

COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF HAVELOCK
HAVELOCK, NORTH CAROLINA
FOR THE YEAR ENDING JUNE 30, 2013

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

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

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CITY OF HAVELOCK, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR YEAR ENDED JUNE 30, 2013

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INTRODUCTORY SECTION

- Transmittal Letter
 - List of Principal Officials
 - Organizational Chart
 - GFOA Certificate of Achievement for Excellence in Financial Reporting
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CITY OF HAVELOCK

Post Office Box 368
Havelock, N.C. 28532

September 3, 2013

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, 2013 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, 2013, 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, 2013 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 23 percent of Craven County's population. The estimated 2011 population for the city was 21,022 while the 2010 was 21,067. The City presently encompasses 44.13 miles and employs 121 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 \$2.20 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 \$1.23 billion in fiscal year 2011. Approximately 4,491 civilians are employed at the Fleet Readiness Center (FRC). The unemployment rate for June 2013 was 9.9 percent compared with 7.6 percent for the state and 8.9 percent for the nation. The local unemployment rate increased .2 percent while the nations decreased 1.3 percent. The local economy did not suffer as bad as the national economy during the economic downturn although it is recovering much slower than the state and the nation. The local area has also been negatively impacted due to overseas troop deployments.

The City is expecting slight growth in the coming year. The City begun construction on expanding the sewer plant and relocating the City's sewer outfall line. This is a joint project with the Department of Navy. This will increase 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 2013 operating budgets based on a modest rate of growth. The modest growth rate was based on historical trends of a 3% increase in commodity taxes and no forecasted growth in the ad valorem tax base. The City has benefited economically by a joint venture the Department of Defense entered to privatize MCAS-CP housing. Since the real improvements are owned by a private company, the units are taxable. This resulted in an approximate increase in the City's ad valorem tax revenue of \$153,768 over the last several years. In planning for the future, the City of Havelock will continue to deliver quality services in the most cost effective method possible. The City also partner with the North Carolina Department of Transportation for the replacement of Church Street Bridge.

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 February 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. All City programs were continued in the 2012-13 budget. The City increased staff by one position during the budget process. The City also completed a large paving project by rehabbing many City streets. Additionally, the City's adopted a new minimum housing ordinance where potential problems are color coded for monitoring and enforcement.

The tax rate was maintained at .465 at per hundred for 2012-2013. Water rates were increased 3.6% while sewer and solid waste rates were maintained at their current level. The annual increases help to allow the City to meet the mandates that are imposed for drinking water and treating sewer.

Started during the 2008-2009 fiscal year, the City continued with installing new municipal software. This software solution will allow for more efficient and effective citizen service. The suite of products will include utility billing and collecting, permitting and inspections, accounting, and human resources.

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 2013-2014 budget was recommended and adopted. The Board of Commissioners maintained the tax rate at .465 per hundred. Water rates were increased by 1.7 percent.

The City will continue the process of rewriting the City's zoning and subdivision ordinances. The City continues to address storm water drainage concerns by implementing a plan to reduce the amount of nitrogen entering the Neuse River from storm water runoff.

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 nine 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, 2012. 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.

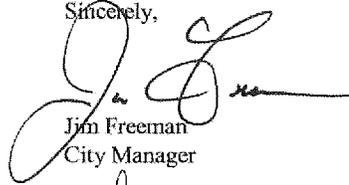
A Certificate of Achievement is valid for a period of one year only. The City has also previously received a Certificate of Achievement for the fiscal years ended June 30, 1990 through June 30, 2011. We believe our current report continues to conform to the Certificate of Achievement program requirements, 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,

A handwritten signature in black ink, appearing to read "Jim Freeman". The signature is stylized with a large initial "J" and a long horizontal stroke at the end.

Jim Freeman
City Manager

A handwritten signature in black ink, appearing to read "Lee W. Tillman". The signature is written in a cursive style.

Lee W. Tillman
Finance Director

CITY OF HAVELOCK

LIST OF PRINCIPAL OFFICIALS

June 30, 2013

BOARD OF COMMISSIONERS

JIMMY SANDERS, Mayor
WILL LEWIS
DANIEL WALSH
JIM STUART
GEORGE LINER
KAREN LEWIS

ADMINISTRATION

JIM FREEMAN
City Manager

LEE W. TILLMAN
Director of Finance

CINDY MORGAN
City Clerk

RICHARD ZACCARDELLI
Fire/Rescue Chief

WAYNE CYRUS
Police Chief

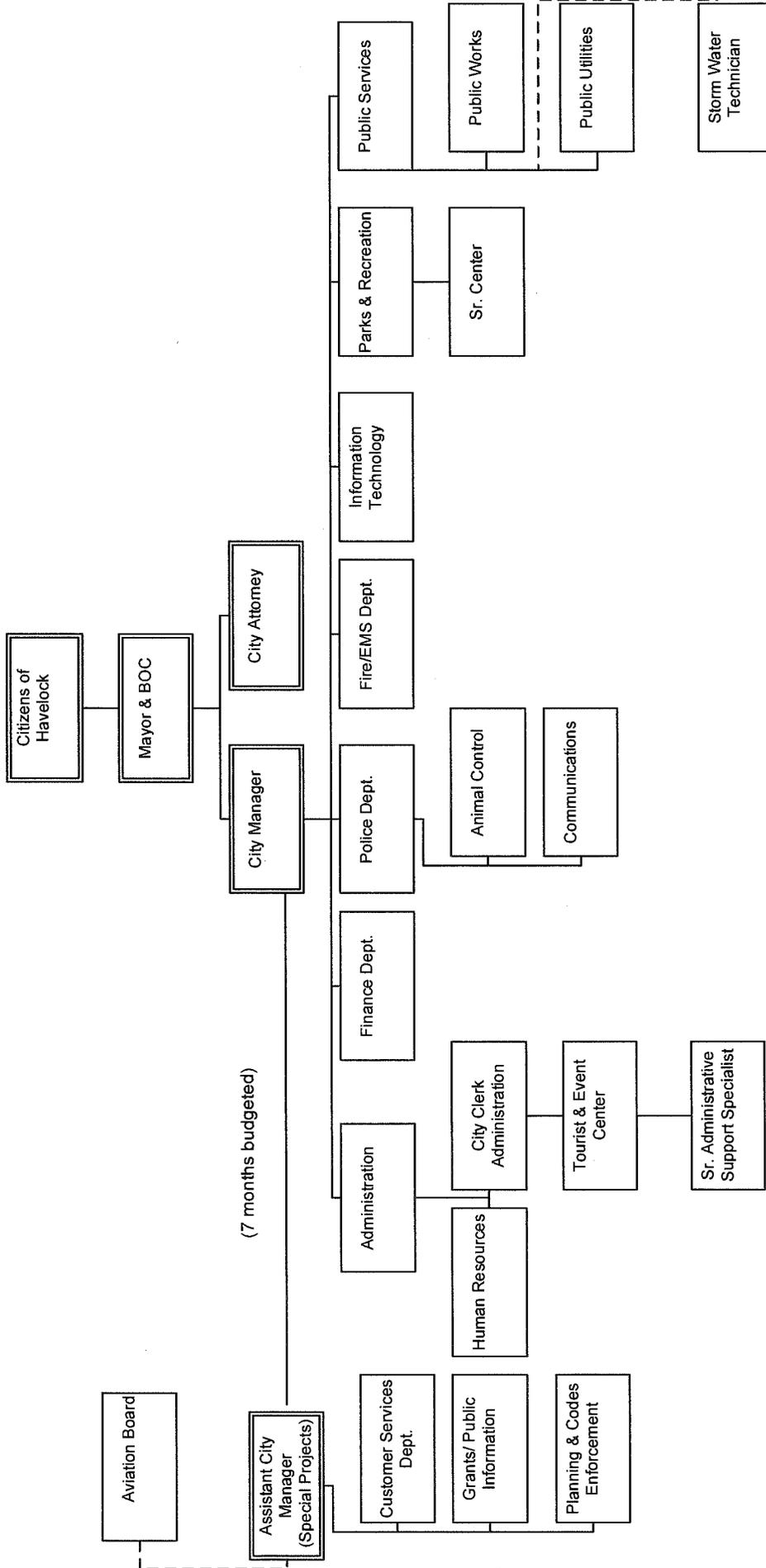
KATRINA MARSHALL
Director of Planning
and Inspections

CHAD IVES
Director of Information
Technology

BILL EBRON
Director of
Public Services

DAVID SMITH
Director of Parks
and Recreation

City of Havelock
FY 2012/2013





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, 2012

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, 2013, 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, 2013, 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 and the Law Enforcement Officers' Special Separation Allowance and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer 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, statistical tables, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by U.S. Office of 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 section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 14, 2013 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
August 14, 2013

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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, 2013 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

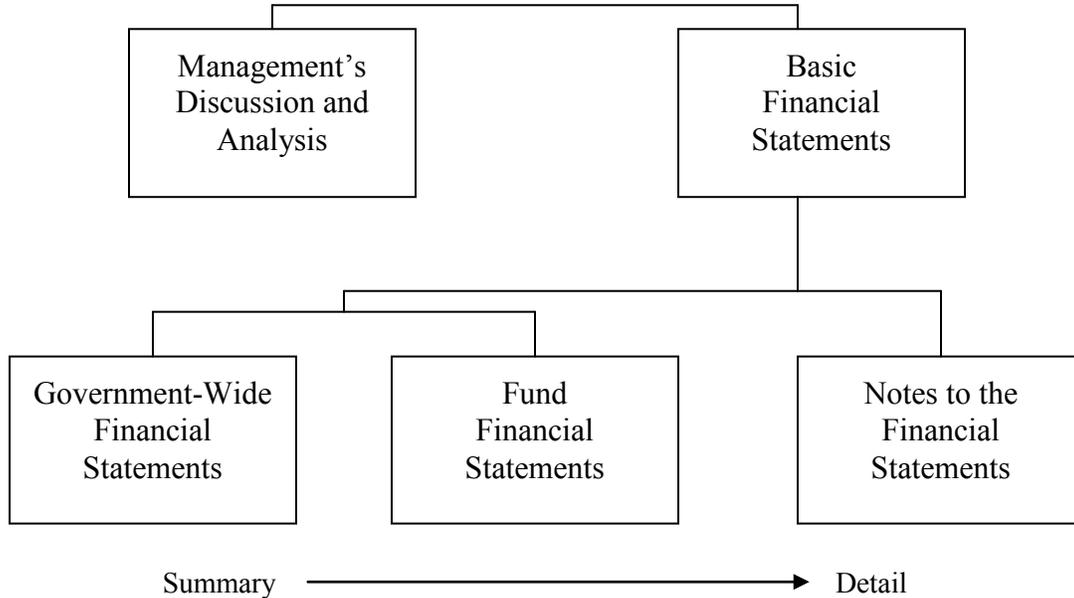
- The City of Havelock assets exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$30,658,857.
- The City's total net position increased by \$445,079 of which \$731,282 was from business-type activities, while net position of governmental activities decreased by \$286,203.
- The overall financial position of the City increased in 2013 as evidenced by an increase in the unassigned fund balance to \$4,693,486 (an increase of \$731,310 in the General Fund) at June 30, which is approximately 39.1 percent of the budget for fiscal year 2013. This did meet the Board of Commissioners' goal to maintain 32 percent in General Fund balance.
- The City's property tax rate for Fiscal Year 2012-2013 remained at forty six and half cents per hundred.
- On a government-wide basis for governmental activities, the City had expenses net of program revenues of \$7,512,643. Total program revenues were \$2,248,108, and expenses were \$9,760,751.
- On a government-wide basis for business-type activities, the City had revenue net of program expenses of \$476,519.

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 are in 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 and liabilities, with the difference between the two 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 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 Tourist and Event Center. The Water, Sewer, Solid Waste, and 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 and A-2 of this report.

The combining statements referred to earlier in connection with non-major 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-E6 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 exceeded liabilities and deferred inflows of resources by \$30,658,857 at the close of the most recent fiscal year compared to \$30,213,778 for the prior year. The City's net position increased by \$445,079 for the fiscal year ended June 30, 2013.

A large portion of the City's net position (51.70 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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	\$ 6,897,468	\$ 8,428,668	\$ 17,974,476	\$ 10,611,055	\$ 24,871,944	\$ 19,039,723
Capital assets	<u>10,224,473</u>	<u>9,095,029</u>	<u>16,768,920</u>	<u>15,435,347</u>	<u>26,993,393</u>	<u>24,530,376</u>
Total assets	<u>17,121,941</u>	<u>17,523,697</u>	<u>34,743,396</u>	<u>26,046,402</u>	<u>51,865,337</u>	<u>43,570,099</u>
Liabilities:						
Current	389,830	342,192	1,134,836	1,099,546	1,524,666	1,441,738
Non-current	<u>6,121,490</u>	<u>6,292,577</u>	<u>13,552,428</u>	<u>5,622,006</u>	<u>19,673,918</u>	<u>11,914,583</u>
Total liabilities	<u>6,511,320</u>	<u>6,634,769</u>	<u>14,687,264</u>	<u>6,721,552</u>	<u>21,198,584</u>	<u>13,356,321</u>
Deferred Inflows of Resources						
Prepaid taxes	<u>7,896</u>	-	-	-	<u>7,896</u>	-
Total deferred inflows of resources	<u>7,896</u>	-	-	-	<u>7,896</u>	-
Net Position:						
Net investment in capital assets	4,699,072	3,416,726	11,150,859	9,202,664	15,849,931	12,619,390
Restricted	1,211,124	1,468,070	-	-	1,211,124	1,468,070
Unrestricted	<u>4,692,529</u>	<u>6,004,132</u>	<u>8,905,273</u>	<u>10,122,186</u>	<u>13,597,802</u>	<u>16,126,318</u>
Total net position	<u>\$ 10,602,725</u>	<u>\$ 10,888,928</u>	<u>\$ 20,056,132</u>	<u>\$ 19,324,850</u>	<u>\$ 30,658,857</u>	<u>\$ 30,213,778</u>

An additional \$1,211,124 of the City's net position (3.95 percent compared to 4.86 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 \$13,597,802 (44.35%) may be used to meet the government's ongoing obligation to citizens and creditors.

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

Governmental Activities. Governmental activities decreased the City's net position by \$286,203. The following factors caused the decrease in governmental activities:

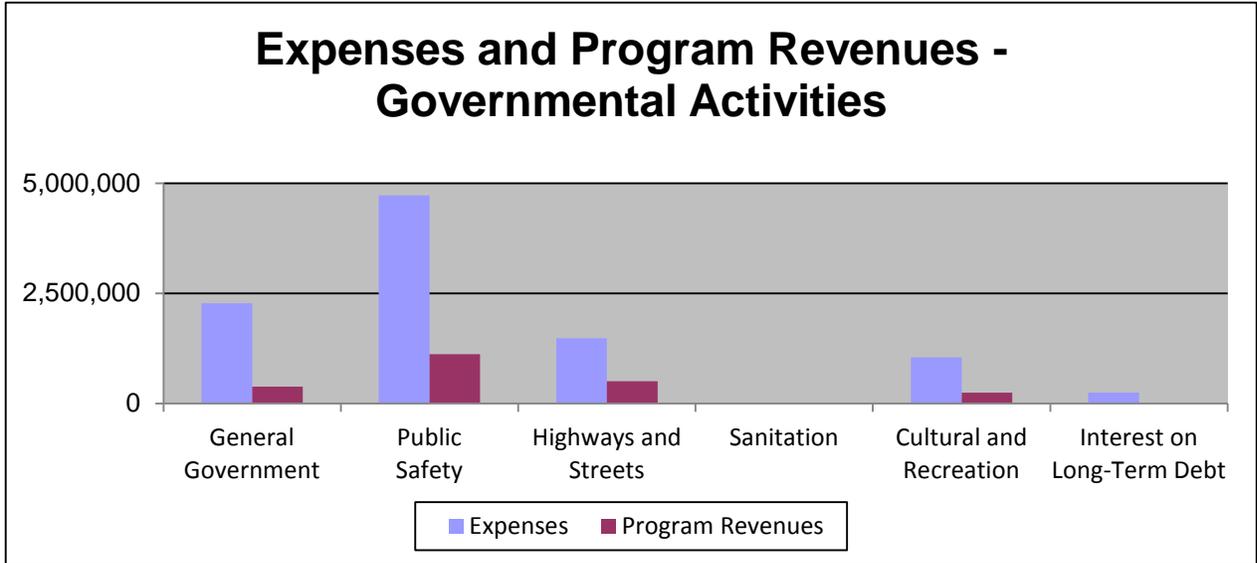
- The main reason for the decrease was due to less grant awards in the current year. This was mainly disaster grants received from the Federal Emergency Management Agency for Hurricane Recovery as well as a large grant in prior year from USDA for the Joe's Branch project.

City of Havelock's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 1,150,752	\$ 1,306,938	\$ 6,195,637	\$ 6,242,936	\$ 7,346,389	\$ 7,549,874
Operating grants and contributions	1,090,173	1,330,652	-	-	1,090,173	1,330,652
Capital grants and contributions	7,183	23,734	-	-	7,183	23,734
General revenues:						
Property taxes	4,438,418	4,272,576	-	-	4,438,418	4,272,576
Other taxes	3,018,748	2,993,853	-	-	3,018,748	2,993,853
Investment earnings	11,790	25,887	12,247	16,020	24,037	41,907
Total revenues	<u>9,717,064</u>	<u>9,953,640</u>	<u>6,207,884</u>	<u>6,258,956</u>	<u>15,924,948</u>	<u>16,212,596</u>
Expenses:						
General government	2,270,391	2,454,232	-	-	2,270,391	2,454,232
Public safety	4,718,645	4,671,926	-	-	4,718,645	4,671,926
Highways and streets	1,478,680	1,546,390	-	-	1,478,680	1,546,390
Cultural and recreation	1,048,043	853,944	-	-	1,048,043	853,944
Interest on long-term debt	244,992	397,638	-	-	244,992	397,638
Water	-	-	1,639,411	1,763,697	1,639,411	1,763,697
Sewer	-	-	2,782,740	2,566,556	2,782,740	2,566,556
Solid waste	-	-	818,853	754,011	818,853	754,011
Other	-	-	478,114	400,950	478,114	400,950
Total expenses	<u>9,760,751</u>	<u>9,924,130</u>	<u>5,719,118</u>	<u>5,485,214</u>	<u>15,479,869</u>	<u>15,409,344</u>
Increase (decrease) in net position before transfers	(43,687)	29,510	488,766	773,742	445,079	803,252
Transfers in (out)	<u>(242,516)</u>	<u>(398,221)</u>	<u>242,516</u>	<u>398,221</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	(286,203)	(398,221)	731,282	1,171,963	445,079	803,252
Net position, July 1	<u>10,888,928</u>	<u>11,257,639</u>	<u>19,324,850</u>	<u>18,152,887</u>	<u>30,213,778</u>	<u>29,410,526</u>
Net position, June 30	<u>\$ 10,602,725</u>	<u>\$ 10,888,928</u>	<u>\$ 20,056,132</u>	<u>\$ 19,324,850</u>	<u>\$ 30,658,857</u>	<u>\$ 30,213,778</u>

Property taxes increased by \$165,842 (3.88%) during the year. This increase was the result of growth in the tax base in the current year and a large release of motor vehicle taxes in the prior year. There was an increase of .02 percent in the overall collection rate.

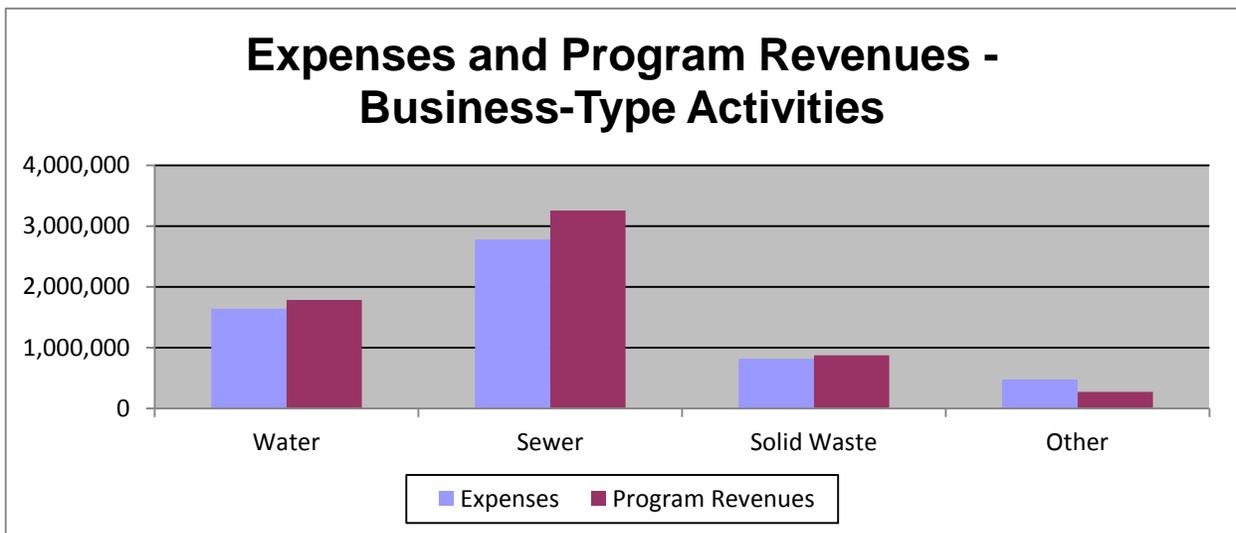
Restricted intergovernmental revenues decreased by \$364,137 which was largely due to a decrease in federal grant revenue for disaster recovery in the prior year. Sales and Services revenues decreased by \$52,618 as a result of a decrease in billing and collecting for EMS calls.



Business-Type Activities. Business-type activities increased the City’s net position by \$731,282. In fiscal year 2011-2012, business-type activities increased the City’s net position by \$1,171,963; in fiscal year 2010-2011, they increased the City’s net position by \$132,812.

Key elements of this increase are as follows:

- Water revenues decreased by \$25,636, a 1.46 percent decrease, compared to 56,577 in fiscal year 2011-2012. The decrease for the current fiscal year was a result of less gallons of water usage. Sewer revenues decreased by \$61,839 or a 1.89 percent decrease. In comparison, there was an increase of \$194,798 (6.11 percent increase) for fiscal year 2011-2012. Solid waste revenues increased by \$54,693, or 6.65%, from the prior year due to the City billing and collecting solid waste revenues for apartment buildings. The Tourist and Event Center revenues increased by \$33,695, or 35.52%, from the prior year due to increased event bookings and revenue.



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 \$6,517,278, a decrease of \$1,641,463. Approximately 72.02 percent of this total amount (\$4,693,486) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* 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 \$5,746,820 (fiscal year 2011-2012 was \$6,430,672). 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 56.67% of General Fund expenditures and transfers to other funds, while total fund balance represents 62.54% of the same amount. Unassigned fund balance of the General Fund was \$4,693,486 (fiscal year 2011-2012 was \$3,962,176) while total fund balance reached \$6,342,266 compared to \$6,938,616 for the prior year. The City appropriated \$192,219 of fund balance in the 2014 budget.

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

Unrestricted net position of the Water Fund increased by \$116,135 at year-end; Sewer Fund unrestricted net position decreased by \$1,519,282; Solid Waste Fund unrestricted net position increased by \$115,870; and the Tourist and Event Center Fund unrestricted net position increased by \$70,364 at year-end. Other factors concerning the finances of these five 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 \$305,046. The increase was necessary to incorporate funding for Slocum Project.

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 \$580,120 over the year, ultimately actual expenditures were \$1,776,983 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:

- \$167,000 increase in Board of Commissioners Department for a land purchase for future development
- \$89,000 increase in Administration Department for City Hall Building Design Options
- \$46,000 increase in IT Department for contracted services
- \$138,000 increase in Recreation for building maintenance
- \$35,000 increase in Public Buildings Department for repairs
- \$39,000 increase in Planning Department for contracted services

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, 2013 amounts to \$26,993,393 (net of accumulated depreciation) which is an increase of \$2,463,017 over the 2011-2012. 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 10.04 percent.

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

- Fire Station Construction \$719,743
- Sewer Plant Expansion and Outfall Line \$1,945,244

City of Havelock’s Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,934,651	\$ 1,747,743	\$ 306,658	\$ 306,658	\$ 2,241,309	\$ 2,054,401
Construction in progress	977,395	257,651	2,087,243	-	3,064,638	257,651
Buildings	6,249,206	6,182,541	18,984,765	18,984,767	25,233,971	25,167,308
Other improvements	1,039,658	1,018,623	12,534,204	12,373,997	13,573,862	13,392,620
Equipment	3,323,823	2,865,865	862,022	821,942	4,185,845	3,687,807
Vehicles	3,608,095	3,178,516	741,389	741,389	4,349,484	3,919,905
Subtotal	17,132,828	15,250,939	35,516,281	33,228,753	52,649,109	48,479,692
Accumulated depreciation	(6,908,355)	(6,155,910)	(18,747,361)	(17,793,406)	(25,655,716)	(23,949,316)
Capital assets, net	\$ 10,224,473	\$ 9,095,029	\$ 16,768,920	\$ 15,435,347	\$ 26,993,393	\$ 24,530,376

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 bonded debt outstanding of \$19,633,462. 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	
	2013	2012	2013	2012	2013	2012
Notes payable	\$ 5,525,401	\$ 5,678,303	\$ 14,108,061	\$ 6,058,516	\$ 19,633,462	\$ 11,736,819
Total	\$ 5,525,401	\$ 5,678,303	\$ 14,108,061	\$ 6,058,516	\$ 19,633,462	\$ 11,736,819

The City's total debt increased during the current fiscal year by \$7,896,643 due to the City issuing a large installment loan 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 \$57,000,000, which is significantly greater than the City's outstanding general obligation 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 9.9 percent. This is higher than the national rate of 7.6 percent and compares very favorably to the state's rate of 8.8. Inflationary trends in the region compare favorably to national indices. All of these factors were considered in preparing the City's budget for the 2014 fiscal year.

The city tax rate was maintained at .465 cents per hundred for the 2013 budget year. The Board of Commissioners was able to provide all City services at an acceptable level without a tax increase.

The Water and Sewer Fund rates were increased by 1.7 percent. The Board maintained their usually 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.

BASIC FINANCIAL STATEMENTS

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CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2013

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 6,054,235	\$ 8,614,718	\$ 14,668,953
Intergovernmental receivables	336,178	-	336,178
Taxes receivable, net	132,214	-	132,214
Accounts receivable, net	43,063	610,099	653,162
Internal balances	106,772	(106,772)	-
Inventories	7,486	38,200	45,686
Prepaid items	903	-	903
Cash and cash equivalents, restricted	216,617	8,818,231	9,034,848
Total current assets	<u>6,897,468</u>	<u>17,974,476</u>	<u>24,871,944</u>
Non-current assets:			
Capital assets, non-depreciable	2,912,046	2,393,901	5,305,947
Capital assets, net	<u>7,312,427</u>	<u>14,375,019</u>	<u>21,687,446</u>
Total non-current assets	<u>10,224,473</u>	<u>16,768,920</u>	<u>26,993,393</u>
Total assets	<u>17,121,941</u>	<u>34,743,396</u>	<u>51,865,337</u>
Liabilities, Deferred Inflows of Resources and Net Position:			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	197,017	175,900	372,917
Customer deposits	-	328,231	328,231
Prepaid fees	-	5,915	5,915
Current portion of long-term liabilities	192,813	624,790	817,603
Total current liabilities	<u>389,830</u>	<u>1,134,836</u>	<u>1,524,666</u>
Long-term liabilities:			
Due in more than one year	6,121,490	13,552,428	19,673,918
Total liabilities	<u>6,511,320</u>	<u>14,687,264</u>	<u>21,198,584</u>
Deferred Inflows of Resources:			
Prepaid taxes	7,896	-	7,896
Total deferred inflows of resources	<u>7,896</u>	<u>-</u>	<u>7,896</u>
Net Position:			
Net investment in capital assets	4,699,072	11,150,859	15,849,931
Restricted for stabilization by State statute	596,796	-	596,796
Restricted for streets	216,617	-	216,617
Restricted for debt service	314,190	-	314,190
Restricted for public safety	83,521	-	83,521
Unrestricted	<u>4,692,529</u>	<u>8,905,273</u>	<u>13,597,802</u>
Total net position	<u>\$ 10,602,725</u>	<u>\$ 20,056,132</u>	<u>\$ 30,658,857</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, 2013**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 2,270,391	\$ 240,305	\$ 136,550	\$ 4,115
Public safety	4,718,645	731,181	379,510	3,068
Highways and streets	1,478,680	-	505,554	-
Sanitation	-	4,526	-	-
Cultural and recreation	1,048,043	174,740	68,559	-
Interest on long-term debt	244,992	-	-	-
Total governmental activities	<u>9,760,751</u>	<u>1,150,752</u>	<u>1,090,173</u>	<u>7,183</u>
Business-Type Activities:				
Water Fund	1,639,411	1,785,904	-	-
Sewer Fund	2,782,740	3,256,698	-	-
Solid Waste Fund	818,853	877,102	-	-
Tourist and Event Center Fund	478,114	275,933	-	-
Total business-type activities	<u>5,719,118</u>	<u>6,195,637</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 15,479,869</u>	<u>\$ 7,346,389</u>	<u>\$ 1,090,173</u>	<u>\$ 7,183</u>

General Revenues:

Property tax
Sales tax
Franchise tax
Other taxes
Investment earnings
Total general revenues, excluding transfers

Transfers
Total general revenues and transfers

Change in net position

Net Position:

Beginning of year - July 1

End of year - June 30

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

Exhibit B

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,889,421)	\$ -	\$ (1,889,421)
(3,604,886)	-	(3,604,886)
(973,126)	-	(973,126)
4,526	-	4,526
(804,744)	-	(804,744)
(244,992)	-	(244,992)
(7,512,643)	-	(7,512,643)
-	146,493	146,493
-	473,958	473,958
-	58,249	58,249
-	(202,181)	(202,181)
-	476,519	476,519
(7,512,643)	476,519	(7,036,124)
4,438,418	-	4,438,418
1,378,710	-	1,378,710
1,095,139	-	1,095,139
544,899	-	544,899
11,790	12,247	24,037
7,468,956	12,247	7,481,203
(242,516)	242,516	-
7,226,440	254,763	7,481,203
(286,203)	731,282	445,079
10,888,928	19,324,850	30,213,778
\$ 10,602,725	\$ 20,056,132	\$ 30,658,857

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

CITY OF HAVELOCK, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Nonmajor Governmental Funds	Total
Assets:			
Cash and cash equivalents	\$ 5,888,713	\$ 165,522	\$ 6,054,235
Intergovernmental receivables	326,439	9,739	336,178
Taxes receivable, net	132,214	-	132,214
Accounts receivable, net	43,063	-	43,063
Due from other funds	106,772	-	106,772
Inventories	7,486	-	7,486
Prepaid items	903	-	903
Restricted cash and cash equivalents	216,617	-	216,617
Total assets	<u>\$ 6,722,207</u>	<u>\$ 175,261</u>	<u>\$ 6,897,468</u>
Liabilities:			
Accounts payable and accrued liabilities	\$ 196,768	\$ 249	\$ 197,017
Total liabilities	<u>196,768</u>	<u>249</u>	<u>197,017</u>
Deferred Inflows of Resources:			
Unavailable taxes	132,214	-	132,214
Unavailable revenue	43,063	-	43,063
Prepaid taxes	7,896	-	7,896
Total deferred inflows of resources	<u>183,173</u>	<u>-</u>	<u>183,173</u>
Fund Balances:			
Non-spendable:			
Prepays	903	-	903
Inventories	7,486	-	7,486
Restricted:			
Stabilization by State statute	587,057	9,739	596,796
Restricted, other	530,807	83,521	614,328
Committed:			
Committed for public safety	-	81,752	81,752
Assigned:			
Assigned, other	522,527	-	522,527
Unassigned	4,693,486	-	4,693,486
Total fund balances	<u>6,342,266</u>	<u>175,012</u>	<u>6,517,278</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,722,207</u>	<u>\$ 175,261</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.	10,224,473
Long-term liabilities, interest payable, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(6,314,303)
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.	<u>175,277</u>
Net Position of governmental activities per Exhibit A	<u>\$ 10,602,725</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, 2013

	General Fund	Nonmajor Governmental Funds	Total
Revenues:			
Taxes	\$ 4,425,587	\$ -	\$ 4,425,587
Unrestricted intergovernmental	3,018,748	-	3,018,748
Restricted intergovernmental	684,163	115,646	799,809
Licenses and permits	150,182	-	150,182
Sales and services	983,037	-	983,037
Investment earnings	11,086	704	11,790
Miscellaneous	272,017	-	272,017
Total revenues	<u>9,544,820</u>	<u>116,350</u>	<u>9,661,170</u>
Expenditures:			
Current:			
General government	2,379,781	-	2,379,781
Public safety	4,589,308	1,161,463	5,750,771
Highways and streets	1,499,265	-	1,499,265
Cultural and recreation	1,032,406	-	1,032,406
Debt service:			
Principal	152,902	-	152,902
Interest	244,992	-	244,992
Total expenditures	<u>9,898,654</u>	<u>1,161,463</u>	<u>11,060,117</u>
Revenues over (under) expenditures	<u>(353,834)</u>	<u>(1,045,113)</u>	<u>(1,398,947)</u>
Other Financing Sources (Uses):			
Transfers out	(242,516)	-	(242,516)
Total other financing sources (uses)	<u>(242,516)</u>	<u>-</u>	<u>(242,516)</u>
Net change in fund balances	(596,350)	(1,045,113)	(1,641,463)
Fund Balances:			
Beginning of year - July 1	<u>6,938,616</u>	<u>1,220,125</u>	<u>8,158,741</u>
End of year - June 30	<u>\$ 6,342,266</u>	<u>\$ 175,012</u>	<u>\$ 6,517,278</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, 2013**

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

Net change in fund balances - total governmental funds (Exhibit D) \$ (1,641,463)

Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:

Property taxes and business licenses 55,894

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. 17,020

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. 1,901,981

Loss on capital asset disposed of during the year, not recognized on modified accrual basis. (10,046)

Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement. (762,491)

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. 152,902

Change in net position of governmental activities per Exhibit B \$ (286,203)

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Taxes	\$ 4,420,512	\$ 4,420,511	\$ 4,425,587	\$ 5,076
Unrestricted intergovernmental	3,169,492	3,169,492	3,018,748	(150,744)
Restricted intergovernmental	672,959	707,959	684,163	(23,796)
Licenses and permits	222,600	222,600	150,182	(72,418)
Sales and services	990,100	1,018,100	983,037	(35,063)
Investment earnings	34,000	34,000	11,086	(22,914)
Miscellaneous	215,878	457,925	272,017	(185,908)
Total revenues	<u>9,725,541</u>	<u>10,030,587</u>	<u>9,544,820</u>	<u>(485,767)</u>
Expenditures:				
Current:				
General government	2,802,781	3,161,415	2,379,781	781,634
Public safety	4,926,937	5,066,826	4,589,308	477,518
Highways and streets	1,776,778	1,749,975	1,499,265	250,710
Sanitation	38,721	38,721	-	38,721
Cultural and recreation	1,005,761	1,173,714	1,032,406	141,308
Debt service:				
Principal	-	-	152,902	(152,902)
Interest	544,539	484,986	244,992	239,994
Total expenditures	<u>11,095,517</u>	<u>11,675,637</u>	<u>9,898,654</u>	<u>1,776,983</u>
Revenues over (under) expenditures	<u>(1,369,976)</u>	<u>(1,645,050)</u>	<u>(353,834)</u>	<u>1,291,216</u>
Other Financing Sources (Uses):				
Appropriated fund balance	1,285,912	1,480,581	-	(1,480,581)
Contingency	(150,500)	(19,115)	-	19,115
Transfers in	485,000	485,000	-	(485,000)
Transfers out	(250,436)	(301,416)	(242,516)	58,900
Total other financing sources (uses)	<u>1,369,976</u>	<u>1,645,050</u>	<u>(242,516)</u>	<u>(1,887,566)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(596,350)</u>	<u>\$ (596,350)</u>
Fund Balance:				
Beginning of year - July 1			<u>6,938,616</u>	
End of year - June 30			<u>\$ 6,342,266</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, 2013

	<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	\$ 3,795,113	\$ 4,321,821	\$ 497,784	\$ -	\$ 8,614,718
Accounts receivable, net	182,056	381,486	46,557	-	610,099
Inventories	11,546	23,760	-	2,894	38,200
Cash and cash equivalents, restricted	167,721	8,650,510	-	-	8,818,231
Total current assets	<u>4,156,436</u>	<u>13,377,577</u>	<u>544,341</u>	<u>2,894</u>	<u>18,081,248</u>
Non-current assets:					
Capital assets, non-depreciable	439,846	1,954,055	-	-	2,393,901
Capital assets, net	<u>4,367,165</u>	<u>8,234,020</u>	<u>86,432</u>	<u>1,687,402</u>	<u>14,375,019</u>
Total non-current assets	<u>4,807,011</u>	<u>10,188,075</u>	<u>86,432</u>	<u>1,687,402</u>	<u>16,768,920</u>
Total assets	<u>8,963,447</u>	<u>23,565,652</u>	<u>630,773</u>	<u>1,690,296</u>	<u>34,850,168</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	19,428	142,497	5,070	8,905	175,900
Due to other funds	-	-	-	106,772	106,772
Prepaid fees	-	-	-	5,915	5,915
Compensated absences payable	3,470	800	702	384	5,356
Current portion of long-term debt	128,846	455,755	-	34,833	619,434
Customer deposits	<u>167,721</u>	<u>160,510</u>	<u>-</u>	<u>-</u>	<u>328,231</u>
Total current liabilities	<u>319,465</u>	<u>759,562</u>	<u>5,772</u>	<u>156,809</u>	<u>1,241,608</u>
Non-current liabilities:					
Compensated absences payable	31,231	7,203	6,317	3,452	48,203
Other long-term debt	1,288,464	12,090,596	-	109,567	13,488,627
Other post-employment benefits	<u>6,401</u>	<u>6,568</u>	<u>998</u>	<u>1,631</u>	<u>15,598</u>
Total non-current liabilities	<u>1,326,096</u>	<u>12,104,367</u>	<u>7,315</u>	<u>114,650</u>	<u>13,552,428</u>
Total liabilities	<u>1,645,561</u>	<u>12,863,929</u>	<u>13,087</u>	<u>271,459</u>	<u>14,794,036</u>
Net Position:					
Net investment in capital assets	3,389,701	6,131,724	86,432	1,543,002	11,150,859
Unrestricted	<u>3,928,185</u>	<u>4,569,999</u>	<u>531,254</u>	<u>(124,165)</u>	<u>8,905,273</u>
Total net position	<u>\$ 7,317,886</u>	<u>\$ 10,701,723</u>	<u>\$ 617,686</u>	<u>\$ 1,418,837</u>	<u>\$ 20,056,132</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, 2013

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Tourist and Event Center Fund</u>	<u>Total</u>
Operating Revenues:					
Charges for sales and services	\$ 1,731,942	\$ 3,209,434	\$ 877,102	\$ 128,550	\$ 5,947,028
Miscellaneous revenue	53,962	47,264	-	25,383	126,609
Total operating revenues	<u>1,785,904</u>	<u>3,256,698</u>	<u>877,102</u>	<u>153,933</u>	<u>6,073,637</u>
Operating Expenses:					
Cost of sales and services:					
Salaries and benefits	477,101	417,057	126,324	149,943	1,170,425
Supplies, maintenance, and administration	870,862	1,591,780	634,907	262,208	3,359,757
Depreciation	247,073	599,466	57,622	59,797	963,958
Total operating expenses	<u>1,595,036</u>	<u>2,608,303</u>	<u>818,853</u>	<u>471,948</u>	<u>5,494,140</u>
Operating income (loss)	<u>190,868</u>	<u>648,395</u>	<u>58,249</u>	<u>(318,015)</u>	<u>579,497</u>
Non-Operating Revenues (Expenses):					
Interest income	3,412	8,835	-	-	12,247
Restricted intergovernmental revenues	-	-	-	122,000	122,000
Interest expense and fiscal charges	(44,375)	(174,437)	-	(6,166)	(224,978)
Total non-operating revenues (expenses)	<u>(40,963)</u>	<u>(165,602)</u>	<u>-</u>	<u>115,834</u>	<u>(90,731)</u>
Income (loss) before transfers and capital contributions	149,905	482,793	58,249	(202,181)	488,766
Transfers in	-	-	-	242,516	242,516
Change in net position	149,905	482,793	58,249	40,335	731,282
Net Position:					
Beginning year - July	<u>7,167,981</u>	<u>10,218,930</u>	<u>559,437</u>	<u>1,378,502</u>	<u>19,324,850</u>
End of year - June 30	<u>\$ 7,317,886</u>	<u>\$ 10,701,723</u>	<u>\$ 617,686</u>	<u>\$ 1,418,837</u>	<u>\$ 20,056,132</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, 2013

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Tourist and Event Center Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:					
Cash received from customers	\$ 1,787,540	\$ 3,273,965	\$ 826,782	\$ 157,073	\$ 6,045,360
Cash paid for goods and services	(871,797)	(1,474,382)	(631,970)	(257,184)	(3,235,333)
Cash paid to employees	(457,832)	(421,832)	(123,633)	(146,406)	(1,149,703)
Net cash provided (used) by operating activities	<u>457,911</u>	<u>1,377,751</u>	<u>71,179</u>	<u>(246,517)</u>	<u>1,660,324</u>
Cash Flows from Non-Capital Financing Activities:					
Increase (decrease) in due from other funds	-	-	-	(82,066)	(82,066)
Occupancy tax received	-	-	-	122,000	122,000
Transfer in	-	-	-	242,516	242,516
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>282,450</u>	<u>282,450</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(141,999)	(2,145,531)	-	-	(2,287,530)
Proceeds from issuance of notes payable	-	8,490,000	-	-	8,490,000
Principal paid on long-term debt	(128,846)	(456,009)	-	(29,767)	(614,622)
Interest paid on long-term debt	(44,375)	(174,437)	-	(6,166)	(224,978)
Net cash provided (used) for capital and related financing activities	<u>(315,220)</u>	<u>5,714,023</u>	<u>-</u>	<u>(35,933)</u>	<u>5,362,870</u>
Cash Flows from Investing Activities:					
Interest received from investments	<u>3,412</u>	<u>8,835</u>	<u>-</u>	<u>-</u>	<u>12,247</u>
Net increase (decrease) in cash and cash equivalents	146,103	7,100,609	71,179	-	7,317,891
Cash and Cash Equivalents:					
Beginning of year - July 1	<u>3,816,731</u>	<u>5,871,722</u>	<u>426,605</u>	<u>-</u>	<u>10,115,058</u>
End of year - June 30	<u>\$ 3,962,834</u>	<u>\$ 12,972,331</u>	<u>\$ 497,784</u>	<u>\$ -</u>	<u>\$ 17,432,949</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 190,868	\$ 648,395	\$ 58,249	\$ (318,015)	\$ 579,497
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	247,073	599,466	57,622	59,797	963,958
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	1,914	14,935	16,245	-	33,094
(Increase) decrease in inventories	4,263	991	-	(1,813)	3,441
Increase (decrease) in trade accounts payable and accrued liabilities	14,071	111,632	5,628	10,374	141,705
Increase (decrease) in prepaid fees	(278)	2,332	(66,565)	3,140	(61,371)
Net cash provided (used) by operating activities	<u>\$ 457,911</u>	<u>\$ 1,377,751</u>	<u>\$ 71,179</u>	<u>\$ (246,517)</u>	<u>\$ 1,660,324</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, 2013

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 governments 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, 2013

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.

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.

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. This fund is used to account for the City's tourism operations.

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

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Craven County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in the City from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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. Intergovernmental revenues and sales and services are not susceptible to accrual, because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned 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.

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.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 one capital project fund within its governmental fund types: the Fire Annex Building 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

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. 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, 2013.

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

The City is required by State statutes to use encumbrance accounting. Encumbrances are not expenditures but represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation, is utilized in the governmental funds. The City has \$153,846 in encumbrances outstanding at year-end.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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.

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, 2013, restricted cash in the Water Fund represents customer deposits and in the Sewer Fund represents loan proceeds and 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, 2013, restricted cash in the General Fund represents Powell Bill funds held by the City to be appropriated in future years.

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, 2011. Ad valorem taxes receivable are not accrued as revenue because the amount is not considered "available". At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the subsequent year. An amount equal to the receivable is shown as deferred inflow of resources on the Combined Balance Sheet.

CITY OF HAVELOCK, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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	\$ 174,316	\$ -
Water Fund receivables	-	15,000
Sewer Fund receivables	-	32,000
Solid Waste Fund receivables	-	4,800
Total	\$ 174,316	\$ 51,800

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.

In conjunction with implementing GASB 34, "The New Reporting Model", the City began capitalizing public domain ("infrastructure") capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems as of July 1, 2012. Infrastructure assets exceeding the City's capitalization threshold of \$5,000 will be reported as capital assets in the Statement of Net Position. General governmental infrastructure assets acquired prior to July 1, 2012 were not retroactively reported; therefore, the infrastructure capital assets in the Statement of Net Position only include assets purchased after July 1, 2012.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

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

N. Compensated Absences

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

O. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of 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 no items that meet this criterion. 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 only three items that meet the criterion for this category – prepaid taxes, unavailable taxes, and unavailable revenue for business licenses.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

P. Long-Term Obligations

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

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

Q. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources. Non-spendable fund balance for inventory at June 30, 2013 is \$7,486.

Prepays – portion of fund balance that is not an available resource because it represents the year-end balance of ending prepaid expenses, which are not spendable resources. Non-spendable fund balance for prepaids at June 30, 2013 is \$903.

CITY OF HAVELOCK, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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>Emergency Telephone System Fund</u>
<i>Restricted for Stabilization by State Statute</i> – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].	\$ 587,057	\$ 9,739
<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.	216,617	-
<i>Restricted for Debt Service</i> - portion of fund balance that is restricted for debt service.	314,190	-
<i>Restricted for Public Safety</i> – portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.	-	<u>83,521</u>
Total restricted fund balance	<u>\$ 1,117,864</u>	<u>\$ 93,260</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.

	<u>Fire Annex Building Capital Project Fund</u>
<i>Committed for Public Safety</i> – portion of fund balance that has been budgeted by the Board for expenditures related to demolishing and constructing a new fire annex building.	<u>\$ 81,752</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Assigned Fund Balance

Assigned fund balance is the portion of fund balance that the City intends to use for specific purposes.

	<u>General Fund</u>
<i>Assigned for Health Insurance</i> – portion of fund balance that has been budgeted by the Board for payment of health insurance claims and administrative costs.	\$ 261,163
<i>Assigned for Other Miscellaneous Items</i> – portion of fund balance that has been budgeted by the Board for various other items, such as Appearance Commission, DARE, National Night Out, volunteer fire department expenditures, rescue squad expenditures and seniors.	69,145
<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>192,219</u>
Total assigned fund balance	<u>\$ 522,527</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 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.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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	\$ 6,342,266
Less:	
Non-spendable	(8,389)
Stabilization by State statute	<u>(587,057)</u>
Available for appropriation	<u>\$ 5,746,820</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
	<hr/>
Encumbrances	\$ <u>153,846</u>

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.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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.

At June 30, 2013, the City's deposits had a carrying amount of \$16,129,020 and a bank balance of \$18,240,861, of which \$500,000 was covered by federal depository insurance and \$17,740,861 was covered by collateral held by the State Treasurer under the Pooling Method.

At June 30, 2013, the City had \$5,871 cash on hand.

B. Investments

At June 30, 2013, 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	\$ 3,557,382	\$ 3,557,382
NC Capital Management Trust - Term Portfolio	4,011,528	4,011,528
Total investments	<u>\$ 7,568,910</u>	<u>\$ 7,568,910</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

The City's investment in the North Carolina Capital Management Trust – Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2013. The City's investment in the North Carolina Capital Management Trust – Term Portfolio is unrated. The City has no policy regarding credit risks. The City has no formal investment policy regarding interest rate risk.

3. Capital Assets

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

	<u>Balance</u> <u>July 01, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>
Governmental Activities				
By Type:				
Non-Depreciable Capital Assets:				
Land	\$ 1,747,743	\$ 186,908	\$ -	\$ 1,934,651
Construction in progress	<u>257,651</u>	<u>719,744</u>	<u>-</u>	<u>977,395</u>
Total non-depreciable capital assets	<u>2,005,394</u>	<u>906,652</u>	<u>-</u>	<u>2,912,046</u>
Depreciable Capital Assets:				
Buildings	6,182,541	66,665	-	6,249,206
Other improvements	1,018,623	21,035	-	1,039,658
Equipment	2,865,865	457,958	-	3,323,823
Vehicles	<u>3,178,516</u>	<u>449,671</u>	<u>(20,092)</u>	<u>3,608,095</u>
Total depreciable capital assets	<u>13,245,545</u>	<u>995,329</u>	<u>(20,092)</u>	<u>14,220,782</u>
Less Accumulated Depreciation:				
Buildings	1,477,430	154,891	-	1,632,321
Other improvements	578,800	34,332	-	613,132
Equipment	1,705,728	227,276	-	1,933,004
Vehicles	<u>2,393,952</u>	<u>345,992</u>	<u>(10,046)</u>	<u>2,729,898</u>
Total accumulated depreciation	<u>6,155,910</u>	<u>\$ 762,491</u>	<u>\$ (10,046)</u>	<u>6,908,355</u>
Capital assets, net	<u>\$ 9,095,029</u>			<u>\$ 10,224,473</u>

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

Governmental Activities:	
General government	\$ 124,090
Public safety	476,470
Highways and streets	66,796
Cultural and recreation	<u>95,135</u>
Total	<u>\$ 762,491</u>

CITY OF HAVELOCK, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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

Business-Type Activities	Water Fund			Balance June 30, 2013
	Balance July 01, 2012	Additions	Retirements	
By Type:				
Non-Depreciable Capital Assets:				
Land	\$ 297,847	\$ -	\$ -	\$ 297,847
Construction in progress	-	141,999	-	141,999
Total non-depreciable capital assets	<u>297,847</u>	<u>-</u>	<u>-</u>	<u>439,846</u>
Depreciable Capital Assets:				
Plants	7,413,079	-	-	7,413,079
Water lines	2,273,867	-	-	2,273,867
Equipment	416,742	-	-	416,742
Vehicles	131,022	-	-	131,022
Total depreciable capital assets	<u>10,234,710</u>	<u>-</u>	<u>-</u>	<u>10,234,710</u>
Less Accumulated Depreciation:				
Plants	3,400,881	175,474	-	3,576,355
Water lines	1,870,776	34,640	-	1,905,416
Equipment	234,129	31,744	-	265,873
Vehicles	114,686	5,215	-	119,901
Total accumulated depreciation	<u>5,620,472</u>	<u>\$ 247,073</u>	<u>\$ -</u>	<u>5,867,545</u>
Capital assets, net	<u>\$ 4,912,085</u>			<u>\$ 4,807,011</u>

CITY OF HAVELOCK, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

	Sewer Fund			
	Balance			Balance
	July 01, 2012	Additions	Retirements	June 30, 2013
By Type:				
Non-Depreciable Capital Assets:				
Land	\$ 8,811	\$ -	\$ -	\$ 8,811
Construction in progress	-	1,945,244	-	1,945,244
Total non-depreciable capital assets	<u>8,811</u>	<u>1,945,244</u>	<u>-</u>	<u>1,954,055</u>
Depreciable Capital Assets:				
Plants	9,204,282	-	-	9,204,282
Sewer lines	10,100,130	160,207	-	10,260,337
Equipment	405,200	40,080	-	445,280
Vehicles	322,259	-	-	322,259
Total depreciable capital assets	<u>20,031,871</u>	<u>200,287</u>	<u>-</u>	<u>20,232,158</u>
Less Accumulated Depreciation:				
Plants	5,930,301	276,520		6,206,821
Sewer lines	4,855,258	295,945	-	5,151,203
Equipment	294,217	24,760	-	318,977
Vehicles	318,896	2,241	-	321,137
Total accumulated depreciation	<u>11,398,672</u>	<u>\$ 599,466</u>	<u>\$ -</u>	<u>11,998,138</u>
Capital assets, net	<u>\$ 8,642,010</u>			<u>\$ 10,188,075</u>

	Solid Waste Fund			
	Balance			Balance
	July 01, 2012	Additions	Retirements	June 30, 2013
Vehicles	\$ 288,108	\$ -	\$ -	\$ 288,108
Less: Accumulated depreciation	(144,054)	(57,622)	-	(201,676)
Capital assets, net	<u>\$ 144,054</u>	<u>\$ (57,622)</u>	<u>\$ -</u>	<u>\$ 86,432</u>

	Tourist and Event Center Fund			
	Balance			Balance
	July 01, 2012	Additions	Retirements	June 30, 2013
Buildings	\$ 2,367,404	\$ -	\$ -	\$ 2,367,404
Less: Accumulated depreciation	(620,205)	(59,797)	-	(680,002)
Capital assets, net	<u>\$ 1,926,588</u>	<u>\$ (59,797)</u>	<u>\$ -</u>	<u>\$ 1,687,402</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

4. Pension Plan Obligations

A. Local Governmental Employees' Retirement System

Plan Description. The City contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS 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, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77%, respectively, of annual covered payroll. The contribution requirements of members and of the City are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2011, 2012, and 2013 were \$308,374, \$334,234, and \$345,463, respectively. The contributions made by the City equaled the required contributions for each year.

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, 2013

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to, but not yet, receiving benefits	-
Active plan members	<u>30</u>
Total	<u><u>33</u></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.

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, 2013 was determined as part of the December 31, 2011 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 19 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, 2013**

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	\$ 52,409
Interest on net pension obligation	12,573
Adjustment to annual required contribution	<u>(15,649)</u>
Annual pension costs	49,333
Contributions made	<u>55,195</u>
Increase (decrease) in net pension obligation	(5,862)
Net pension obligation:	
Beginning of year - July 1	<u>251,466</u>
End of year - June 30	<u><u>\$ 245,604</u></u>

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 45,574	126.68%	\$ 262,036
2012	47,162	122.41%	251,466
2013	49,333	111.88%	245,604

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 the unfunded actuarial accrued liability (UAAL) was \$472,463. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,185,232, and the ratio of the UAAL to the covered payroll was 39.86 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, 2013

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, 2013 were \$107,878, which consisted of \$65,878 from the City and \$42,000 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, 2013 were \$306,266 which consisted of \$186,650 from the City and \$119,616 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. The City pays the full cost of coverage for these benefits. 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, 2013**

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 \$159,150, or 3.51%, 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, 2013

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	\$ 206,107
Interest on net OPEB obligation	2,304
Adjustment to annual required contribution	<u>(2,201)</u>
Annual OPEB cost (expense)	206,210
Contributions made	<u>(159,150)</u>
Increase (decrease) in net OPEB obligation	47,060
Net OPEB obligation:	
Beginning of year - July 1	<u>57,598</u>
End of year - June 30	<u><u>\$ 104,658</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, 2013 were as follows:

Year Ended	Annual	Percentage of	Net
June 30	OPEB Cost	Annual OPEB	OPEB
		Cost Contributed	Obligation
2011	\$ 115,218	53.40%	\$ 134,402
2012	115,513	166.50%	57,598
2013	206,210	77.18%	104,658

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 \$1,995,513. 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, 2013

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 Trust Plan for Members of the Local Governmental Employees' Retirement System (Death Trust 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. All death benefit payments are made from the Death Trust Plan. The City has no liability beyond the payment of monthly contributions. 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.

Because the benefit payments are made by the Death Trust Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2013, the City made contributions to the State for death benefits of \$0. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .08% and .14% of covered payroll, respectively. The contributions to the Death Trust Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

CITY OF HAVELOCK, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

6. Deferred Outflows and Inflows of Resources

As discussed in the Summary of Significant Accounting Policies (Note 1), ad valorem taxes receivable are not accrued as revenue because they are not considered to be both "measurable and available". Property taxes which are measurable, but not available, should be initially recorded as deferred inflow of resources. In addition, property taxes collected in advance of the fiscal year to which they apply should also be recorded as deferred inflow of resources. The balance of deferred inflows of resources and unearned revenues at year-end are comprised of the following:

	Unavailable Revenues	Unearned Revenues
Deferred Inflows:		
Prepaid property taxes (GF)	\$ -	\$ -
Taxes receivable (GF)	132,214	-
Business license receivable (GF)	43,063	-
Total	\$ 175,277	\$ -

7. Net Investment in Capital Assets

Net investment in capital assets, at June 30, 2013 are computed as follows:

	Governmental Activities	Business-Type Activities
Capital assets, net of accumulated depreciation	\$ 10,224,473	\$ 16,768,920
Less capital debt	(5,525,401)	(14,108,061)
Add unspent debt proceeds	-	8,490,000
Net investment in capital assets	\$ 4,699,072	\$ 11,150,859

CITY OF HAVELOCK, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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	\$ 2,889,110
\$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	717,268
\$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	108,933
\$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	596,235
\$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	541,085
\$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>672,770</u>
Total governmental activities installment loans payable	<u>\$ 5,525,401</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

The future minimum payments of the governmental activities long-term debt installment loans as of June 30, 2013 are as follows:

Year Ending				
June 30	Principal	Interest	Total	
2014	\$ 151,966	\$ 214,892	\$ 366,858	
2015	157,246	208,367	365,613	
2016	162,408	203,066	365,474	
2017	162,711	197,697	360,408	
2018	144,865	192,109	336,974	
2019-2023	816,367	868,503	1,684,870	
2024-2028	994,110	690,760	1,684,870	
2029-2033	1,034,258	481,321	1,515,579	
2034-2038	1,042,522	277,367	1,319,889	
2039-2043	679,581	80,074	759,655	
2044-2048	94,419	19,611	114,030	
2049-2052	84,948	5,905	90,853	
Total	<u>\$ 5,525,401</u>	<u>\$ 3,439,672</u>	<u>\$ 8,965,073</u>	

CITY OF HAVELOCK, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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

\$ 1,417,310

Serviced by Sewer Fund:

\$5,358,687 DWQ State Revolving Loan issued December 1997, interest at 3.035%, payable in annual principal installments of \$334,918, and semi-annual interest payments, through 2023; secured by plant and equipment

334,918

\$8,490,000 Wastewater System Revenue Bonds, Series 2013 issued January 2013, interest at 0.84%, payable in one lump sum of 8,490,000 in October 2014, and two interest payments through October 2014: 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 2013; secured by plant and equipment

876,720

\$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

2,844,713

Total Sewer Fund

12,546,351

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

144,400

Total business-type activities long-term debt

\$ 14,108,061

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

The future minimum payments of the business-type activities long-term debt installment loans payable as of June 30, 2013 are as follows:

Serviced by Water Fund:

Year Ending June 30	Principal	Interest	Total
2014	\$ 128,846	\$ 40,676	\$ 169,522
2015	128,846	36,978	165,824
2016	128,846	33,282	162,128
2017	128,846	29,582	158,428
2018	128,846	25,886	154,732
2019-2023	644,230	73,960	718,190
2024	128,850	3,698	132,548
Total	<u>\$ 1,417,310</u>	<u>\$ 244,062</u>	<u>\$ 1,661,372</u>

Serviced by Sewer Fund:

Year Ending June 30	Principal	Interest	Total
2014	\$ 455,755	\$ 230,805	\$ 686,560
2015	8,612,360	199,425	8,811,785
2016	123,954	137,799	261,753
2017	125,621	132,036	257,657
2018	127,364	126,274	253,638
2019-2023	665,906	544,929	1,210,835
2024-2028	284,840	423,225	708,065
2029-2033	356,562	335,053	691,615
2034-2038	446,344	246,881	693,225
2039-2043	558,731	158,709	717,440
2044-2048	788,914	70,538	859,452
Total	<u>\$ 12,546,351</u>	<u>\$ 2,605,674</u>	<u>\$ 15,152,025</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Serviced by Tourist and Event Center Fund:

Year Ending June 30	Principal	Interest	Total
2014	\$ 34,833	\$ 10,686	\$ 45,519
2015	34,833	9,152	43,985
2016	34,834	7,619	42,453
2017	39,900	6,086	45,986
Total	<u>\$ 144,400</u>	<u>\$ 33,543</u>	<u>\$ 177,943</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 01, 2012	Additions	Retirements	Balance June 30, 2013	Current Portion
By Type of Debt:					
Installment loans	\$ 5,678,303	\$ -	\$ (152,902)	\$ 5,525,401	\$ 151,966
Net pension obligation	251,466	49,333	(55,195)	245,604	-
OPEB	49,431	173,654	(134,025)	89,060	-
IBNR	63,714	531,171	(549,120)	45,765	-
Compensated absences	441,311	32,836	(65,674)	408,473	40,847
Total	<u>\$ 6,484,225</u>	<u>\$ 786,994</u>	<u>\$ (956,916)</u>	<u>\$ 6,314,303</u>	<u>\$ 192,813</u>
By Purpose:					
General government	\$ 549,000	\$ -	\$ (7,915)	\$ 541,085	\$ 7,713
Cultural and recreation	753,989	-	(48,821)	705,168	44,283
Public safety	4,626,780	49,333	(151,361)	4,524,752	99,970
OPEB	49,431	173,654	(134,025)	89,060	-
IBNR	63,714	531,171	(549,120)	45,765	-
Compensated absences	441,311	32,836	(65,674)	408,473	40,847
Total	<u>\$ 6,484,225</u>	<u>\$ 786,994</u>	<u>\$ (956,916)</u>	<u>\$ 6,314,303</u>	<u>\$ 192,813</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, 2013 amounts to \$57,000,000.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 01, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Current</u> <u>Portion</u>
Installment loans	\$ 1,546,156	\$ -	\$ (128,846)	\$ 1,417,310	\$ 128,846
OPEB	3,203	14,012	(10,814)	6,401	-
Compensated absences	21,828	32,183	(19,310)	34,701	3,470
Total	<u>\$ 1,571,187</u>	<u>\$ 46,195</u>	<u>\$ (158,970)</u>	<u>\$ 1,458,412</u>	<u>\$ 132,316</u>

Serviced by Sewer Fund:

	<u>Balance</u> <u>July 01, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Current</u> <u>Portion</u>
Installment loans	\$ 4,512,360	\$8,490,000	\$ (456,009)	\$ 12,546,351	\$ 455,755
OPEB	3,728	12,443	(9,603)	6,568	-
Compensated absences	18,458	5,226	(15,681)	8,003	800
Total	<u>\$ 4,534,546</u>	<u>\$8,507,669</u>	<u>\$ (481,293)</u>	<u>\$ 12,560,922</u>	<u>\$ 456,555</u>

Serviced by Solid Waste Fund:

	<u>Balance</u> <u>July 01, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Current</u> <u>Portion</u>
OPEB	\$ 388	\$ 2,671	\$ (2,061)	\$ 998	\$ -
Compensated absences	4,938	5,203	(3,122)	7,019	702
Total	<u>\$ 5,326</u>	<u>\$ 7,874</u>	<u>\$ (5,183)</u>	<u>\$ 8,017</u>	<u>\$ 702</u>

Serviced by Tourist Center and Event Fund:

	<u>Balance</u> <u>July 01, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Current</u> <u>Portion</u>
Installment loans	\$ 174,167	\$ -	\$ (29,767)	\$ 144,400	\$ 34,833
OPEB	848	3,430	(2,647)	1,631	-
Compensated absences	1,082	6,884	(4,130)	3,836	384
Total	<u>\$ 176,097</u>	<u>\$ 10,314</u>	<u>\$ (36,544)</u>	<u>\$ 149,867</u>	<u>\$ 35,217</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

	2013	2012
Balance, beginning of year	\$ 63,714	\$ 41,631
Incurred claims (including IBNRs) and changes in estimates	531,171	786,573
Less claims payments	(549,120)	(764,490)
Balance, end of year	\$ 45,765	\$ 63,714

10. Interfund Balances and Activity

Due to/from other funds at June 30, 2013 consist of the following:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Tourist Center Fund	\$ 106,772	Short-term cash shortfall

Transfers to/from other funds at June 30, 2013 consist of the following:

Purpose	Amount
General Fund to Enterprise Fund Tourist and Event Center Fund for operations.	\$ 242,516
Total transfers	\$ 242,516

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

11. Disaggregation Data for Entity-Wide Receivables and Payables

	Governmental Activities	Business-Type Activities
Intergovernmental Receivables:		
Sales tax receivable	\$ 205,843	\$ -
Sales tax refund	130,335	-
Total	\$ 336,178	\$ -
Accounts Payable and Accrued Expenses:		
Trade payables	\$ 31,489	\$ 51,914
Retainage payable	-	99,802
Accrued expenses	165,528	24,184
Total	\$ 197,017	\$ 175,900

12. Commitments

The City has received a commitment from USDA for a grant of \$100,000 and a loan of \$1,700,000 to perform repairs and renovations on the administrative building. The City has not negotiated the final terms of the loans.

13. 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.

14. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

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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, 2013

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets A	Actuarial Accrued		Unfunded AAL (UAAL) B - A	Funded Ratio A / B	Covered Payroll C	UAAL as a Percentage Covered Payroll (B - A) / C
		Liability (AAL)- Projected Unit Credit B					
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 Contributions

Year Ended June 30	Annual Required Contribution		Amount Contributed By Employer	Percentage of ARC Contributed
	(ARC)			
2013	\$ 52,409		\$ 55,195	105.32%
2012	49,692		57,732	116.18%
2011	46,543		57,732	124.04%

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 percent of pay closed
Remaining amortization period	18 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
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

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					
12/31/2012	\$ -	\$ 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
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%	

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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	<u>2013</u>			<u>2012</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Ad Valorem Taxes:				
Current year property tax	\$ 4,022,512	\$ 4,063,618	\$ 41,106	\$ 3,871,479
Motor vehicle tax - current and delinquent	397,999	358,759	(39,240)	316,430
Prior years' property tax	-	3,210	3,210	21,896
Total	<u>4,420,511</u>	<u>4,425,587</u>	<u>5,076</u>	<u>4,209,805</u>
Unrestricted Intergovernmental Revenues:				
Gross receipts tax	24,000	18,995	(5,005)	20,799
Payment in lieu of taxes	4,000	4,548	548	4,548
Franchise tax	1,113,463	1,095,139	(18,324)	1,066,445
Beer and wine tax	112,615	84,876	(27,739)	91,277
Local option sales tax	1,540,807	1,378,710	(162,097)	1,451,371
Hold harmless	360,607	416,660	56,053	344,328
Solid waste disposal tax	-	13,222	13,222	-
Craven County ABC revenue	14,000	6,598	(7,402)	15,085
Total	<u>3,169,492</u>	<u>3,018,748</u>	<u>(150,744)</u>	<u>2,993,853</u>
Restricted Intergovernmental Revenues:				
Payment in lieu of recreation services	-	2,352	2,352	-
Powell Bill	497,500	505,554	8,054	496,222
Federal and State grants	93,534	59,332	(34,202)	448,615
Craven County BOE contribution - school officer	116,925	116,925	-	116,925
Total	<u>707,959</u>	<u>684,163</u>	<u>(23,796)</u>	<u>1,061,762</u>
Licenses and Permits:				
Dog and cat licenses	2,000	1,765	(235)	2,335
Privilege license	151,000	83,573	(67,427)	147,367
Beer and wine licenses	750	870	120	1,015
Permits	68,850	63,974	(4,876)	122,881
Total	<u>222,600</u>	<u>150,182</u>	<u>(72,418)</u>	<u>273,598</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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	<u>2013</u>		<u>2012</u>	
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Sales and Services:				
Commission - trash stickers	150	215	65	185
Contribution from recreation	22,000	26,931	4,931	28,402
Sale of garbage stickers	3,750	4,311	561	4,425
EMS billing	570,000	555,907	(14,093)	610,207
Other	422,200	395,673	(26,527)	392,436
Total	<u>1,018,100</u>	<u>983,037</u>	<u>(35,063)</u>	<u>1,035,655</u>
Interest:				
Investment earnings	33,000	10,853	(22,147)	23,177
Investment earnings - Powell Bill	1,000	233	(767)	1,012
Total	<u>34,000</u>	<u>11,086</u>	<u>(22,914)</u>	<u>24,189</u>
Miscellaneous Revenue:				
Court facility fee and refunds	10,500	5,120	(5,380)	9,375
Insurance proceeds	246	30,178	29,932	42,257
Sale of capital assets	-	12,833	12,833	7,779
Miscellaneous	447,179	223,886	(223,293)	128,714
Total	<u>457,925</u>	<u>272,017</u>	<u>(185,908)</u>	<u>188,125</u>
Total revenues	<u>10,030,587</u>	<u>9,544,820</u>	<u>(485,767)</u>	<u>9,786,987</u>
Expenditures:				
General Government:				
Fees paid to elected officials		23,546		10,701
Operating expenses		79,687		76,798
Capital outlay		176,808		120,740
Total	<u>637,700</u>	<u>280,041</u>	<u>357,659</u>	<u>208,239</u>
Administration:				
Salaries and benefits		536,628		636,267
Operating expenses		287,181		222,824
Capital outlay		2,575		-
Administration fee credit		(109,289)		(139,289)
Total	<u>877,752</u>	<u>717,095</u>	<u>160,657</u>	<u>719,802</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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Final Budget	Actual	Variance Over/Under	Actual
Grants:				
Salaries and benefits		74,154		71,989
Operating expenses		5,001		6,332
Administration fee credit		(17,955)		(17,955)
Total	65,763	61,200	4,563	60,366
Finance:				
Salaries and benefits		245,865		240,386
Operating expenses		78,635		115,783
Capital outlay		4,017		-
Administration fee credit		(278,209)		(278,209)
Total	79,262	50,308	28,954	77,960
Revenue Collections:				
Salaries and benefits		158,238		139,904
Operating expenses		133,763		124,410
Capital outlay		3,943		2,842
Administration fee credit		(313,607)		(253,607)
Total	16,037	(17,663)	33,700	13,549
Legal Department:				
Professional services	80,000	79,304	696	71,240
Information Systems:				
Salaries and benefits		258,388		267,212
Operating expenses		261,799		232,661
Capital outlay		53,270		-
Administrative fee credit		(77,159)		(107,159)
Total	513,769	496,298	17,471	392,714
Planning and Zoning:				
Salaries and benefits		292,409		319,031
Operating expenses		145,682		122,683
Capital outlay		12,569		-
Total	496,114	450,660	45,454	441,714

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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Final Budget	Actual	Variance Over/Under	Actual
Public Buildings:				
Salaries and benefits		109,542		90,189
Operating expenses		140,163		95,876
Capital outlay		12,833		-
Total	395,018	262,538	132,480	186,065
Hurricane Expenses:				
Operating expenses	-	-	-	281,734
Total	-	-	-	281,734
Total general government	3,161,415	2,379,781	781,634	2,453,383
Public Safety:				
Police:				
Salaries and benefits		2,176,461		2,276,571
Operating expenses		298,639		332,908
Capital outlay		76,947		98,756
Total	2,769,306	2,552,047	217,259	2,708,235
Fire:				
Salaries and benefits		455,227		453,019
Operating expenses		207,415		188,307
Capital outlay		375,922		79,954
Total	1,212,443	1,038,564	173,879	721,280
Emergency Medical Services:				
Salaries and benefits		731,825		761,876
Operating expenses		180,452		137,257
Capital outlay		14,711		36,295
Total	1,009,292	926,988	82,304	935,428
Animal Control:				
Salaries and benefits		65,138		57,750
Operating expenses		6,571		6,293
Total	75,785	71,709	4,076	64,043
Total public safety	5,066,826	4,589,308	477,518	4,428,986

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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	<u>2013</u>		<u>2012</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
			<u>Actual</u>
Highways and Streets:			
Public Works:			
Salaries and benefits		60,516	64,775
Operating expenses		<u>36,705</u>	<u>29,933</u>
Total	<u>129,273</u>	<u>97,221</u>	<u>32,052</u>
Central Garage:			
Salaries and benefits		77,805	71,468
Operating expenses		38,790	17,600
Capital outlay		14,549	19,957
Street lights and traffic signals		<u>158,252</u>	<u>157,066</u>
Total	<u>351,814</u>	<u>289,396</u>	<u>62,418</u>
Powell Bill Funds:			
Salaries and benefits		229,470	416,130
Operating expenses		<u>614,308</u>	<u>551,604</u>
Total	<u>924,694</u>	<u>843,778</u>	<u>80,916</u>
Non-Powell Bill Funds:			
Salaries and benefits		133,594	102,559
Operating expenses		65,791	25,884
Capital outlay		<u>69,485</u>	<u>-</u>
Total	<u>344,194</u>	<u>268,870</u>	<u>75,324</u>
Total highways and streets	<u>1,749,975</u>	<u>1,499,265</u>	<u>250,710</u>
Sanitation:			
Capital outlay		<u>-</u>	<u>-</u>
Total sanitation	<u>38,721</u>	<u>-</u>	<u>38,721</u>
Cultural and Recreation:			
Cultural:			
Library operations		<u>47,075</u>	<u>45,170</u>
Total	<u>47,075</u>	<u>47,075</u>	<u>1</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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Final Budget	Actual	Variance Over/Under	Actual
Recreation:				
Salaries and benefits		496,205		480,801
Operating expenses		421,942		233,253
Capital outlay		66,665		10,520
Total	<u>1,123,638</u>	<u>984,812</u>	<u>138,826</u>	<u>724,574</u>
Havelock Historical Preservation Society:				
Operating expenses	<u>3,000</u>	<u>519</u>	<u>2,481</u>	<u>1,714</u>
Total cultural and recreation	<u>1,173,714</u>	<u>1,032,406</u>	<u>141,308</u>	<u>771,458</u>
Debt Service:				
Principal		152,902		137,536
Interest		244,992		397,638
Total debt service	<u>484,986</u>	<u>397,894</u>	<u>87,092</u>	<u>535,174</u>
Total expenditures	<u>11,675,637</u>	<u>9,898,654</u>	<u>1,776,983</u>	<u>9,645,977</u>
Revenue over (under) expenditures	<u>(1,645,050)</u>	<u>(353,834)</u>	<u>1,291,216</u>	<u>141,010</u>
Other Financing Sources (Uses):				
Long-term debt issued	-	-	-	549,000
Transfers out	(301,416)	(242,516)	58,900	(798,221)
Transfers in	485,000	-	(485,000)	-
Appropriated fund balance	1,480,581	-	(1,480,581)	-
Contingency	<u>(19,115)</u>	<u>-</u>	<u>19,115</u>	<u>-</u>
Total other financing sources (uses)	<u>1,645,050</u>	<u>(242,516)</u>	<u>(1,887,566)</u>	<u>(249,221)</u>
Net change in fund balance	<u>\$ -</u>	<u>(596,350)</u>	<u>\$ (596,350)</u>	<u>(108,211)</u>
Fund Balance:				
Beginning of year - July 1		<u>6,938,616</u>		<u>7,046,827</u>
End of year - June 30		<u>\$ 6,342,266</u>		<u>\$ 6,938,616</u>

ENTERPRISE FUNDS

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CITY OF HAVELOCK, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

	Emergency Telephone System Fund	Fire Annex Building Capital Project Fund	Total
Assets:			
Cash and investments	\$ 83,770	\$ 81,752	\$ 165,522
Accounts receivable	<u>9,739</u>	<u>-</u>	<u>9,739</u>
 Total assets	 <u>\$ 93,509</u>	 <u>\$ 81,752</u>	 <u>\$ 175,261</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 249	\$ -	\$ 249
Total liabilities	<u>249</u>	<u>-</u>	<u>249</u>
Fund Balances:			
Restricted:			
Stabilization for State statute	9,739	-	9,739
Public safety	83,521	-	83,521
Committed:			
Public safety	<u>-</u>	<u>81,752</u>	<u>81,752</u>
Total fund balances	<u>93,260</u>	<u>81,752</u>	<u>175,012</u>
 Total liabilities and fund balances	 <u>\$ 93,509</u>	 <u>\$ 81,752</u>	 <u>\$ 175,261</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, 2013**

	Emergency Telephone System Fund	Fire Annex Building Capital Project Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Restricted intergovernmental	\$ 115,646	\$ -	\$ 115,646
Investment income	704	-	704
Total revenues	<u>116,350</u>	<u>-</u>	<u>116,350</u>
Expenditures:			
Public safety	<u>422,290</u>	<u>739,173</u>	<u>1,161,463</u>
Total expenditures	<u>422,290</u>	<u>739,173</u>	<u>1,161,463</u>
Net change in fund balances	(305,940)	(739,173)	(1,045,113)
Fund Balances:			
Beginning of year - July 1	<u>399,200</u>	<u>820,925</u>	<u>1,220,125</u>
End of year - June 30	<u>\$ 93,260</u>	<u>\$ 81,752</u>	<u>\$ 175,012</u>

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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Restricted Intergovernmental:				
911 access charges	\$ 116,870	\$ 115,646	\$ (1,224)	\$ 102,184
Investment earnings	3,925	704	(3,221)	1,698
Total revenues	<u>120,795</u>	<u>116,350</u>	<u>(4,445)</u>	<u>103,882</u>
Expenditures:				
Public Safety:				
Implemental functions		32,650		29,498
Telephone		174,284		171,479
Furniture		32,257		315
Software maintenance		34,476		21,373
Hardware maintenance		147,353		4,481
Training		1,270		190
S.L. 2011-158 Expenditures		-		<u>128,837</u>
Total public safety	<u>460,756</u>	<u>422,290</u>	<u>38,466</u>	<u>356,173</u>
Revenues over (under) expenditures	(339,961)	(305,940)	34,021	(252,291)
Other Financing Sources (Uses):				
Appropriated fund balance	<u>339,961</u>	<u>-</u>	<u>(339,961)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(305,940)</u>	<u>\$ (305,940)</u>	<u>(252,291)</u>
Fund Balance:				
Beginning of year - July 1		<u>399,200</u>		<u>651,491</u>
		<u>\$ 93,260</u>		<u>\$ 399,200</u>

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NONMAJOR CAPITAL PROJECT FUND

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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, 2013

	<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	\$ -	\$ 25,355
Contracted services	-	103,720	19,430	123,150
Capital outlay	-	-	719,743	719,743
Total expenditures	<u>950,000</u>	<u>129,075</u>	<u>739,173</u>	<u>868,248</u>
Revenues over (under) expenditures	<u>(950,000)</u>	<u>(129,075)</u>	<u>(739,173)</u>	<u>(868,248)</u>
Other Financing Sources (Uses):				
Transfers in	<u>950,000</u>	<u>950,000</u>	<u>-</u>	<u>950,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 820,925</u>	<u>\$ (739,173)</u>	<u>\$ 81,752</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for sales and services:			
Water charges	\$ 1,516,397	\$ 1,731,942	\$ 215,545
Miscellaneous	31,500	53,962	22,462
Total operating revenues	<u>1,547,897</u>	<u>1,785,904</u>	<u>238,007</u>
Non-operating revenues:			
Interest income (loss)	<u>11,100</u>	<u>3,017</u>	<u>(8,083)</u>
Total revenues	<u>1,558,997</u>	<u>1,788,921</u>	<u>229,924</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		473,903	
Supplies and administration		789,806	
Repairs and maintenance		73,284	
Capital outlay		<u>149,771</u>	
Total costs of sales and services		<u>1,486,764</u>	
Debt service:			
Principal repayment		128,846	
Interest		<u>44,375</u>	
Total debt service		<u>173,221</u>	
Total operating expenditures	<u>2,175,997</u>	<u>1,659,985</u>	<u>516,012</u>
Revenue over (under) expenditures	<u>(617,000)</u>	<u>128,936</u>	<u>745,936</u>
Other Financing Sources (Uses):			
Appropriated fund balance	<u>617,000</u>	-	<u>(617,000)</u>
Total other financing sources (uses)	<u>617,000</u>	-	<u>(617,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>128,936</u>	<u>\$ 128,936</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Reconciling items:			
Depreciation		(247,073)	
Capital reserve fund interest		395	
(Increase) decrease in other post-employment benefits		(3,198)	
Principal payment		128,846	
Capital outlay, capitalized		<u>141,999</u>	
Change in net position		<u>\$ 149,905</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, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for sales and services:			
Sewer charges	\$ 2,783,720	\$ 3,209,434	\$ 425,714
Miscellaneous	28,500	47,264	18,764
Total operating revenue	<u>2,812,220</u>	<u>3,256,698</u>	<u>444,478</u>
Non-operating revenues:			
Interest income (loss)	12,000	2,553	(9,447)
Total non-operating revenues	<u>12,000</u>	<u>2,553</u>	<u>(9,447)</u>
Total revenues	<u>2,824,220</u>	<u>3,259,251</u>	<u>435,031</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		414,217	
Supplies and administration		1,086,096	
Repairs and maintenance		333,090	
Capital outlay		<u>200,288</u>	
Total costs of sales and services		<u>2,033,691</u>	
Debt service:			
Principal repayment		456,009	
Interest		<u>174,437</u>	
Total debt service		<u>630,446</u>	
Total expenditures	<u>3,262,844</u>	<u>2,664,137</u>	<u>598,707</u>
Revenues over (under) expenditures	<u>(438,624)</u>	<u>595,114</u>	<u>1,033,738</u>
Other Financing Sources (Uses):			
Transfers out	(3,000,000)	(3,000,000)	-
Appropriated fund balance	<u>3,438,624</u>	<u>-</u>	<u>(3,438,624)</u>
Total other financing sources (uses)	<u>438,624</u>	<u>(3,000,000)</u>	<u>(3,438,624)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(2,404,886)</u>	<u>\$ (2,404,886)</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Depreciation		(599,466)	
Intrafund transfer		3,000,000	
(Increase) decrease in other post-employment benefits		(2,840)	
Capital reserve fund interest		395	
Long-term debt principal payment		456,009	
Capital project fund interest		5,887	
Capital project expenditures, not capitalized		(172,593)	
Capital outlay items capitalized		<u>200,287</u>	
Change in Net Position		<u>\$ 482,793</u>	

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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for sales and services:			
Solid waste charges	\$ 780,000	\$ 877,102	\$ 97,102
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		125,714	
Supplies and administration		615,526	
Repairs and maintenance		19,381	
Total costs of sales and services		<u>760,621</u>	
Total expenditures	<u>837,555</u>	<u>760,621</u>	<u>76,934</u>
Revenues over (under) expenditures	<u>(57,555)</u>	<u>116,481</u>	<u>174,036</u>
Other Financing Sources (Uses):			
Transfers in	<u>57,555</u>	<u>-</u>	<u>(57,555)</u>
Total other financing sources (uses)	<u>57,555</u>	<u>-</u>	<u>(57,555)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>116,481</u>	<u>\$ 116,481</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Depreciation		(57,622)	
(Increase) decrease in other post-employment benefits		<u>(610)</u>	
Change in Net Position		<u>\$ 58,249</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for sales and services:			
Facilities rent	\$ 100,000	\$ 128,550	\$ 28,550
Miscellaneous	40,000	25,383	(14,617)
Total operating revenues	<u>140,000</u>	<u>153,933</u>	<u>13,933</u>
Non-operating revenues:			
Grant revenue	25,000	25,000	-
Occupancy tax	97,000	97,000	-
Total non-operating revenues	<u>122,000</u>	<u>122,000</u>	<u>-</u>
Total revenues	<u>262,000</u>	<u>275,933</u>	<u>13,933</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		149,160	
Supplies and administration		130,346	
Repairs and maintenance		75,293	
Exhibits expense		56,569	
Total costs of sales and services		<u>411,368</u>	
Debt service:			
Principal repayment		29,767	
Interest		6,166	
Total debt service		<u>35,933</u>	
Total expenditures	<u>524,587</u>	<u>447,301</u>	<u>77,286</u>
Revenues over (under) expenditures	<u>(262,587)</u>	<u>(171,368)</u>	<u>91,219</u>
Other Financing Sources (Uses):			
Transfers in	246,266	242,516	(3,750)
Appropriated fund balance	16,321	-	(16,321)
Total other financing sources (uses)	<u>262,587</u>	<u>242,516</u>	<u>(20,071)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	71,148	<u>\$ 71,148</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Depreciation		(59,797)	
(Increase) decrease in other post-employment benefits		(783)	
Long-term principal repayment		29,767	
Change in Net Position		<u>\$ 40,335</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, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Non-operating revenues:			
Interest income	\$ -	\$ 790	\$ 790
Total non-operating revenues	<u>\$ -</u>	<u>\$ 790</u>	<u>\$ 790</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, 2013

	Project Authorization	Actual		Total
		Prior Years	Current Year	
Revenues:				
Interest income	\$ -	\$ -	\$ 5,887	\$ 5,887
Total revenues	-	-	5,887	5,887
Expenditures:				
Professional fees	1,025,000	-	171,951	171,951
Capital outlay	10,440,000	-	1,945,244	1,945,244
Miscellaneous	25,000	-	642	642
Total expenditures	11,490,000	-	2,117,837	2,117,837
Revenues over (under) expenditures	(11,490,000)	-	(2,111,950)	(2,111,950)
Other Financing Sources (Uses):				
Issuance of long-term debt	8,490,000	-	8,490,000	8,490,000
Intrafund transfer in	3,000,000	-	3,000,000	3,000,000
Total other financing sources (uses)	11,490,000	-	11,490,000	11,490,000
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ 9,378,050	\$ 9,378,050

SUPPLEMENTARY FINANCIAL DATA

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CITY OF HAVELOCK, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2013

Fiscal Year	Uncollected Balance July 1, 2012	Additions	Collections and Credits	Uncollected Balance June 30, 2013
2012-2013	-	\$ 4,452,486	\$ 4,332,406	\$ 120,080
2011-2012	\$ 119,392	-	81,537	37,855
2010-2011	33,254	-	4,529	28,725
2009-2010	18,940	-	738	18,202
2008-2009	18,328	-	817	17,511
2007-2008	19,634	-	590	19,044
2006-2007	19,970	-	1,190	18,780
2005-2006	15,483	-	556	14,927
2004-2005	14,542	-	378	14,164
2003-2004	17,805	-	563	17,242
2002-2003	<u>16,353</u>	<u>-</u>	<u>16,353</u>	<u>-</u>
 Total	 <u>\$ 293,701</u>	 <u>\$ 4,452,486</u>	 <u>\$ 4,439,657</u>	 <u>306,530</u>
Less: Allowance for uncollectible ad valorem taxes receivable				<u>(174,316)</u>
Ad valorem taxes receivable, net				<u>\$ 132,214</u>
 Reconciliation with Revenues:				
Taxes, ad valorem - General Fund			\$ 4,425,587	
Releases of current year and prior years' motor vehicle levy				(2,283)
Arrears written off for tax year 2002-2003 per Statute of Limitations				<u>16,353</u>
Total collections and credits			<u>\$ 4,439,657</u>	

CITY OF HAVELOCK, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Total Levy</u>	
				<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	\$ 989,955,815	\$ 0.465	\$ 4,603,295	\$ 4,041,028	\$ 562,267
Discoveries	<u>43,295</u>	0.465	<u>201</u>	<u>167</u>	<u>34</u>
Abatements	<u>(32,475,318)</u>		<u>(151,010)</u>	<u>(4,378)</u>	<u>(146,632)</u>
Total property valuation	<u>\$ 957,523,792</u>				
Net Levy			4,452,486	4,036,817	415,669
Uncollected taxes at June 30, 2013			<u>120,080</u>	<u>15,326</u>	<u>104,754</u>
Current Year's Taxes Collected			<u>\$ 4,332,406</u>	<u>\$ 4,021,491</u>	<u>\$ 310,915</u>
Current Levy Collection Percentage			<u>97.30%</u>	<u>99.62%</u>	<u>74.80%</u>
Prior Year Levy Collection Percentage			<u>97.28%</u>	<u>99.19%</u>	<u>77.32%</u>

CITY OF HAVELOCK, NORTH CAROLINA**EMERGENCY TELEPHONE SYSTEM FUND UNSPENT BALANCE****PSAP RECONCILIATION****JUNE 30, 2013**

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)	\$ 93,260
Eligible 911 expenditures recorded as expenditure to be reimbursed from 911 allocation ECATS software	<u>4,443</u>
Ending balance, PSAP Revenue-Expenditure Report	<u><u>\$ 97,703</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.	88-93
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	94-98
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.	99-102
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.	103-105
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.	106-108

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$ 3,984,322	\$ 3,441,917	\$ 3,427,043	\$ 4,310,534	\$ 4,863,333	\$ 4,377,752	\$ 4,230,690	\$ 3,807,910	\$ 3,908,182	\$ 4,699,072
Restricted	1,343,620	1,142,560	1,014,705	883,882	880,403	660,792	554,056	2,274,617	976,614	1,201,385
Unrestricted	2,704,321	4,282,545	4,817,004	4,624,733	4,770,681	4,874,319	5,307,827	5,175,112	6,026,215	4,702,268
Total governmental activities net position	\$ 8,032,263	\$ 8,867,022	\$ 9,258,752	\$ 9,819,149	\$ 10,514,417	\$ 9,912,863	\$ 10,092,573	\$ 11,257,639	\$ 10,911,011	\$ 10,602,725
Business-type activities										
Net investment in capital assets	\$ 10,425,859	\$ 7,143,523	\$ 9,543,722	\$ 9,739,269	\$ 9,989,913	\$ 9,555,951	\$ 9,185,219	\$ 8,941,867	\$ 9,202,664	\$ 11,150,859
Restricted	4,553,227	8,264,193	6,340,394	7,023,804	7,192,633	7,752,829	8,834,856	9,211,020	10,122,186	8,905,273
Unrestricted	\$ 14,979,086	\$ 15,407,716	\$ 15,864,116	\$ 16,763,073	\$ 17,182,546	\$ 17,308,780	\$ 18,020,075	\$ 18,152,887	\$ 19,324,850	\$ 20,055,132
Total business-type activities net position	\$ 14,979,086	\$ 15,407,716	\$ 15,864,116	\$ 16,763,073	\$ 17,182,546	\$ 17,308,780	\$ 18,020,075	\$ 18,152,887	\$ 19,324,850	\$ 20,055,132
Primary government										
Net investment in capital assets	\$ 14,410,181	\$ 10,585,440	\$ 12,970,765	\$ 14,049,803	\$ 14,853,246	\$ 13,933,703	\$ 13,415,909	\$ 12,749,777	\$ 13,110,846	\$ 15,849,931
Restricted	1,343,620	1,142,560	1,014,705	883,882	880,403	660,792	554,056	2,274,617	976,614	1,201,385
Unrestricted	7,257,548	12,546,738	11,157,398	11,648,537	11,963,314	12,627,148	14,142,663	14,386,132	16,148,401	13,607,541
Total primary government net position	\$ 23,011,349	\$ 24,274,738	\$ 25,142,868	\$ 26,582,222	\$ 27,696,963	\$ 27,221,643	\$ 28,112,648	\$ 29,410,526	\$ 30,235,861	\$ 30,658,857

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
Charges for services:										
General government	\$ 1,209,275	\$ 1,115,786	\$ 2,184,132	\$ 1,826,840	\$ 1,766,927	\$ 2,914,222	\$ 1,989,572	\$ 2,170,632	\$ 2,447,607	\$ 2,270,391
Public Safety	2,687,430	2,685,248	3,001,405	3,063,142	3,684,161	3,788,923	4,064,724	4,806,721	4,663,093	4,718,645
Highways and streets	1,268,891	1,266,308	1,202,391	1,227,976	1,110,102	1,294,920	1,220,300	1,133,896	1,539,765	1,478,680
Sanitation	98,491	81,622	169,119	151,123	145,392	165,142	-	-	-	-
Culture and recreations	626,991	699,352	120,333	740,988	911,613	836,083	864,000	867,587	853,944	1,048,043
Interest on long-term debt	21,500	32,349	33,722	29,789	54,499	82,873	64,434	200,118	397,638	244,992
Total governmental activities expenses	5,912,578	5,880,665	6,711,102	7,039,858	7,672,694	9,082,163	8,203,030	9,178,954	9,902,047	9,760,751
Business-type activities										
Water	1,036,202	1,390,167	1,489,120	1,691,159	1,617,762	1,749,929	1,616,786	2,030,596	1,763,697	1,639,411
Sewer	2,028,965	1,880,726	2,347,757	2,807,308	3,375,587	3,234,797	2,901,023	2,838,681	2,566,556	2,782,740
Sanitation										
Other	218,923	316,148	263,163	313,366	361,777	359,094	972,672	1,034,536	400,950	818,853
Total business-type activities expenses	3,284,090	3,587,041	4,100,040	4,811,833	5,355,126	5,343,820	5,490,481	5,903,813	5,485,214	5,719,118
Total primary government expenses	\$ 9,196,668	\$ 9,467,706	\$ 10,811,142	\$ 11,851,691	\$ 13,027,820	\$ 14,425,983	\$ 13,693,511	\$ 15,082,767	\$ 15,387,261	\$ 15,479,869
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 424,823	\$ 313,420	\$ 382,760	\$ 527,723	\$ 559,289	\$ 264,887	\$ 332,942	\$ 298,126	\$ 332,322	\$ 240,305
Public Safety	459,918	443,323	339,404	485,543	572,602	743,323	758,455	902,589	764,263	731,181
Highways and streets	30,133	27,738	-	15,041	-	-	-	-	-	-
Sanitation	22,907	128,440	102,680	22,342	16,902	20,703	3,868	4,218	4,610	4,526
Culture and recreations	-	-	-	30,905	49,258	177,048	150,564	153,181	205,743	174,740
Other activities	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	827,670	328,388	654,948	530,592	506,950	931,134	1,077,365	1,145,747	1,330,652	1,090,173
Capital grants and contributions	130,515	642,732	659,913	581,893	797,392	(15,959)	-	85,568	23,734	7,183
Total governmental activities program revenues	1,895,966	1,884,041	2,158,074	2,194,039	2,502,393	2,121,136	2,323,194	2,589,429	2,661,324	2,248,108
Business-type activities:										
Charges for services:										
Water	1,495,869	1,282,841	1,313,594	1,812,487	1,773,549	1,950,831	1,973,159	1,877,135	1,820,558	1,785,904
Sewer	2,248,800	2,483,848	2,765,084	3,134,831	2,998,312	3,106,481	3,037,556	3,187,289	3,382,037	3,256,698
Other	58,988	60,156	75,709	91,821	109,999	144,312	681,128	841,472	822,409	877,102
Operating grants and contributions	-	-	-	-	250,000	30,000	25,000	-	217,932	275,933
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	\$ 3,803,657	\$ 3,826,845	\$ 4,154,387	\$ 5,039,139	\$ 5,131,860	\$ 5,231,624	\$ 5,716,843	\$ 6,905,896	\$ 6,242,936	\$ 6,195,637
Total primary government program revenues	\$ 5,699,623	\$ 5,710,886	\$ 6,312,461	\$ 7,233,178	\$ 7,634,253	\$ 7,352,760	\$ 8,040,037	\$ 8,495,325	\$ 8,904,260	\$ 8,443,745

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (expense)/revenue	\$ (4,016,612)	\$ (3,996,624)	\$ (4,553,028)	\$ (4,845,819)	\$ (5,170,301)	\$ (6,961,027)	\$ (5,879,836)	\$ (6,589,525)	\$ (7,240,723)	\$ (7,512,643)
Governmental activities	519,567	239,804	54,347	227,306	(223,266)	(112,196)	226,362	2,083	757,722	476,519
Business-type activities	\$ (3,497,045)	\$ (3,756,820)	\$ (4,498,681)	\$ (4,618,513)	\$ (5,393,567)	\$ (7,073,223)	\$ (5,653,474)	\$ (6,587,442)	\$ (6,483,001)	\$ (7,036,124)
Total primary government net expense										
General Revenues and Other Changes in										
Net Assets	\$ 2,305,198	\$ 2,507,664	\$ 2,668,283	\$ 3,008,997	\$ 3,256,168	\$ 3,559,577	\$ 3,708,643	\$ 4,255,278	\$ 4,272,576	\$ 4,438,418
Governmental activities:	1,913,523	1,145,204	878,576	2,346,661	2,436,119	2,686,352	2,657,778	3,456,802	2,993,853	3,018,748
Taxes	-	804,337	884,079	97,000	237,287	97,000	97,000	-	-	-
Inter-governmental	-	255,356	252,685	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	-	-	-	-
Sales and Services	64,100	-	-	-	-	-	-	-	-	-
Gain on sale of capital asset	39,211	82,111	189,662	278,551	288,977	132,668	38,608	42,511	25,887	11,790
Investment Earnings	38,272	-	227,055	-	-	-	-	-	-	-
Miscellaneous	-	-	(155,583)	(228,000)	(253,881)	-	(345,483)	-	(398,221)	(242,516)
Transfers	\$ 4,360,304	\$ 4,794,672	\$ 4,944,757	\$ 5,503,209	\$ 5,964,670	\$ 6,455,597	\$ 6,156,546	\$ 7,754,591	\$ 6,894,095	\$ 7,226,440
Total governmental activities										
Business-type activities:	\$ 32,464	\$ 88,829	\$ 266,504	\$ 329,675	\$ 291,858	\$ 141,430	\$ 42,450	\$ 33,729	\$ 16,020	\$ 12,247
Investment Earnings	97,000	97,000	155,583	228,000	253,881	-	345,483	97,000	398,221	242,516
Transfers	129,464	185,829	422,087	557,675	545,739	141,430	387,933	130,729	414,241	254,763
Total business-type activities	\$ 863,259	\$ 1,037,852	\$ 446,076	\$ 884,696	\$ 571,103	\$ (617,626)	\$ 503,072	\$ 1,167,149	\$ 411,094	\$ 190,316
Total primary government										
Change in Net Position	\$ 343,692	\$ 798,048	\$ 391,729	\$ 657,390	\$ 794,369	\$ (505,430)	\$ 276,710	\$ 1,165,066	\$ (346,628)	\$ (286,203)
Governmental activities	649,031	425,633	476,434	784,981	322,473	29,234	614,295	132,812	1,171,963	731,282
Business-type activities	\$ 992,723	\$ 1,223,681	\$ 868,163	\$ 1,442,371	\$ 1,116,842	\$ (476,196)	\$ 891,005	\$ 1,297,878	\$ 825,335	\$ 445,079
Total primary government										

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
2004	1,976,188	328,510	1,098,574	693,208	4,096,480
2005	2,133,298	366,009	1,145,204	804,337	4,448,848
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

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$ 1,812,351	\$ 1,933,657	\$ 1,880,176	\$ 1,619,848	\$ 1,800,520	\$ 1,761,455	\$ 2,758,421	\$ -	\$ -	\$ -
Unreserved	2,314,476	2,593,224	2,891,191	3,563,039	3,795,257	4,086,814	3,444,847	16,936	16,488	8,389
Non-Spendable	-	-	-	-	-	-	-	1,623,126	1,068,870	1,117,864
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	735,950	1,891,082	522,527
Unassigned	-	-	-	-	-	-	-	4,670,815	3,962,176	4,693,486
Total General Fund	<u>\$ 4,126,827</u>	<u>\$ 4,526,881</u>	<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>
All other governmental funds										
Reserved	\$ 276	\$ 673	\$ 1,757	\$ 1,293	\$ 62,637	\$ 1,306	\$ 996	\$ -	\$ -	\$ -
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Special revenue funds	262,663	317,907	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 Special revenue	-	-	-	-	-	-	-	651,491	399,200	93,260
Committed in Capital Project	-	-	-	-	-	-	-	524,726	820,925	81,752
Total all other governmental funds	<u>\$ 262,939</u>	<u>\$ 318,580</u>	<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>

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 2,305,198	\$ 2,499,307	\$ 2,668,283	\$ 3,040,805	\$ 3,307,172	\$ 3,576,176	\$ 3,668,791	\$ 4,310,266	\$ 4,209,805	\$ 4,425,587
Intergovernmental	3,094,579	3,020,058	3,314,091	3,499,437	3,998,216	3,591,343	3,694,293	3,456,802	2,993,853	3,018,748
Licenses and Permits	177,142	203,903	252,685	148,661	216,108	189,250	242,303	1,188,191	1,163,946	799,809
Sales and Services	418,352	601,298	600,236	583,161	609,416	877,541	851,007	230,781	273,598	150,182
Other taxes	-	-	-	-	-	-	-	1,028,763	1,035,655	983,037
Investment Earnings	39,211	82,111	189,662	278,551	288,977	132,668	38,608	42,511	25,887	11,790
Miscellaneous	219,322	263,679	227,055	309,441	255,059	129,354	193,369	141,694	188,125	272,017
Total revenues	6,253,804	6,670,356	7,252,012	7,860,056	8,674,948	8,496,332	8,688,371	10,399,008	9,890,869	9,661,170
Expenditures										
General government	1,204,985	1,316,692	1,530,040	1,779,363	1,786,040	1,992,570	1,827,405	2,084,386	2,453,383	2,113,766
Public Safety	2,715,372	2,659,279	3,008,952	3,074,158	4,301,019	4,393,788	5,734,219	4,391,151	4,888,960	4,409,207
Highways and streets	1,317,606	1,291,640	1,299,244	1,220,386	1,018,593	1,180,010	1,078,355	954,793	724,838	1,271,528
Sanitation	84,014	65,535	151,909	155,585	131,154	151,371	-	-	-	-
Culture and recreation	756,687	766,591	643,108	655,804	893,226	761,431	745,833	762,451	771,458	965,741
Capital Outlay	29,180	73,471	620,257	13,871	857,023	690,097	1,164,092	355,912	732,138	1,901,981
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	124,815	45,539	81,218	81,218	101,488	883,607	146,065	560,545	137,536	152,902
Interest	21,500	32,349	33,722	69,272	48,359	89,013	64,434	200,118	397,638	244,992
Other charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	6,254,159	6,251,096	7,368,450	7,049,657	9,136,902	10,141,887	10,760,403	9,309,356	10,105,951	11,060,117
Excess of revenues over (under) expenditures	-	-	-	-	-	-	-	-	-	-
Other financing sources (uses)										
Transfers in	-	-	-	-	-	3,264	-	550,000	400,000	-
Transfers out	(97,000)	-	-	(155,583)	(228,000)	(3,264)	(345,483)	(550,000)	(798,221)	(242,516)
Debt issued	40,000	5,620	-	790,000	-	3,497,650	871,000	646,300	549,000	-
Capital leases	-	-	-	-	-	-	-	-	-	-
Sale of Capital assets	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(57,000)	5,620	-	634,417	(228,000)	3,497,650	525,517	646,300	150,779	(242,516)
Net Change in fund balances	\$ (57,355)	\$ 424,880	\$ (116,438)	\$ 1,444,816	\$ (689,954)	\$ 1,852,095	\$ (1,546,515)	\$ 1,735,952	\$ (64,303)	\$ (1,641,463)
Debt service as a percentage of noncapital expenditures	2.4%	1.3%	1.7%	2.2%	1.8%	11.5%	2.2%	9.3%	16.5%	22.0%

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
2004	1,976,188	328,510	1,098,574	693,208	4,096,480
2005	2,133,298	366,009	1,145,204	804,337	4,448,848
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

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

Fiscal Year	Real Property		Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Motor Vehicles					
2004	\$ 311,411,975	\$ 153,263,977	\$ 136,308,333	\$ 50,082,571	\$ 550,901,715	0.42	688,627,143	87.27%
2005	419,952,071	158,332,927	80,087,556	55,298,300	603,074,254	0.45	753,842,817	87.34%
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	0.49	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	0.53	1,167,565,419	84.05%
2010	567,564,032	450,932,412	80,911,865	56,531,980	1,042,876,329	0.465	1,199,307,778	91.67%
2011	906,490,259	582,140,703	83,729,677	60,545,225	1,511,815,414	0.465	1,526,933,568	102.98%
2012	862,286,882	599,604,924	114,328,602	62,361,582	1,513,858,826	0.465	1,528,997,414	103.09%
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%

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

Fiscal Year	City Of Havelock Tax Rate	Overlapping Rate Craven County Tax Rate	Total Direct & Overlapping Rates
2004	\$ 0.4200	\$ 0.5600	\$ 0.9800
2005	0.4500	0.5600	1.0100
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

Source: City of Havlock 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		Percentage of Levy	Collections in Subsequent Years	Total Collections to Date	
		Amount	Amount			Amount	Percentage of Levy
2004	\$ 1,840,990	\$ 1,749,552	\$ -	95.03%	74,196	\$ 1,823,748	99.06%
2005	2,245,219	2,142,164	-	95.41%	88,891	2,231,055	99.37%
2006	2,315,658	2,217,275	-	95.75%	83,456	2,300,731	99.36%
2007	2,532,912	2,462,994	-	97.24%	51,138	2,514,132	99.26%
2008	2,696,515	2,616,699	-	97.04%	60,772	2,677,471	99.29%
2009	3,135,592	3,038,515	-	96.90%	79,566	3,118,081	99.44%
2010	3,299,396	3,208,683	-	97.25%	(18,202)	3,190,481	96.70%
2011	3,613,925	3,521,462	-	97.44%	109,062	3,492,737	96.65%
2012	3,712,112	3,602,390	-	97.04%	283,709	3,584,188	96.55%
2013	4,452,486	4,332,406	-	97.30%	-	4,332,406	97.30%

City of Havelock
Principal Property Taxpayers
June 30, 2013

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Property Management/Development	\$ 32,953,641	1	3.83%	\$ 8,653,952	1	1.57%
Property Management/Development	11,182,870	2	1.30%	5,983,181	3	1.09%
Property Management/Development	6,453,920	3	0.75%	5,293,290	8	0.96%
Property Management/Development	5,885,830	4	0.68%	5,032,632	2	0.91%
Property Management/Development	5,805,500	5	0.68%	4,257,882	9	0.77%
Property Management/Development	5,611,185	6	0.65%	3,759,396	4	0.68%
Public Utility	5,316,391	7	0.62%	3,692,984	5	0.67%
Property Management/Development	5,314,600	8	0.62%	3,589,800	6	0.65%
Public Utility	5,063,548	9	0.59%	3,112,809	7	0.57%
Property Management/Development	4,854,280	10	0.56%	2,813,768	10	0.51%
Totals \$	<u>88,441,765</u>		<u>10.29%</u>	<u>46,189,694</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
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	Sewer Bonds	Water Bonds	Capital Leases		
2004	\$ -	\$ -	468,920	\$ 5,066,948	\$ 2,589,926	\$ 509,600	\$ 8,635,394	
2005	-	-	409,654	5,014,230	2,431,576	479,200	8,334,660	
2006	-	-	1,118,436	7,140,173	2,319,233	418,978	10,996,820	
2007	-	-	992,094	6,717,179	2,190,387	374,139	10,273,799	
2008	-	-	1,842,106	2,061,541	6,294,589	313,500	10,511,736	
2009	-	-	4,456,149	5,871,999	1,932,695	278,667	12,539,510	
2010	-	-	5,181,084	5,420,123	1,803,848	583,833	12,988,888	
2011	-	-	5,266,839	4,923,283	1,675,002	485,062	12,350,186	
2012	-	-	5,678,303	4,512,361	1,546,155	174,167	11,910,986	
2013	-	-	5,525,401	12,546,351	1,417,310	144,400	19,633,462	

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.

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

Fiscal Year	General Obligation Bonds (1)	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2004	\$ -	\$ -	\$ -	-	-
2005	-	-	-	-	-
2006	-	-	-	-	-
2007	-	-	-	-	-
2008	-	-	-	-	-
2009	-	-	-	-	-
2010	-	-	-	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-

(1) Net bonded debt includes only general obligation debt which is being repaid through general property taxes.

City of Havelock
Direct and Overlapping Activities Debt
As of June 30, 2013

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County	\$ 77,034,761	23.38%	<u>\$ 18,010,727</u>
Subtotal, overlapping debt			<u>-</u>
City of Havelock direct debt			<u>-</u>
Total direct and overlapping debt			<u><u>\$ -</u></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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$ 44,072,137.00	\$ 48,245,941.00	\$ 51,352,593.60	\$ 51,193,344.80	\$ 53,857,447.60	\$ 53,900,286.10	\$ 43,000,000.00	\$ 55,500,000.00	\$ 63,700,000.00	\$ 57,000,000.00
Total net debt applicable to limit	\$ 44,072,137.00	\$ 48,245,941.00	\$ 51,352,593.60	\$ 51,193,344.80	\$ 53,857,447.60	\$ 53,900,286.10	\$ 43,000,000.00	\$ 55,500,000.00	\$ 63,700,000.00	\$ 57,000,000.00
Legal debt margin										

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

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	\$
Add back: exempt real property	-
Total assessed value	-
Debt Limit (8% of total assessed value)	-
Debt applicable to limit:	-
General obligation bonds	-
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	-
Legal debt margin	\$

City of Havelock
 Demographic Statistics
 Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	Median Age	School Enrollment (3)	Unemployment Rate (4)
2004	22,861	\$ -	-	34.4	4,516	3.80%
2005	23,090	-	-	34.4	4,516	4.80%
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%

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

	Full-time Equivalent Employees as of June 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function										
General government	18	18	18	20	20	21	21	21	21	22
Public Safety										
Police	27	27	27	27	29	29	29	29	29	29
Officers	8	7	7	7	7	7	7	7	7	8
Civilians										
Fire/EMS										
Firefighters and officers	9	9	11	11	13	13	16	19	19	19
Highways and Streets	13	14	13	13	13	13	13	13	13	13
Sanitation	2	2	2	2	1	1	1	1	1	1
Culture and recreation	8	8	8	8	9	9	9	9	9	9
Water	8	8	8	9	9	9	9	9	9	9
Sewer	11	11	11	11	11	11	11	11	11	11
Tourist and Event Center	1	1	2	2	2	2	2	2	2	2
Total	104	105	107	110	114	115	118	121	121	123

Source: City of Havelock Personnel Office.

**CITY OF HAVELOCK, NORTH CAROLINA
GENERAL GOVERNMENT EXPENDITURES, BY FUNCTION*
LAST TEN FISCAL YEARS**

Year Ended June 30,	General Government	Public Safety	Highways and Streets	Sanitation	Culture and Recreation	Capital Outlay	Debt Service	Total Expenditures by Function
1999	\$ 1,008,542	\$ 1,540,042	\$ 985,494	\$ 77,572	\$ 274,270	\$ 207,097	\$ 23,672	\$ 4,116,689
2000	1,023,927	1,635,658	1,237,897	65,211	296,872	362,675	29,890	4,652,130
2001	872,439	1,881,218	754,481	74,242	309,181	378,711	42,326	4,312,598
2002	935,958	2,010,476	1,174,487	68,066	330,535	339,618	142,421	5,001,561
2003	891,922	2,214,956	1,039,739	71,260	343,378	268,948	170,237	5,000,440
2004	786,610	2,058,144	657,839	71,933	372,150	166,321	177,576	4,290,573
2005	1,166,347	2,486,586	1,317,606	84,014	461,545	522,206	146,315	6,184,619
2006	1,049,572	2,486,478	1,156,621	65,535	542,482	747,431	77,888	6,126,007
2007	1,639,515	2,858,651	1,170,348	155,585	615,830	414,587	150,490	6,126,007

*Source: Based upon the General Fund data compiled from records of the City of Havelock

City of Havelock
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Planning										
Number of permits issued	381	190	353	453	182	449	578	911	1,028	679
Police										
Physical arrests	1,009	920	852	834	745	1,473	1,458	2,109	1,822	1,599
Accidents	576	620	569	636	570	607	556	597	623	699
E911	2,982	3,485	3,834	3,922	47,025	51,154	31,589	33,465	31,232	35,277
Fire										
Number of calls answered	-	-	166	166	289	773	691	613	533	584
EMS										
Number of calls answered	-	-	1,567	1,567	1,718	2,066	2,053	1,985	2,117	2,185
Culture and recreation										
Recreation Participants										
Number of Libraries	1	1	1	1	1	1	1	1	1	1
Number of Volumes	20,255	22,057	24,096	25,429	26,924	27,462	28,001	29,414	30,809	30,809
Water										
Number of miles of main	79	79	79	79	79	79	79	71	72	72
Number of connections	4,394	4,394	4,842	5,158	5,219	5,309	5,222	5,363	5,400	5,143
Average daily consumption (000s of gallons)	1,702	1,323	1,771	1,758	1,240	1,143	1,126	964	1,400	1,160
Solid Waste										
Number of containers*	-	-	-	-	-	-	4,857	4,949	4,970	4,936
Sewer										
Number of miles of main	80	80	80	80	80	80	80	74	74	74
Number of connections	4,286	4,286	4,796	4,989	5,094	5,192	5,270	5,248	5,208	5,002
Average daily treatment (000s of gallons)	1,702	1,702	1,594	1,594	1,310	1,399	1,495	1,476	1,300	1,400
Tourist and Event Center										
Event Days (1)	131	149	136	240	208	224	227	176	204	219

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

City of Havelock
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units										
Fire										
Stations	1	1	1	1	1	1	2	2	2	2
Fire Trucks	3	3	3	3	3	3	4	4	4	5
EMS										
Stations	1	1	1	1	1	1	2	2	2	2
EMS Units	4	4	4	4	4	4	4	4	4	4
Streets										
Miles of Streets	43.23	43.64	43.64	43.64	44.13	44.13	44.13	44.13	44.13	44.13
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	1	1	2	2	2	2	2	2	2
Number of Playgrounds	6	6	5	5	7	7	7	7	7	7
Water										
Number of miles of main	79	79	79	79	79	79	79	79	72	72
Fire hydrants	575	575	575	580	580	580	580	580	567	567
Maximum daily capacity (000s of gallons)	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,800	2,800
Sewer										
Number of miles of main	80	80	80	80	80	80	80	80	74	74
Maximum daily treatment capacity (000s of galle	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,800	2,800
Tourist and Event Center Centers										
Centers	1	1	1	1	1	1	1	1	1	1

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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, 2013, and the related notes to the financial statements, which collectively comprises the City of Havelock's basic financial statements, and have issued our report thereon dated August 14, 2013.

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
August 14, 2013

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

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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 City of Havelock, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission *that* could have a direct and material effect on each of the City of Havelock's major State programs for the year ended June 30, 2013. The City of Havelock's major State programs are identified in the summary of auditors' 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 noncompliance 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 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, 2013.

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, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material 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
August 14, 2013

CITY OF HAVELOCK, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

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 No

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

State Awards

Internal control over major State programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

Type of auditors' 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 X No

Identification of major State programs:

Powell Bill

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, 2013

None reported.

CITY OF HAVELOCK, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Program Name</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Federal Programs:			
Department of Homeland Security:			
Federal Emergency Management Agency:			
Staffing for Adequate Fire and Emergency Response	97.083	\$ 55,611	\$ -
Disaster Grants - Driving Grant	97.044	3,068	-
State Programs:			
N.C. Department of Environment and Natural Resources			
Coastal Area Management		-	65,000
N.C. Department of Transportation:			
Powell Bill		-	<u>505,554</u>
Total federal expenditures		<u>\$ 58,679</u>	
Total State expenditures			<u>\$ 570,554</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.

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