

COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF HAVELOCK
HAVELOCK, NORTH CAROLINA
FOR THE YEAR ENDING JUNE 30, 2015

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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

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CITY OF HAVELock

Post Office Box 368
Havelock, N.C. 28532

September 4, 2015

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

The comprehensive annual financial report of the City of Havelock, North Carolina for the fiscal year ended June 30, 2015 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

The City of Havelock's financial statements have been audited by Martin Starnes and Associates, CPAs, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2015 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the Comprehensive Annual Financial Report.

The independent audit of the financial statements of the City was part of a broader, federal and state mandated "Single Audit" designed to meet the specific needs of grantor agencies. The single audit must be in conformity with the provisions of the Single Audit Act of 1984, US Office of Management and Budget Circular A-133 Audits of States and Local Governments and Non-Profit Organizations, and North Carolina's State Single Audit Implementation Act. The standards governing Single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These auditor reports are available in the Single Audit section of this report.

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

The City of Havelock

The City of Havelock, North Carolina is located in Craven County within the eastern coastal plains region of North Carolina and includes, within its municipal boundaries, Marine Corps Air Station Cherry Point (MCAS-CP). Havelock comprises about 20 percent of Craven County's population. The estimated 2013 population for the city was 20,940 while the 2012 was 21,128. The City presently encompasses 46 miles and employs 120 permanent staff.

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

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

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

City of Havelock's Mission Statement

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

City of Havelock's Core Values

H-Honesty/Integrity

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

A- Accountability

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

V-Value of Service

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

E-Excellence

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

L-Leadership

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

O-Openness

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

C-Competence

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

K-Knowledge

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

The Budget Process

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

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

Economic Conditions and Outlook

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

Havelock's economy is driven by Marine Corps Air Station Cherry Point. Overall, MCAS-CP will contribute approximately \$2.048 billion to North Carolina's economy. The Air Station is home to the 2nd Marine Aircraft Wing and Fleet Readiness Center East. Military and civilian salaries on MCAS Cherry Point are projected to total in excess of \$1.213 billion in fiscal year 2014. Approximately 4,365 civilians are employed at the Fleet Readiness Center (FRC). The unemployment rate for June 2015 was 5.7 percent compared with 5.6 percent for the state and 5.3 percent for the nation. The local unemployment rate decreased 2.1 percent while the nations decreased .8 percent. The local economy did not suffer as bad as the national economy during the economic downturn although it is recovering slower than the state and the nation.

The City is expecting slight growth in the coming year. The City completed construction an expansion project at the sewer plant and relocated the City's sewer outfall line. This was a joint project with the Department of Navy. This has increased the City's ability to provide sewer service to our current and future residents. The City anticipates that there will be increased commercial activity as well as residential constructions. Staff has prepared Fiscal-Year 2015 operating budgets based on a modest rate of growth. The modest growth rate was based on historical trends of a 1-2% increase in commodity taxes and .5% growth in the ad valorem tax base. The City also completed construction of a new City Hall building. This state of the art facility allows for one stop service for municipal business. In planning for the future, the City of Havelock will continue to deliver quality services in the most cost effective method possible.

Major Initiatives

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

The budget process was difficult as requests far exceeded revenues. The City Manager, Finance Director and Management team whittled the requests and presented the Board of Commissioners with a balanced budget. Sales tax growth continued to be a sluggish and there was no growth in the property tax base.

The tax rate was increased two cents to .485 at per hundred for 2014-2015. Water and sewer rates were increased 1.6% while solid waste rates were increased to allow that fund to be self-sufficient. The annual utility rate increases help to allow the City to meet the mandates that are imposed for drinking water and treating sewer.

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

For The Future

The fiscal year 2015-2016 budget was recommended and adopted. The Board of Commissioners increased the tax rate to .51 per hundred, utility rates by 2.5 percent and solid waste rates were maintained at the existing level.

The City will develop Slocum Creek Water Front Park during the upcoming year. The Park located near the Tourist and Event Center will provide additional tourist activities. The City is installing kayak launches and picnic facilities. The City also applied for a Coastal Area Management Access grant to enhance the site. The City anticipates that this water front park will be very popular.

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

Other Information

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

Awards and Acknowledgments

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Havelock for its comprehensive annual financial report ("CAFR") for the fiscal year ended June 30, 2014. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

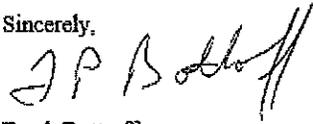
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal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

A Certificate of Achievement is valid for a period of one year only. The City has also previously received a Certificate of Achievement for the fiscal years ended June 30, 1990 through June 30, 2014. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

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

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

Sincerely,

Handwritten signature of Frank Bottorff in cursive script.

Frank Bottorff
City Manager

Handwritten signature of Lee W. Tillman in cursive script.

Lee W. Tillman
Finance Director

CITY OF HAVELOCK

LIST OF PRINCIPAL OFFICIALS

June 30, 2015

BOARD OF COMMISSIONERS

WILL LEWIS, Mayor
DANIEL WALSH
JIM STUART
KAREN LEWIS
BRENDA WILSON
PETE VAN VLIET

ADMINISTRATION

FRANK BOTTORFF
City Manager

LEE W. TILLMAN
Director of Finance

CINDY MORGAN
City Clerk

RICHARD ZACCARDELLI
Fire/Rescue Chief

DAVID MAGNUSSON
Police Chief

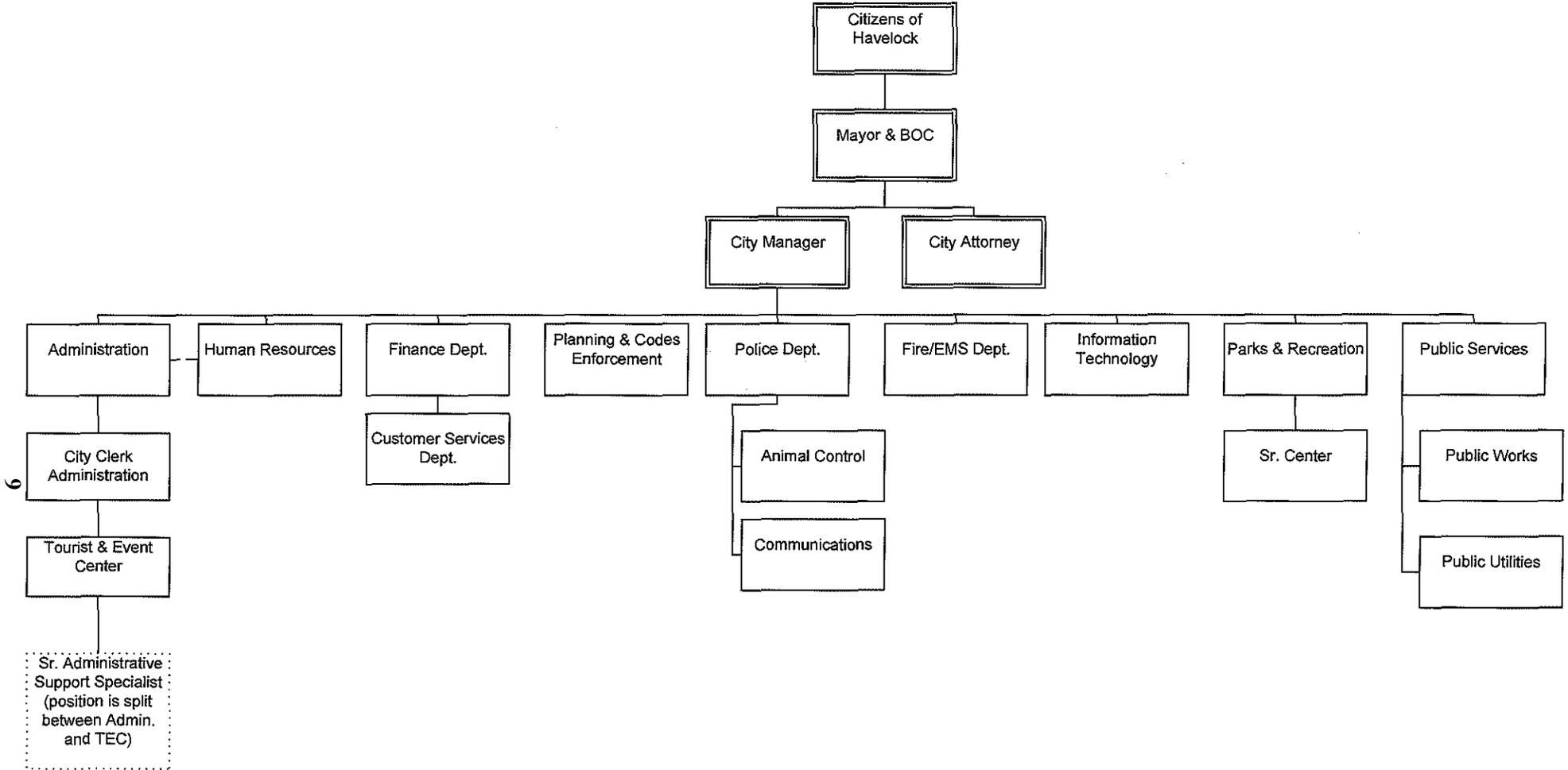
KATRINA MARSHALL
Director of Planning
and Inspections

CHAD IVES
Director of Information
Technology

BILL EBRON
Director of
Public Services

DAVID SMITH
Director of Parks
and Recreation

CITY OF HAVELOCK
FY 2014-2015





Government Finance Officers Association

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

Presented to

**City of Havelock
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

FINANCIAL SECTION

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Havelock, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Havelock, North Carolina, as of June 30, 2015, and the respective changes in financial position, and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of the City of Havelock, North Carolina. The introductory section, combining and individual fund financial statements, budgetary schedules, other schedules, and statistical tables, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by U.S. Office and Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*, and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 4, 2015 on our consideration of the City of Havelock's internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Havelock's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
September 4, 2015

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Management's Discussion and Analysis

As management of the City of Havelock (City), we offer readers of the City of Havelock's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015 with comparisons to the prior year, where appropriate. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the front of this report and the basic financial statements and accompanying notes to the financial statements, which follow this narrative.

Financial Highlights

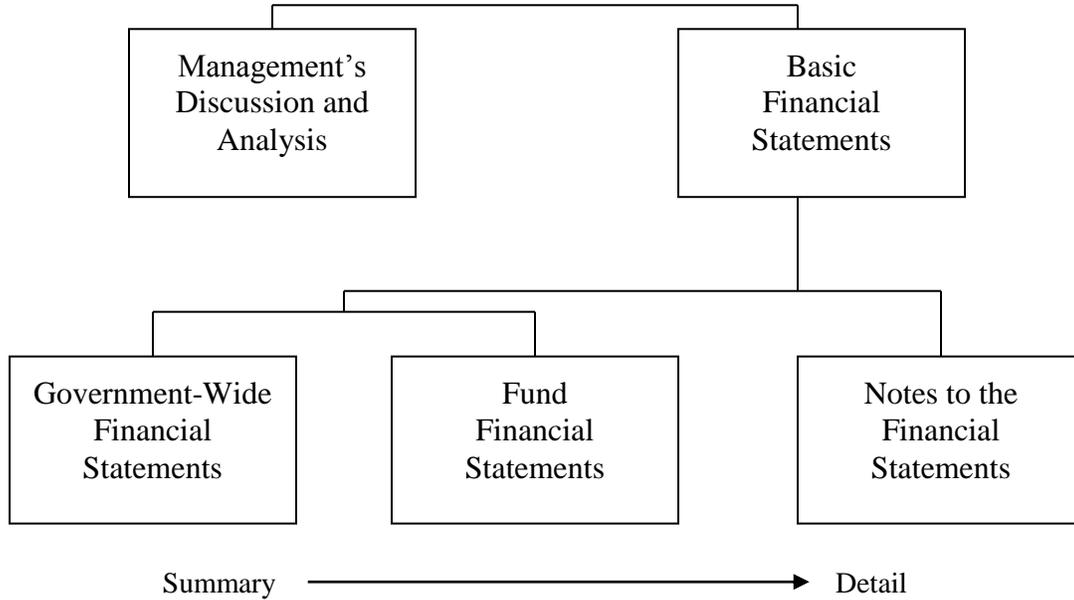
- The City of Havelock's assets and deferred outflows exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$34,010,561.
- The City's total net position increased by \$2,769,938 of which \$688,821 was from business-type activities, while net position of governmental activities increased by \$2,081,117.
- The overall financial position of the City increased in 2015 as evidenced by an increase in the unassigned fund balance to \$5,724,845 in the General Fund (an increase in total fund balance of \$870,833 in the General Fund) at June 30, which is approximately 54 percent of the budget for fiscal year 2015. This did meet the Board of Commissioners' goal to maintain 32 percent in General Fund balance.
- On a government-wide basis for governmental activities, the City had expenses net of program revenues of \$5,485,503. Total program revenues were \$3,917,261, and expenses were \$9,402,764.
- On a government-wide basis for business-type activities, the City had revenue net of program expenses of \$443,688.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **Supplemental Information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes can also be found in this part of the statements.

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include General Government, Public Safety, Streets, and Culture and Recreation. The business-type activities of the City of Havelock include Water, Sewer, Solid Waste, and the Havelock Tourist and Event Center.

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

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

Fund Financials Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

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

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

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

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

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

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

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

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on Schedules C1-E7 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$34,010,561 at the close of the most recent fiscal year compared to \$31,240,623 for the prior year. The City's net position increased by \$2,769,938 for the fiscal year ended June 30, 2015.

A large portion of the City's net position (52.23 percent) reflects its net investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Havelock's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	\$ 8,841,112	\$ 8,408,385	\$ 10,016,314	\$ 11,071,530	\$ 18,857,426	\$ 19,479,915
Capital assets	<u>12,436,609</u>	<u>10,584,157</u>	<u>25,442,213</u>	<u>24,868,987</u>	<u>37,878,822</u>	<u>35,453,144</u>
Total assets	<u>21,277,721</u>	<u>18,992,542</u>	<u>35,458,527</u>	<u>35,940,517</u>	<u>56,736,248</u>	<u>54,933,059</u>
Deferred outflow	<u>282,169</u>	<u>281,474</u>	<u>53,746</u>	<u>53,614</u>	<u>335,915</u>	<u>335,088</u>
Liabilities:						
Current	373,637	1,935,149	775,476	10,083,631	1,149,113	12,018,780
Non-current	<u>7,545,771</u>	<u>7,027,860</u>	<u>12,880,565</u>	<u>4,980,874</u>	<u>20,426,336</u>	<u>12,008,734</u>
Total liabilities	<u>7,919,408</u>	<u>8,963,009</u>	<u>13,656,041</u>	<u>15,064,505</u>	<u>21,575,449</u>	<u>24,027,514</u>
Deferred Inflows of Resources:						
Prepaid taxes	-	10	-	-	-	10
Pension deferrals	<u>1,248,368</u>	<u>-</u>	<u>237,785</u>	<u>-</u>	<u>1,486,153</u>	<u>-</u>
Total deferred inflows of resources	<u>1,248,368</u>	<u>10</u>	<u>237,785</u>	<u>-</u>	<u>1,486,153</u>	<u>10</u>
Net Position:						
Net investment in capital assets	5,519,721	5,045,723	12,244,456	12,522,780	17,764,177	17,568,503
Restricted	1,696,334	2,357,491	-	-	1,696,334	2,357,491
Unrestricted	<u>5,176,059</u>	<u>2,907,783</u>	<u>9,373,991</u>	<u>8,406,846</u>	<u>14,550,050</u>	<u>11,314,629</u>
Total net position	<u>\$ 12,392,114</u>	<u>\$ 10,310,997</u>	<u>\$ 21,618,447</u>	<u>\$ 20,929,626</u>	<u>\$ 34,010,561</u>	<u>\$ 31,240,623</u>

An additional \$1,696,334 of the City's net position (4.99 percent compared to 3.36 percent for the prior fiscal year) represent resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position \$14,550,050 (42.78 percent) may be used to meet the government's ongoing obligation to citizens and creditors. Also, the City of Havelock implemented GASB Statement 68 this year. With the new reporting change, the City is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$891,994. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Havelock's management.

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

Governmental Activities. Governmental activities increased the City’s net position by \$2,081,117. The following factors caused the increase in governmental activities:

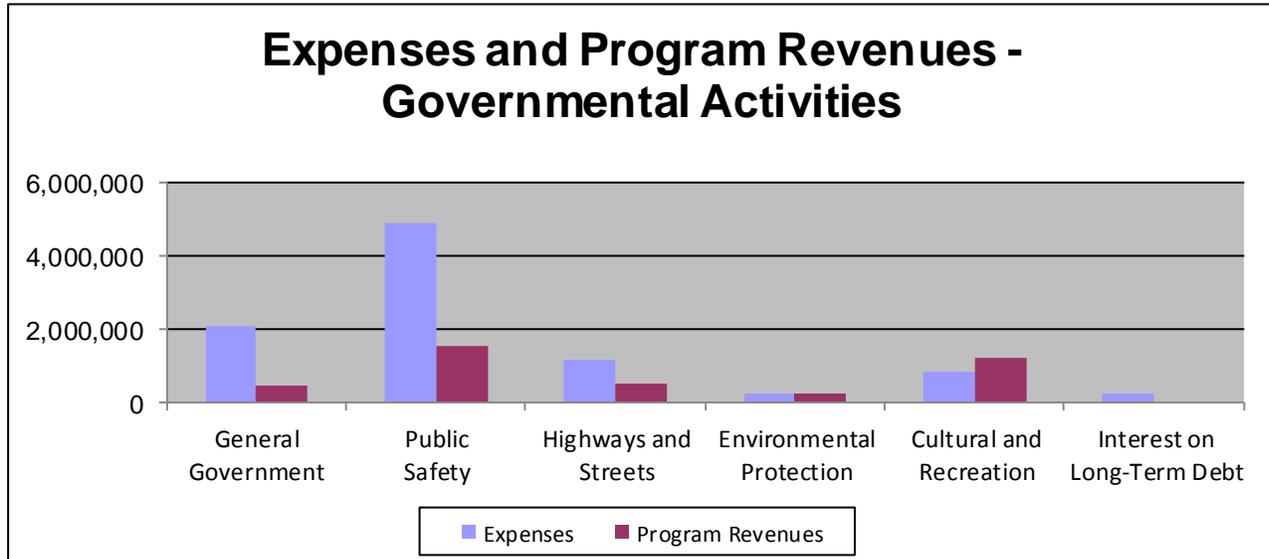
- The main reason for the increase was due to large capital asset additions related to the City Hall capital project fund in the current year as well as less expenditures in the current year.

City of Havelock’s Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 1,341,637	\$ 1,416,900	\$ 6,507,399	\$ 6,568,878	\$ 7,849,036	\$ 7,985,778
Operating grants and contributions	1,065,369	976,016	-	-	1,065,369	976,016
Capital grants and contributions	1,510,255	172,272	-	-	1,510,255	172,272
General revenues:						
Property taxes	4,496,412	4,469,420	-	-	4,496,412	4,469,420
Other taxes	3,290,524	3,018,894	-	-	3,290,524	3,018,894
Investment earnings	17,053	16,163	7,764	12,834	24,817	28,997
Total revenues	<u>11,721,250</u>	<u>10,069,665</u>	<u>6,515,163</u>	<u>6,581,712</u>	<u>18,236,413</u>	<u>16,651,377</u>
Expenses:						
General government	2,069,313	2,305,405	-	-	2,069,313	2,305,405
Public safety	4,877,015	5,059,054	-	-	4,877,015	5,059,054
Highways and streets	1,156,033	1,213,686	-	-	1,156,033	1,213,686
Environmental protection	213,595	74,506	-	-	213,595	74,506
Cultural and recreation	832,935	815,465	-	-	832,935	815,465
Interest on long-term debt	253,873	236,945	-	-	253,873	236,945
Water	-	-	1,906,359	1,695,142	1,906,359	1,695,142
Sewer	-	-	2,896,978	2,528,613	2,896,978	2,528,613
Solid waste	-	-	847,268	786,320	847,268	786,320
Tourist and Event Center	-	-	413,106	462,481	413,106	462,481
Total expenses	<u>9,402,764</u>	<u>9,705,061</u>	<u>6,063,711</u>	<u>5,472,556</u>	<u>15,466,475</u>	<u>15,177,617</u>
Increase (decrease) in net position before transfers	2,318,486	364,604	451,452	1,109,156	2,769,938	1,473,760
Transfers in (out)	(237,369)	92,942	237,369	(92,942)	-	-
Increase (decrease) in net position	<u>2,081,117</u>	<u>457,546</u>	<u>688,821</u>	<u>1,016,214</u>	<u>2,769,938</u>	<u>1,473,760</u>
Net position, July 1 as previously reported	11,060,271	10,602,725	21,072,346	20,056,132	32,132,617	30,658,857
Restatement	(749,274)	-	(142,720)	-	(891,994)	-
Net position, July 1 restated	<u>10,310,997</u>	<u>10,602,725</u>	<u>20,929,626</u>	<u>20,056,132</u>	<u>31,240,623</u>	<u>30,658,857</u>
Net position, June 30	<u>\$ 12,392,114</u>	<u>\$ 11,060,271</u>	<u>\$ 21,618,447</u>	<u>\$ 21,072,346</u>	<u>\$ 34,010,561</u>	<u>\$ 32,132,617</u>

Property taxes remained virtually the same as prior year with an increase in the current year of only \$29,992. This increase was the result of the tax rate increase in the current fiscal year.

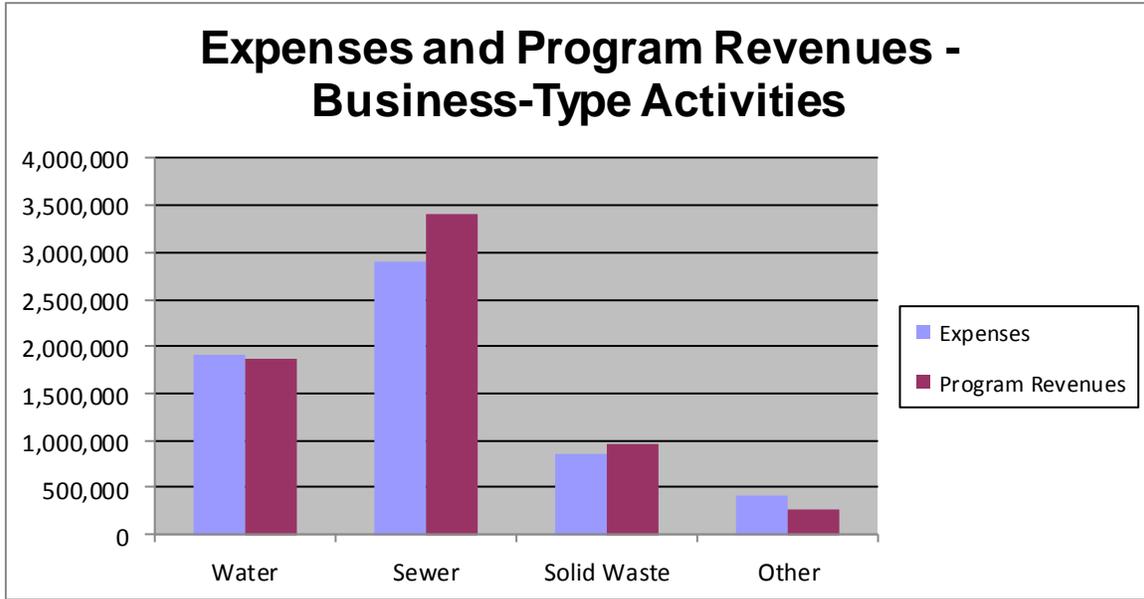
Restricted intergovernmental revenues increased in the current year due to increased grant activity related to capital projects taking place in the City of Havelock.



Business-Type Activities. Business-type activities increased the City’s net position by \$688,821. In fiscal year 2013-2014, business-type activities increased the City’s net position by \$1,016,214.

Key elements of this increase are as follows:

- Water revenues decreased by \$26,111, a 1.39 percent decrease, compared to an increase of \$116,703 (6.14 percent increase) in fiscal year 2013-2014. The decrease for the current fiscal year was a result of less water usage. Sewer revenues decreased by \$19,546 or a .6 percent decrease. In comparison, there was an increase of \$166,788 (4.88 percent increase) for fiscal year 2013-2014. Solid waste revenues increased by \$1,625, or .17 percent, from the prior year due to natural growth. The Tourist and Event Center revenues decreased by \$17,447, or 6.66 percent, from the prior year due to decreased in building rent.



Financial Analysis of the Government’s Funds

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

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

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$8,195,914, an increase of \$141,002. Approximately 68.96 percent of this total amount (\$5,651,545) constitutes *unassigned fund balance*, which is available for spending at the government’s discretion. The remainder of fund balance is *non-spendable, restricted, assigned or committed* to indicate that it is not available for various reasons. These reasons include 1) a portion is unavailable under State statutes; 2) a portion is legally segregated and can only be spent on specific expenditures; or 3) available for appropriation but the City is segregating out portions for specific expenditures.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, available fund balance of the General Fund was \$6,999,201. As a measure of the General Fund’s liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. The City has an available fund balance of 73.76 percent of General Fund expenditures and transfers to other funds, while total fund balance represents 78.67 percent of the same amount. Unassigned fund balance of the General Fund was \$5,724,845 while total fund balance reached \$7,465,476. Other factors concerning the finances of the governmental funds have already been addressed in the discussion of the City’s governmental activities.

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

Net position of the Water Fund decreased by \$25,098 at year-end; Sewer Fund net position increased by \$509,962; Solid Waste Fund net position increased by \$113,557; and the Tourist and Event Center Fund net position increased by \$90,400 at year-end. Other factors concerning the finances of these four funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available, 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain or expand services. The City increased the General Fund budget revenue estimates by \$108,615. The increase was necessary to incorporate funding received for insurance proceeds, and t-shirt sales.

Expenditure budgets were increased over the fiscal year primarily to authorize expenditures for contracts, grant awards, and special studies. Although the City's expenditure budget increased \$333,413 over the year, ultimately actual expenditures were \$1,088,373 less than the final budget. Adequate fund balance provided the flexibility so that the City could increase expenditure budgets mid-fiscal year without having to issue debt.

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

- \$131,080 increase in transfers to City Hall building project for furniture
- \$85,642 increase in transfers to Lewis Farm Recreation Project for new ballfield
- \$23,615 increase in recreation funding for scoreboards
- \$90,000 increase in street pavement maintenance
- \$54,156 increase to cover deductible for vehicles and equipment damaged in hail storms
- \$80,000 increase in recreation to fund playground equipment replacement

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2015 amounts to \$37,878,822 (net of accumulated depreciation), which is an increase of \$2,425,678 over the 2013-2014. The investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, and streets. The total increase in the City's investment in capital assets for the current year was 6.84 percent.

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

- City Hall construction \$1,487,832
- Sewer Plant Expansion and Outfall Line \$135,305
- SCADA \$708,825

City of Havelock's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,680,561	\$ 2,005,673	\$ 306,658	\$ 306,658	\$ 2,987,219	\$ 2,312,331
Construction in progress	2,175,970	730,984	9,988,475	11,012,715	12,164,445	11,743,699
Buildings	7,179,544	7,179,544	20,867,290	18,998,920	28,046,834	26,178,464
Other improvements	1,279,703	1,171,648	12,705,167	12,564,755	13,984,870	13,736,403
Equipment	3,583,343	3,456,418	1,246,914	819,960	4,830,257	4,276,378
Vehicles	3,683,728	3,550,707	942,336	835,911	4,626,064	4,386,618
Subtotal	20,582,849	18,094,974	46,056,840	44,538,919	66,639,689	62,633,893
Accumulated depreciation	(8,146,240)	(7,510,817)	(20,614,627)	(19,669,932)	(28,760,867)	(27,180,749)
Capital assets, net	<u>\$ 12,436,609</u>	<u>\$ 10,584,157</u>	<u>\$ 25,442,213</u>	<u>\$ 24,868,987</u>	<u>\$ 37,878,822</u>	<u>\$ 35,453,144</u>

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

Long-Term Debt. At the end of the current fiscal year, the City had a total debt outstanding of \$20,114,645. Of this amount, there is no debt that comprises the full faith and credit of the government.

City of Havelock's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Notes payable	<u>\$ 6,916,888</u>	<u>\$ 6,872,996</u>	<u>\$ 13,197,757</u>	<u>\$ 13,486,867</u>	<u>\$ 20,114,645</u>	<u>\$ 20,359,863</u>

The City's total debt decreased during the current fiscal year by \$245,218 due to the City principal payments during the fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total assessed valuation. The current debt limitation for the City of Havelock is approximately \$55,600,000, which is significantly greater than the City's outstanding debt.

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

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City is 5.7 percent. This is slightly higher than the national rate of 5.3 percent, and the State's rate of 5.6. Inflationary trends in the region compare favorable to national indices. All of these factors were considered in preparing the City's budget for the 2015 fiscal year.

The City tax rate was increased from .485 cents per hundred to .51 for the 2015 budget year. The Board of Commissioners was not able to provide all City services at an acceptable level without a tax increase.

The Water Fund and sewer rates were increased by 2.5 percent. The Board remained committed to their policy of increasing the rates based on the Consumer Price Index in both funds.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 7,767,267	\$ 8,872,766	\$ 16,640,033
Intergovernmental receivables	372,364	-	372,364
Taxes receivable, net	19,818	-	19,818
Accounts receivable, net	-	692,721	692,721
Inventories	5,330	32,205	37,535
Cash and cash equivalents, restricted	191,151	326,206	517,357
Total current assets	<u>8,355,930</u>	<u>9,923,898</u>	<u>18,279,828</u>
Non-current assets:			
Net pension asset	485,182	92,416	577,598
Capital assets:			
Capital assets, non-depreciable	4,856,531	10,295,133	15,151,664
Capital assets, net	<u>7,580,078</u>	<u>15,147,080</u>	<u>22,727,158</u>
Total capital assets	<u>12,436,609</u>	<u>25,442,213</u>	<u>37,878,822</u>
Total assets	<u>21,277,721</u>	<u>35,458,527</u>	<u>56,736,248</u>
Deferred Outflows of Resources:			
Contributions to pension plan in current fiscal year	<u>282,169</u>	<u>53,746</u>	<u>335,915</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	140,198	43,343	183,541
Prepaid fees	-	5,663	5,663
Current portion of long-term liabilities	233,439	400,264	633,703
Liabilities payable from restricted assets:			
Customer deposits	-	326,206	326,206
Total current liabilities	<u>373,637</u>	<u>775,476</u>	<u>1,149,113</u>
Long-term liabilities:			
Due in more than one year	<u>7,545,771</u>	<u>12,880,565</u>	<u>20,426,336</u>
Total liabilities	<u>7,919,408</u>	<u>13,656,041</u>	<u>21,575,449</u>
Deferred Inflows of Resources:			
Pension deferrals	<u>1,248,368</u>	<u>237,785</u>	<u>1,486,153</u>
Total deferred inflows of resources	<u>1,248,368</u>	<u>237,785</u>	<u>1,486,153</u>
Net Position:			
Net investment in capital assets	5,519,721	12,244,456	17,764,177
Restricted for stabilization by State statute	538,274	-	538,274
Restricted for streets	191,151	-	191,151
Restricted for debt service	314,190	-	314,190
Restricted for culture and recreation	369,789	-	369,789
Restricted for general government	161,747	-	161,747
Restricted for public safety	121,183	-	121,183
Unrestricted	<u>5,176,059</u>	<u>9,373,991</u>	<u>14,550,050</u>
Total net position	<u>\$ 12,392,114</u>	<u>\$ 21,618,447</u>	<u>\$ 34,010,561</u>

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

CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 2,069,313	\$ 306,047	\$ 45,270	\$ 100,452
Public safety	4,877,015	792,191	504,491	236,920
Highways and streets	1,156,033	-	505,608	-
Environmental protection	213,595	3,660	-	213,595
Cultural and recreation	832,935	239,739	10,000	959,288
Interest on long-term debt	253,873	-	-	-
Total governmental activities	<u>9,402,764</u>	<u>1,341,637</u>	<u>1,065,369</u>	<u>1,510,255</u>
Business-Type Activities:				
Water Fund	1,906,359	1,876,497	-	-
Sewer Fund	2,896,978	3,403,940	-	-
Solid Waste Fund	847,268	960,825	-	-
Tourist and Event Center Fund	413,106	266,137	-	-
Total business-type activities	<u>6,063,711</u>	<u>6,507,399</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 15,466,475</u>	<u>\$ 7,849,036</u>	<u>\$ 1,065,369</u>	<u>\$ 1,510,255</u>

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

CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ (1,617,544)	\$ -	\$ (1,617,544)
Public safety	(3,343,413)	-	(3,343,413)
Highways and streets	(650,425)	-	(650,425)
Environmental protection	3,660	-	3,660
Cultural and recreation	376,092	-	376,092
Interest on long-term debt	(253,873)	-	(253,873)
Total governmental activities	(5,485,503)	-	(5,485,503)
Business-Type Activities:			
Water Fund	-	(29,862)	(29,862)
Sewer Fund	-	506,962	506,962
Solid Waste Fund	-	113,557	113,557
Tourist and Event Center Fund	-	(146,969)	(146,969)
Total business-type activities	-	443,688	443,688
Total primary government	(5,485,503)	443,688	(5,041,815)
General Revenues:			
Property tax	4,496,412	-	4,496,412
Sales tax	1,470,959	-	1,470,959
Franchise tax	1,152,045	-	1,152,045
Other taxes	667,520	-	667,520
Investment earnings	17,053	7,764	24,817
Total general revenues, excluding transfers	7,803,989	7,764	7,811,753
Transfers	(237,369)	237,369	-
Total general revenues and transfers	7,566,620	245,133	7,811,753
Change in net position	2,081,117	688,821	2,769,938
Net Position:			
Beginning of year - July 1 previously reported	11,060,271	21,072,346	32,132,617
Restatement	(749,274)	(142,720)	(891,994)
Beginning of year - July 1 restated	10,310,997	20,929,626	31,240,623
End of year - June 30	\$ 12,392,114	\$ 21,618,447	\$ 34,010,561

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

CITY OF HAVELOCK, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	City Hall Building Capital Project Fund	Nonmajor Governmental Funds	Total
Assets:				
Cash and cash equivalents	\$ 7,036,017	\$ 161,747	\$ 569,503	\$ 7,767,267
Intergovernmental receivables	295,035	4,029	73,300	372,364
Taxes receivable, net	19,818	-	-	19,818
Due from other funds	63,172	-	-	63,172
Inventories	5,330	-	-	5,330
Restricted cash and cash equivalents	191,151	-	-	191,151
Total assets	<u>\$ 7,610,523</u>	<u>\$ 165,776</u>	<u>\$ 642,803</u>	<u>\$ 8,419,102</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 125,229	\$ -	\$ 14,969	\$ 140,198
Due to other funds	-	-	63,172	63,172
Total liabilities	<u>125,229</u>	<u>-</u>	<u>78,141</u>	<u>203,370</u>
Deferred Inflows of Resources:				
Unavailable taxes	19,818	-	-	19,818
Total deferred inflows of resources	<u>19,818</u>	<u>-</u>	<u>-</u>	<u>19,818</u>
Fund Balances:				
Non-spendable:				
Inventories	5,330	-	-	5,330
Restricted:				
Stabilization by State statute	460,945	4,029	73,300	538,274
Restricted, other	505,341	161,747	490,972	1,158,060
Committed:				
Committed for public safety	-	-	73,690	73,690
Assigned:				
Assigned, other	769,015	-	-	769,015
Unassigned	5,724,845	-	(73,300)	5,651,545
Total fund balances	<u>7,465,476</u>	<u>165,776</u>	<u>564,662</u>	<u>8,195,914</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,610,523</u>	<u>\$ 165,776</u>	<u>\$ 642,803</u>	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	12,436,609
Long-term liabilities, interest payable, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(7,779,210)
Deferred inflows of resources in the governmental funds are used to offset accounts receivable not expected to be received within 90 days of year-end. These receivables are a component of net position in the Statement of Net Position.	19,818
Net pension asset	485,182
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	282,169
Pension related deferrals	<u>(1,248,368)</u>
Net position of governmental activities per Exhibit A	<u>\$ 12,392,114</u>

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

CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	City Hall Building Capital Project Fund	Nonmajor Governmental Funds	Total
Revenues:				
Taxes	\$ 4,562,398	\$ -	\$ -	\$ 4,562,398
Unrestricted intergovernmental	3,290,524	-	-	3,290,524
Restricted intergovernmental	859,453	100,000	697,498	1,656,951
Licenses and permits	117,169	-	-	117,169
Sales and services	1,188,690	-	-	1,188,690
Investment earnings	15,890	56	1,107	17,053
Miscellaneous	326,381	-	-	326,381
Total revenues	<u>10,360,505</u>	<u>100,056</u>	<u>698,605</u>	<u>11,159,166</u>
Expenditures:				
Current:				
General government	2,076,715	1,487,832	-	3,564,547
Public safety	4,619,240	-	112,062	4,731,302
Highways and streets	1,215,494	-	-	1,215,494
Environmental protection	-	-	213,595	213,595
Cultural and recreation	825,823	-	20,053	845,876
Debt service:				
Principal	156,108	1,500,000	-	1,656,108
Interest	227,181	26,692	-	253,873
Total expenditures	<u>9,120,561</u>	<u>3,014,524</u>	<u>345,710</u>	<u>12,480,795</u>
Revenues over (under) expenditures	<u>1,239,944</u>	<u>(2,914,468)</u>	<u>352,895</u>	<u>(1,321,629)</u>
Other Financing Sources (Uses):				
Long-term debt issued	-	1,700,000	-	1,700,000
Transfers in	-	46,100	85,642	131,742
Transfers out	(369,111)	-	-	(369,111)
Total other financing sources (uses)	<u>(369,111)</u>	<u>1,746,100</u>	<u>85,642</u>	<u>1,462,631</u>
Net change in fund balances	870,833	(1,168,368)	438,537	141,002
Fund Balances:				
Beginning of year - July 1	<u>6,594,643</u>	<u>1,334,144</u>	<u>126,125</u>	<u>8,054,912</u>
End of year - June 30	<u>\$ 7,465,476</u>	<u>\$ 165,776</u>	<u>\$ 564,662</u>	<u>\$ 8,195,914</u>

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

CITY OF HAVELOCK, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

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

Net change in fund balances - total governmental funds (Exhibit D)	\$ 141,002
<p>Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:</p>	
Property taxes and business licenses	(93,004)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	282,169
Expenses related to pension	(13,912)
Expenses related to compensated absences, OPEB, incurred but not reported (IBNR), and Law Enforcement Officers' Separation Allowance that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(43,698)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	1,946,645
Capital contributions are not reported on the governmental funds statements. However, in the Statement of Activities, capital contributions are a revenue and a increase in capital assets.	655,088
The issuance of long-term debt is reported as revenue in the governmental funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.	(1,700,000)
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(749,281)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	<u>1,656,108</u>
Change in net position of governmental activities per Exhibit B	<u>\$ 2,081,117</u>

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

CITY OF HAVELOCK, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 4,504,245	\$ 4,504,245	\$ 4,562,398	\$ 58,153
Unrestricted intergovernmental	3,140,523	3,140,523	3,290,524	150,001
Restricted intergovernmental	616,925	616,925	859,453	242,528
Licenses and permits	125,755	125,755	117,169	(8,586)
Sales and services	1,097,641	1,130,141	1,188,690	58,549
Investment earnings	13,900	13,900	15,890	1,990
Miscellaneous	161,138	237,253	326,381	89,128
Total revenues	<u>9,660,127</u>	<u>9,768,742</u>	<u>10,360,505</u>	<u>591,763</u>
Expenditures:				
Current:				
General government	2,562,488	2,614,325	2,076,715	537,610
Public safety	4,862,299	4,967,563	4,619,240	348,323
Highways and streets	1,227,495	1,357,896	1,215,494	142,402
Cultural and recreation	826,558	880,364	825,823	54,541
Debt service:				
Principal	157,000	157,000	156,108	892
Interest	239,681	231,786	227,181	4,605
Total expenditures	<u>9,875,521</u>	<u>10,208,934</u>	<u>9,120,561</u>	<u>1,088,373</u>
Revenues over (under) expenditures	<u>(215,394)</u>	<u>(440,192)</u>	<u>1,239,944</u>	<u>1,680,136</u>
Other Financing Sources (Uses):				
Appropriated fund balance	384,424	740,303	-	(740,303)
Transfers in	85,000	85,000	-	(85,000)
Transfers out	<u>(254,030)</u>	<u>(385,111)</u>	<u>(369,111)</u>	<u>16,000</u>
Total other financing sources (uses)	<u>215,394</u>	<u>440,192</u>	<u>(369,111)</u>	<u>(809,303)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	870,833	<u>\$ 870,833</u>
Fund Balance:				
Beginning of year - July 1			<u>6,594,643</u>	
End of year - June 30			<u>\$ 7,465,476</u>	

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

CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Tourist and Event Center Fund</u>	<u>Total</u>
Assets:					
Current assets:					
Cash and cash equivalents	\$ 2,119,911	\$ 5,854,564	\$ 820,122	\$ 78,169	\$ 8,872,766
Accounts receivable, net	212,670	433,758	37,290	9,003	692,721
Inventories	13,444	15,804	-	2,957	32,205
Cash and cash equivalents, restricted	165,623	160,583	-	-	326,206
Total current assets	<u>2,511,648</u>	<u>6,464,709</u>	<u>857,412</u>	<u>90,129</u>	<u>9,923,898</u>
Non-current assets:					
Net pension asset	<u>40,432</u>	<u>34,656</u>	<u>5,776</u>	<u>11,552</u>	<u>92,416</u>
Capital assets:					
Capital assets, non-depreciable	297,847	9,997,286	-	-	10,295,133
Capital assets, net	<u>5,904,657</u>	<u>7,618,978</u>	<u>55,637</u>	<u>1,567,808</u>	<u>15,147,080</u>
Total capital assets	<u>6,202,504</u>	<u>17,616,264</u>	<u>55,637</u>	<u>1,567,808</u>	<u>25,442,213</u>
Total assets	<u>8,754,584</u>	<u>24,115,629</u>	<u>918,825</u>	<u>1,669,489</u>	<u>35,458,527</u>
Deferred Outflows of Resources:					
Contributions to pension plan in current fiscal year	<u>23,514</u>	<u>20,155</u>	<u>3,359</u>	<u>6,718</u>	<u>53,746</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	21,558	12,166	4,727	4,892	43,343
Prepaid fees	-	-	-	5,663	5,663
Compensated absences payable	3,804	249	512	630	5,195
Current portion of long-term debt	128,846	231,390	-	34,833	395,069
Liabilities payable from restricted assets:					
Customer deposits	<u>165,623</u>	<u>160,583</u>	<u>-</u>	<u>-</u>	<u>326,206</u>
Total current liabilities	<u>319,831</u>	<u>404,388</u>	<u>5,239</u>	<u>46,018</u>	<u>775,476</u>
Non-current liabilities:					
Compensated absences payable	34,237	2,245	4,609	5,673	46,764
Other long-term debt	1,030,772	11,733,282	-	38,634	12,802,688
Other post-employment benefits	<u>13,078</u>	<u>12,498</u>	<u>2,271</u>	<u>3,266</u>	<u>31,113</u>
Total non-current liabilities	<u>1,078,087</u>	<u>11,748,025</u>	<u>6,880</u>	<u>47,573</u>	<u>12,880,565</u>
Total liabilities	<u>1,397,918</u>	<u>12,152,413</u>	<u>12,119</u>	<u>93,591</u>	<u>13,656,041</u>
Deferred Inflows of Resources:					
Pension deferrals	<u>104,031</u>	<u>89,169</u>	<u>14,862</u>	<u>29,723</u>	<u>237,785</u>
Net Position:					
Net investment in capital assets	5,042,886	5,651,592	55,637	1,494,341	12,244,456
Unrestricted	<u>2,233,263</u>	<u>6,242,610</u>	<u>839,566</u>	<u>58,552</u>	<u>9,373,991</u>
Total net position	<u>\$ 7,276,149</u>	<u>\$ 11,894,202</u>	<u>\$ 895,203</u>	<u>\$ 1,552,893</u>	<u>\$ 21,618,447</u>

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

CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds				Total
	Water Fund	Sewer Fund	Solid Waste Fund	Tourist and Event Center Fund	
Operating Revenues:					
Charges for sales and services	\$ 1,828,712	\$ 3,331,309	\$ 960,825	\$ 130,918	\$ 6,251,764
Miscellaneous revenue	47,785	72,631	-	38,219	158,635
Total operating revenues	<u>1,876,497</u>	<u>3,403,940</u>	<u>960,825</u>	<u>169,137</u>	<u>6,410,399</u>
Operating Expenses:					
Cost of sales and services:					
Salaries and benefits	516,239	455,008	142,010	156,554	1,269,811
Supplies, maintenance, and administration	1,090,230	1,468,899	674,080	196,751	3,429,960
Depreciation	252,850	617,419	31,178	59,797	961,244
Total operating expenses	<u>1,859,319</u>	<u>2,541,326</u>	<u>847,268</u>	<u>413,102</u>	<u>5,661,015</u>
Operating income (loss)	<u>17,178</u>	<u>862,614</u>	<u>113,557</u>	<u>(243,965)</u>	<u>749,384</u>
Non-Operating Revenues (Expenses):					
Interest income	4,764	3,000	-	-	7,764
Restricted intergovernmental revenues	-	-	-	97,000	97,000
Interest expense and fiscal charges	(47,040)	(355,652)	-	(4)	(402,696)
Total non-operating revenues (expenses)	<u>(42,276)</u>	<u>(352,652)</u>	<u>-</u>	<u>96,996</u>	<u>(297,932)</u>
Income (loss) before transfers and capital contributions	(25,098)	509,962	113,557	(146,969)	451,452
Transfers in (out)	-	-	-	237,369	237,369
Change in net position	<u>(25,098)</u>	<u>509,962</u>	<u>113,557</u>	<u>90,400</u>	<u>688,821</u>
Net Position:					
Beginning of year - July 1 previously reported	7,363,687	11,437,760	790,566	1,480,333	21,072,346
Restatement	(62,440)	(53,520)	(8,920)	(17,840)	(142,720)
Beginning of year - July 1 restated	<u>7,301,247</u>	<u>11,384,240</u>	<u>781,646</u>	<u>1,462,493</u>	<u>20,929,626</u>
End of year - June 30	<u>\$ 7,276,149</u>	<u>\$ 11,894,202</u>	<u>\$ 895,203</u>	<u>\$ 1,552,893</u>	<u>\$ 21,618,447</u>

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

CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds				
	Water Fund	Sewer Fund	Solid Waste Fund	Tourist and Event Center Fund	Total
Cash Flows from Operating Activities:					
Cash received from customers	\$ 1,869,735	\$ 3,388,462	\$ 966,862	\$ 176,459	\$ 6,401,518
Cash paid for goods and services	(1,543,424)	(1,941,701)	(675,299)	(202,698)	(4,363,122)
Cash paid to employees	(533,406)	(468,214)	(142,383)	(153,520)	(1,297,523)
Net cash provided (used) by operating activities	<u>(207,095)</u>	<u>978,547</u>	<u>149,180</u>	<u>(179,759)</u>	<u>740,873</u>
Cash Flows from Non-Capital Financing Activities:					
Increase (decrease) in due from other funds	-	-	-	(40,338)	(40,338)
Occupancy tax received	-	-	-	97,000	97,000
Transfer in (out)	-	-	-	237,369	237,369
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>294,031</u>	<u>294,031</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(840,153)	(694,317)	-	-	(1,534,470)
Proceeds from issuance of notes payable	-	8,490,000	-	-	8,490,000
Principal paid on long-term debt	(128,845)	(8,614,166)	-	(36,099)	(8,779,110)
Interest paid on long-term debt	(47,040)	(355,652)	-	(4)	(402,696)
Net cash provided (used) for capital and related financing activities	<u>(1,016,038)</u>	<u>(1,174,135)</u>	<u>-</u>	<u>(36,103)</u>	<u>(2,226,276)</u>
Cash Flows from Investing Activities:					
Interest received from investments	4,764	3,000	-	-	7,764
Net increase (decrease) in cash and cash equivalents	(1,218,369)	(192,588)	149,180	78,169	(1,183,608)
Cash and Cash Equivalents:					
Beginning of year - July 1	<u>3,503,903</u>	<u>6,207,735</u>	<u>670,942</u>	<u>-</u>	<u>10,382,580</u>
End of year - June 30	<u>\$ 2,285,534</u>	<u>\$ 6,015,147</u>	<u>\$ 820,122</u>	<u>\$ 78,169</u>	<u>\$ 9,198,972</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 17,178	\$ 862,614	\$ 113,557	\$ (243,965)	\$ 749,384
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	252,850	617,419	31,178	59,797	961,244
Pension expense	1,159	993	166	331	2,649
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(8,682)	(17,773)	6,037	5,597	(14,821)
(Increase) decrease in deferred outflows of resources for pensions	(23,514)	(20,155)	(3,359)	(6,718)	(53,746)
(Increase) decrease in inventories	4,284	15,846	-	(947)	19,183
Increase (decrease) in trade accounts payable and accrued liabilities	(452,290)	(482,692)	1,601	4,421	(928,960)
Increase (decrease) in prepaid fees	1,920	2,295	-	1,725	5,940
Net cash provided (used) by operating activities	<u>\$ (207,095)</u>	<u>\$ 978,547</u>	<u>\$ 149,180</u>	<u>\$ (179,759)</u>	<u>\$ 740,873</u>

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

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

1. Summary of Significant Accounting Policies

A. Nature of Operations

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

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

B. Reporting Entity

The City is a municipal corporation governed by an elected Mayor and a five-member Council. As required by generally accepted accounting principles, these financial statements present the City and all legally separate entities for which the City is financially accountable. The City has no component units or entities for which the government is considered to be financially accountable.

C. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government's net position (the City). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (1) fees and charges paid by the recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues for taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

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

The City reports the following major governmental funds:

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

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

The City reports the following nonmajor governmental funds:

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

EPA Brownsfield Capital Project Fund. This fund is used to account for the expenditures related to expansion, redevelopment, or reuse of real property that may have a presence of hazardous substance, pollutant or contaminant.

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

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

The City reports the following major enterprise funds:

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

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

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

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

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

D. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish between operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are susceptible to accrual and are recognized as revenue. Sales taxes are considered a shared revenue for the City of Havelock because the tax is levied by Craven County and then remitted to and distributed by the State. Most Intergovernmental revenues and sales and services are not susceptible to accrual, because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

E. Basis of Presentation - Fund Accounting

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

Governmental Funds

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

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

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

Proprietary Funds

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

F. Budgetary Data

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

The annual budget ordinance is adopted at the departmental level. Over-expenditures at the department level are considered to be a violation of State statutes for all annually budgeted funds and at the project level for the multi-year funds. Annual appropriated budgets are adopted for the General Fund, E-911 Special Revenue Fund, and enterprise funds. Project budgets are adopted for capital project funds. Appropriations for funds that adopt annual budgets lapse at the end of the budget year. Project budgeted appropriations do not lapse until the completion of the project. All budgets are prepared using the modified accrual basis of accounting. Budgets are susceptible to amendment at any time and are amended as necessary by the governing board. Individual amendments to the original General Fund budget were not material in relation to the original appropriations, and all amendments were legally made. The budget amounts shown in the combined financial statements represent the budget as amended at June 30, 2015.

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

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The City is required by State statutes to use encumbrance accounting. Encumbrances are not expenditures but represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation, is utilized in the governmental funds. The City has \$102,738 in encumbrances outstanding at year-end.

G. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) mutual fund. The City's NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The NCCMT – Term Portfolio's securities are valued at fair value.

H. Cash and Cash Equivalents

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

I. Restricted Assets

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first followed by unrestricted resources as they are needed. Customer deposits held by the City, before any services are supplied, are restricted to the service for which the deposit was collected. At June 30, 2015, restricted cash in the Water Fund and Sewer Fund represent customer deposits held by the City. Powell Bill funds are also classified as restricted cash, because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. At June 30, 2015, restricted cash in the General Fund represents Powell Bill funds held by the City to be appropriated in future years.

CITY OF HAVELOCK, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Governmental Activities:

General Fund:

Streets	\$ 191,151
Total governmental activities	191,151

Business-Type Activities:

Water Fund:

Customer deposits	165,623
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Sewer Fund:

Customer deposits	160,583
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Total business-type activities	326,206
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Total restricted cash	\$ 517,357
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J. Ad Valorem Taxes Receivable

In accordance with State statute [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2014. Ad valorem taxes receivable are not accrued as revenue because the amount is not considered "available". At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the subsequent year. An amount equal to the receivable is shown as deferred inflow of resources on the Combined Balance Sheet.

K. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. Receivables are shown net of the following allowances:

	Governmental Activities	Business-Type Activities
Ad valorem receivables	\$ 198,395	\$ -
Water Fund receivables	-	9,608
Sewer Fund receivables	-	17,968
Solid Waste Fund receivables	-	5,732
Total	\$ 198,395	\$ 33,308

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

L. Inventories

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

M. Capital Assets

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

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

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

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

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

N. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation days up to a maximum of 240 hours. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. Vacation pay taken is relieved using the first-in, first-out method. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. The City's sick leave policy provides for unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave at the time of retirement may be used in the determination of length of service for retirement benefit purposes. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

O. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, contributions made to the pension plan in the 2015 fiscal 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*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has two items that meet the criterion for this category – unavailable taxes, and deferrals of pension expense that result from the implementation of GASB Statement 68.

P. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type fund Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

Q. Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources. Non-spendable fund balance for inventory at June 30, 2015 is \$5,330.

CITY OF HAVELOCK, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Restricted Fund Balance

This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

	<u>General Fund</u>	<u>City Hall Building Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>
<i>Restricted for Stabilization by State Statute</i> – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].	\$ 460,945	\$ 4,029	\$ 73,300
<i>Restricted for Streets - Powell Bill</i> – portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total expended Powell Bill funds.	191,151	-	-
<i>Restricted for Debt Service</i> - portion of fund balance that is restricted for debt service.	314,190	-	-
<i>Restricted for Culture and Recreation</i> – portion of fund balance that is restricted by revenue source for PARTF grant expenditures	-	-	369,789
<i>Restricted for General Government</i> – portion of fund balance that is restricted by revenue source for expenditures related to additions and construction of the new City Hall building	-	161,747	-
<i>Restricted for Public Safety</i> – portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.	-	-	<u>121,183</u>
Total restricted fund balance	<u>\$ 966,286</u>	<u>\$ 165,776</u>	<u>\$ 564,272</u>

Committed Fund Balance

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

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Fire Annex Building Capital Project Fund:

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

\$ 73,690

Assigned Fund Balance

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

	General Fund
<i>Assigned for Health Insurance</i> – portion of fund balance that has been budgeted by the Board for payment of health insurance claims and administrative costs	\$ 261,163
<i>Assigned for Other Miscellaneous Items</i> – portion of fund balance that has been budgeted by the Board for various other items, such as Appearance Commission, DARE, National Night Out, volunteer fire department expenditures, rescue squad expenditures, and seniors	78,821
<i>Assigned for Subsequent Year's Expenditures</i> – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.	<u>429,031</u>
Total assigned fund balance	<u>\$ 769,015</u>

Unassigned Fund Balance

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

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

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

Total fund balance - General Fund	\$	7,465,476
Less:		
Non-spendable		(5,330)
Stabilization by State statute		<u>(460,945)</u>
Available for appropriation	\$	<u><u>6,999,201</u></u>

The City has not officially adopted a fund balance policy.

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

	General
	Fund
	<u> </u>
Encumbrances	\$ <u>102,738</u>

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Havelock's employer contributions are recognized when due and the City of Havelock has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

R. Interfund Transactions

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

S. Use of Estimates

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

2. Deposits and Investments

A. Deposits

All of the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agent in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the unit's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer of North Carolina to enforce strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City complies with G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

At June 30, 2015, the City's deposits had a carrying amount of \$8,125,116 and a bank balance of \$8,429,511, of which \$250,000 was covered by federal depository insurance and \$8,179,511 was covered by collateral held by the State Treasurer under the Pooling Method.

At June 30, 2015, the City had \$3,923 cash on hand.

B. Investments

At June 30, 2015, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
NC Capital Management Trust - Cash Portfolio	\$ 5,009,082	\$ 5,009,082
NC Capital Management Trust - Term Portfolio	4,019,269	4,019,269
Total investments	<u>\$ 9,028,351</u>	<u>\$ 9,028,351</u>

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

Credit Risk. The City has no formal policy regarding credit risk, but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2014. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

CITY OF HAVELOCK, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

3. Capital Assets

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

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2015</u>
Governmental Activities:					
By Type:					
Non-Depreciable Capital Assets:					
Land	\$ 2,005,673	\$ 674,888	\$ -	\$ -	\$ 2,680,561
Construction in progress	730,984	1,444,986	-	-	2,175,970
Total non-depreciable capital assets	<u>2,736,657</u>	<u>2,119,874</u>	-	-	<u>4,856,531</u>
Depreciable Capital Assets:					
Buildings	7,179,544	-	-	-	7,179,544
Other improvements	1,171,648	108,055	-	-	1,279,703
Equipment	3,456,418	147,737	(20,812)	-	3,583,343
Vehicles	3,550,707	226,067	(93,046)	-	3,683,728
Total depreciable capital assets	<u>15,358,317</u>	<u>481,859</u>	<u>(113,858)</u>	-	<u>15,726,318</u>
Less Accumulated Depreciation:					
Buildings	1,798,929	177,494	-	-	1,976,423
Other improvements	650,525	40,981	-	-	691,506
Equipment	2,182,335	236,940	(20,812)	-	2,398,463
Vehicles	2,879,028	293,866	(93,046)	-	3,079,848
Total accumulated depreciation	<u>7,510,817</u>	<u>\$ 749,281</u>	<u>\$ (113,858)</u>	<u>\$ -</u>	<u>8,146,240</u>
Capital assets, net	<u>\$ 10,584,157</u>				<u>\$ 12,436,609</u>

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

Governmental Activities:	
General government	\$ 119,885
Public safety	472,047
Highways and streets	67,435
Cultural and recreation	89,914
Total	<u>\$ 749,281</u>

CITY OF HAVELOCK, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

	Water Fund				Balance June 30, 2015
	Balance July 1, 2014	Additions	Retirements	Transfers	
Business-Type Activities:					
By Type:					
Non-Depreciable Capital Assets:					
Land	\$ 297,847	\$ -	\$ -	\$ -	\$ 297,847
Construction in progress	1,159,545	-	-	(1,159,545)	-
Total non-depreciable capital assets	<u>1,457,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>297,847</u>
Depreciable Capital Assets:					
Plants	7,413,079	708,825	-	1,159,545	9,281,449
Water lines	2,304,418	-	-	-	2,304,418
Equipment	374,680	78,512	-	-	453,192
Vehicles	131,022	52,816	-	-	183,838
Total depreciable capital assets	<u>10,223,199</u>	<u>840,153</u>	<u>-</u>	<u>1,159,545</u>	<u>12,222,897</u>
Less Accumulated Depreciation:					
Plants	3,751,829	184,334	-	-	3,936,163
Water lines	1,937,494	31,359	-	-	1,968,853
Equipment	255,045	31,875	-	-	286,920
Vehicles	121,022	5,282	-	-	126,304
Total accumulated depreciation	<u>6,065,390</u>	<u>\$ 252,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>6,318,240</u>
Capital assets, net	<u>\$ 5,615,201</u>				<u>\$ 6,202,504</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Sewer Fund				
	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
By Type:				
Non-Depreciable Capital Assets:				
Land	\$ 8,811	\$ -	\$ -	\$ 8,811
Construction in progress	9,853,170	135,305	-	9,988,475
Total non-depreciable capital assets	9,861,981	135,305	-	9,997,286
Depreciable Capital Assets:				
Plants	9,218,437	-	-	9,218,437
Sewer lines	10,260,337	140,412	-	10,400,749
Equipment	445,280	348,442	-	793,722
Vehicles	357,593	70,158	(16,549)	411,202
Total depreciable capital assets	20,281,647	559,012	(16,549)	20,824,110
Less Accumulated Depreciation:				
Plants	6,483,700	266,256	-	6,749,956
Sewer lines	5,446,885	296,095	-	5,742,980
Equipment	347,886	40,985	-	388,871
Vehicles	325,791	14,083	(16,549)	323,325
Total accumulated depreciation	12,604,262	\$ 617,419	\$ (16,549)	13,205,132
Capital assets, net	\$ 17,539,366			\$ 17,616,264

Solid Waste Fund				
	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
Vehicles	\$ 347,296	\$ -	\$ -	\$ 347,296
Less: Accumulated depreciation	(260,481)	(31,178)	-	(291,659)
Capital assets, net	\$ 86,815	\$ (31,178)	\$ -	\$ 55,637

Tourist and Event Center Fund				
	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
Buildings	\$ 2,367,404	\$ -	\$ -	\$ 2,367,404
Less: Accumulated depreciation	(739,799)	(59,797)	-	(799,596)
Capital assets, net	\$ 1,627,605	\$ (59,797)	\$ -	\$ 1,567,808

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

4. Pension Plan Obligations

A. Local Governmental Employees' Retirement System

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

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

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

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Havelock employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Havelock's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Havelock were \$335,915 for the year ended June 30, 2015.

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

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

At June 30, 2015, the City reported an asset of \$577,598 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the City's proportion was 0.09794%, which was a decrease of 0.00386% from its proportion measured as of June 30, 2013.

CITY OF HAVELOCK, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

For the year ended June 30, 2015, the City recognized pension expense of \$16,561. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ -	\$ 63,113
Net difference between projected and actual earnings on pension plan investments	-	1,344,634
Changes in proportion and differences between City contributions and proportionate share of contributions	-	78,406
City contributions subsequent to the measurement date	<u>335,915</u>	<u>-</u>
Total	<u>\$ 335,915</u>	<u>\$ 1,486,153</u>

\$335,915 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	
2016	\$ (371,627)
2017	(371,627)
2018	(371,627)
2019	<u>(371,272)</u>
Total	<u>\$ (1,486,153)</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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, 2014 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	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	<u>4.5%</u>	3.7%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	\$ 1,960,616	\$ (577,598)	\$ (2,714,691)

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

B. Law Enforcement Officers' Special Separation Allowance

Plan Description. The City administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. 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. Plan benefits are funded on a pay-as-you-go basis. Any plan contributions that exceed plan benefits by immaterial amounts are accounted for in the General Fund.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>27</u>
Total	<u>32</u>

A separate report was not issued for the Plan.

Summary of Significant Accounting Policies.

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the fiscal year ended June 30, 2015 was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The amortization method is a level percent of pay closed. The remaining amortization period is 17 years. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$	60,033
Interest on net pension obligation		11,988
Adjustment to annual required contribution		<u>(20,254)</u>
Annual pension costs		51,767
Contributions made		<u>69,173</u>
Increase (decrease) in net pension obligation		(17,406)
Net pension obligation:		
Beginning of year - July 1		<u>239,762</u>
End of year - June 30	\$	<u><u>222,356</u></u>

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 49,333	111.88%	\$ 245,604
2014	44,198	113.22%	239,762
2015	51,767	133.62%	222,356

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$478,552. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,129,579, and the ratio of the UAAL to the covered payroll was 42.37 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets are increasing or decreasing, over time, relative to the actuarial accrued liability for benefits.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

C. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2015 were \$121,265, which consisted of \$63,965 from the City and \$57,300 from the law enforcement officers.

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

All non-law enforcement employees employed by the City participate in the Plan, a defined contribution pension plan. Participation begins after the completion of at least three (3) months' continuous employment with the City. The City has no requirement or obligation under State Statutes to contribute to this Plan; however, the City has adopted the Supplemental Retirement Plan of North Carolina 401(k) for its non-law enforcement employees. The City contributes five percent of each employee's salary, and all amounts contributed are vested immediately. Also, employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2015 were \$260,859 which consisted of \$174,310 from the City and \$86,549 from the non-law enforcement employees.

5. Other Post-Employment Benefits

Healthcare Benefits

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

CITY OF HAVELOCK, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Membership of the HCB Plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation.

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	10	-
Terminated plan members entitled to, but not yet receiving benefits	-	-
Active plan members	87	26
Total	97	26

Funding Policy. The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a City resolution that can be amended by the Board of Commissioners. The City's members pay \$568 per month for dependent coverage. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 4.55% of annual covered payroll. For the current year, the City contributed \$141,124, or 3.11%, of annual covered payroll. The City obtains healthcare coverage through private insurers. There were no contributions made by employees during the year. The City's obligation to contribute to the HCB Plan is established and may be amended by the Board of Commissioners.

Summary of Significant Accounting Policies. Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Annual OPEB Cost and Net OPEB Obligation. The City’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB costs for the year, the amount actually contributed to the Plan, and changes in the City’s net OPEB obligation for the healthcare benefits.

Annual required contribution	\$ 212,290
Interest on net OPEB obligation	5,508
Adjustment to annual required contribution	<u>(5,262)</u>
Annual OPEB cost (expense)	212,536
Contributions made	<u>(141,124)</u>
Increase (decrease) in net OPEB obligation	71,412
Net OPEB obligation:	
Beginning of year - July 1	<u>137,701</u>
End of year - June 30	<u><u>\$ 209,113</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2015 were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 206,210	77.18%	\$ 104,658
2014	206,294	83.98%	137,701
2015	212,536	66.40%	209,113

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$1,955,513. The covered payroll (annual payroll of active employees covered by the Plan) was \$4,532,326, and the ratio of the UAAL to the covered payroll was 43.15 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends.

Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing, over time, relative to the actuarial accrued liabilities for benefits.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the Plan at the valuation date, and an annual medical cost trend increase of 8.50 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012 was 30 years.

Other Employment Benefits

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

6. Deferred Outflows and Inflows of Resources

The City has one item classified as a deferred outflow of resources. Deferred outflows of resources is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contribution to pension plan in current fiscal year	\$ 335,915

CITY OF HAVELOCK, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

	<u>Amount</u>
Deferred Inflows:	
Taxes receivable (GF)	\$ 19,818
Pension deferrals	<u>1,486,153</u>
Total	<u>\$ 1,505,971</u>

7. Net Investment in Capital Assets

Net investment in capital assets, at June 30, 2015 is computed as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of accumulated depreciation	\$ 12,436,609	\$ 25,442,213
Less capital debt	<u>(6,916,888)</u>	<u>(13,197,757)</u>
Net investment in capital assets	<u>\$ 5,519,721</u>	<u>\$ 12,244,456</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

8. Long-Term Obligations

A. Notes Payable

Governmental Activities Long-Term Debt

\$3,000,000 USDA loan issued July 2010, interest at 4.0%, payable in annual installments of \$173,520, including interest, final payment due in fiscal year 2041; secured by building	\$ 2,770,880
\$744,800 USDA loan issued July 2010, interest at 4.0%, payable in annual installments of \$43,080, including interest, final payment due in fiscal year 2041; secured by building	687,914
\$950,000 note issued January 2002, interest at 4.89%, payable in annual installments of \$42,338, including interest, final payment due in fiscal year 2020; secured by real estate	53,200
\$691,000 USDA loan issued December 2005, interest at 4.25%, payable in annual installments of \$41,184, including interest, final payment due in fiscal year 2036; secured by real estate	563,874
\$1,700,000 note issued May 2015, interest at 3.50%, payable in annual payments in the amount of \$65,000, including interest, final payment is due in fiscal year 2045; secured by real estate	1,700,000
\$549,000 USDA loan issued June 2012, interest at 2.75%, payable in annual installments of \$22,806, including interest, final payment due in fiscal year 2052; secured by real estate	525,013
\$725,000 USDA loan issued October 2009, interest at 4.25%, payable in annual installments of \$56,384, including interest, final payment due in fiscal year 2030; secured by equipment	<u>616,007</u>
Total governmental activities installment loans payable	<u>\$ 6,916,888</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The future minimum payments of the governmental activities long-term debt installment loans as of June 30, 2015 are as follows:

Year Ending June 30	Principal	Interest	Total
2016	\$ 194,465	\$ 263,530	\$ 457,995
2017	197,763	257,000	454,763
2018	179,852	250,211	430,063
2019	186,911	243,152	430,063
2020	194,247	235,816	430,063
2021-2025	1,091,859	1,058,456	2,150,315
2026-2030	1,323,970	826,206	2,150,176
2031-2035	1,299,245	569,150	1,868,395
2036-2040	1,394,612	308,354	1,702,966
2041-2045	710,835	81,065	791,900
2046-2050	99,684	14,346	114,030
2051-2052	43,445	1,795	45,240
Total	<u>\$ 6,916,888</u>	<u>\$ 4,109,081</u>	<u>\$ 11,025,969</u>

CITY OF HAVELOCK, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Business-Type Activities Long-Term Debt

Serviced by Water Fund:

\$2,907,000 DENR State Revolving Loan issued December 2000, interest at 2.87%, payable in annual principal installments of \$128,846, and semi-annual interest payments at 2.87% interest, through 2024; secured by plant and equipment \$ 1,159,618

Serviced by Sewer Fund:

\$8,490,000 USDA loan issued October 2014, interest at 3.25% payable in annual principal installments of \$386,925, including interest through 2054; secured by plant and equipment 8,490,000

\$1,753,441 DENR State Revolving Loan issued April 2001, interest at 2.55%, payable in annual principal installments of \$89,175, and semi-annual interest payments, through 2023; secured by plant and equipment 701,376

\$2,970,000 USDA loan issued October 2007, interest at 4.50%, payable in annual principal installments of \$161,399, including interest through 2047; secured by plant and equipment 2,773,296

Total Sewer Fund 11,964,672

Serviced by Tourist Center:

\$950,000 note issued January 2002, interest at 4.89%, payable in annual installments of \$34,833, plus interest, with a final payment due in fiscal year 2017; secured by real estate 73,467

Total business-type activities long-term debt \$ 13,197,757

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The future minimum payments of the business-type activities long-term debt installment loans payable as of June 30, 2015 are as follows:

Serviced by Water Fund:

Year Ending June 30	Principal	Interest	Total
2016	\$ 128,846	\$ 33,282	\$ 162,128
2017	128,846	29,582	158,428
2018	128,846	25,886	154,732
2019	128,846	22,188	151,034
2020	128,846	18,490	147,336
2021-2024	<u>515,388</u>	<u>55,470</u>	<u>570,858</u>
Total	<u>\$ 1,159,618</u>	<u>\$ 184,898</u>	<u>\$ 1,344,516</u>

Serviced by Sewer Fund:

Year Ending June 30	Principal	Interest	Total
2016	\$ 231,390	\$ 413,724	\$ 645,114
2017	240,621	404,354	644,975
2018	246,364	394,854	641,218
2019	251,187	385,223	636,410
2020	257,095	375,494	632,589
2021-2025	1,207,949	1,729,250	2,937,199
2026-2030	1,128,612	1,506,735	2,635,347
2031-2035	1,350,076	1,276,734	2,626,810
2036-2040	1,614,296	1,022,162	2,636,458
2041-2045	1,930,246	738,893	2,669,139
2046-2050	2,076,836	418,393	2,495,229
2051-2054	<u>1,430,000</u>	<u>117,974</u>	<u>1,547,974</u>
Total	<u>\$ 11,964,672</u>	<u>\$ 8,783,790</u>	<u>\$ 20,748,462</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Serviced by Tourist and Event Center Fund:

Year Ending June 30	Principal	Interest	Total
2016	\$ 34,833	\$ 7,619	\$ 42,452
2017	38,634	6,086	44,720
Total	<u>\$ 73,467</u>	<u>\$ 13,705</u>	<u>\$ 87,172</u>

B. Changes in Long-Term Debt

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

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Current Portion
By Type of Debt:					
Installment loans	\$ 6,872,996	\$ 1,700,000	\$ (1,656,108)	\$ 6,916,888	\$ 194,465
Net pension obligation (LEO)	239,762	51,767	(69,173)	222,356	-
Net pension obligation (LRS)	1,030,748	-	(1,030,748)	-	-
OPEB	116,886	179,956	(118,842)	178,000	-
IBNR	84,961	866,612	(879,347)	72,226	-
Compensated absences	377,015	33,500	(20,775)	389,740	38,974
Total	<u>\$ 8,722,368</u>	<u>\$ 2,831,835</u>	<u>\$ (3,774,993)</u>	<u>\$ 7,779,210</u>	<u>\$ 233,439</u>

The General Fund provides the resources for the retirement of compensated absences payable, liability for claims and judgments, other post-employment benefits, and the net pension obligation. The City's legal debt limit is 8% of the City's assessed value of taxable property. The City's legal debt margin as of June 30, 2015 amounts to approximately \$55,600,000.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

Serviced by Water Fund:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Current</u> <u>Portion</u>
Installment loans	\$ 1,288,463	\$ -	\$ (128,845)	\$ 1,159,618	\$ 128,846
Net pension obligation (LGERS)	85,896	-	(85,896)	-	-
OPEB	8,646	14,022	(9,590)	13,078	-
Compensated absences	41,717	33,450	(37,126)	38,041	3,804
Total	\$ 1,424,722	\$ 47,472	\$ (261,457)	\$ 1,210,737	\$ 132,650

Serviced by Sewer Fund:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Current</u> <u>Portion</u>
Installment loans	\$ 12,088,838	\$ 8,490,000	\$ (8,614,166)	\$ 11,964,672	\$ 231,390
Net pension obligation (LGERS)	73,625	-	(73,625)	-	-
OPEB	8,562	12,452	(8,516)	12,498	-
Compensated absences	4,410	5,550	(7,466)	2,494	249
Total	\$ 12,175,435	\$ 8,508,002	\$ (8,703,773)	\$ 11,979,664	\$ 231,639

Serviced by Solid Waste Fund:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Current</u> <u>Portion</u>
Net pension obligation (LGERS)	\$ 12,270	\$ -	\$ (12,270)	\$ -	\$ -
OPEB	1,426	2,673	(1,828)	2,271	-
Compensated absences	6,339	5,345	(6,563)	5,121	512
Total	\$ 20,035	\$ 8,018	\$ (20,661)	\$ 7,392	\$ 512

Serviced by Tourist Center and Event Fund:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Current</u> <u>Portion</u>
Installment loans	\$ 109,566	\$ -	\$ (36,099)	\$ 73,467	\$ 34,833
Net pension obligation (LGERS)	24,542	-	(24,542)	-	-
OPEB	2,181	3,433	(2,348)	3,266	-
Compensated absences	4,354	7,125	(5,176)	6,303	630
Total	\$ 140,643	\$ 10,558	\$ (68,165)	\$ 83,036	\$ 35,463

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Sewer Revenue Bonds

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

The debt service parity coverage ratio calculation for the year ended June 30, 2015 is as follows:

Operating revenues	\$ 3,403,940
Operating expenses*	<u>(1,923,907)</u>
Operating income	<u>\$ 1,480,033</u>
Debt service on parity indebtedness	<u>\$ -</u>
Debt service coverage ratio on parity indebtedness	<u>None in current fiscal year</u>
Other indebtedness related to the Combined Sewer Enterprise System	<u>\$ 423,954</u>
Debt service coverage ratio on parity and other indebtedness	349%
Annual debt service requirement due in upcoming fiscal year	<u>\$ 645,114</u>
Debt service coverage ratio on upcoming fiscal year debt service	229%

*Excludes depreciation and amortization.

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay Sewer Enterprise System Revenue Bonds of \$8,490,000 issued in 2014. Proceeds from the bonds provided financing for the sewer plant expansion and outfall line. The bonds are payable solely from sewer customer net revenues and are payable through 2054. The total principal and interest remaining to be paid on the bonds is \$15,098,345. There were no principal and interest payments for the current year and total net revenues were \$1,480,033 respectively.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

9. Risk Management

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

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

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

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

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

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 84,961	\$ 45,765
Incurred claims (including IBNRs) and changes in estimates	866,612	1,055,915
Less claims payments	<u>(879,347)</u>	<u>(1,016,719)</u>
Balance, end of year	<u>\$ 72,226</u>	<u>\$ 84,961</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

10. Interfund Balances and Activity

Due to/from other funds at June 30, 2015 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	EPA Brownsfield Capital Project Fund	<u>\$ 63,172</u>	Timing of grant revenue

Transfers to/from other funds at June 30, 2015 consist of the following:

<u>Purpose</u>	<u>Amount</u>
From the General Fund to the City Hall Capital Project fund for the Town's contribution	\$ 46,100
From the General Fund to the Lewis Farm PARTF Capital Project Fund for the Town's contribution	85,642
From the General Fund to the Tourist Center Fund for operations	<u>237,369</u>
Total transfers	<u>\$ 369,111</u>

11. Disaggregation Data for Entity-Wide Receivables and Payables

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Intergovernmental Receivables:		
Sales tax receivable	\$ 160,000	\$ -
Grant receivable	73,300	-
Sales tax refund	<u>139,064</u>	-
Total	<u>\$ 372,364</u>	<u>\$ -</u>
Accounts Payable and Accrued Expenses:		
Trade payables	\$ 15,319	\$ 10,325
Accrued expenses	<u>124,879</u>	<u>33,018</u>
Total	<u>\$ 140,198</u>	<u>\$ 43,343</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

12. Summary Disclosure of Significant Contingencies

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

13. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$749,274 and \$142,720, respectively.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF HAVELOCK, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets A	Actuarial Accrued Liability (AAL)- Projected Unit Credit		Unfunded AAL (UAAL) B - A	Funded Ratio A / B	Covered Payroll C	UAAL as a Percentage Covered Payroll (B - A) / C
		B					
12/31/2014	\$ -	\$ 478,552		\$ 478,552	0.00%	\$ 1,129,579	42.37%
12/31/2013	-	461,089		461,089	0.00%	1,228,094	37.55%
12/31/2012	-	472,463		472,463	0.00%	1,185,232	39.86%
12/31/2011	-	483,585		483,585	0.00%	1,243,773	38.88%
12/31/2010	-	493,664		493,664	0.00%	1,136,148	43.45%
12/31/2009	-	488,916		488,916	0.00%	1,156,412	42.28%
12/31/2008	-	431,713		431,713	0.00%	1,043,378	41.38%
12/31/2007	-	418,988		418,988	0.00%	951,752	44.02%
12/31/2006	-	442,481		442,481	0.00%	948,055	46.67%
12/31/2005	-	387,683		387,683	0.00%	917,300	42.26%
12/31/2004	-	341,012		341,012	0.00%	929,584	36.68%

Schedule of Employer Contribution:

Year Ended June 30	Annual Required Contribution (ARC)		Amount Contributed By Employer	Percentage of ARC Contributed
2015	\$ 60,033		\$ 69,173	115.22%
2014	51,928		50,040	96.36%
2013	52,409		55,195	105.32%
2012	49,692		57,732	116.18%

Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated.

Additional information as of the latest valuation follows:

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	5.00%
Projected salary increases *	4.25 - 7.85%
Cost of living adjustments	N/A

* Includes inflation at 3.00%

CITY OF HAVELOCK, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2015

 Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets A	Actuarial Accrued Liability (AAL)- Projected Unit Credit B	Unfunded AAL (UAAL) B - A	Funded Ratio A / B	Covered Payroll C	UAAL as a Percentage Covered Payroll (B - A) / C
12/31/2012	\$ -	\$ 1,955,513	\$ 1,955,513	0.00%	\$ 4,532,326	43.15%
12/31/2008	-	1,199,692	1,199,692	0.00%	4,352,284	27.56%

 Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2015	\$ 212,290	\$ 141,121	66.48%
2014	206,107	173,251	84.06%
2013	206,107	159,150	77.22%
2012	114,775	192,317	167.56%
2011	114,775	61,470	53.56%
2010	114,775	34,121	29.73%

Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated.

Additional information as of the latest valuation follows:

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Amortization factor	26.1695
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return *	4.00%
Medical cost trend rate	8.50% - 5.00%
Year of Ultimate trend rate	2018
* Includes inflation at 3.00%	

CITY OF HAVELOCK, NORTH CAROLINA

**CITY OF HAVELOCKS'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

Local Government Employees' Retirement System	<u>2015</u>	<u>2014</u>
City of Havelock's proportion of the net pension liability (asset) (%)	0.09794%	0.10180%
City of Havelock's proportion of the net pension liability (asset) (\$)	\$ (577,598)	\$ 1,227,081
City of Havelock's covered-employee payroll	\$ 4,342,966	\$ 4,321,634
City of Havelock's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(13.30%)	28.39%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

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

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

CITY OF HAVELOCK, NORTH CAROLINA

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

	<u>2015</u>	<u>2014</u>
Local Government Employees' Retirement System		
Contractually required contribution	\$ 335,915	\$ 335,088
Contributions in relation to the contractually required contribution	<u>335,915</u>	<u>335,088</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City of Havelock's covered-employee payroll	\$ 4,342,966	\$ 4,332,300
Contributions as a percentage of covered-employee payroll	7.73%	7.73%

GENERAL FUND

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CITY OF HAVELOCK, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Final Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year property tax	\$ 4,155,145	\$ 4,195,151	\$ 40,006	\$ 4,009,796
Motor vehicle tax - current and delinquent	349,100	358,687	9,587	495,800
Prior years' property tax	-	8,560	8,560	10,234
Total	<u>4,504,245</u>	<u>4,562,398</u>	<u>58,153</u>	<u>4,515,830</u>
Unrestricted Intergovernmental Revenues:				
Gross receipts tax	20,800	22,709	1,909	21,844
Payment in lieu of taxes	4,548	3,914	(634)	4,535
Franchise tax	1,111,000	1,152,045	41,045	1,027,514
Beer and wine tax	85,000	99,303	14,303	92,420
Local option sales tax	1,472,925	1,470,959	(1,966)	1,443,105
Hold harmless	420,250	487,195	66,945	405,771
Solid waste disposal tax	13,500	13,316	(184)	11,868
Craven County ABC revenue	12,500	41,083	28,583	11,837
Total	<u>3,140,523</u>	<u>3,290,524</u>	<u>150,001</u>	<u>3,018,894</u>
Restricted Intergovernmental Revenues:				
Powell Bill	500,000	505,608	5,608	512,737
Federal and State grants	-	236,920	236,920	151,109
Craven County BOE contribution - school officer	116,925	116,925	-	116,925
Total	<u>616,925</u>	<u>859,453</u>	<u>242,528</u>	<u>780,771</u>
Licenses and Permits:				
Dog and cat licenses	1,250	1,065	(185)	1,315
Privilege license	65,650	7,921	(57,729)	141,777
Beer and wine licenses	750	865	115	870
Permits	58,105	107,318	49,213	85,401
Total	<u>125,755</u>	<u>117,169</u>	<u>(8,586)</u>	<u>229,363</u>
Sales and Services:				
Commission - trash stickers	150	150	-	176
Contribution from recreation	20,000	34,373	14,373	33,106
Sale of garbage stickers	3,600	3,510	(90)	3,722
EMS billing	595,500	709,355	113,855	617,570
Other	510,891	441,302	(69,589)	401,876
Total	<u>1,130,141</u>	<u>1,188,690</u>	<u>58,549</u>	<u>1,056,450</u>

CITY OF HAVELOCK, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Final Budget	Actual	Variance Over/Under	Actual
Interest:				
Investment earnings	13,450	15,398	1,948	14,424
Investment earnings - Powell Bill	450	492	42	510
Total	<u>13,900</u>	<u>15,890</u>	<u>1,990</u>	<u>14,934</u>
Miscellaneous Revenue:				
Court facility fee and refunds	4,175	2,791	(1,384)	5,178
Insurance proceeds	63,385	138,213	74,828	91,808
Sale of capital assets	-	-	-	49,748
Miscellaneous	<u>169,693</u>	<u>185,377</u>	<u>15,684</u>	<u>151,544</u>
Total	<u>237,253</u>	<u>326,381</u>	<u>89,128</u>	<u>298,278</u>
Total revenues	<u>9,768,742</u>	<u>10,360,505</u>	<u>591,763</u>	<u>9,914,520</u>
Expenditures:				
General Government:				
Fees paid to elected officials		25,936		25,346
Operating expenses		124,047		92,561
Capital outlay		100		-
Total	<u>162,648</u>	<u>150,083</u>	<u>12,565</u>	<u>117,907</u>
Administration:				
Salaries and benefits		559,142		591,155
Operating expenses		204,324		209,418
Administration fee credit		(109,289)		(109,289)
Total	<u>852,829</u>	<u>654,177</u>	<u>198,652</u>	<u>691,284</u>
Finance:				
Salaries and benefits		265,411		252,081
Operating expenses		62,492		60,560
Administration fee credit		(296,164)		(296,164)
Total	<u>57,332</u>	<u>31,739</u>	<u>25,593</u>	<u>16,477</u>
Revenue Collections:				
Salaries and benefits		169,892		175,184
Operating expenses		144,978		140,770
Administration fee credit		(314,607)		(314,607)
Total	<u>80,244</u>	<u>263</u>	<u>79,981</u>	<u>1,347</u>

CITY OF HAVELOCK, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Final Budget	Actual	Variance Over/Under	Actual
Legal Department:				
Professional services	87,000	86,899	101	73,445
Information Systems:				
Salaries and benefits		275,293		273,221
Operating expenses		264,230		310,107
Capital outlay		102,492		-
Administrative fee credit		(77,159)		(77,159)
Total	605,235	564,856	40,379	506,169
Planning and Zoning:				
Salaries and benefits		227,911		274,011
Operating expenses		139,928		149,369
Capital outlay		25,478		52,976
Total	523,221	393,317	129,904	476,356
Public Buildings:				
Salaries and benefits		66,707		75,468
Operating expenses		123,474		186,973
Capital outlay		5,200		87,784
Total	245,816	195,381	50,435	350,225
Total general government	2,614,325	2,076,715	537,610	2,233,210
Public Safety:				
Police:				
Salaries and benefits		2,401,987		2,296,107
Operating expenses		328,501		301,115
Capital outlay		115,343		110,778
Total	2,988,334	2,845,831	142,503	2,708,000
Fire:				
Salaries and benefits		541,126		569,380
Operating expenses		209,572		268,448
Capital outlay		-		43,827
Total	890,563	750,698	139,865	881,655

CITY OF HAVELOCK, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		2014
	Final Budget	Actual	Variance Over/Under
Emergency Medical Services:			
Salaries and benefits		671,426	778,246
Operating expenses		143,339	135,354
Capital outlay		129,329	-
Total	1,000,575	944,094	913,600
Animal Control:			
Salaries and benefits		70,393	60,891
Operating expenses		8,224	7,446
Total	88,091	78,617	68,337
Total public safety	4,967,563	4,619,240	4,571,592
Highways and Streets:			
Public Works:			
Salaries and benefits		72,794	80,534
Operating expenses		61,974	39,085
Total	185,580	134,768	119,619
Central Garage:			
Salaries and benefits		82,954	88,264
Operating expenses		22,800	14,886
Capital outlay		-	21,944
Street lights and traffic signals		152,195	166,399
Total	301,074	257,949	291,493
Powell Bill Funds:			
Salaries and benefits		143,259	225,362
Operating expenses		322,847	211,583
Capital outlay		61,174	34,978
Total	567,194	527,280	471,923
Non-Powell Bill Funds:			
Salaries and benefits		263,082	255,740
Operating expenses		32,415	49,816
Total	304,048	295,497	305,556
Total highways and streets	1,357,896	1,215,494	1,188,591

CITY OF HAVELOCK, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Final Budget	Actual	Variance Over/Under	Actual
Cultural and Recreation:				
Cultural:				
Library operations		4,000		52,057
Total	10,000	4,000	6,000	52,057
Recreation:				
Salaries and benefits		457,951		468,834
Operating expenses		261,017		277,389
Capital outlay		102,855		8,561
Total	870,364	821,823	48,541	754,784
Havelock Historical Preservation Society:				
Operating expenses	-	-	-	500
Total cultural and recreation	880,364	825,823	54,541	807,341
Debt Service:				
Principal		156,108		152,902
Interest		227,181		236,448
Total debt service	388,786	383,289	5,497	389,350
Total expenditures	10,208,934	9,120,561	1,088,373	9,190,084
Revenue over (under) expenditures	(440,192)	1,239,944	1,680,136	724,436
Other Financing Sources (Uses):				
Transfers out	(385,111)	(369,111)	16,000	(472,059)
Transfers in	85,000	-	(85,000)	-
Appropriated fund balance	740,303	-	(740,303)	-
Total other financing sources (uses)	440,192	(369,111)	(809,303)	(472,059)
Net change in fund balance	\$ -	870,833	\$ 870,833	252,377
Fund Balance:				
Beginning of year - July 1		6,594,643		6,342,266
End of year - June 30		\$ 7,465,476		\$ 6,594,643

CITY OF HAVELOCK, NORTH CAROLINA

CITY HALL CAPITAL PROJECT FUND
MAJOR CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Authorization	Actual		Total
		Prior Years	Current Year	
Revenues:				
Restricted intergovernmental revenues	\$ 100,000	\$ -	\$ 100,000	\$ 100,000
Interest income	-	128	56	184
Total revenues	<u>100,000</u>	<u>128</u>	<u>100,056</u>	<u>100,184</u>
Expenditures:				
General Government:				
Professional services	65,000	11,580	63,177	74,757
Capital outlay	2,300,000	719,405	1,424,655	2,144,060
Debt service	<u>1,700,000</u>	<u>-</u>	<u>1,526,692</u>	<u>1,526,692</u>
Total expenditures	<u>4,065,000</u>	<u>730,985</u>	<u>3,014,524</u>	<u>3,745,509</u>
Revenues over (under) expenditures	<u>(3,965,000)</u>	<u>(730,857)</u>	<u>(2,914,468)</u>	<u>(3,645,325)</u>
Other Financing Sources (Uses):				
Long-term debt issued	3,400,000	1,500,000	1,700,000	3,200,000
Transfers in	<u>565,000</u>	<u>565,001</u>	<u>46,100</u>	<u>611,101</u>
Total other financing sources (uses)	<u>3,965,000</u>	<u>2,065,001</u>	<u>1,746,100</u>	<u>3,811,101</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,334,144</u>	<u>\$ (1,168,368)</u>	<u>\$ 165,776</u>

NONMAJOR GOVERNMENTAL FUNDS

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CITY OF HAVELOCK, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	Emergency Telephone System Fund	EPA Brownsfield Capital Project Fund	Lewis Farm PARTF Capital Project Fund	Fire Annex Building Capital Project Fund	Total
Assets:					
Cash and investments	\$ 121,614	\$ -	\$ 374,199	\$ 73,690	\$ 569,503
Accounts receivable	-	73,300	-	-	73,300
Total assets	<u>\$ 121,614</u>	<u>\$ 73,300</u>	<u>\$ 374,199</u>	<u>\$ 73,690</u>	<u>\$ 642,803</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 431	\$ 10,128	\$ 4,410	\$ -	\$ 14,969
Due to other funds	-	63,172	-	-	63,172
Total liabilities	<u>431</u>	<u>73,300</u>	<u>4,410</u>	<u>-</u>	<u>78,141</u>
Fund Balances:					
Non-spendable:					
Restricted:					
Stabilization for State statute	-	73,300	-	-	73,300
Public safety	121,183	-	-	-	121,183
Culture and recreation	-	-	369,789	-	369,789
Committed:					
Public safety	-	-	-	73,690	73,690
Unassigned	-	(73,300)	-	-	(73,300)
Total fund balances	<u>121,183</u>	<u>-</u>	<u>369,789</u>	<u>73,690</u>	<u>564,662</u>
Total liabilities and fund balances	<u>\$ 121,614</u>	<u>\$ 73,300</u>	<u>\$ 374,199</u>	<u>\$ 73,690</u>	<u>\$ 642,803</u>

CITY OF HAVELOCK, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2015**

	Emergency Telephone System Fund	EPA Brownsfield Capital Project Fund	Lewis Farm PARTF Capital Project Fund	Fire Annex Building Capital Project Fund	Total
Revenues:					
Restricted intergovernmental	\$ 179,703	\$ 213,595	\$ 304,200	\$ -	\$ 697,498
Investment income	1,107	-	-	-	1,107
Total revenues	<u>180,810</u>	<u>213,595</u>	<u>304,200</u>	<u>-</u>	<u>698,605</u>
Expenditures:					
Public safety	104,000	-	-	8,062	112,062
Environmental protection	-	213,595	-	-	213,595
Culture and recreation	-	-	20,053	-	20,053
Total expenditures	<u>104,000</u>	<u>213,595</u>	<u>20,053</u>	<u>8,062</u>	<u>345,710</u>
Revenues over (under) expenditures	<u>76,810</u>	<u>-</u>	<u>284,147</u>	<u>(8,062)</u>	<u>352,895</u>
Other Financing Sources (Uses):					
Transfers in	-	-	85,642	-	85,642
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>85,642</u>	<u>-</u>	<u>85,642</u>
Net change in fund balances	76,810	-	369,789	(8,062)	438,537
Fund Balances:					
Beginning of year - July 1	<u>44,373</u>	<u>-</u>	<u>-</u>	<u>81,752</u>	<u>126,125</u>
End of year - June 30	<u>\$ 121,183</u>	<u>\$ -</u>	<u>\$ 369,789</u>	<u>\$ 73,690</u>	<u>\$ 564,662</u>

NONMAJOR SPECIAL REVENUE FUND

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CITY OF HAVELOCK, NORTH CAROLINA

EMERGENCY TELEPHONE SYSTEM FUND - NONMAJOR SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted Intergovernmental:				
911 access charges	\$ 182,937	\$ 179,703	\$ (3,234)	\$ 141,865
Investment earnings	800	1,107	307	1,101
Total revenues	<u>183,737</u>	<u>180,810</u>	<u>(2,927)</u>	<u>142,966</u>
Expenditures:				
Public Safety:				
Implemental functions		28,934		34,480
Telephone		28,786		27,092
Furniture		1,835		1,012
Software maintenance		26,430		22,941
Hardware maintenance		17,636		101,318
Training		379		5,010
Total public safety	<u>183,737</u>	<u>104,000</u>	<u>79,737</u>	<u>191,853</u>
Net change in fund balance	<u>\$ -</u>	76,810	<u>\$ 76,810</u>	(48,887)
Fund Balance:				
Beginning of year - July 1		<u>44,373</u>		<u>93,260</u>
End of year - June 30		<u>\$ 121,183</u>		<u>\$ 44,373</u>

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NONMAJOR CAPITAL PROJECT FUNDS

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CITY OF HAVELOCK, NORTH CAROLINA

**EPA BROWNSFIELD CAPITAL PROJECT FUND
NONMAJOR CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Restricted intergovernmental revenues	\$ 400,000	\$ 74,506	\$ 213,595	\$ 288,101
Total revenues	<u>400,000</u>	<u>74,506</u>	<u>213,595</u>	<u>288,101</u>
Expenditures:				
Environmental Protection:				
Professional services	365,000	72,506	213,595	286,101
Administration	<u>35,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total expenditures	<u>400,000</u>	<u>74,506</u>	<u>213,595</u>	<u>288,101</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HAVELOCK, NORTH CAROLINA

LEWIS FARM PARTF CAPITAL PROJECT FUND
 NONMAJOR CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Authorization	Actual		Total
		Prior Years	Current Year	
Revenues:				
Restricted intergovernmental revenues	\$ 304,200	\$ -	\$ 304,200	\$ 304,200
Total revenues	<u>304,200</u>	<u>-</u>	<u>304,200</u>	<u>304,200</u>
Expenditures:				
General Government:				
Professional services	-	-	5,500	5,500
Capital outlay	-	-	14,553	14,553
Total expenditures	<u>608,400</u>	<u>-</u>	<u>20,053</u>	<u>20,053</u>
Revenues over (under) expenditures	<u>(304,200)</u>	<u>-</u>	<u>284,147</u>	<u>284,147</u>
Other Financing Sources (Uses):				
Transfers in	304,200	-	85,642	85,642
Total other financing sources (uses)	<u>304,200</u>	<u>-</u>	<u>85,642</u>	<u>85,642</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 369,789</u>	<u>\$ 369,789</u>

CITY OF HAVELOCK, NORTH CAROLINA

FIRE ANNEX BUILDING CAPITAL PROJECT FUND
NONMAJOR CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Expenditures:				
Public Safety:				
Professional services	\$ -	\$ 25,355	\$ 8,062	\$ 33,417
Contracted services	-	123,150	-	123,150
Capital outlay	-	719,743	-	719,743
Total expenditures	<u>950,000</u>	<u>868,248</u>	<u>8,062</u>	<u>876,310</u>
Revenues over (under) expenditures	<u>(950,000)</u>	<u>(868,248)</u>	<u>(8,062)</u>	<u>(876,310)</u>
Other Financing Sources (Uses):				
Transfers in	<u>950,000</u>	<u>950,000</u>	<u>-</u>	<u>950,000</u>
Total other financing sources (uses)	<u>950,000</u>	<u>950,000</u>	<u>-</u>	<u>950,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 81,752</u>	<u>\$ (8,062)</u>	<u>\$ 73,690</u>

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ENTERPRISE FUNDS

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CITY OF HAVELOCK, NORTH CAROLINA

**ENTERPRISE FUND - WATER
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for sales and services:			
Water charges	\$ 1,789,900	\$ 1,828,712	\$ 38,812
Miscellaneous	41,803	47,785	5,982
Total operating revenues	<u>1,831,703</u>	<u>1,876,497</u>	<u>44,794</u>
Non-operating revenues:			
Interest income (loss)	4,565	4,142	(423)
Total revenues	<u>1,836,268</u>	<u>1,880,639</u>	<u>44,371</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		534,162	
Supplies and administration		938,847	
Repairs and maintenance		140,072	
Capital outlay		142,639	
Total costs of sales and services		<u>1,755,720</u>	
Debt service:			
Principal repayment		128,845	
Interest		47,040	
Total debt service		<u>175,885</u>	
Total operating expenditures	<u>2,215,618</u>	<u>1,931,605</u>	<u>284,013</u>
Revenue over (under) expenditures	<u>(379,350)</u>	<u>(50,966)</u>	<u>328,384</u>
Other Financing Sources (Uses):			
Appropriated fund balance	379,350	-	(379,350)
Total other financing sources (uses)	<u>379,350</u>	<u>-</u>	<u>(379,350)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(50,966)</u>	<u>\$ (50,966)</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Reconciling items:			
Depreciation		(252,850)	
Capital reserve fund interest		622	
Deferred outflows of resources for contributions made to pension plan in the current year		23,514	
(Increase) decrease in other post-employment benefits		(4,432)	
Pension expense		(1,159)	
Principal payment		128,845	
Capital outlay, capitalized		<u>131,328</u>	
Change in net position		<u>\$ (25,098)</u>	

CITY OF HAVELOCK, NORTH CAROLINA

WATER CAPITAL PROJECT FUND - SCADA
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Authorization	Actual		
		Prior Years	Current Year	Total
Expenditures:				
Professional fees	\$ 250,000	\$ 131,973	\$ 117,673	\$ 249,646
Capital outlay	1,470,000	885,551	591,152	1,476,703
Miscellaneous	10,000	22	-	22
Total expenditures	<u>1,730,000</u>	<u>1,017,546</u>	<u>708,825</u>	<u>1,726,371</u>
Revenues over (under) expenditures	<u>(1,730,000)</u>	<u>(1,017,546)</u>	<u>(708,825)</u>	<u>(1,726,371)</u>
Other Financing Sources (Uses):				
Intrafund transfer in	<u>1,730,000</u>	<u>1,450,000</u>	<u>-</u>	<u>1,450,000</u>
Total other financing sources (uses)	<u>1,730,000</u>	<u>1,450,000</u>	<u>-</u>	<u>1,450,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 432,454</u>	<u>\$ (708,825)</u>	<u>\$ (276,371)</u>

CITY OF HAVELOCK, NORTH CAROLINA

ENTERPRISE FUND - SEWER
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for sales and services:			
Sewer charges	\$ 3,303,891	\$ 3,331,309	\$ 27,418
Miscellaneous	48,495	72,631	24,136
Total operating revenue	<u>3,352,386</u>	<u>3,403,940</u>	<u>51,554</u>
Non-operating revenues:			
Interest income (loss)	2,868	2,199	(669)
Total non-operating revenues	<u>2,868</u>	<u>2,199</u>	<u>(669)</u>
Total revenues	<u>3,355,254</u>	<u>3,406,139</u>	<u>50,885</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		470,234	
Supplies and administration		1,168,397	
Repairs and maintenance		281,945	
Capital outlay		577,569	
Total costs of sales and services		<u>2,498,145</u>	
Debt service:			
Principal repayment		124,166	
Interest		299,788	
Total debt service		<u>423,954</u>	
Total expenditures	<u>3,581,469</u>	<u>2,922,099</u>	<u>659,370</u>
Revenues over (under) expenditures	<u>(226,215)</u>	<u>484,040</u>	<u>710,255</u>
Other Financing Sources (Uses):			
Transfers out	(200,000)	(200,000)	-
Appropriated fund balance	426,215	-	(426,215)
Total other financing sources (uses)	<u>226,215</u>	<u>(200,000)</u>	<u>(426,215)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>284,040</u>	<u>\$ 284,040</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Depreciation		(617,419)	
Intrafund transfer		200,000	
(Increase) decrease in other post-employment benefits		(3,936)	
Capital Reserve Fund interest		621	
Long-term debt interest payment in capital project fund		(55,864)	
Deferred outflows of resources for contributions made to pension plan in the current year		20,155	
Pension expense		(993)	
Long-term debt principal payment		124,166	
Capital Project Fund interest		180	
Capital outlay items capitalized		<u>559,012</u>	
Change in net position		<u>\$ 509,962</u>	

CITY OF HAVELOCK, NORTH CAROLINA

SEWER CAPITAL PROJECT FUND - SEWER PLANT EXPANSION AND OUTFALL LINE
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Authorization	Actual		Total
		Prior Years	Current Year	
Revenues:				
Interest income	\$ -	\$ 10,361	\$ 180	\$ 10,541
Total revenues	-	10,361	180	10,541
Expenditures:				
Professional fees	1,025,000	445,889	36,474	482,363
Capital outlay	10,584,000	9,581,255	98,490	9,679,745
Miscellaneous	25,000	742	341	1,083
Debt service	8,546,000	-	8,545,864	8,545,864
Total expenditures	20,180,000	10,027,886	8,681,169	18,709,055
Revenues over (under) expenditures	(20,180,000)	(10,017,525)	(8,680,989)	(18,698,514)
Other Financing Sources (Uses):				
Issuance of long-term debt	16,980,000	8,490,000	8,490,000	16,980,000
Intrafund transfer in	3,200,000	3,000,000	200,000	3,200,000
Total other financing sources (uses)	20,180,000	11,490,000	8,690,000	20,180,000
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,472,475	\$ 9,011	\$ 1,481,486

CITY OF HAVELOCK, NORTH CAROLINA

**ENTERPRISE FUND - SOLID WASTE
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for sales and services:			
Solid waste charges	\$ 966,950	\$ 960,825	\$ (6,125)
Total revenues	<u>966,950</u>	<u>960,825</u>	<u>(6,125)</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		144,358	
Supplies and administration		653,496	
Repairs and maintenance		<u>20,584</u>	
Total costs of sales and services		<u>818,438</u>	
Total expenditures	<u>966,950</u>	<u>818,438</u>	<u>148,512</u>
Revenues over (under) expenditures	<u>\$ -</u>	142,387	<u>\$ 142,387</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Depreciation		(31,178)	
Deferred outflows of resources for contributions made to pension plan in the current year		3,359	
(Increase) decrease in other post-employment benefits		(845)	
Pension expense		<u>(166)</u>	
Change in net position		<u>\$ 113,557</u>	

CITY OF HAVELOCK, NORTH CAROLINA

ENTERPRISE FUND - TOURIST AND EVENT CENTER
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for sales and services:			
Facilities rent	\$ 106,250	\$ 130,918	\$ 24,668
Miscellaneous	<u>35,000</u>	<u>38,219</u>	<u>3,219</u>
Total operating revenues	<u>141,250</u>	<u>169,137</u>	<u>27,887</u>
Non-operating revenues:			
Occupancy tax	<u>97,000</u>	<u>97,000</u>	<u>-</u>
Total non-operating revenues	<u>97,000</u>	<u>97,000</u>	<u>-</u>
Total revenues	<u>238,250</u>	<u>266,137</u>	<u>27,887</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		161,856	
Supplies and administration		119,248	
Repairs and maintenance		59,782	
Exhibits expense		<u>17,721</u>	
Total costs of sales and services		<u>358,607</u>	
Debt service:			
Principal repayment		36,099	
Interest		<u>4</u>	
Total debt service		<u>36,103</u>	
Total expenditures	<u>475,619</u>	<u>394,710</u>	<u>80,909</u>
Revenues over (under) expenditures	<u>(237,369)</u>	<u>(128,573)</u>	<u>108,796</u>
Other Financing Sources (Uses):			
Transfers in	<u>237,369</u>	<u>237,369</u>	<u>-</u>
Total other financing sources (uses)	<u>237,369</u>	<u>237,369</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	108,796	<u>\$ 108,796</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Depreciation		(59,797)	
Deferred outflows of resources for contributions made to pension plan in the current year		6,718	
Pension expense		(331)	
(Increase) decrease in other post-employment benefits		(1,085)	
Long-term principal repayment		<u>36,099</u>	
Change in net position		<u>\$ 90,400</u>	

CITY OF HAVELOCK, NORTH CAROLINA

**ENTERPRISE FUND - CAPITAL RESERVE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Non-operating revenues:			
Interest income	\$ -	\$ 1,243	\$ 1,243
Total non-operating revenues	<u>\$ -</u>	<u>\$ 1,243</u>	<u>\$ 1,243</u>

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SUPPLEMENTARY FINANCIAL DATA

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CITY OF HAVELOCK, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2015

Fiscal Year	Uncollected Balance July 1, 2014	Additions	Collections and Credits	Uncollected Balance June 30, 2015
2014-2015	\$ -	\$ 4,592,055	\$ 4,572,236	\$ 19,819
2013-2014	60,107	-	30,867	29,240
2012-2013	44,595	-	7,633	36,962
2011-2012	31,984	-	3,058	28,926
2010-2011	25,400	-	5,019	20,381
2009-2010	16,927	-	504	16,423
2008-2009	16,259	-	54	16,205
2007-2008	17,794	-	159	17,635
2006-2007	18,297	-	100	18,197
2005-2006	14,750	-	325	14,425
2004-2005	14,007	-	14,007	-
Total	\$ 260,120	\$ 4,592,055	\$ 4,633,962	218,213
Less: Allowance for uncollectible ad valorem taxes receivable				(198,395)
Ad valorem taxes receivable, net				\$ 19,818
Reconciliation with Revenues:				
Taxes, ad valorem - General Fund				\$ 4,562,398
Releases of current year and prior years' motor vehicle levy				57,557
Arrears written off for tax year 2004-2005 per Statute of Limitations				14,007
Total collections and credits				\$ 4,633,962

CITY OF HAVELOCK, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2015

			<u>Total Levy</u>		
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	\$ 947,801,649	\$ 0.485	\$ 4,596,838	\$ 4,201,635	\$ 395,203
Abatements	<u>(986,186)</u>		<u>(4,783)</u>	<u>(4,777)</u>	<u>(6)</u>
Total property valuation	<u>\$ 946,815,464</u>				
Net Levy			4,592,055	4,196,858	395,197
Uncollected taxes at June 30, 2015			<u>19,819</u>	<u>19,793</u>	<u>26</u>
Current Year's Taxes Collected			<u>\$ 4,572,236</u>	<u>\$ 4,177,065</u>	<u>\$ 395,171</u>
Current Levy Collection Percentage			<u>99.57%</u>	<u>99.53%</u>	<u>99.99%</u>
Prior Year Levy Collection Percentage			<u>98.68%</u>	<u>99.50%</u>	<u>92.41%</u>

CITY OF HAVELOCK, NORTH CAROLINA**EMERGENCY TELEPHONE SYSTEM FUND UNSPENT BALANCE****PSAP RECONCILIATION****JUNE 30, 2015**

Amounts reported on the Emergency Telephone System Fund budget to actual (Schedule C-3) are different from the PSAP Revenue-Expenditure Report because:

Ending fund balance, reported on budget to actual (Schedule C-3)	\$	121,183
Modified accrual to full accrual difference		<u>3,234</u>
Ending balance, PSAP Revenue-Expenditure Report	\$	<u><u>124,417</u></u>

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STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	102-104
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	105-113
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	114-117
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	118-119
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	120-121

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

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 3,427,043	\$ 4,310,534	\$ 4,863,333	\$ 4,377,752	\$ 4,230,690	\$ 3,807,910	\$ 3,908,182	\$ 4,699,072	\$ 5,045,723	\$ 5,519,721
Restricted	1,014,705	883,882	880,403	660,792	554,056	2,274,617	976,614	1,201,385	1,023,347	1,696,334
Unrestricted	4,817,004	4,624,733	4,770,681	4,874,319	5,307,827	5,175,112	6,026,215	4,702,268	4,991,201	5,176,059
Total governmental activities net position	<u>\$ 9,258,752</u>	<u>\$ 9,819,149</u>	<u>\$ 10,514,417</u>	<u>\$ 9,912,863</u>	<u>\$ 10,092,573</u>	<u>\$ 11,257,639</u>	<u>\$ 10,911,011</u>	<u>\$ 10,602,725</u>	<u>\$ 11,060,271</u>	<u>\$ 12,392,114</u>
Business-type activities										
Net investment in capital assets	\$ 9,543,722	\$ 9,739,269	\$ 9,989,913	\$ 9,555,951	\$ 9,185,219	\$ 8,941,867	\$ 9,202,664	\$ 11,150,859	\$ 11,382,120	\$ 12,244,456
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	6,340,394	7,023,804	7,192,633	7,752,829	8,834,856	9,211,020	10,122,186	8,905,273	9,690,226	9,373,991
Total business-type activities net position	<u>\$ 15,884,116</u>	<u>\$ 16,763,073</u>	<u>\$ 17,182,546</u>	<u>\$ 17,308,780</u>	<u>\$ 18,020,075</u>	<u>\$ 18,152,887</u>	<u>\$ 19,324,850</u>	<u>\$ 20,056,132</u>	<u>\$ 21,072,346</u>	<u>\$ 21,618,447</u>
Primary government										
Net investment in capital assets	\$ 12,970,765	\$ 14,049,803	\$ 14,853,246	\$ 13,933,703	\$ 13,415,909	\$ 12,749,777	\$ 13,110,846	\$ 15,849,931	\$ 16,427,843	\$ 17,764,177
Restricted	1,014,705	883,882	880,403	660,792	554,056	2,274,617	976,614	1,201,385	1,023,347	1,696,334
Unrestricted	11,157,398	11,648,537	11,963,314	12,627,148	14,142,683	14,386,132	16,148,401	13,607,541	14,681,427	14,550,050
Total primary government net position	<u>\$ 25,142,868</u>	<u>\$ 26,582,222</u>	<u>\$ 27,696,963</u>	<u>\$ 27,221,643</u>	<u>\$ 28,112,648</u>	<u>\$ 29,410,526</u>	<u>\$ 30,235,861</u>	<u>\$ 30,658,857</u>	<u>\$ 32,132,617</u>	<u>\$ 34,010,561</u>

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 2,184,132	\$ 1,826,840	\$ 1,766,927	\$ 2,914,222	\$ 1,989,572	\$ 2,170,632	\$ 2,447,607	\$ 2,270,391	\$ 2,305,405	\$ 2,069,313
Public Safety	3,001,405	3,063,142	3,684,161	3,788,923	4,064,724	4,806,721	4,663,093	4,718,645	5,059,054	4,877,015
Highways and streets	1,202,391	1,227,976	1,110,102	1,294,920	1,220,300	1,133,896	1,539,765	1,478,680	1,213,686	1,156,033
Environmental protection	169,119	151,123	145,392	165,142	-	-	-	-	74,506	213,595
Culture and recreations	120,333	740,988	911,613	836,083	864,000	867,587	853,944	1,048,043	815,465	832,935
Interest on long-term debt	33,722	29,789	54,499	82,873	64,434	200,118	397,638	244,992	236,945	253,873
Total governmental activities expenses	<u>6,711,102</u>	<u>7,039,858</u>	<u>7,672,694</u>	<u>9,082,163</u>	<u>8,203,030</u>	<u>9,178,954</u>	<u>9,902,047</u>	<u>9,760,751</u>	<u>9,705,061</u>	<u>9,402,764</u>
Business-type activities										
Water	1,489,120	1,691,159	1,617,762	1,749,929	1,616,786	2,030,596	1,763,697	1,639,411	1,695,142	1,906,359
Sewer	2,347,757	2,807,308	3,375,587	3,234,797	2,901,023	2,838,681	2,566,556	2,782,740	2,528,613	2,896,978
Sanitation	-	-	-	-	-	-	754,011	818,853	786,320	847,268
Other	263,163	313,366	361,777	359,094	972,672	1,034,536	400,950	478,114	462,481	413,106
Total business-type activities expenses	<u>4,100,040</u>	<u>4,811,833</u>	<u>5,355,126</u>	<u>5,343,820</u>	<u>5,490,481</u>	<u>5,903,813</u>	<u>5,485,214</u>	<u>5,719,118</u>	<u>5,472,556</u>	<u>6,063,711</u>
Total primary government expenses	<u>\$ 10,811,142</u>	<u>\$ 11,851,691</u>	<u>\$ 13,027,820</u>	<u>\$ 14,425,983</u>	<u>\$ 13,693,511</u>	<u>\$ 15,082,767</u>	<u>\$ 15,387,261</u>	<u>\$ 15,479,869</u>	<u>\$ 15,177,617</u>	<u>\$ 15,466,475</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 382,760	\$ 527,723	\$ 559,289	\$ 264,887	\$ 332,942	\$ 298,126	\$ 332,322	\$ 240,305	\$ 369,659	\$ 306,047
Public Safety	339,404	485,543	572,602	743,323	758,455	902,589	764,263	731,181	863,562	792,191
Highways and streets	-	15,041	-	-	-	-	-	-	-	-
Environmental protection	18,369	22,342	16,902	20,703	3,868	4,218	4,610	4,526	3,898	3,660
Culture and recreations	102,680	30,905	49,258	177,048	150,564	153,181	205,743	174,740	179,781	239,739
Other activities	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	654,948	530,592	506,950	931,134	1,077,365	1,145,747	1,330,652	1,090,173	976,016	1,065,369
Capital grants and contributions	659,913	581,893	797,392	(15,959)	-	85,568	23,734	7,183	172,272	1,510,255
Total governmental activities program revenues	<u>2,158,074</u>	<u>2,194,039</u>	<u>2,502,393</u>	<u>2,121,136</u>	<u>2,323,194</u>	<u>2,589,429</u>	<u>2,661,324</u>	<u>2,248,108</u>	<u>2,565,188</u>	<u>3,917,261</u>
Business-type activities:										
Charges for services:										
Water	1,313,594	1,812,487	1,773,549	1,950,831	1,973,159	1,877,135	1,820,558	1,785,904	1,902,607	1,876,497
Sewer	2,765,084	3,134,831	2,998,312	3,106,481	3,037,556	3,187,289	3,382,037	3,256,698	3,423,486	3,403,940
Other	75,709	91,821	109,999	144,312	681,128	841,472	822,409	877,102	959,200	1,226,962
Operating grants and contributions	-	-	250,000	30,000	25,000	-	217,932	275,933	283,585	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>\$ 4,154,387</u>	<u>\$ 5,039,139</u>	<u>\$ 5,131,860</u>	<u>\$ 5,231,624</u>	<u>\$ 5,716,843</u>	<u>\$ 5,905,896</u>	<u>\$ 6,242,936</u>	<u>\$ 6,195,637</u>	<u>\$ 6,568,878</u>	<u>\$ 6,507,399</u>
Total primary government program revenues	<u>\$ 6,312,461</u>	<u>\$ 7,233,178</u>	<u>\$ 7,634,253</u>	<u>\$ 7,352,760</u>	<u>\$ 8,040,037</u>	<u>\$ 8,495,325</u>	<u>\$ 8,904,260</u>	<u>\$ 8,443,745</u>	<u>\$ 9,134,066</u>	<u>\$ 10,424,660</u>

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (expense)/revenue										
Governmental activities	(4,553,028)	(4,845,819)	\$ (5,170,301)	\$ (6,961,027)	\$ (5,879,836)	\$ (6,589,525)	\$ (7,240,723)	\$ (7,512,643)	\$ (7,139,873)	\$ (5,485,503)
Business-type activities	54,347	227,306	(223,266)	(112,196)	226,362	2,083	757,722	476,519	1,096,322	443,688
Total primary government net expense	<u>\$ (4,498,681)</u>	<u>\$ (4,618,513)</u>	<u>\$ (5,393,567)</u>	<u>\$ (7,073,223)</u>	<u>\$ (5,653,474)</u>	<u>\$ (6,587,442)</u>	<u>\$ (6,483,001)</u>	<u>\$ (7,036,124)</u>	<u>(\$6,043,551)</u>	<u>(\$5,041,815)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Ad Valorem taxes	\$ 2,668,283	\$ 3,008,997	\$ 3,256,168	\$ 3,559,577	\$ 3,708,643	\$ 4,255,278	\$ 4,272,576	\$ 4,438,418	\$ 4,469,420	\$ 4,496,412
Other taxes and licenses	878,576	2,346,661	2,436,119	2,666,352	2,657,778	3,456,802	2,993,853	3,018,748	3,018,894	3,290,524
Inter-governmental	884,079	97,000	237,287	97,000	97,000	-	-	-	-	-
Licenses and Permits	252,685	-	-	-	-	-	-	-	-	-
Sales and Services	-	-	-	-	-	-	-	-	-	-
Gain on sale of capital asset	-	-	-	-	-	-	-	-	-	-
Investment Earnings	189,662	278,551	288,977	132,668	38,608	42,511	25,887	11,790	16,163	17,053
Miscellaneous	227,055	-	-	-	-	-	-	-	-	-
Transfers	(155,583)	(228,000)	(253,881)	-	(345,483)	-	(398,221)	(242,516)	92,942	(237,369)
Total governmental activities	<u>\$ 4,944,757</u>	<u>\$ 5,503,209</u>	<u>\$ 5,964,670</u>	<u>\$ 6,455,597</u>	<u>\$ 6,156,546</u>	<u>\$ 7,754,591</u>	<u>\$ 6,894,095</u>	<u>\$ 7,226,440</u>	<u>\$ 7,597,419</u>	<u>\$ 7,566,620</u>
Business-type activities:										
Investment Earnings	\$ 266,504	\$ 329,675	\$ 291,858	\$ 141,430	\$ 42,450	\$ 33,729	\$ 16,020	\$ 12,247	\$ 12,834	\$ 7,764
Transfers	155,583	228,000	253,881	-	345,483	97,000	398,221	242,516	(92,942)	237,369
Total business-type activities	422,087	557,675	545,739	141,430	387,933	130,729	414,241	254,763	(80,108)	245,133
Total primary government	<u>\$ 446,076</u>	<u>\$ 884,696</u>	<u>\$ 571,103</u>	<u>\$ (617,626)</u>	<u>\$ 503,072</u>	<u>\$ 1,167,149</u>	<u>\$ 411,094</u>	<u>\$ 190,316</u>	<u>\$ 1,553,868</u>	<u>\$ 2,524,805</u>
Change in Net Position										
Governmental activities	\$ 391,729	\$ 657,390	\$ 794,369	\$ (505,430)	\$ 276,710	\$ 1,165,066	\$ (346,628)	\$ (286,203)	\$ 457,546	\$ 2,081,117
Business-type activities	476,434	784,981	322,473	29,234	614,295	132,812	1,171,963	731,282	1,016,214	688,821
Total primary government	<u>\$ 868,163</u>	<u>\$ 1,442,371</u>	<u>\$ 1,116,842</u>	<u>\$ (476,196)</u>	<u>\$ 891,005</u>	<u>\$ 1,297,878</u>	<u>\$ 825,335</u>	<u>\$ 445,079</u>	<u>\$ 1,473,760</u>	<u>\$ 2,769,938</u>

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

Fiscal Year	Property Tax	Motor Vehicle Tax	Sales Tax	Franchise Tax	Total
2006	\$ 2,334,037	\$ 334,246	\$ 1,375,461	\$ 727,598	\$ 4,771,342
2007	2,711,121	329,157	1,395,815	809,458	5,245,551
2008	2,883,670	423,502	1,600,218	835,901	5,743,291
2009	3,169,816	406,390	1,492,150	1,030,926	6,099,282
2010	3,265,929	402,862	1,207,685	1,130,185	6,006,661
2011	4,023,167	283,711	1,501,608	1,809,905	7,618,391
2012	3,871,479	316,430	1,451,371	1,066,445	6,705,725
2013	4,063,618	358,759	1,378,710	1,095,139	6,896,226
2014	4,020,030	495,800	1,443,105	1,027,514	6,986,449
2015	\$ 4,203,711	\$ 358,687	\$ 1,958,154	\$ 1,152,045	\$ 7,672,597

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ 1,880,176	\$ 1,619,848	\$ 1,800,520	\$ 1,761,455	\$ 2,758,421	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	2,891,191	3,563,039	3,795,257	4,086,814	3,444,847	-	-	-	-	-
Non-Spendable	-	-	-	-	-	16,936	16,488	8,389	12,601	5,330
Restricted	-	-	-	-	-	1,623,126	1,068,870	1,117,864	1,148,675	966,286
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	735,950	1,891,082	522,527	549,326	769,015
Unassigned	-	-	-	-	-	4,670,815	3,962,176	4,693,486	4,884,041	5,724,845
Total General Fund	<u>\$ 4,771,367</u>	<u>\$ 5,182,887</u>	<u>\$ 5,595,777</u>	<u>\$ 5,848,269</u>	<u>\$ 6,203,268</u>	<u>\$ 7,046,827</u>	<u>\$ 6,938,616</u>	<u>\$ 6,342,266</u>	<u>\$ 6,594,643</u>	<u>\$ 7,465,476</u>
All other governmental funds										
Reserved	\$ 1,757	\$ 1,293	\$ 62,637	\$ 1,306	\$ 996	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Special revenue funds	415,185	556,312	553,310	669,138	813,580	-	-	-	-	-
Capital projects funds	175,132	205,355	(30,212)	1,514,894	(529,756)	-	-	-	-	-
Restricted in Capital Project	-	-	-	-	-	-	-	-	-	165,776
Restricted in Special revenue	-	-	-	-	-	651,491	399,200	93,260	44,373	564,272
Committed in Capital Project	-	-	-	-	-	524,726	820,925	81,752	1,415,896	73,690
Unassigned	-	-	-	-	-	-	-	-	-	(73,300)
Total all other governmental funds	<u>\$ 592,074</u>	<u>\$ 762,960</u>	<u>\$ 585,735</u>	<u>\$ 2,185,338</u>	<u>\$ 284,820</u>	<u>\$ 1,176,217</u>	<u>\$ 1,220,125</u>	<u>\$ 175,012</u>	<u>\$ 1,460,269</u>	<u>\$ 730,438</u>

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

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 2,668,283	\$ 3,040,805	\$ 3,307,172	\$ 3,576,176	\$ 3,668,791	\$ 4,310,266	\$ 4,209,805	\$ 4,425,587	\$ 4,515,830	\$ 4,562,398
Intergovernmental	3,314,091	3,499,437	3,998,216	3,591,343	3,694,293	3,456,802	2,993,853	3,018,748	3,018,894	3,290,524
Licenses and Permits	252,685	148,661	216,108	189,250	242,303	1,188,191	1,163,946	799,809	997,142	117,169
Sales and Services	600,236	583,161	609,416	877,541	851,007	230,781	273,598	150,182	229,363	1,188,690
Other taxes	-	-	-	-	-	1,028,763	1,035,655	983,037	1,056,450	1,656,951
Investment Earnings	189,662	278,551	288,977	132,668	38,608	42,511	25,887	11,790	16,163	17,053
Miscellaneous	227,055	309,441	255,059	129,354	193,369	141,694	188,125	272,017	298,278	326,381
Total revenues	7,252,012	7,860,056	8,674,948	8,496,332	8,688,371	10,399,008	9,890,869	9,661,170	10,132,120	11,159,166
Expenditures										
General government	1,530,040	1,779,363	1,786,040	1,992,570	1,827,405	2,084,386	2,453,383	2,113,766	2,964,195	1,943,545
Public Safety	3,008,952	3,074,158	4,301,019	4,393,788	5,734,219	4,391,151	4,888,960	4,409,207	4,763,445	4,486,630
Highways and streets	1,299,244	1,220,386	1,018,593	1,180,010	1,078,355	954,793	724,838	1,271,528	1,188,591	1,154,320
Environmental Protection	151,909	155,585	131,154	151,371	-	-	-	-	-	213,595
Culture and recreation	643,108	655,804	893,226	761,431	745,833	762,451	771,458	965,741	74,506	743,021
Capital Outlay	620,257	13,871	857,023	690,097	1,164,092	355,912	732,138	1,901,981	807,341	2,029,703
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	81,218	81,218	101,488	883,607	146,065	560,545	137,536	152,902	152,405	1,656,108
Interest	33,722	69,272	48,359	89,013	64,434	200,118	397,638	244,992	236,945	253,873
Other charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	7,368,450	7,049,657	9,136,902	10,141,887	10,760,403	9,309,356	10,105,951	11,060,117	10,187,428	12,480,795
Excess of revenues over (under) expenditures										
Other financing sources (uses)										
Transfers in	-	-	-	3,264	-	550,000	400,000	-	565,001	131,742
Transfers out	-	(155,583)	(228,000)	(3,264)	(345,483)	(550,000)	(798,221)	(242,516)	(472,059)	(369,111)
Debt issued	-	790,000	-	3,497,650	871,000	646,300	549,000	-	1,500,000	1,700,000
Capital leases	-	-	-	-	-	-	-	-	-	-
Sale of Capital assets	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	634,417	(228,000)	3,497,650	525,517	646,300	150,779	(242,516)	1,592,942	1,462,631
Net Change in fund balances	\$ (116,438)	\$ 1,444,816	\$ (689,954)	\$ 1,852,095	\$ (1,546,515)	\$ 1,735,952	\$ (64,303)	\$ (1,641,463)	\$ 1,537,634	\$ 141,002
Debt service as a percentage of non-capital expenditures	1.7%	2.2%	1.8%	11.5%	2.2%	9.3%	1.7%	2.2%	4.4%	18.3%

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

Fiscal Year	Property Tax	Motor Vehicle Tax	Sales Tax	Franchise Tax	Total
2006	\$ 2,334,037	\$ 334,246	\$ 1,375,461	\$ 727,598	\$ 4,771,342
2007	2,711,121	329,157	1,395,815	809,458	5,245,551
2008	2,883,670	423,502	1,600,218	835,901	5,743,291
2009	3,169,816	406,390	1,492,150	1,030,926	6,099,282
2010	3,265,929	402,862	1,207,685	1,130,185	6,006,661
2011	4,023,167	283,711	1,501,608	1,809,905	7,618,391
2012	3,871,479	316,430	1,451,371	1,066,445	6,705,725
2013	4,063,618	358,759	1,378,710	1,095,139	6,896,226
2014	4,020,030	495,800	1,848,876	1,027,514	7,392,220
2015	\$ 4,203,711	\$ 358,687	\$ 1,958,154	\$ 1,152,045	\$ 7,672,597

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

Fiscal Year	Real Property		Personal Property	Less:	Total Taxable	Total	Estimated	Assessed
	Residential Property	Commercial Property	Motor Vehicles	Tax Exempt Real Property	Assessed Value	Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Actual Value
2006	\$ 433,030,742	\$ 180,829,887	\$ 199,608,000	\$ 45,633,300	\$ 767,835,329	\$ 0.45	959,794,162	84.75%
2007	421,043,579	185,350,634	92,552,332	59,029,735	639,916,810	0.45	799,896,013	87.38%
2008	534,787,099	204,575,106	144,646,458	43,678,800	840,329,863	0.49	1,050,412,329	84.16%
2009	550,036,917	344,168,677	87,163,590	47,316,849	934,052,335	0.49	1,167,565,419	84.05%
2010	567,564,032	450,932,412	80,911,865	56,531,980	1,042,876,329	0.53	1,303,595,411	84.34%
2011	906,490,259	582,140,703	83,729,677	60,545,225	1,511,815,414	0.465	1,889,769,268	83.20%
2012	862,286,882	599,604,924	114,328,602	62,361,582	1,513,858,826	0.465	1,740,937,650	90.54%
2013	869,038,280	604,299,615	120,917,634	62,410,409	1,531,845,120	0.465	1,547,163,571	103.04%
2014	832,396,899	592,509,388	132,730,323	43,261,010	1,514,375,600	0.465	1,529,519,356	101.84%
2015	833,182,424	593,068,533	132,855,579	43,301,835	1,515,804,701	0.485	1,530,666,496	101.86%

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

<u>Fiscal Year</u>	<u>City Of Havelock Tax Rate</u>	<u>Overlapping Rate Craven County Tax Rate</u>	<u>Total Direct & Overlapping Rates</u>
2006	0.4500	0.5600	1.0100
2007	0.4900	0.6100	1.1000
2008	0.4900	0.6100	1.1000
2009	0.5300	0.6100	1.1400
2010	0.4650	0.6100	1.0750
2011	0.4650	0.4728	0.9378
2012	0.4650	0.4728	0.9378
2013	0.4650	0.4675	0.9325
2014	0.4650	0.4675	0.9325
2015	0.4850	0.4675	0.9525

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

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collections Amount	Percentage of Levy	Collections in Subsequent Years	Total Collections to Date	
					Amount	Percentage of Levy
2006	\$ 2,315,658	\$ 2,217,275	95.75%	\$ 81,141	\$ 2,298,416	99.26%
2007	2,532,912	2,462,994	97.24%	55,754	2,518,748	99.44%
2008	2,696,515	2,616,699	97.04%	64,889	2,681,588	99.45%
2009	3,135,592	3,038,515	96.90%	78,297	3,116,812	99.40%
2010	3,299,396	3,208,683	97.25%	71,669	3,280,352	99.42%
2011	3,613,925	3,521,462	97.44%	74,952	3,596,414	99.52%
2012	3,712,112	3,602,390	97.04%	(18,202)	3,584,188	96.55%
2013	4,452,486	4,332,406	97.30%	109,062	4,303,681	96.66%
2014	4,548,225	4,488,118	98.68%	283,709	4,469,916	98.28%
2015	4,592,055	4,572,236	99.57%	-	4,572,236	99.57%

City of Havelock
Principal Property Taxpayers
June 30, 2015

Taxpayer	2015				2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Property Management/Development	\$ 32,823,115	1	3.80%	Property Management/Development	\$ 8,805,117	1	1.57%
Property Management/Development	11,182,870	2	1.29%	Public Utility	6,226,686	3	1.09%
Property Management/Development	10,336,494	3	1.20%	Property Management/Development	5,293,290	8	0.96%
Property Management/Development	6,815,216	4	0.79%	Property Management/Development	4,255,857	2	0.91%
Property Management/Development	6,747,798	5	0.79%	Property Management/Development	3,755,371	9	0.77%
Property Management/Development	6,133,100	6	0.71%	Property Management/Development	3,758,650	4	0.68%
Property Management/Development	6,027,460	7	0.70%	Public Utility	3,636,978	5	0.67%
Property Management/Development	5,702,300	8	0.66%	Property Management/Development	3,589,300	6	0.65%
Public Utility	5,026,840	9	0.58%	Property Management/Development	3,338,700	7	0.57%
Property Management/Development	4,860,594	10	0.56%	Property Management/Development	2,800,540	10	0.51%
Totals \$	<u>95,655,787</u>		<u>11.07%</u>		<u>\$ 45,460,489</u>		<u>8.38%</u>

Source: Craven County Tax Office

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	Sewer Bonds	Water Bonds	Capital Leases		
2006	\$ -	\$ -	\$ 1,118,436	\$ 7,140,173	\$ 2,319,233	\$ 418,978	\$ 10,996,820	\$ 508
2007	-	-	992,094	6,717,179	2,190,387	374,139	10,273,799	458
2008	-	-	1,842,106	2,061,541	6,294,589	313,500	10,511,736	462
2009	-	-	4,456,149	5,871,999	1,932,695	278,667	12,539,510	550
2010	-	-	5,181,084	5,420,123	1,803,848	583,833	12,988,888	547
2011	-	-	5,266,839	4,923,283	1,675,002	485,062	12,350,186	596
2012	-	-	5,678,303	4,512,361	1,546,155	174,167	11,910,986	565
2013	-	-	5,525,401	12,546,351	1,417,310	144,400	19,633,462	934
2014	-	-	6,872,996	12,088,838	1,288,463	109,566	20,359,863	964
2015	-	-	6,916,888	11,964,672	1,159,618	73,467	20,114,645	961

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

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

Fiscal Year	Governmental Activities Debt	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2006	\$ 1,118,436	\$ -	\$ 1,118,436	-	52
2007	992,094	-	992,094	-	44
2008	1,842,106	-	1,842,106	-	81
2009	4,456,149	-	4,456,149	-	195
2010	5,181,084	-	5,181,084	-	218
2011	5,266,839	-	5,266,839	-	254
2012	5,678,303	-	5,678,303	-	270
2013	5,525,401	-	5,525,401	-	263
2014	6,872,996	-	6,872,996	-	325
2015	6,916,888	-	6,916,888	-	327

City of Havelock
Direct and Overlapping Activities Debt
As of June 30, 2015

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Governmental Unit			
Debt repaid with property taxes: County	\$ 66,918,841	23.38%	<u>\$ 15,645,625</u>
Subtotal, overlapping debt			
City of Havelock direct debt			<u>6,916,888</u>
Total direct and overlapping debt			<u>\$ 22,562,513</u>

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

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

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

City of Havelock
 Legal Debt Margin Information
 Last Ten Fiscal Years

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	\$ 51,352,594	\$ 51,193,345	\$ 53,857,448	\$ 53,900,286	\$ 43,000,000	\$ 55,500,000	\$ 63,700,000	\$ 57,000,000	\$ 57,900,000	\$ 55,600,000
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 51,352,594</u>	<u>\$ 51,193,345</u>	<u>\$ 53,857,448</u>	<u>\$ 53,900,286</u>	<u>\$ 43,000,000</u>	<u>\$ 55,500,000</u>	<u>\$ 63,700,000</u>	<u>\$ 57,000,000</u>	<u>\$ 57,900,000</u>	<u>\$ 55,600,000</u>

Total net debt applicable to the limit
 as a percentage of debt limit

City of Havelock
Demographic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Median Age</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
2006	21,665	\$ -	\$ -	34.4	4,584	4.70%
2007	22,442	-	-	34.4	4,563	4.90%
2008	22,772	-	-	34.4	4,426	4.90%
2009	22,808	-	-	34.4	4,390	10.00%
2010	23,739	-	-	34.4	4,418	9.70%
2011	20,735	-	-	34.4	4,239	9.80%
2012	21,067	-	-	34.4	4,224	9.70%
2013	21,022	-	-	34.4	4,294	9.90%
2014	21,128	-	-	36.5	3,852	7.80%
2015	20,940	-	-	36.5	3,533	5.70%

Note:

Sources:

(1) Office of State Budget and Management.

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

(3) Craven County Board of Education

(3) Unemployment rates for Craven County total.

City of Havelock
Principal Employers
June 30, 2015
Current Year and Nine Fiscal Years Ago

Employer	2015		2006		
	Employees	Rank	Employees	Rank	
2nd Marine Aircraft Wing	7,484	1	5,515	1	2nd Marine Aircraft Wing
Fleet Readiness Center East	3,127	2	3,400	2	Fleet Readiness Center East
Marine Corps Air Station Cherry Point	2,089	3	2,000	3	Marine Corps Air Station Cherry Point
MCCS	698		900	4	Other MCAS-Tenants
Craven County Board of Education-Havelock Schools	478	4	523	5	Craven County Board of Education-Havelock Schools
Naval Health	357	5			
Wal Mart	261	6			
City of Havelock	120	7	104	6	City of Havelock
UPS	96	8			
LTM	80	9			
Food Lion	55	10	75	7	Pizza Hut
			46	8	Tandemloc
			43	9	House of Silk Flowers
			42	10	Navy Federal Credit Union
Total	<u>14,845</u>		<u>12,648</u>		

Source: Havelock Chamber of Commerce

Note: Percentage of Total city employment is not shown since total employment is not available for the City of Havelock.

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

Function	Full-time Equivalent Employees as of June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government	18	20	20	21	21	21	21	22	21	21
Public Safety										
Police										
Officers	27	27	29	29	29	29	29	29	29	29
Civilians	7	7	7	7	7	7	7	8	8	8
Fire/EMS										
Firefighters and officers	11	11	13	13	16	19	19	19	19	18
Highways and Streets	13	13	13	13	13	13	13	13	13	13
Sanitation	2	2	1	1	1	1	1	1	1	1
Culture and recreation	8	8	9	9	9	9	9	9	9	8
Water	8	9	9	9	9	9	9	9	9	9
Sewer	11	11	11	11	11	11	11	11	11	11
Tourist and Event Center	2	2	2	2	2	2	2	2	2	2
Total	107	110	114	115	118	121	121	123	122	120

Source: City of Havelock Personnel Office.

City of Havelock
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Planning										
Number of permits issued	353	453	182	449	578	911	1,028	679	711	924
Police										
Physical arrests	852	834	745	1,473	1,458	2,109	1,822	1,599	1,277	1,688
Accidents	569	636	570	607	556	597	623	699	506	508
E911	3,834	3,922	47,025	51,154	31,589	33,465	31,232	35,277	32,549	37,294
Fire										
Number of calls answered	166	166	289	773	691	613	533	584	517	526
EMS										
Number of calls answered	1,567	1,567	1,718	2,066	2,053	1,985	2,117	2,185	2,170	2,271
Culture and recreation										
Recreation Participants		21,585	25,217	27,375	136,035	128,360	106,398	96,664	94,183	100,542
Number of Libraries	1	1	1	1	1	1	1	1	1	1
Number of Volumes	24,096	25,429	26,924	27,462	28,001	29,414	30,809	30,809	30,809	28,979
Water										
Number of miles of main	79	79	79	79	79	71	72	72	72	80
Number of connections	4,842	5,158	5,219	5,309	5,222	5,363	5,400	5,143	5,615	0
Average daily consumption (000s of gallons)	1,771	1,758	1,240	1,143	1,126	964	1,400	1,160	1,100	0
Solid Waste										
Number of containers*	-	-	-	-	4,857	4,949	4,970	4,936	4,865	0
Sewer										
Number of miles of main	80	80	80	80	80	74	74	74	74	74
Number of connections	4,796	4,989	5,094	5,192	5,270	5,248	5,208	5,002	5,732	0
Average daily treatment (000s of gallons)	1,594	1,594	1,310	1,399	1,495	1,476	1,300	1,400	1,450	1,530
Tourist and Event Center										
Event Days (1)	136	240	208	224	227	176	204	219	217	200

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

Source: City of Havelock Departmental Activity Reports.

City of Havelock
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	29	29	29	29	29	29	29	29	29	29
Fire										
Stations	1	1	1	1	2	2	2	2	2	2
Fire Trucks	3	3	3	3	4	4	4	5	5	5
EMS										
Stations	1	1	1	1	2	2	2	2	2	2
EMS Units	4	4	4	4	4	4	4	4	4	4
Streets										
Miles of Streets	43.64	43.64	44.13	44.13	44.13	44.13	44.13	44.13	46.00	46.00
Culture and recreation										
Number of Parks	11	11	11	11	11	11	11	11	11	11
Tennis Courts	3	3	3	3	3	3	3	3	3	3
Recreation Centers	1	2	2	2	2	2	2	2	2	2
Number of Playgrounds	5	5	7	7	7	7	7	7	7	7
Water										
Number of miles of main	79	79	79	79	79	79	72	72	72	80
Fire hydrants	575	580	580	580	580	580	567	567	567	569
Maximum daily capacity (000s of gallons)	2,100	2,100	2,100	2,100	2,100	2,100	2,800	2,800	2,800	2,800
Sewer										
Number of miles of main	80	80	80	80	80	80	74	74	74	74
Maximum daily treatment capacity (000s of gallons)	2,250	2,250	2,250	2,250	2,250	2,250	2,800	2,800	2,800	2,800
Tourist and Event Center										
Centers	1	1	1	1	1	1	1	1	1	1

Source: City of Havelock Fixed Asset System and GIS.

COMPLIANCE SECTION

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

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

Report On Internal Control Over Financial Reporting and On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Havelock, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Havelock's basic financial statements, and have issued our report thereon dated September 4, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Havelock's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
September 4, 2015

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

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

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Havelock, North Carolina, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The City of Havelock's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Havelock's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Havelock's compliance with those requirements and performing, such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Havelock complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City of Havelock is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Havelock's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Havelock's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
September 4, 2015

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

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

Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In Accordance with OMB Circular A-133 and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the compliance of the City of Havelock, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City of Havelock's major State programs for the year ended June 30, 2015. The City of Havelock's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Havelock's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Havelock's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the City of Havelock complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City of Havelock is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Havelock's internal control over compliance with the requirements that could have a direct and material effect on each major State program to determine the types of auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Havelock's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
September 4, 2015

CITY OF HAVELOCK, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Non-compliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Non-compliance material to federal awards? _____ Yes X No

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

Any audit findings disclosed that are required to be reported in accordance with U.S Office of Management and Budget, Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations, Section 510(a)*? _____ Yes X No

CITY OF HAVELOCK, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

I. Summary of Auditor's Results (continued)

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA #</u>
Community Facilities Loans and Grants	10.780
Dollar threshold used to distinguish between Type A and Type B programs	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	No

State Awards

Internal control over major State programs:

• Material weaknesses identified?	_____ Yes	<u> X </u> No
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	<u> X </u> None reported
Non-compliance material to State awards?	_____ Yes	<u> X </u> No
Type of auditor's report issued on compliance for major State programs:	Unmodified	
Any findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?	_____ Yes	<u> X </u> No

Identification of major State programs:

Powell Bill
PARTF

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

None reported.

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

None reported.

CITY OF HAVELOCK, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.

CITY OF HAVELOCK, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Program Name</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Federal Programs:			
U.S. Department of Agriculture Community Facilities Loans and Grants	10.780	\$ 10,190,000	\$ -
U.S. Environmental Protection Agency Brownsfield Grant	66.818	213,595	-
State Programs:			
N.C. Crime Control and Public Safety Governor's Crime Commission		-	46,384
N. C. Department of State Parks CAMA Grant (Slocum Park)		-	133,000
N.C. Department of Environment and Natural Resources PARTF Grant		-	304,200
N.C. Department of Transportation: Powell Bill		-	505,608
Total federal expenditures		<u>\$ 10,403,595</u>	
Total State expenditures			<u>\$ 989,192</u>

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

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of the City of Havelock and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Note 2 - Loans Outstanding

The City of Havelock had the following loan balances outstanding at June 30, 2015. These loan balances outstanding are also in the federal expenditures presented in the schedule.

	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Amount Outstanding</u>
Community Facilities Loans and Grants	10.780	N/A	<u>\$ 10,190,000</u>