee tax | 76,661 | | 76,661 |
| Solid waste disposal tax | 23,387 | | 23,387 |
| Electronics management program | 1,319 | | 1,319 |
| NCACC Management Fellows Grant | | 12,500 | 12,500 |
| Trustee fees | | (3,188) | (3,188) |
| Sale of assets | 77,764 | 8,142 | 85,906 |
| Sales tax refund | | 1,009 | 1,009 |
| Tower rental fees | | 70,330 | 70,330 |
| Other post employment benefits | (5,716) | (16,989) | (22,705) |
| Net pension costs | (54,768) | (75,782) | (130,550) |
| Interest paid on long-term debt | | (143,049) | (143,049) |
| Interest and investment revenue | 99,925 | 297,900 | 397,825 |
| Total nonoperating revenue (expenses) | <u>242,773</u> | <u>150,873</u> | <u>393,646</u> |
| Income before capital contributions and transfers | (259,948) | 867,341 | 607,393 |
| Capital contributions | | 147,940 | 147,940 |
| Transfers (to) from other funds | (100,000) | 2,438,780 | 2,338,780 |
| Change in net position | <u>(359,948)</u> | <u>3,454,061</u> | <u>3,094,113</u> |
| Total net position - beginning | 3,948,819 | 24,728,739 | 28,677,558 |
| Total net position - ending | <u>\$ 3,588,871</u> | <u>\$ 28,182,800</u> | <u>\$ 31,771,671</u> |

The notes to the financial statements are an integral part of this statement.

Pasquotank County, North Carolina

Exhibit 9

Statement of Cash Flows

Proprietary Funds

For The Year Ended June 30, 2023

| | Landfill Fund | Utilities Fund | Total |
|---|---------------------|----------------------|----------------------|
| Cash flows from operating activities: | | | |
| Cash received from customers | \$ 3,152,787 | \$ 8,022,628 | \$ 11,175,415 |
| Cash received from solid waste fees | 2,552,190 | | 2,552,190 |
| Cash paid for goods and services | (4,940,176) | (4,329,181) | (9,269,357) |
| Cash paid to employees for services | (1,223,182) | (1,639,702) | (2,862,884) |
| Customer deposits (net) | | 1,828 | 1,828 |
| Other operating revenue | 131,780 | 243,690 | 375,470 |
| Net cash provided by (used by) operating activities | <u>(326,601)</u> | <u>2,299,263</u> | <u>1,972,662</u> |
| Cash flows from noncapital financing activities | | | |
| Proceeds from State grants-operating | 14,399 | | 14,399 |
| Proceeds from NCACC grant | | 12,500 | 12,500 |
| Sales tax refund | - | 1,009 | 1,009 |
| N C Department of Revenue: | | | |
| Proceeds for tire disposal tax | 75,457 | | 75,457 |
| Proceeds for solid waste disposal tax | 22,694 | | 22,694 |
| Proceeds for electronics management | 1,319 | | 1,319 |
| Transfer out to capital reserve | (100,000) | | (100,000) |
| Net cash provided by (used by) noncapital financing activities | <u>13,869</u> | <u>13,509</u> | <u>27,378</u> |
| Cash flows from capital and related financing activities: | | | |
| Acquisition and construction of capital assets | (101,918) | (484,611) | (586,529) |
| Construction in progress | (10,374) | (3,158,991) | (3,169,365) |
| Right to use assets | | - | - |
| Sale of assets | 77,764 | 8,142 | 85,906 |
| Trustee fees | | (3,188) | (3,188) |
| System development fees | | 147,940 | 147,940 |
| Principal paid on bonds | | (935,127) | (935,127) |
| Interest paid on bonds | | (148,115) | (148,115) |
| Transfer in from ARP | | 2,438,780 | 2,438,780 |
| Proceeds from tower rental | | 33,316 | 33,316 |
| Net cash provided by (used by) capital and related financing activities | <u>(34,528)</u> | <u>(2,101,854)</u> | <u>(2,136,382)</u> |
| Cash flows from investing activities: | | | |
| Interest on investments | 99,925 | 298,068 | 397,993 |
| Net cash used by investing activities | <u>99,925</u> | <u>298,068</u> | <u>397,993</u> |
| Net increase (decrease) in cash and cash equivalents | (247,335) | 508,986 | 261,651 |
| Cash and cash equivalents, July 1 | 2,661,785 | 11,009,092 | 13,670,877 |
| Cash and cash equivalents, June 30 | <u>\$ 2,414,450</u> | <u>\$ 11,518,078</u> | <u>\$ 13,932,528</u> |
| <small>(Landfill includes reserves of \$1,625)</small> | | | |
| <small>(Water System includes cash reserves of \$271,463</small> | | | |
| <small>\$124,035 and \$1,081,803</small> | | | |

The notes to the financial statements are an integral part of this statement.

(continued)

Pasquotank County, North Carolina

Statement of Cash Flows

Proprietary Funds

For The Year Ended June 30, 2023

Exhibit 9
(continued)

| | Landfill Fund | Utilities Fund | Total |
|---|---------------------|---------------------|---------------------|
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating (loss) income | \$ (502,721) | \$ 716,468 | \$ 213,747 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 178,079 | 1,248,900 | 1,426,979 |
| Amortization | | 3,867 | 3,867 |
| Changes in assets, liabilities, and deferred outflows and inflows of resources: | | | |
| (Increase) decrease in accounts receivable | (40,926) | (139,733) | (180,659) |
| (Increase) decrease in other receivables | (2,664) | - | (2,664) |
| (Increase) decrease in inventory | 14,975 | 79,725 | 94,700 |
| (Increase) decrease in prepaid expenses | - | | - |
| Increase (decrease) in accounts payable and accrued liabilities | 28,413 | 402,750 | 431,163 |
| Increase (decrease) in customer deposits | | 1,828 | 1,828 |
| Increase (decrease) in accrued vacation pay | (1,757) | (14,542) | (16,299) |
| Total adjustments | <u>176,120</u> | <u>1,582,795</u> | <u>1,758,915</u> |
| Net cash provided by (used by) operating activities | <u>\$ (326,601)</u> | <u>\$ 2,299,263</u> | <u>\$ 1,972,662</u> |

The notes to the financial statements are an integral part of this statement.

Pasquotank County, North Carolina

Exhibit 10

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2023

| | <u>Custodial Funds</u> |
|--|----------------------------|
| Assets | |
| Cash and cash equivalents | \$ 98,887 |
| Taxes receivable for other governments, net | 1,037,269 |
| Fees receivable for other organizations, net | 16,090 |
| Total assets | <u>1,152,246</u> |
| Liabilities | |
| Due to other governments | 97,785 |
| Due to other organizations | 1,102 |
| Total liabilities | <u>98,887</u> |
| Net position | |
| Restricted for: | |
| Governments and other organizations | 1,053,359 |
| Total fiduciary net position | <u>\$ 1,053,359</u> |

The notes to the financial statements are an integral part of this statement.

Pasquotank County, North Carolina

Exhibit 11

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For The Year Ended June 30, 2023

| | <u>Custodial Funds</u> |
|--|----------------------------|
| Additions | |
| Ad valorem taxes, assessments and fees for other governments | \$ 11,235,846 |
| Gross receipts taxes for other governments | 127,571 |
| Collections of fees for other organizations | <u>22,941</u> |
| Total additions | <u>11,386,358</u> |
| | |
| Deductions | |
| Distributions to other governments | 11,356,248 |
| Distributions to other organizations | <u>24,088</u> |
| Total deductions | <u>11,380,336</u> |
| | |
| Net increase (decrease) in fiduciary position | 6,022 |
| | |
| Net position, beginning, as previously reported | - |
| Prior period restatement - change in accounting principal | <u>1,047,337</u> |
| Net position, beginning, as restated | <u>1,047,337</u> |
| | |
| Net position, ending | <u>\$ 1,053,359</u> |

The notes to the financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Notes are provided in the Financial Section and are considered essential to fair presentation and adequate disclosure for this financial report. The notes include the summary of Significant Accounting Policies for the County and other necessary disclosure of important matters relating to the financial position of the County. The notes are treated as an integral part of the financial statements and should be read in conjunction with them.

PASQUOTANK COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Pasquotank County and its component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a seven-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally-separate entities for which the County is financially accountable. One component unit of the County has no financial transactions or account balances; therefore, it does not appear in the combined financial statements. The discretely presented component unit presented below are reported in a separate column in the County's combined financial statements.

Elizabeth City-Pasquotank County Tourism Development Authority

The Elizabeth City-Pasquotank County Tourism Development Authority (TDA) is governed by a nine-member board and was established in North Carolina under the North Carolina General Statutes. Under the Statutes the TDA receives room occupancy taxes which are levied on gross receipts derived from the rental of any room, lodging or similar accommodation furnished by a hotel, motel or similar establishment from Pasquotank County. The TDA was formed to promote travel and tourism in Elizabeth City and Pasquotank County and to sponsor tourism related events and activities in the same area. The TDA's Board is made up of elected officials appointed by the City and County and individuals affiliated in tourism related businesses. Except for the City's elected official, all members are appointed by the Pasquotank County Board of Commissioners.

Complete financial statements for the component unit may be obtained at the administrative office of the entity:

Elizabeth City-Pasquotank County Tourism Development Authority
606 E. Main Street, Unit B4
Elizabeth City, NC 27909

Pasquotank County Industrial Facilities and Pollution Control Financing Authority

Pasquotank County Industrial Facilities and Pollution Control Financing Authority (the "Authority") exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a seven-member board of commissioners, all of whom are appointed by the county commissioners. The County can remove any commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the combined financial statements. The Authority does not issue separate financial statements.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government net position (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Capital Reserve Fund and the Reappraisal Reserve Fund are legally budgeted funds under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, they are consolidated in the General Fund.

American Rescue Plan Fund: This special revenue fund is used to account for the American Rescue Plan distribution.

The County reports the following major enterprise funds:

Landfill Fund. This fund accounts for the operations of the County's transfer station, recycling and solid waste activities. The Landfill no longer accepts municipal solid waste. Municipal solid waste is brought to the transfer station, where it is hauled to an outside landfill in another county.

Utilities Fund. This fund is used to account for the operations of the County's water operations. A Water and Sewer Capital Reserve Fund was established by the County in July, 2018. The Water and Sewer Capital Reserve Fund is a legally budget funds under North Carolina General Statutes;

however, for statement presentation it is consolidated in the Utilities Fund. The Capital Reserve fund records the system development fees (SDFs) collected.

The County reports the following fund types:

Custodial Funds. Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria. The County maintains the following custodial funds: the Municipal Tax Fund, which accounts for taxes that are billed and collected by the County for the City of Elizabeth City but are not revenues to the County, and the Health Department Fund, which accounts for septic tank inspection fees collected by the County on behalf of Albemarle Regional Health Services.

Non-Major Funds. The County maintains nine legally budgeted funds. The Emergency Telephone System Fund, the Seized Asset Fund, the Library Reserve Fund, the Drainage Districts Fund, the Opioid Settlement Fund, the Representative Payee Fund, the Occupancy Tax Fund, the Deed of Trust Fund, and the Fines and Forfeitures Fund are reported as nonmajor special revenue funds.

C. Measurement Focus and Basis of Accounting

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are

reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and 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 are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County, are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all enterprise funds and governmental funds except the Seized Asset Fund (special revenue funds). All annual appropriations lapse at fiscal year-end. A project ordinance is adopted for the Seized Asset Fund.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for the general fund, special revenue, and enterprise funds, and at the project level for the capital project funds. The balances in the Capital Reserve Fund will be appropriated when transferred to a capital project fund or to the General Fund for debt service in accordance with the annual ordinance adopted for the reserve fund. The County Manager is authorized to transfer appropriations within a department; however, any revisions that alter the total expenditures of any fund must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the County and the TDA are made in board-designated official depositories and are secured as required by G.S. 159-31. The County and the TDA may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also,

the County and the TDA 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 County and the TDA 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).

2. Cash and Cash Equivalents

The County pools moneys from several funds into a central depository account to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are considered cash and cash equivalent. The County also owns cash and investments in individual funds. The TDA considers demand deposits and investments which are not limited as to use purchased with an original maturity of 90 days or less, to be cash and cash equivalents.

3. Restricted Assets and Assets Limited as to Use

The debt service reserve of the General Fund are classified as restricted assets because their use is restricted by the trustee. The required accumulated debt service reserves of the Utilities Fund are classified as restricted assets within the enterprise fund because their use is completely restricted to the purpose for which the bonds were originally issued and by the bond covenants of the bond issue. Money in the Tax Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150.

Pasquotank County Restricted Cash

| | | |
|--|--|---------------------|
| Governmental Activities | | |
| General Fund: | | |
| Debt service reserve | | \$ 607,693 |
| Hospital contingency | | 1,528,752 |
| Opioid settlement funds | | 318,634 |
| Tax revaluation | | <u>56,067</u> |
| Total Governmental Activities | | <u>\$ 2,511,146</u> |
| Business-Type Activities | | |
| Utilities: | | |
| Debt service reserve-current | | \$ 296,564 |
| Debt service reserve-per bond covenant | | 1,081,803 |
| Customer deposits | | 125,863 |
| Landfill Fund: | | |
| Customer deposits | | <u>1,625</u> |
| Total Business-type Activities | | <u>\$ 1,505,855</u> |
| Total Restricted Cash | | <u>\$ 4,017,001</u> |

4. Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2022. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Lease Receivable

The County's lease receivable is measured at the present value of the lease payments expected to be received during the lease term. There are no variable components under the lease agreement. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

6. 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.

7. Inventories and Prepaid Items

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

The inventory of the County's enterprise funds consists of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

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

8. Capital assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Minimum capitalization threshold is \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Elizabeth City-Pasquotank County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for

maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education after all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Elizabeth City-Pasquotank County Board of Education.

Capital assets and the related accumulated depreciation are reported for the County using the straight-line method as follows:

| | <u>Useful Life</u> |
|-------------------------------------|--------------------|
| Buildings | 30 years |
| Furniture/equipment | 5 years |
| Infrastructure (distribution lines) | 50 years |
| Vehicles | 3 - 10 years |
| Leasehold improvements | 10 - 20 years |
| Computers, etc. | 3 years |

For the TDA, depreciation is computed by the straight-line method as follows:

| | <u>Useful Life</u> |
|---------------------|--------------------|
| Furniture/equipment | 5 years |
| Website Development | 3 years |
| Computers | 3 years |

9. Right to use assets

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

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

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

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represent a consumption of net assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has several items that meet this criterion pension related deferrals, and contributions made to the pension plan and other post-employment benefits (OPEB) in the current year. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represent an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The County has several items that meet the criterion for this category – prepaid taxes, leases, prepaid solid waste fees, and other pension and OPEB related deferrals.

11. Long-Term Obligations

In the government-wide financial statements and in the proprietary fund-types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statements of net position.

In the fund financial statements, for governmental fund-types, the face amount of debt issued is reported as other financing sources.

12. Compensated Absences

The vacation policy of the County provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. The vacation policy of the TDA provides for the accumulation of up to fourteen (14) days earned vacation leave with such leave being fully vested when earned. For the TDA's government-wide statement and the County's government-wide and proprietary funds an expense and a liability for compensated absences and the salary-related payments are recorded within those funds as the leave is earned. Compensated balances are reported in governmental funds only if they have matured. 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 sick leave policies of the County provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither entity has any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

13. Opioid Settlement Funds

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

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

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

The County received \$220,206 as part of this settlement in Fiscal Year 2023. Per the terms of the MOA, the County created a special revenue fund, the Opioid Settlement Fund, to account for these funds. All funds are to be used for opioid abatement and remediation activities. Funds are restricted until expended. No funds have been expended as of June 30, 2023. The MOA offered the County two options of expending the funds. The County opted for Option A, which allows the County to fund one or more high-impact strategies from a list of evidence-based strategies to combat the opioid epidemic.

14. Reimbursements for Pandemic-related Expenditures

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The County was allocated \$7,735,345 of fiscal recovery funds to be paid in two equal installments. The first installment of \$3,867,672 was received in June 2021. The second installment was received in June 2022. The County used the funds for revenue replacement in Fiscal Year 2023. Revenue replacement funds were transferred to the appropriate funds.

15. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through State statute.

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:

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

Prepaid items-This item represents funds that have been spent to benefit a future period.

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

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

Restricted Fund Balance- This classification includes revenue sources that are restricted to specific purposes externally imposed or imposed by law.

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for register of deeds – Portion of fund balance that is restricted by revenue source to pay for computer equipment and imaging technology for the Register of Deeds office.

Restricted for human services – portion of fund balance that can only be used to benefit beneficiaries under the Social Security's Representative Payee Program and the amount of unspent Opioid Settlement funds.

Restricted for law enforcement – Portion of fund balance that represents forfeiture money received from Federal or State agencies that must be used for law enforcement activities.

Restricted for emergency telephone system – Portion of fund balance that represents funds received from the State 911 Board for the purpose of enhancing the 911 system.

Restricted for School Capital – portion of fund balance that can only be used for School Capital per G.S. 159-18-22.

Committed Fund Balance- Portion of fund balance that can only be used for specific purpose imposed by majority vote of Pasquotank County's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

Committed for Tax Revaluation - Portion of fund balance that can only be used for Tax Revaluation.

Committed for drainage - Portion of fund balance that can only be used for the improvement and maintenance of the Newland drainage district.

Committed for the library - Portion of fund balance that represents funds for the use of the library to purchase books and computers.

Committed for school capital projects - Portion of fund balance that represents unspent funds received from the levy of article 46 sales tax and land transfer tax.

Assigned Fund Balance - Portion of fund balance that the Pasquotank County governing board has budgeted.

Subsequent year's expenditures - Portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned Fund Balance - Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance.

Pasquotank County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-county funds, and county funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the County.

16. **Defined Benefit Pension and OPEB Plans**

The County participates in four cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS), the Registers of Deeds' Supplemental Pension Fund (RODSPF), the Law Enforcement Officers' Special Separation Allowance (LEOSSA) (collectively, the "state-administered defined benefit pension plans"); and one other postemployment benefit plan (OPEB), the Healthcare Benefits Plan (HCB). For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the HCB and additions to/deductions from the HCB's fiduciary net position have been determined on the same basis as they are reported by the HCB. For this purpose, the HCB recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value.

E. Reconciliation of Government-wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes a reconciliation between fund balance for the governmental funds and net position for governmental activities as reported in the government-wide statement of net position. The net adjustment of \$(5,559,744) consists of several elements as follows:

| <u>Description</u> | <u>Amount</u> |
|--|-----------------------|
| Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column) | \$ 90,151,587 |
| Less accumulated depreciation | (51,272,469) |
| Right to use assets used in governmental activities are not financial resources and are therefore not reported in the funds | 526,071 |
| Less accumulated amortization | (185,100) |
| Net pension asset | 52,538 |
| Contributions to the pension plan in the current fiscal year | 1,724,790 |
| Benefit payments and pension administration costs for LEOSSA | 69,692 |
| Contributions to OPEB plan in the current year | 347,384 |
| Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements | 376,900 |
| Lease receivable | 3,244,104 |
| Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide | 1,670,627 |
| Pension related deferrals | 4,716,589 |
| OPEB related deferrals | (3,250,002) |
| Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements: | |
| Bonds, leases and installment financing | (23,652,610) |
| Premium on issuance of bonds | (52,718) |
| Compensated absences | (1,112,796) |
| Unfunded pension obligation | (1,775,090) |
| Net pension liability-LGERS | (9,639,355) |
| Other postemployment benefits | (17,254,926) |
| Accrued interest payable | (245,960) |
| Total adjustment | <u>\$ (5,559,744)</u> |

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances for the governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$2,012,923 as follows:

| Description | Amount |
|---|---------------------|
| Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities | \$ 3,490,323 |
| Cost of disposed assets not recorded in fund statements | (22,990) |
| Depreciation and amortization expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements. | (3,413,127) |
| Financing proceeds related to SBITAs during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position | (247,726) |
| Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements. | 3,366,940 |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | 1,724,790 |
| Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements. | |
| Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources | 39,032 |
| Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual) | 23,709 |
| Benefit payments and administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position | 69,692 |
| Other postemployment benefits | (87,053) |
| County's portion of collective pension expense | (2,915,121) |
| Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements. | |
| Amortization of charge related to advance refunding | 11,717 |
| Reversal of deferred inflows of resources – taxes receivable recorded at July 1, 2022 | (2,067,048) |
| Recording of deferred inflows of resources – taxes receivable at June 30, 2023 | 2,032,078 |
| Reversal of deferred assessments recorded at July 1, 2022 | (7,742) |
| Recording of assessments deferred in the funds statement June 30, 2023 | 15,449 |
| Total adjustment | <u>\$ 2,012,923</u> |

Note 2 - Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

There were no significant violations of finance related legal and contractual provisions at June 30, 2023.

Note 3 - Detail Notes on All Funds

A. Assets

1. Deposits

All of the County's and the TDA's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's and the TDA's agents in those unit's names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and the TDA, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or the TDA or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County and the TDA, under the Pooling Method, the potential exists 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 State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County, the TDA, and Hospital rely on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County's Board of Commissioners has adopted a formal investment policy based on G.S. 159-30, but omitting several of the investment options allowed by this statute. The TDA and the Hospital has no formal policy and therefore uses G.S. 159-30 in its entirety.

At June 30, 2023, the County's deposits had a carrying amount of \$13,560,408 and a bank balance of \$14,455,790. Of the bank balance, \$1,250,000 was covered by federal depository insurance, and the rest was covered by collateral held under the pooling method. At June 30, 2023, the County had \$2,925 cash on hand. At June 30, 2023 the Custodial Funds had a carrying amount and bank balance of \$98,887. At June 30, 2023, the TDA's deposits had a carrying value of \$855,827 and a bank balance of \$875,199. Of the bank balance, \$250,000 was covered by federal depository insurance and \$625,199 was covered by collateral held under the pooling method.

2. Investments

As of June 30, 2023, the County's investments consisted of \$49,860,662 in the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's.

As of June 30, 2023, the TDA's investments consisted of \$616,202 in the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAm by Standard and Poor's.

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

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County had no formal policy on managing credit risk. As of June 30, 2023, the County's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAA-mf by Standard & Poor's as of June 30, 2023. The County's investment in the North Carolina Capital Management Trust Term Portfolio is unrated. The TDA has no policy with regard to credit risk.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Neither the County nor the TDA have a policy on custodial credit risk.

3. Property Tax - Use-Value Assessment on Certain Lands

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

| <u>Year Levied</u> | <u>Tax</u> | <u>Interest</u> | <u>Total</u> |
|------------------------|---------------------|-------------------|---------------------|
| 2020 | \$ 1,592,375 | \$ 378,189 | \$ 1,970,564 |
| 2021 | 1,594,029 | 235,119 | 1,829,148 |
| 2022 | 1,352,011 | 77,741 | 1,429,752 |
| 2023 | <u>1,359,269</u> | | <u>1,359,269</u> |
| Total | \$ <u>5,897,684</u> | \$ <u>691,049</u> | \$ <u>6,588,733</u> |

4. Receivables

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

| | Accounts | Taxes and Related Accrued Interest | Special Assessments | Leases Receivable | Due From Other Governments | Other | Total |
|---------------------------------------|---------------------|--|------------------------|----------------------|-------------------------------|-------------------|----------------------|
| Governmental Activities: | | | | | | | |
| General | \$ 2,031,320 | \$ 2,257,784 | \$ 14,725 | \$ 2,934,264 | \$ 5,054,427 | \$ 607,359 | \$ 12,899,879 |
| Other governmental | | | 724 | | 19,299 | | 20,023 |
| Total Receivables | 2,031,320 | 2,257,784 | 15,449 | 2,934,264 | 5,073,726 | 607,359 | 12,919,902 |
| Allowance for Doubtful Accounts | (562,049) | (225,706) | | | | | (787,755) |
| Total Governmental Activities | \$ 1,469,271 | \$ 2,032,078 | \$ 15,449 | \$ 2,934,264 | \$ 5,073,726 | \$ 607,359 | \$ 12,132,147 |
| Business-type Activities: | | | | | | | |
| Landfill | \$ 799,467 | \$ - | \$ - | \$ - | \$ 46,758 | \$ - | \$ 846,225 |
| Water System | 844,159 | | | 1,374,958 | | 10,757 | 2,229,874 |
| Total Receivables | 1,643,626 | | | 1,374,958 | 46,758 | 10,757 | 3,076,099 |
| Allowance for Doubtful Accounts | (230,829) | | | | | | (230,829) |
| Total Business-type Activities | \$ 1,412,797 | \$ - | \$ - | \$ 1,374,958 | \$ 46,758 | \$ 10,757 | \$ 2,845,270 |

Due from other governments that is owed to the County consists of the following:

| | Governmental | Business-type |
|--|--------------------|------------------|
| Local option sales tax | \$3,745,327 | \$ - |
| City of Elizabeth City | 52,022 | 920 |
| Camden County | 245,462 | |
| Currituck County | 380 | |
| Federal Emergency Management Agency | 12,449 | |
| U.S. Department of Justice | 19,624 | |
| U.S. Treasury-IRS | 18,126 | |
| State of North Carolina: | | |
| Department of Transportation | 236,652 | |
| Department of Administration | | 1,846 |
| Department of Public Instruction | 49,610 | |
| Department of Environmental Quality | | 18,660 |
| Department of Revenue | 33,875 | |
| Department of Health and Human Services | 640,900 | |
| Information Technology Service | 19,299 | |
| Solid Waste Disposal Tax | | 5,810 |
| Scrap Tire Disposal Tax | | 19,522 |
| Total | \$5,073,726 | \$ 46,758 |

The TDA's receivable consists of occupancy taxes from local hotels of \$109,781. Management expects this receivable to be collected; therefore, no allowance for doubtful accounts has been recorded.

5. Leases Receivable

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

Governmental Activities:

On March 7, 2023, the County entered into a 60-month lease as Lessor for the farmland located in the Pasquotank County Commerce Park. An initial lease receivable was recorded in the amount of \$180,376. As of June 30, 2023, the value of the lease receivable is \$162,233. The lessee is required to make semi-annual fixed payments of \$18,321. The lease has an interest rate of 0.5925%. The value of the deferred inflow of resources as of June 30, 2023, was \$165,090, and the County recognized lease revenue of \$30,771 during the fiscal year.

On July 1, 2021, the County, entered into a 105-month lease as Lessor for the use of tower space located at 1403 Parkview Drive. An initial lease receivable was recorded in the amount of \$169,532. As of June 30, 2023, the value of the lease receivable is \$136,298. The lessee is required to make monthly fixed payments of \$1,587. The lease has an interest rate of 1.6458%. The estimated useful life was 103 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2023, was \$131,807, and the County recognized lease revenue of \$19,222 during the fiscal year. The lessee has 1 extension option(s), for 60 months.

On July 1, 2021, the County entered into a 30-month lease as Lessor for the use of 1205 McPherson Street. An initial lease receivable was recorded in the amount of \$40,770. As of June 30, 2023, the value of the lease receivable is \$8,217. The lessee is required to make monthly fixed payments of \$1,373. The lease has an interest rate of 0.8453%. The building is fully depreciated. The value of the deferred inflow of resources as of June 30, 2023, was \$8,154, and the County recognized lease revenue of \$16,308 during the fiscal year.

On July 1, 2021, the County entered into a 55-month lease as Lessor for the use of the Hospital Facility. An initial lease receivable was recorded in the amount of \$5,222,782. As of June 30, 2023, the value of the lease receivable is \$2,627,516. The lessee is required to make annual fixed payments of \$1,339,000. The lease has an interest rate of 1.1771%. The building is fully depreciated. The value of the deferred inflow of resources as of June 30, 2023, was \$2,939,053, and the County recognized lease revenue of \$1,139,516 during the fiscal year.

| Year Ending June 30 | Payment | Interest | Total |
|---------------------|-----------|----------|-----------|
| 2024 | 1,368,687 | 34,354 | 1,403,041 |
| 2025 | 1,377,101 | 18,180 | 1,395,281 |
| 2026 | 56,612 | 2,049 | 58,661 |
| 2027 | 57,189 | 1,472 | 58,661 |
| 2028 | 35,396 | 893 | 36,289 |
| 2029- 2030 | 39,279 | 626 | 39,905 |
| Total | 2,934,264 | 57,574 | 2,991,838 |

Business-type Activities:

On July 1, 2021, the County entered into a 355-month lease with American Tower for a site to erect a tower at 1186 Northside Road. The County retains ownership of the site, but American Tower owns the tower and is responsible for its removal upon termination of the lease. An initial lease receivable was recorded in the amount of \$594,259. As of June 30, 2023, the value of the lease receivable is \$577,762. The lessee is required to make annual fixed payments of \$20,988. The lease has an interest rate of 2.7413%. The value of the deferred inflow of resources as of June 30, 2023 was \$554,125, and the County recognized lease revenue of \$20,067 during the fiscal year. The lessee has five extension option(s), each for 60 months.

On July 1, 2021, the County entered into a 224-month lease with U.S. Cellular as Lessor for the use of space on a water tower located at 1466 Weeksville Road. An initial lease receivable was recorded in the amount of \$448,029. As of June 30, 2023, the value of the lease receivable is \$420,441. The lessee is required to make monthly fixed payments of \$2,000.00. The lease has an interest rate of 2.4545%. The water tower's estimated useful life was 132 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2022, was \$400,155, and the County recognized lease revenue of \$23,937 during the fiscal year. The lessee has three extension option(s), each for 60 months.

On July 1, 2021, the County entered into a 172-month lease with Verizon as Lessor for the use of space on a water tower located at 1466 Weeksville Road. An initial lease receivable was recorded in the amount of \$411,715. As of June 30, 2023, the value of the lease receivable is \$376,755. The lessee is required to make monthly fixed payments of \$2,380. The lease has an interest rate of 2.0477%. The water tower's estimated useful life was 132 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2023, was \$356,688, and the County recognized lease revenue of \$28,702 during the fiscal year. The lessee has two extension option(s), each for 60 months.

| Year Ending June 30 | Payment | Interest | Total |
|---------------------|--------------|------------|--------------|
| 2024 | 40,174.00 | 32,821.00 | 72,995.00 |
| 2025 | 41,999.00 | 31,893.00 | 73,892.00 |
| 2026 | 48,217.00 | 30,876.00 | 79,093.00 |
| 2027 | 54,287.00 | 29,808.00 | 84,095.00 |
| 2028 | 51,674.00 | 28,628.00 | 80,302.00 |
| 2029- 2033 | 318,976.00 | 122,869.00 | 441,845.00 |
| 2034 - 2038 | 324,561.00 | 82,819.00 | 407,380.00 |
| 2039 - 2043 | 182,301.00 | 50,752.00 | 233,053.00 |
| 2044 - 2048 | 163,936.00 | 30,617.00 | 194,553.00 |
| 2049 - 2051 | 148,833.00 | 6,639.00 | 155,472.00 |
| Total | 1,374,958.00 | 447,722.00 | 1,822,680.00 |

6. Capital Assets

Primary Government

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|---------------------|-------------------|----------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 6,782,019 | \$ | \$ | \$ 6,782,019 |
| Construction in progress | 527,564 | 366,062 | 481,025 | 412,601 |
| Total assets not being depreciated | <u>7,309,583</u> | <u>366,062</u> | <u>481,025</u> | <u>7,194,620</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 58,532,011 | 1,000,085 | | 59,532,096 |
| Furniture, fixtures and office equipment | 10,561,855 | 556,534 | | 11,118,389 |
| Vehicles and motorized equipment | 8,233,761 | 1,800,941 | 366,180 | 9,668,522 |
| Infrastructure | 2,637,960 | | | 2,637,960 |
| Total assets being depreciated | <u>79,965,587</u> | <u>3,357,560</u> | <u>366,180</u> | <u>82,956,967</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 31,403,304 | 1,650,708 | | 33,054,012 |
| Furniture and fixtures | 8,830,205 | 749,559 | | 9,579,764 |
| Vehicles and motorized equipment | 6,321,651 | 781,436 | 343,190 | 6,759,897 |
| Infrastructure | 1,751,604 | 127,192 | | 1,878,796 |
| Total accumulated depreciated | <u>48,306,764</u> | <u>\$ 3,308,895</u> | <u>\$ 343,190</u> | <u>51,272,469</u> |
| Total capital assets being depreciated, net | <u>31,658,823</u> | | | <u>31,684,498</u> |
| Capital assets not being amortized: | | | | |
| Right to use assets: | | | | |
| Leased copier and postage machines | 68,708 | | 18,167 | 50,541 |
| Leased lasers | 171,249 | | | 171,249 |
| Leased office space | 38,388 | | | 38,388 |
| IT subscriptions | | 247,726 | | 247,726 |
| Total assets being amortized | <u>278,345</u> | <u>247,726</u> | <u>18,167</u> | <u>507,904</u> |
| Less accumulated depreciation for: | | | | |
| Leased copier and postage machines | 22,875 | 18,723 | 18,167 | 23,431 |
| Leased lasers | 45,197 | 45,197 | | 90,394 |
| Leased office space | 12,796 | 12,796 | | 25,592 |
| IT subscriptions | | 27,516 | | 27,516 |
| Total accumulated amortization | <u>80,868</u> | <u>104,232</u> | <u>18,167</u> | <u>166,933</u> |
| Total capital assets being amortized, net | <u>197,477</u> | | | <u>340,971</u> |
| Governmental activity capital assets, net | <u>\$ 39,165,883</u> | | | <u>\$ 39,220,089</u> |

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

| | |
|----------------------------|--------------------|
| General government | \$866,362 |
| Public safety | 2,117,868 |
| Economic development | 38,998 |
| Human Services | 185,588 |
| Cultural and recreational | 100,079 |
| Total depreciation expense | <u>\$3,308,895</u> |

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------------|---------------------|-------------------|-----------------------------|
| Business-type activities: | | | | |
| Landfill | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 470,553 | \$ | \$ | \$ 470,553 |
| Construction in progress | 58,436 | 10,374 | | 68,810 |
| Total assets not being depreciated | <u>528,989</u> | <u>10,374</u> | <u>-</u> | <u>539,363</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 1,203,128 | 41,520 | | 1,244,648 |
| Transfer station | 651,481 | 9,495 | | 660,976 |
| Equipment | 961,561 | 50,904 | 106,690 | 905,775 |
| Vehicles | 1,922,668 | | 123,212 | 1,799,456 |
| Total assets being depreciated | <u>4,738,838</u> | <u>101,919</u> | <u>229,902</u> | <u>4,610,855</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 609,209 | 55,047 | | 664,256 |
| Transfer station | 446,885 | 7,335 | | 454,220 |
| Equipment | 880,003 | 45,506 | 106,690 | 818,819 |
| Vehicles | 1,650,859 | 70,191 | 123,212 | 1,597,838 |
| Total accumulated depreciated | <u>3,586,956</u> | <u>\$ 178,079</u> | <u>\$ 229,902</u> | <u>3,535,133</u> |
| Total capital assets being depreciated, net | <u>1,151,882</u> | | | <u>1,075,722</u> |
| Landfill capital assets, net | <u>1,680,871</u> | | | <u>1,615,085</u> |
| Utilities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | 777,074 | 20,000 | | 797,074 |
| Construction in progress | 321,118 | 3,158,991 | 116,270 | 3,363,839 |
| Total assets not being depreciated | <u>1,098,192</u> | <u>3,178,991</u> | <u>116,270</u> | <u>4,160,913</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 14,881,284 | | | 14,881,284 |
| Plant and distribution | 26,834,078 | 246,574 | | 27,080,652 |
| Equipment | 1,275,113 | 273,290 | | 1,548,403 |
| Vehicles | 705,172 | 61,017 | 34,285 | 731,904 |
| Total assets being depreciated | <u>43,695,647</u> | <u>580,881</u> | <u>34,285</u> | <u>44,242,243</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 6,021,853 | 447,179 | | 6,469,032 |
| Plant and distribution | 15,218,543 | 640,729 | | 15,859,272 |
| Equipment | 1,050,340 | 80,221 | | 1,130,561 |
| Vehicles | 494,061 | 80,771 | 34,285 | 540,547 |
| Total accumulated depreciation | <u>22,784,797</u> | <u>\$ 1,248,900</u> | <u>\$ 34,285</u> | <u>23,999,412</u> |
| Total capital assets being depreciated, net | 20,910,850 | | | 20,242,831 |
| Capital assets being amortized: | | | | |
| Leased copier | 7,187 | | | 7,187 |
| Leased well site | 51,732 | | | 51,732 |
| Total assets being amortized | <u>58,919</u> | | | <u>58,919</u> |
| Less accumulated amortization for: | | | | |
| Leased copier | 2,134 | 2,135 | | 4,269 |
| Leased well site | 882 | 882 | | 1,764 |
| Total accumulated amortization | <u>3,016</u> | <u>3,017</u> | | <u>6,033</u> |
| Total capital assets being amortized, net | 55,903 | | | 52,886 |
| Utilities capital assets, net | <u>22,064,945</u> | | | <u>24,456,630</u> |
| Business-type activities capital assets, net | <u>\$ 23,745,816</u> | | | <u>\$ 26,071,715</u> |

Discretely presented component units:

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|------------------|-------------|--------------------|
| Capital assets being depreciated: | | | | |
| Office equipment and furniture | \$ 10,407 | \$ 2,620 | \$ | \$ 13,027 |
| Computer software and website | 35,917 | | | 35,917 |
| Signs | 285,058 | | | 285,058 |
| Total assets being depreciated | <u>331,382</u> | <u>2,620</u> | <u>-</u> | <u>334,002</u> |
| Less accumulated depreciation for: | | | | |
| Office equipment and furniture | 8,860 | 1,377 | | 10,237 |
| Computer software and website | 35,917 | | | 35,917 |
| Signs | | 28,506 | | 28,506.00 |
| Total accumulated depreciated | <u>44,777</u> | <u>\$ 29,883</u> | <u>\$ -</u> | <u>74,660</u> |
| Total capital assets being depreciated, net | <u>286,605</u> | | | <u>259,342</u> |
| Governmental activity capital assets, net | <u>\$ 286,605</u> | | | <u>\$ 259,342</u> |

Depreciation expense in the amount of \$29,883 was charged to Administration and Operations of the TDA.

7. Right to Use Leased Assets

The County has recorded eight right to use leased assets. The assets are right to use assets for leased copiers, postage machines, tasers and leased office space. The related leases are discussed in the Leases subsection of the Long-term obligations section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

The County has recorded three Subscription-Based Information Technology Arrangements (SBITAs). The SBITAs are right to use assets for software. The related SBITAs are discussed in the Subscriptions subsection of the Long-term obligations section of this note. The SBITAs are amortized on a straight-line basis over the terms of the related leases.

B. Liabilities

1. Payables

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

| | Vendors | Salaries and Benefits | Accrued Interest | Other | Total |
|--------------------------------|-------------------|--------------------------|---------------------|-------------------|---------------------|
| Governmental activities: | | | | | |
| General | \$ 652,985 | \$ 519,909 | \$ 245,960 | \$ 554,025 | \$ 1,972,879 |
| Other governmental | 7,502 | | | | 7,502 |
| Total governmental activities | <u>\$ 660,487</u> | <u>\$ 519,909</u> | <u>\$ 245,960</u> | <u>\$ 554,025</u> | <u>\$ 1,980,381</u> |
| Business-type activities: | | | | | |
| Landfill | \$ 149,410 | \$ 44,282 | \$ | \$ (1,284) | \$ 192,408 |
| Water system | 520,357 | 37,592 | 39,310 | 501 | 597,760 |
| Total business-type activities | <u>\$ 669,767</u> | <u>\$ 81,874</u> | <u>\$ 39,310</u> | <u>\$ (783)</u> | <u>\$ 790,168</u> |

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. Pasquotank County and the TDA participate in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government 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 postretirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute six percent (6%) of their annual covered salary. The County and the TDA are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 12.16% and 13.04%, respectively, of annual covered payroll. For the library employees, the current rate for employees not engaged in law enforcement is 12.18% of annual covered payroll. For the emergency medical services employees, the current rate for employees not engaged in law enforcement is 12.14%. The County's contributions to LGERS for the years ended June 30, 2023, was \$1,933,910. The TDA's

contractually required contribution rate for the year ended June 30, 2023 was 14.37%. The TDA's contributions to LGERS for the year ended June 30, 2023 was \$28,869. The contributions made by the County and the TDA equaled the required contributions for each year.

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

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

At June 30, 2023, the County reported a liability of \$10,778,513 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2023 the County's proportion was .19106% (measured as of June 30, 2022), which was a decrease of .00248% from its proportion measured as of June 30, 2022 (measured as of June 30, 2021).

For the year ended June 30, 2023, the County recognized pension expense of \$3,083,722. At June 30, 2023, the County 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 | \$ 464,437 | \$ 45,535 |
| Changes of assumptions | 1,075,453 | |
| Net difference between projected and actual earnings on pension plan investments | 3,562,411 | |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 245,038 | 217,384 |
| County contributions subsequent to the measurement date | 1,933,910 | |
| Total | \$ 7,281,249 | \$ 262,919 |

\$1,933,910 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|--------------|
| 2024 | \$ 1,617,701 |
| 2025 | 1,378,511 |
| 2026 | 391,009 |
| 2027 | 1,697,199 |
| 2028 | - |
| Thereafter | - |

At June 30, 2023, the TDA reported a liability of \$133,138 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The Authority's proportion of the net pension liability was based on a projection of the Authority'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, 2022 (measurement date), the TDA's proportion was .00236% which was an increase of .00026% from its proportion as of June 30, 2021.

For the year ended June 30, 2023, the TDA recognized pension expense of \$44,671 (fund basis) and deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Difference between expected and actual experience | \$ 5,737 | \$ 562 |
| Changes of assumption | 13,284 | - |
| Net difference between projected and actual earnings on pension plan investments | 44,003 | - |
| Changes in proportion and differences between TDA contributions and proportionate share of contributions | 14,079 | 2,111 |
| TDA contributions subsequent to measurement date | <u>28,869</u> | <u>-</u> |
| Total | <u>\$ 105,972</u> | <u>\$ 2,673</u> |

\$28,869 reported as deferred outflows of resources related to pensions resulting from the TDA contributions subsequent to the measurement date will be recognized as a decrease of the net pension asset in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

| | |
|------------|-----------|
| 2024 | \$ 25,739 |
| 2025 | 20,773 |
| 2026 | 6,954 |
| 2027 | 20,964 |
| 2028 | - |
| Thereafter | - |

Actuarial Assumptions. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.5 percent |
| Salary increases | 3.25 to 8.25 percent, including inflation and productivity factor |
| Investment rate of return | 6.50 percent, net of pension plan investment expense, including inflation |

The plan actuary currently uses mortality rates based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table 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, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2011, through December 31, 2015.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Fixed Income | 33.0% | .9% |
| Global Equity | 38.0% | 6.5% |
| Real Estate | 8.0% | 5.9% |
| Alternatives | 8.0% | 8.2% |
| Credit | 7.0% | 5.0% |
| Inflation Protection | 6.0% | 2.7% |
| Total | <u>100%</u> | |

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 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.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

| | 1% Decrease <u>(5.50%)</u> | Discount Rate <u>(6.50%)</u> | 1% Increase <u>(7.50%)</u> |
|---|----------------------------------|---------------------------------|-------------------------------|
| County's proportionate share of the net pension liability (asset) | \$19,453,826 | \$10,778,512 | \$ 3,629,550 |
| TDA's proportionate share of the net pension liability (asset) | \$ 240,296 | \$ 133,138 | \$ 44,833 |

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

1. Plan Description

Pasquotank County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan of which no stand-alone financial report is issued, that provides retirement benefits to the County's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of credible service or have attained 55 years of age and have completed five or more years of credible service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

| | |
|-----------------------------|-----------|
| Retirees receiving benefits | 9 |
| Active plan members | <u>44</u> |
| Total | <u>53</u> |

A separate report was issued for the plan.

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2021 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | | |
|------------------|--------------|--------------------------------|
| Inflation | 2.50% | per annum |
| Salary increases | 3.25 - 7.75% | per annum |
| Discount rate | 4.31% | per annum, compounded annually |

The discount rate is based on the S & P Municipal Bond 20-year High Grade Rate Index, as of June 30, 2022.

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

Mortality Rate

Deaths After Retirement (Healthy): Mortality rates are based on the RP-2019 Total Data Set for Healthy Annuitants Mortality Table. The RP-2019 annuitant tables have no rates prior to age 50. The RP-2019 Total Data Set Employee Mortality Table is used for ages less than 50.

Deaths After Retirement (Disabled): Mortality rates are based on the RP-2019 Total Data Set for Disabled Annuitants Mortality Table. Rates for male members are multiplied by 103% for all ages. Rates for female members are multiplied by 99% for all ages.

Deaths Before Retirement: Mortality rates are based on the RP-2019 Total Data Set Employee Mortality Table.

4. Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid \$136,014 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, 2023, the County reported a total pension liability of \$1,775,090. The total pension liability was measured as of June 30, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was rolled forward to June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the County recognized pension expense of \$233,038.

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 219,028 | \$ 10,355 |
| Changes of assumptions | 283,080 | 312,688 |
| County benefit payments and administrative expenditures paid subsequent to the measurement date | <u>69,692</u> | |
| Total | <u>\$ 571,800</u> | <u>\$ 323,043</u> |

The County paid \$69,692 in benefit payments subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|-----------|
| 2024 | \$ 76,765 |
| 2025 | 85,788 |
| 2026 | 67,194 |
| 2027 | (11,779) |
| 2028 | (38,903) |
| Thereafter | -0- |

Sensitivity of the County's total pension liability to changes in the discount rate. The following represents the County's total pension liability calculated using the discount rate of 4.31 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

| | <u>1% Decrease (3.31%)</u> | <u>Discount Rate (4.31%)</u> | <u>1% Increase (5.31%)</u> |
|-------------------------|--------------------------------|----------------------------------|--------------------------------|
| Total pension liability | \$ 1,926,161 | \$ 1,775,090 | \$ 1,637,976 |

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

| | <u>2023</u> |
|---|---------------------|
| Beginning balance | \$ 2,035,857 |
| Service cost | 98,151 |
| Interest on the total pension liability | 44,388 |
| Change in benefit terms | - |
| Difference between expected and actual experience | 50,229 |
| Changes in assumptions and other inputs | (327,464) |
| Benefit payments | (126,071) |
| Other changes | - |
| Ending balance of the total pension liability | <u>\$ 1,775,090</u> |

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 2.25 percent at June 30, 2021 (measurement date) to 4.31 percent at June 30, 2022 (measurement date).

Changes in benefit terms. There are no changes in benefit terms since the prior measurement date.

The plan currently uses mortality tables that vary by age, 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, 2021 valuation were based on the results of an actuarial experience study as of December 31, 2019.

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

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410 or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2023 were \$203,118 which consisted of \$147,908 from the County and \$55,210 from the law enforcement officers.

d. **Deferred Compensation Plan**

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The County has complied with changes in the laws which govern the County's Deferred Compensation Plan, requiring all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries. Formerly, the undistributed amounts which had been deferred by the plan participants were required to be reported as assets of the County. Effective for the current fiscal year and in accordance with GASB Statement 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," the County's Deferred Compensation Plan is no longer reported within the County's Fiduciary Funds.

e. **Registers of Deeds' Supplemental Pension Fund**

Plan Description. Pasquotank County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSF), a noncontributory, cost-sharing multiple-employer defined benefit plan administered by the North Carolina Department of State Treasurer. The RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and

required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of State Controller, 1410 Mail Service Center, Raleigh, NC 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$3,718 for the year ended June 30, 2023.

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

At June 30, 2023, the County reported an asset of \$52,538 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2023, the County's proportion was .397%, an increase of .03% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the County recognized pension expense of \$8,826. At June 30, 2023, the County 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 | \$ 405 | \$ 952 |
| Changes of assumptions | 2,782 | |
| Net difference between projected and actual earnings on pension plan investments | 21,836 | |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 686 | 4,134 |
| County contributions subsequent to the measurement date | 3,718 | |
| Total | <u>\$ 29,427</u> | <u>\$ 5,086</u> |

The \$3,718 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|---------------------|----------|
| Year ended June 30: | |
| 2024 | \$ 5,091 |
| 2025 | 2,770 |
| 2026 | 7,270 |
| 2027 | 5,492 |
| 2028 | - |
| Thereafter | - |

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

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

The plan currently uses mortality tables that vary by age, gender, 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, 2021 valuation were based on the results of an actuarial experience study as of December 31, 2020.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. 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 adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2023 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2023 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 3.00%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.00 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00 percent) or 1-percentage-point higher (4.00 percent) than the current rate:

| | <u>1% Decrease</u> <u>(2.00%)</u> | <u>Discount</u> <u>Rate (3.00%)</u> | <u>1% Increase</u> <u>(4.00%)</u> |
|---|--------------------------------------|--|--------------------------------------|
| County's proportionate share of the net pension liability (asset) | \$ (60,557) | \$ 52,538 | \$ (89,417) |

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.

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

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

| | <u>LGERS</u> | <u>ROD</u> | <u>LEOSSA</u> | <u>Total</u> |
|--|---------------|-------------|---------------|---------------|
| Proportionate Share of Net Pension Liability (Asset) | \$ 10,778,513 | \$ (52,538) | - | \$ 10,725,975 |
| Proportion of the Net Pension Liability (Asset) | 0.19106% | (0.397%) | N/A | |
| Total Pension Liability | - | - | 1,775,090 | \$ 1,775,090 |
| Pension Expense | \$ 3,083,722 | \$ 8,826 | \$ 233,038 | \$ 3,325,586 |

At June 30, 2023 the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>LGERS</u> | <u>ROD</u> | <u>LEOSSA</u> | <u>Total</u> |
|---|--------------|------------|---------------|--------------|
| <u>Deferred Outflows of Resources</u> | | | | |
| Differences between expected and actual experience | \$ 464,437 | \$ 405 | \$ 219,028 | \$ 683,870 |
| Changes of assumptions | 1,075,453 | 2,782 | 283,080 | 1,361,315 |
| Net difference between projected and actual earnings on pension plan investments | 3,562,411 | 21,836 | - | 3,584,247 |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 245,038 | 686 | | 245,724 |
| County benefit payments and administrative cost paid subsequent to the measurement date | 1,933,910 | 3,718 | 69,692 | 2,007,320 |
| <u>Deferred Inflows of Resources</u> | | | | |
| Differences between expected and actual experience | \$ 45,535 | \$ 952 | \$ 10,355 | \$ 56,842 |
| Changes of assumptions | | | 312,688 | 312,688 |
| Net difference between projected and actual earnings on pension plan investments | | | | |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 217,384 | 4,134 | | 221,518 |

g. **Other Postemployment Benefits**

Health Care Benefits

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

Benefits Provided. To qualify for benefits retirees of the County must meet any of the unreduced retirement options available through the North Carolina Local Government Retirement System (System) and have twenty-five years of continuous service with the County and retire. The County pays the full cost of the coverage of these benefits. Currently forty-one retirees are eligible for postretirement health benefits. Employees hired on or after January 1, 2015, who meet any of the unreduced retirement options available through the North Carolina Local Government Retirement System (System) and have twenty-five years of continuous service with the County and retire, will be eligible for coverage up until eligible for Medicare. Employees hired on or after January 1, 2021 will not be eligible for this benefit. For the fiscal year ended June 30, 2023, the County made payments for postretirement health benefit premiums of \$409,226.

Membership of the HCB Plan consisted of the following at December 31, 2021 the date of the latest actuarial valuation:

| | <u>2023</u> | <u>2022</u> |
|--|-------------|-------------|
| Retirees receiving benefits | 47 | 47 |
| Retirees entitled to, but not yet receiving benefits | 3 | 3 |
| Active plan members | 281 | 281 |
| Total | <u>331</u> | <u>331</u> |

Total OPEB Liability

The County's total OPEB liability of \$19,012,678 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021 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% |
| Salary increases | 3.25% - 8.41%, including inflation |
| Discount rate | 3.54% |
| Healthcare cost trend rates | Pre-Medicare – 7.00% Medicare – 5.125% |

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer.

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|--|-----------------------|
| Balance at July 1, 2022 | \$ 23,318,053 |
| Changes for the year | |
| Service cost | 752,089 |
| Interest | 516,129 |
| Changes of benefit terms | |
| Differences between expected and actual experience | (73,335) |
| Changes in assumptions or other inputs | (5,147,813) |
| Benefit payments | (352,445) |
| Net changes | <u>\$ (4,305,375)</u> |
| Balance at June 30, 2023 | <u>\$ 19,012,678</u> |

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.54%.

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2021 valuation were based on the results of an actuarial experience study as of January 1, 2015 - December 31, 2019, adopted by LGERS.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

| | 1% Decrease (2.54%) | Discount Rate (3.54%) | 1% Increase (4.54%) |
|----------------------|------------------------|--------------------------|------------------------|
| Total OPEB liability | \$ 22,561,779 | \$ 19,012,678 | \$ 16,219,031 |

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

| | 1% Decrease | Current | 1% Increase |
|----------------------|---------------|---------------|---------------|
| Total OPEB liability | \$ 15,860,773 | \$ 19,012,678 | \$ 23,094,087 |

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

For the year ended June 30, 2023, the County recognized OPEB expense of \$528,844. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | \$ 2,530,191 |
| Changes of assumptions | 4,326,100 | 5,407,023 |
| Benefit payments and administrative costs made subsequent to the measurement date | 419,086 | |
| Total | \$ 4,745,186 | \$ 7,937,214 |

\$419,086 reported as deferred outflows of resources related to OPEB resulting from County benefit payments made and administration expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|--------------|
| 2024 | \$ (748,809) |
| 2025 | (748,809) |
| 2026 | (529,173) |
| 2027 | (383,337) |
| 2028 | (335,634) |
| Thereafter | (865,352) |

h. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. The County considered these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Changes of assumptions | \$ 4,326,100 | \$ 5,407,023 |
| LGERS | 1,075,453 | |
| Register of Deeds | 2,782 | |
| LEOSSA | 283,080 | 312,688 |
| Pensions/OPEB-difference between expected and actual experience | | 2,530,191 |
| LGERS | 464,437 | 45,535 |
| Register of Deeds | 405 | 952 |
| LEOSSA | 219,028 | |
| Pensions-difference between projected and actual investment earnings | 3,584,247 | 10,355 |
| Pensions-change in proportion and difference between employer contributions and proportionate share of contributions | 245,724 | 221,518 |
| Contributions to pension plan in 22-23 fiscal year | 1,937,628 | |
| Benefit payments and administration costs paid subsequent to the measurement date (LEOSSA) | 69,692 | |
| Benefit payments and administrative costs paid subsequent to the measurement date (OPEB) | 419,086 | |
| Leases | | 4,555,072 |
| Prepaid taxes not yet earned (General) | | 111,950 |
| Prepaid solid waste fees not yet earned (Landfill) | | 288 |
| Total | <u>\$ 12,627,662</u> | <u>\$ 13,195,572</u> |

4. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property insurance coverage equal to replacement cost values of owned property subject to a limit of \$125.5 million for any one occurrence, general liability coverage of \$2 million per occurrence, and workers' compensation coverage up to the statutory limits. The pools are reinsured through commercial companies for single occurrence losses in excess of \$500,000 up to a \$2 million limit for general liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property coverage, and single occurrence losses of \$350,000 for workers' compensation.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Finance Officer and Tax Administrator are each individually bonded for \$100,000 each. In addition, the Register of Deeds is bonded for \$25,000 and the Sheriff for \$15,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

The County also participates in the Teachers' and State Employee's Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the County are eligible to receive health care benefits up to a \$5 million lifetime limit. The County pays the full cost of

coverage for employees enrolled in the Comprehensive Major Medical Plan.

5. **Contingent Liabilities**

At June 30, 2023 the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's position.

6. **Long-term Obligations**

a. **Leases**

The County has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. For the Governmental Activities, there are four copier leases, one lease agreement for tasers, which includes training and certification, and a lease for office space. Principal and interest payments are as follows:

| Fiscal Year | Governmental Activities | | |
|-------------|-------------------------|-------------------|------------------|
| | Principal Payments | Interest Payments | Total Payments |
| 2024 | \$ 69,193 | \$ 715 | \$ 69,908 |
| 2025 | 12,024 | 107 | 12,131 |
| 2026 | 2,935 | 18 | 2,953 |
| 2027 | 195 | 1 | 196 |
| | <u>\$ 84,347</u> | <u>\$ 841</u> | <u>\$ 85,188</u> |

For the Business-type activities, there are two lease agreements, one for a copier and one for land related to a well site for the reverse osmosis plant. Principal and interest payments are as follows:

| Fiscal Year | Business-Type Activities | | |
|-------------|--------------------------|-------------------|-------------------|
| | Principal Payments | Interest Payments | Total Payments |
| 2024 | \$ 2,218 | \$ 1,419 | \$ 3,637 |
| 2025 | 776 | 1,403 | 2,179 |
| 2026 | 50 | 1,400 | 1,450 |
| 2027 | 51 | 1,399 | 1,450 |
| 2028 | 53 | 1,397 | 1,450 |
| 2029 - 2033 | 286 | 6,964 | 7,250 |
| 2034 - 2038 | 327 | 6,923 | 7,250 |
| 2039 - 2043 | 1,453 | 6,846 | 8,299 |
| 2044 - 2048 | 2,742 | 6,558 | 9,300 |
| 2049 - 2053 | 3,667 | 6,133 | 9,800 |
| 2054 - 2058 | 4,726 | 5,574 | 10,300 |
| 2059 - 2063 | 5,939 | 4,861 | 10,800 |
| 2064 - 2068 | 7,327 | 3,973 | 11,300 |
| 2069 - 2073 | 8,916 | 2,884 | 11,800 |
| 2074 - 2078 | 10,735 | 1,565 | 12,300 |
| 2079 - 2080 | 4,802 | 198 | 5,000 |
| | <u>\$ 54,068</u> | <u>\$ 59,497</u> | <u>\$ 113,565</u> |

b. General Obligation Indebtedness

General obligation bonds financed by the governmental funds are collateralized by the full faith, credit and taxing power of the County. Principal and interest requirements are appropriated when due. Pasquotank County had no general obligation bonds outstanding at June 30, 2023.

At June 30, 2023 Pasquotank County had a legal debt margin of \$328,987,864.

c. Revenue Bonds

Revenue bonds payable at June 30, 2023 are comprised of the following individual issues:

Primary Government - Utilities Fund

\$16,500,000 Water and Sewer Revenue Bonds issued September 30, 2009. Due September and March in various installments through September 2029. Interest rate is 2.99 percent. \$ 6,558,704

In September 2009, the County issued \$16,500,000 of direct placement Water and Sewer Revenue Bonds. The proceeds were used to finance a reverse osmosis water treatment plant. In December of 2010, the County was able to have the rate adjusted from 5.02% to 4.37%. In June 2016, the County was able to have the interest rate adjusted from 4.37% to 2.99%. In June of 2021, the County was able to have the rate adjusted from 2.99% to 2.02%. The combination of these three rate adjustments will result in a total savings of interest over the life of the debt of approximately \$2,375,000. Interest and principal payments are due semi-annually on September 15 and March 15, beginning September 15, 2009, through September 15, 2029. The County has pledged future water and sewer customer revenues, net of specific operating expenses, to repay the \$16,500,000. The taxing power of the County is not pledged for the payment of principal and interest on the revenue bonds, and no owner of a bond has the right to compel the exercise of the taxing power of the County or the forfeiture of any of its property.

Certain financial covenants are contained in the Series 2009 Bond agreements, among the most restrictive of which provide that the Utilities Fund maintain a one hundred twenty per centum (120%) of the principal and interest requirements for the current fiscal year. The rates, fees and charges for the use and for the services and facilities furnished shall be revised from time to time to produce sufficient revenues to comply with this requirement. As of June 30, 2023 the Utilities Fund's Revenue Bond Coverage was at two hundred and thirty-one per centum (2.31%).

| Year ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|-------------------|---------------------|
| 2024 | \$ 954,111 | \$ 127,692 | \$ 1,081,803 |
| 2025 | 973,482 | 108,321 | 1,081,803 |
| 2026 | 993,246 | 88,558 | 1,081,804 |
| 2027 | 1,013,410 | 68,393 | 1,081,803 |
| 2028 | 1,033,985 | 47,819 | 1,081,804 |
| 2029 - 2030 | 1,590,470 | 32,235 | 1,622,705 |
| Total | <u>\$ 6,558,704</u> | <u>\$ 473,018</u> | <u>\$ 7,031,722</u> |

d. Certificates of Participation

On December 9, 2004, the County issued \$14,280,000 of direct placement tax-exempt Certificates of Participation to finance the construction of a new middle school. Interest at varying rates from 3.00% to 5.00% is payable semiannually on December 1 and June 1. Principal payments are due annually on June 1, with final principal payments due June 1, 2030. A majority, \$10,970,000, of these bonds were advance refunded in December 2012 and January 2013. The projected interest savings to the County will be approximately \$2,000,000 over the life of the debt.

e. **Advance Refundings**

Series 2013

On January 23, 2013 the County borrowed \$6,195,123 through a bank qualified loan with BB&T at an interest rate of 2.59% to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources to provide for the future payments of principal and interest to the bond holders. As a result, the refunded Certificates of Participation are considered defeased and the liability has been removed from the governmental activities column of the statement of position. The first principal payment was due on June 1, 2015, with interest only payments beginning December 1, 2013. The outstanding balance at June 30, 2023 is \$3,255,787.

The Series 13 is a direct borrowing which is secured by Elizabeth City Middle School.

| Year Ending | Series 2013 | Interest | Total |
|-------------|--------------|------------|--------------|
| June 30 | | | |
| 2024 | \$ 830,289 | \$ 84,325 | \$ 914,614 |
| 2025 | 819,044 | 62,820 | 881,864 |
| 2026 | 807,507 | 20,803 | 828,310 |
| 2027 | 798,947 | 20,693 | 819,640 |
| Total | \$ 3,255,787 | \$ 188,641 | \$ 3,444,428 |

f. **Installment Purchases**

The following installment purchase contracts are considered direct borrowings and are comprised of the following at June 30, 2023:

General Fund

A \$10,000,000 direct borrowing installment purchase contract from PNC Bank for construction of a public safety building and a new library. The property is pledged as collateral for the debt while the debt is outstanding. The note is payable in forty semi-annual payments of \$250,000 principal and interest at 3.87% beginning January 11, 2006. \$ 1,250,000

A \$3,000,000 direct borrowing installment purchase contract from PNC Bank for construction of a public safety building and a new library. The property is pledged as collateral for the debt while the debt is outstanding. The note is payable in forty semi-annual payments of \$75,000 principal and interest at 4.17% beginning July 11, 2006 450,000

A \$7,000,000 direct borrowing installment purchase contract from PNC Bank for construction of a new jail. The property is pledged as collateral while the debt is outstanding. The note is payable in forty semi-annual payments of \$175,000 principal and interest at 4.32%, beginning May 21, 2007. 1,225,000

A \$6,300,000 direct borrowing installment purchase contract from SunTrust Leasing Corp for a two-story addition to Building A on the Elizabeth City campus of College of the Albemarle (68%) and to renovate the former library building and courthouse (32%). Building A is pledged as collateral while the debt is outstanding. The note is payable in forty semi-annual payments of \$157,500 principal and interest at 2.76%, beginning October 25, 2007. 1,260,000

| | |
|--|----------------------|
| <p>A \$12,000,000 direct borrowing installment purchase contract from the United States Department of Agriculture Rural Development for construction of a new jail. The property is pledged as collateral while the debt is outstanding. The note is payable in forty annual payments of \$583,920 of principal and interest at 3.75% beginning December 28, 2011.</p> | 10,015,437 |
| <p>A \$870,000 direct borrowing installment purchase contract from BB&T for replacing a portion of the high school's roof, to update the fire alarm system at an elementary school, (74.37%) and to replace the HVAC piping system at a County building (25.63%). Property located at 709 Roanoke Avenue is pledged as collateral while the debt is outstanding. The note is payable in twenty semi-annual payments of \$43,500 principal and interest at 2.29% beginning December 17, 2014.</p> | 87,000 |
| <p>A \$468,000 direct borrowing installment purchase contract from BB&T for five patrol cars, one quick response vehicle, two fleet vehicles and an ambulance. The vehicles are pledged as collateral while the debt is outstanding. The note is payable in ten equal semi-annual payments of \$49,465 including interest at 2.04% beginning July 17, 2020.</p> | 192,918 |
| <p>A \$435,000 direct borrowing installment purchase contract with TowneBank for the purchase of patrol cars and equipment, an ambulance and a vehicle for inspections. The vehicles are pledged as collateral while the debt is outstanding. The note is payable in ten semi-annual payments of \$45,974 including interest at 2.01% beginning August 2019.</p> | 90,495 |
| <p>A \$1,300,000 direct borrowing installment purchase contract with TowneBank for the HVAC replacement at Northside Elementary School. The property is pledged as collateral while the debt is outstanding. The note is payable in twenty semi-annual payments of \$65,000 principal and interest at 2.93%, beginning November 2019.</p> | 780,000 |
| <p>A \$2,490,000 direct borrowing installment purchase contract with TowneBank for various school capital projects which include HVAC, replacement new chiller, and two roof replacements. J.C. Sawyer Elementary School is pledged as collateral while the debt is outstanding. The note is payable in twenty semi-annual payments of \$124,500 principal and interest at 2.32%, beginning November 2017.</p> | <u>996,000</u> |
| <p>Total General Fund</p> | <u>\$ 16,346,850</u> |
| <p>Total Direct Borrowing Installment Purchases</p> | <u>\$ 16,346,850</u> |

Debt service requirements to maturity are as follows:

Governmental Activities:

| Year ending June 30 | Principal | Interest | Total |
|------------------------|----------------------|---------------------|----------------------|
| 2024 | \$ 2,175,281 | \$ 568,727 | \$ 2,744,008 |
| 2025 | 2,007,556 | 496,828 | 2,504,384 |
| 2026 | 1,668,222 | 428,093 | 2,096,315 |
| 2027 | 1,101,631 | 376,623 | 1,478,254 |
| 2028 | 371,354 | 349,348 | 720,702 |
| 2029 – 2033 | 1,479,516 | 1,572,989 | 3,052,505 |
| 2034 – 2038 | 1,622,252 | 1,297,348 | 2,919,600 |
| 2039 – 2043 | 1,950,109 | 969,491 | 2,919,600 |
| 2044 – 2048 | 2,344,226 | 575,374 | 2,919,600 |
| 2049 – 2051 | 1,626,703 | 123,548 | 1,750,251 |
| Total | <u>\$ 16,346,850</u> | <u>\$ 6,758,369</u> | <u>\$ 23,105,219</u> |

g. Qualified School Construction Bonds

Qualified School Construction Bonds (QSCBs) are a United States debt instrument created by Section 1521 of the American Recovery and Reinvestment Act of 2009 and are covered under Section 54F of the Internal Revenue Service code. Elizabeth City-Pasquotank School System along with Pasquotank County; applied for and received approval for Qualified School Construction Bonds in the amount of \$2,000,000 to finance the replacement of the heating, ventilation and air-conditioning systems or equipment at several schools and the resurfacing of the tennis courts and track at the high school. Principal and interest payments at 4.91% are due annually beginning on December 15, 2012 and ending on December 15, 2026. QSCBs allow Counties to borrow at zero percent interest. The County must first make the interest payment and then request a refund of the interest paid. The balance at June 30, 2023 is \$533,333. The bonds are secured by Northeastern High School and Central Elementary School.

Debt service requirements to maturity are presented in the following table:

| Year ending June 30 | Principal | Interest | Total |
|------------------------|-------------------|------------------|-------------------|
| 2024 | \$ 133,333 | \$ 26,187 | \$ 159,520 |
| 2025 | 133,333 | 19,640 | 152,973 |
| 2026 | 133,333 | 13,093 | 146,426 |
| 2027 | 133,334 | 6,547 | 139,881 |
| Total | <u>\$ 533,333</u> | <u>\$ 65,467</u> | <u>\$ 598,800</u> |

Debt Related to Capital Activities – Of the total Governmental Activities debt listed only \$13,920,884 relates to assets the County holds title to. Debt in the amount of \$6,486,622 relates to assets in which the County does not hold title to. Unamortized premium on Certificates of Participation is related to assets in which the County does not hold title to.

h. Subscriptions

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

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

| Year Ending June 30 | Principal Payments | Interest Payments | Total |
|------------------------|-----------------------|----------------------|-------------------|
| 2024 | \$ 51,005 | \$ 5,245 | \$ 56,250 |
| 2025 | 44,137 | 3,843 | 47,980 |
| 2026 | 45,383 | 2,597 | 47,980 |
| 2027 | 46,664 | 1,317 | 47,981 |
| | <u>\$ 187,189</u> | <u>\$ 13,002</u> | <u>\$ 200,191</u> |

i. Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2023:

| | Balance July 1, 2022 | Increases | Decreases | Balance June 30, 2023 | Current Portion of Balance |
|---------------------------------------|-------------------------|---------------------|---------------------|--------------------------|----------------------------------|
| Governmental Activities: | | | | | |
| Direct borrowing installment purchase | \$ 18,603,819 | \$ | \$ 2,256,969 | \$ 16,346,850 | \$ 2,175,281 |
| Advance refunding | 4,097,037 | | 841,250 | 3,255,787 | 830,289 |
| Qualified School Construction Bonds | 666,667 | | 133,334 | 533,333 | 133,333 |
| Lease liabilities | 159,197 | | 74,850 | 84,347 | 69,193 |
| IT Subscriptions | | 247,726 | 60,537 | 187,189 | 51,005 |
| Unamortized premium on COPs | 64,435 | | 11,717 | 52,718 | 11,716 |
| Compensated absences | 1,151,828 | 616,890 | 655,922 | 1,112,796 | 650,000 |
| Post employment benefits | 21,129,764 | | 3,874,838 | 17,254,926 | 366,856 |
| Net pension liability (LGERS) | 2,662,994 | 6,976,361 | | 9,639,355 | |
| Total pension liability (LEOSSA) | 2,035,857 | | 260,767 | 1,775,090 | 123,560 |
| Total governmental activities | <u>\$ 50,571,598</u> | <u>\$ 7,840,977</u> | <u>\$ 8,170,184</u> | <u>\$ 50,242,391</u> | <u>\$ 4,411,233</u> |
| Business-type activities | | | | | |
| Revenue bonds | \$ 7,493,831 | \$ | \$ 935,127 | \$ 6,558,704 | 954,111 |
| Leases | 56,266 | | 2,198 | 54,068 | 2,218 |
| Post employment benefits | 2,188,289 | | 430,537 | 1,757,752 | 55,635 |
| Net pension liability (LGERS) | 305,127 | 834,031 | | 1,139,158 | |
| Compensated absences | 156,261 | 64,558 | 80,857 | 139,962 | 65,400 |
| Total business-type activities | <u>\$ 10,199,774</u> | <u>\$ 898,589</u> | <u>\$ 1,448,719</u> | <u>\$ 9,649,644</u> | <u>\$ 1,077,364</u> |

For the governmental activities, claims and judgments and compensated absences are generally liquidated in the General Fund. The net pension obligation and the post-employment benefits for the governmental activities are liquidated in the General Fund.

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2023, consist of the following:

| | |
|--|------------|
| From the Landfill Fund to the Capital Reserve fund to accumulate resources for the future needs of the Landfill Fund | \$ 100,000 |
| From the American Rescue Plan Fund to the General Fund for revenue replacement | 5,413,288 |
| From the American Rescue Plan Fund to the Utilities Fund for revenue replacement | 2,438,780 |

D. Net Investment in Capital Assets

| | Governmental | Business-type |
|----------------------------------|----------------------|----------------------|
| Capital Assets | \$ 39,220,089 | \$ 26,071,715 |
| less: long-term debt | (13,649,348) | (6,558,704) |
| subscription liability | (187,189) | |
| lease liability | (84,347) | (54,068) |
| Net investment in capital assets | <u>\$ 25,299,205</u> | <u>\$ 19,458,943</u> |

E. Fund Balance

Pasquotank County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-county funds, county funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the County.

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

| | |
|---|----------------------|
| Total Fund balance-General Fund | \$ 52,458,657 |
| Less: | |
| Prepaid items | 5,834 |
| Register of deeds | 89,334 |
| Stabilization by State Statute | 7,272,847 |
| Appropriated Fund Balance in 2022-23 Budget | 1,000,000 |
| Leases | (309,840) |
| Tax Revaluation | 56,067 |
| School capital needs | 15,083,189 |
| Remaining Fund Balance | <u>\$ 29,261,226</u> |

| Encumbrances | General Fund | Non-Major Funds |
|--------------|--------------|-----------------|
| | \$ 451,630 | \$ -0- |

Note 4 - Jointly Governed Organizations

Albemarle Commission
Albemarle District Jail Commission
Albemarle Mental Health Center
Inter-County Public Transport Authority
Albemarle Regional Health Services

Services of the above agencies are shared with other Counties in the surrounding area. Each County's contribution to these agencies is based on a per capita assessment based on the most recent census figures available, and each County appoints one or more members to the Boards of these agencies. Pasquotank County does not have significant influence over the above agencies, and they in turn are not dependent upon the County to a degree sufficient to justify the inclusion of the agencies as a part of the County reporting entity.

Note 5 - Joint Ventures

Elizabeth City-Pasquotank County Regional Airport

The Elizabeth City-Pasquotank County Regional Airport was created in March of 1987 by the City and the County to operate the municipal airport. The City Council and the Board of commissioners each appoint two members of the Airport's governing board; appointment of a fifth member, the chairperson, is alternated between the City and County. All appointments are for two years. The County has an ongoing financial responsibility because it and the City are legally obligated under H.B. 769 Chapter 198 for any operating deficits on a 50/50 basis. The participating governments do not have any equity interest in the Airport, so no equity interest has been reflected in the financial statements at June 30, 2023. Financial statements for the Airport may be obtained at the Airport's office at 1028 Consolidated Road, Elizabeth City, North Carolina, 27909.

Pasquotank County ABC Board

The Pasquotank County ABC Board is a corporate body with powers outlined by G. S. 18B-701. The Pasquotank County Commissioners and the Elizabeth City Council each appoint two members to the ABC Board; the fifth member is appointed jointly by the City and the County. The ABC Board may borrow money in accordance with G.S. 18B-702(b) and the County and City are not responsible for any deficits incurred by the ABC Board. A special act, H.B. 545 Chapter 370 of the North Carolina Legislature, General Assembly of 1947, gives the Pasquotank County ABC Board the authority to divide its profits equally between Pasquotank County and Elizabeth City. There are no ongoing financial interest or responsibilities. Financial statements may be obtained at the ABC Board at 225 South Hughes Boulevard, Elizabeth City, North Carolina, 27909.

Elizabeth City-Pasquotank County Economic Development Commission

The Elizabeth City-Pasquotank County Economic Development Commission is an independent entity formed in 1976 for the purpose of coordinating City and County efforts to attract new industry to the area. The City and County contributed equal amounts to the Commission to purchase and improve 41.4 acres of land for an industrial park, located within the city limits. Proceeds from sales of this property are returned to the City and County on a 50/50 basis. The City and County make annual contributions to the Commission for operating expenses. The County has an ongoing financial responsibility for the joint venture because the Elizabeth City-Pasquotank County Economic Development Commission's continued existence depends on the participating governments' continued financing. The participating governments do not have any equity interest in the Elizabeth City-Pasquotank County Economic Development Commission, so no equity interest has been reflected in the financial statements at June 30, 2023.

In November 1985, the City and County purchased 52.01 acres of land for a second industrial park located outside the corporate city limits. Total cost of this site was \$261,375. Purchase and improvement costs and proceeds from sales are shared equally by the City and County. Pasquotank County contributed \$110,000 during the years ended June 30, 2022 and 2023, respectively, towards the operating expenses of the Elizabeth City-Pasquotank County Economic Development Commission. Financial statements for the Elizabeth City-Pasquotank County Economic Development Commission may be obtained at the Commission's office at 1028 Consolidated Road, Elizabeth City, North Carolina, 27909.

Note 6 - Supplemental and Additional Supplemental One-Half of One Percent Local Government Sales and Use Taxes

State law (Chapter 105, Articles 40 and 42, of the North Carolina General Statutes) requires the County to use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes, for public school capital outlays or to retire public school indebtedness. During the fiscal year ended June 30, 2023, the County reported these local option sales taxes within its General Fund. The County expended the restricted portion of these taxes for debt related to public school capital projects.

Note 7 - Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

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

Note 8 – Lease Agreement

Effective March 1, 2014, the Albemarle Hospital Authority entered into a long-term lease agreement, as well as associated ancillary agreements (collectively, the "Lease Agreement"), with Sentara Healthcare ("Sentara") and a wholly owned subsidiary of Sentara, Sentara Albemarle Regional Medical Center ("SARMC"). Pursuant to the Lease Agreement, as of March 1, 2014, the Authority transferred all operating rights, obligations and benefits associated with the Authority's facilities, clinics and operations, as well as certain assets and liabilities associated with the Authority, to SARMC, all subject to the terms of the related transactional documents. Consequently, as of March 1, 2014, the Authority is no longer the operator of the health system known as "Albemarle Health". Albemarle Hospital Authority was dissolved as of September 30, 2020.

As of January 29, 2021, the lease was amended where by SARMC agrees to build a new hospital within five years. Prepayment of the existing lease, \$38,000,000, was placed in escrow and is held by a trustee. The County will receive their lease payment of \$1,139,000 and the \$450,000 health services contribution from the escrow account annually until the new hospital is occupied. The remaining escrow funds will then be disbursed to the County. The balance in the escrow account at June 30, 2023, was \$31,309,298.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

PASQUOTANK COUNTY, NORTH CAROLINA

Schedule A-1

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAST SEVEN FISCAL YEARS

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| Beginning balance | \$ 2,035,857 | \$ 1,905,305 | \$ 1,275,630 | \$ 1,116,923 | \$ 1,204,649 | \$ 960,061 | \$ 918,724 |
| Service Cost | 98,151 | 105,658 | 63,513 | 49,671 | 52,481 | 48,979 | 51,533 |
| Interest on the total pension liability | 44,388 | 35,733 | 40,183 | 39,301 | 37,315 | 36,415 | 32,464 |
| Changes of benefit terms | - | - | - | - | - | - | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 50,229 | 151,239 | 84,666 | 108,274 | (86,515) | 116,337 | - |
| Changes of assumptions or other inputs | (327,464) | (54,392) | 527,359 | 35,935 | (43,392) | 76,193 | (23,933) |
| Benefit payments | (126,071) | (107,686) | (86,046) | (74,474) | (47,615) | (33,336) | (18,727) |
| Other changes | - | - | - | - | - | - | - |
| Ending balance of the total pension liability | <u>\$ 1,775,090</u> | <u>\$ 2,035,857</u> | <u>\$ 1,905,305</u> | <u>\$ 1,275,630</u> | <u>\$ 1,116,923</u> | <u>\$ 1,204,649</u> | <u>\$ 960,061</u> |

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

PASQUOTANK COUNTY, NORTH CAROLINA

Schedule A-2

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAST SEVEN FISCAL YEARS

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|------------|
| Total pension liability | \$ 1,775,090 | \$ 2,035,857 | \$ 1,905,305 | \$ 1,275,630 | \$ 1,116,923 | \$ 1,204,649 | \$ 960,061 |
| Covered-employee payroll | 2,319,909 | 2,349,595 | 2,301,781 | 1,958,464 | 1,960,789 | 2,090,898 | 1,886,349 |
| Total pension liability as a percentage of covered-employee payroll | 76.52% | 86.65% | 82.78% | 65.13% | 56.96% | 57.61% | 50.90% |

Notes to the schedules:

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

Ten years of data will be presented once the information is available.