COMPREHENSIVE ANNUAL

FINANCIAL REPORT

CITY OF HAVELOCK

HAVELOCK, NORTH CAROLINA

FOR THE YEAR ENDING JUNE 30, 2016

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CITY OF HAVELOCK

HAVELOCK, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

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, 2016

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INTRODUCTORY SECTION

- Transmittal Letter
- List of Principal Officials
- Organizational Chart
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CITY OF HAVELOCK
Post Office Box 368
Havelock, N.C. 28532

August 22, 2016

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, 2016 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

The City of Havelock's financial statements have been audited by Martin Starnes and Associates, CPAs, P.A, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2016 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.

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

The City of Havelock

The City of Havelock, North Carolina is located in Craven County within the eastern coastal plains region of North Carolina and includes, within its municipal boundaries, Marine Corps Air Station Cherry Point (MCAS-CP). Havelock comprises about 20 percent of Craven County's population. The estimated 2014 population for the city was 20,581 while the 2015 was 20,364. The City presently encompasses 46 miles and employs 122 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 $2.008 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 $1.214 billion in fiscal year 2015. Approximately 3,390 civilians are employed at the Fleet Readiness Center (FRC). The unemployment rate for June 2016 was 5.7 percent compared with 4.9 percent for the state and 5.3 percent for the nation. The local unemployment rate decreased .80 percent while the states decreased .8 percent also. The local economy did not suffer as bad as the national and state economy during the economic downturn although it is recovering slower than the state and the nation.

The City is expecting slight growth in the coming year. The City installed the kayak launch at Slocum Waterfront Park and started constructing a driveway and small parking lot. Staff has prepared Fiscal-Year 2015-2016 operating budgets based on a modest rate of growth. The modest growth rate was based on historical trends of a 1-2% increase in commodity taxes and no growth in the ad valorem tax base. In planning for the future, the City of Havelock will continue to deliver quality services in the most cost effective method possible.

Major Initiatives

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

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

The tax rate was increased to .51 at per hundred for 2015-2016. Water and sewer rates were increased 2.5% with no increase in solid waste rates. The annual utility rate increases help to allow the City to meet the mandates that are imposed for drinking water and treating sewer.

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

For The Future

The fiscal year 2016-2017 budget was recommended and adopted. The Board of Commissioners increased the tax rate to .60 per hundred, utility rates along with solid waste rates were increased by 1.4 percent.

The City will continue to develop Slocum Creek Water Front Park during the upcoming year. The Park located near the Tourist and Event Center will provide additional tourist activities. The City will be installing picnic facilities. The City anticipates that this water front park will be very popular.

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

Other Information

North Carolina statutes require an annual audit by independent certified public accountants. The accounting firm of Martin Starnes and Associates, CPA's was selected by the City. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

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, 2015. 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, 2015. 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, P.A.

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

Sincerely,

Frank Bottorff
City Manager

Lee W. Tillman
Finance Director

CITY OF HAVELOCK

LIST OF PRINCIPAL OFFICIALS

June 30, 2016

BOARD OF COMMISSIONERS

WILL LEWIS, Mayor
DANIEL WALSH
GEORGE CORBIN
KAREN LEWIS
BRENDA WILSON
PETE VAN VLIET

ADMINISTRATION

FRANK BOTTORFF
City Manager

LEE W. TILLMAN
Director of Finance

CINDY MORGAN
City Clerk

RICHARD ZACCARDELLI
Fire/Rescue Chief

DAVID MAGNUSSON
Police Chief

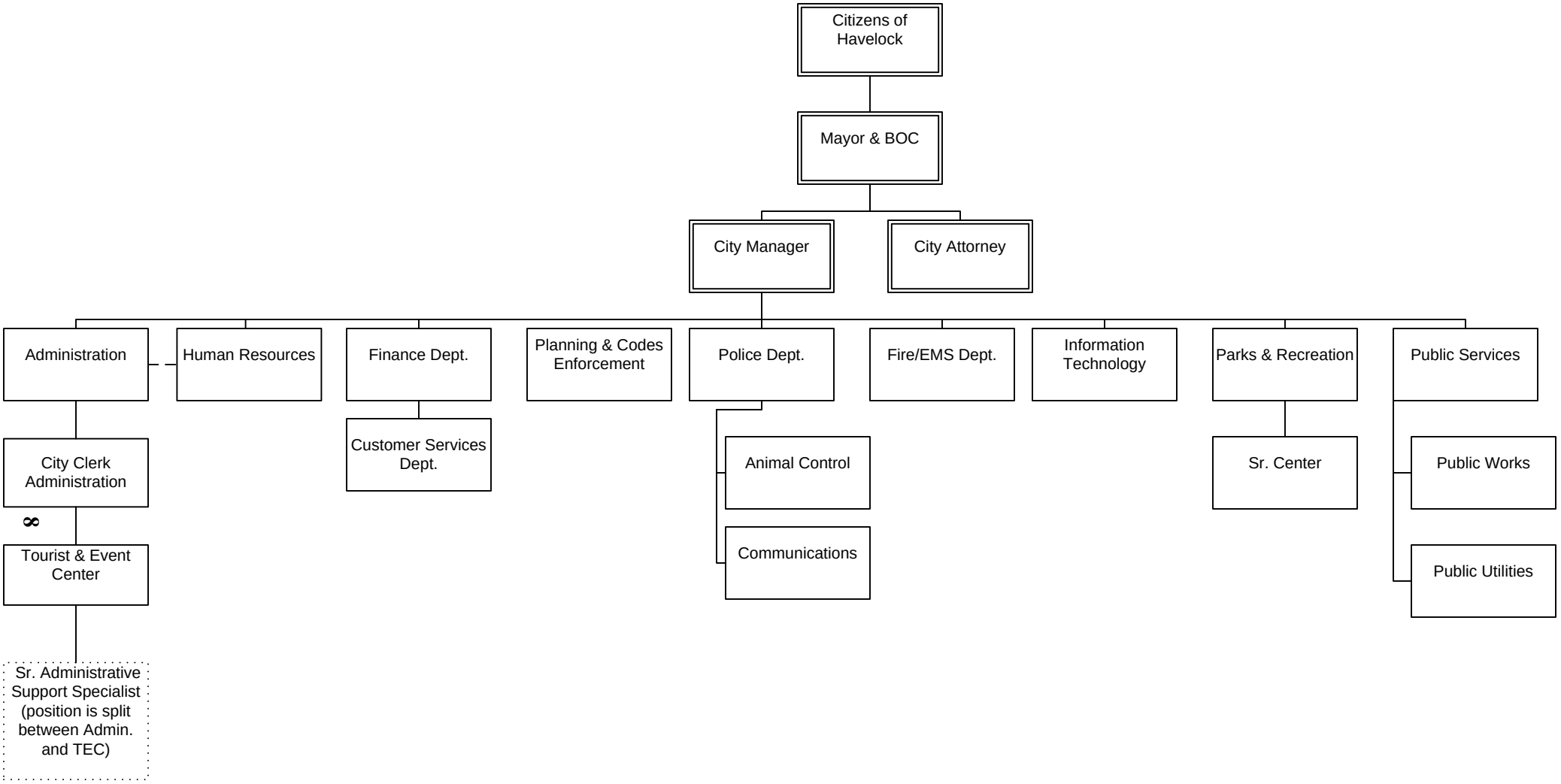
KATRINA MARSHALL
Director of Planning
and Inspections

CHAD IVES
Director of Information
Technology

MARK SAYGER
Director of
Public Services

TRAVIS ADAMS
Director of Parks
and Recreation

CITY OF HAVELOCK
FY 2015-2016



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, 2015

Executive Director/CEO

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FINANCIAL SECTION

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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, 2016, 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, 2016, and the respective changes in financial position, and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of the City of Havelock, North Carolina. The introductory section, combining and individual fund financial statements, budgetary schedules, other schedules, and statistical tables 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, and other schedules 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, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 22, 2016 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 22, 2016

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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, 2016 with comparisons to the prior year, where appropriate. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the front of this report and the basic financial statements and accompanying notes to the financial statements, which follow this narrative.

Financial Highlights

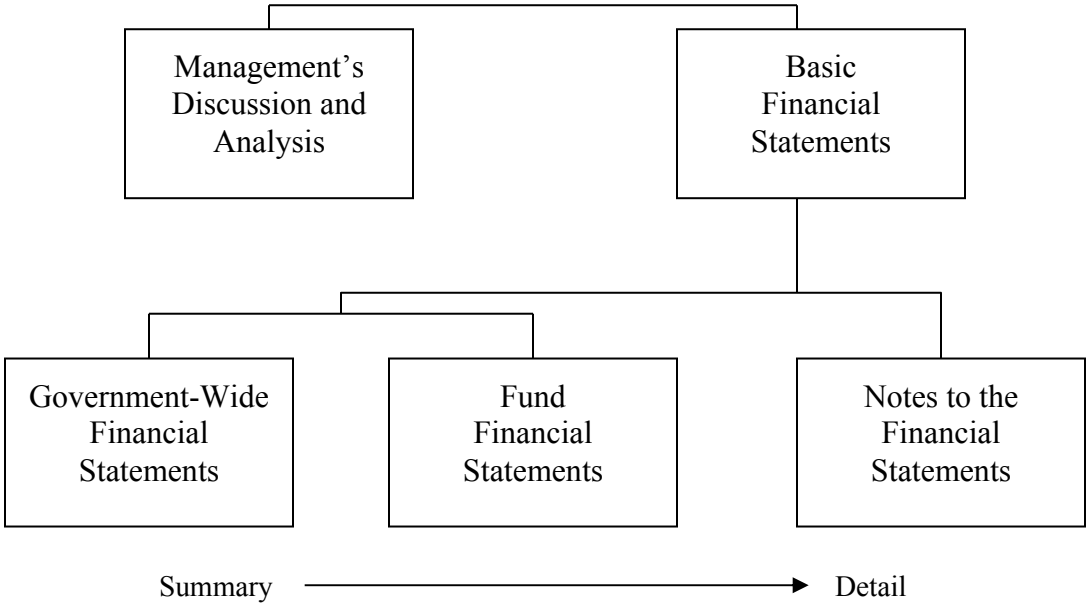
- The City of Havelock's assets and deferred outflows exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $36,451,216.
- The City's total net position increased by $2,440,655 of which $579,455 was from business-type activities, while net position of governmental activities increased by $1,861,200.
- The overall financial position of the City increased in 2016 as evidenced by an increase in the unassigned fund balance to $6,664,374 in the General Fund (an increase in total fund balance of $1,513,385 in the General Fund) at June 30, which is approximately 81 percent of the budget for fiscal year 2016. This did meet the Board of Commissioners' goal to maintain 32 percent in General Fund balance.
- On a government-wide basis for governmental activities, the City had expenses net of program revenues of $6,256,544. Total program revenues were $3,052,500, and expenses were $9,309,044.
- On a government-wide basis for business-type activities, the City had revenue net of program expenses of $304,188.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on Schedules C1-E8 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows of resources by $36,451,216 at the close of the most recent fiscal year compared to $34,010,561 for the prior year. The City's net position increased by $2,440,655 for the fiscal year ended June 30, 2016.

A large portion of the City's net position (48.23 percent) reflects its net investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Havelock's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	$ 10,376,223	$ 8,841,112	$ 10,897,522	$ 10,016,314	$ 21,273,745	$ 18,857,426
Capital assets	12,428,403	12,436,609	24,670,836	25,442,213	37,099,239	37,878,822
Total assets	22,804,626	21,277,721	35,568,358	35,458,527	58,372,984	56,736,248
Deferred Outflows of Resources	261,190	282,169	49,749	53,746	310,939	335,915
Liabilities:						
Current	800,193	373,637	829,567	775,476	1,629,760	1,149,113
Non-current	7,722,677	7,545,771	12,535,470	12,880,565	20,258,147	20,426,336
Total liabilities	8,522,870	7,919,408	13,365,037	13,656,041	21,887,907	21,575,449
Deferred Inflows of Resources:						
Pension deferrals	289,632	1,248,368	55,168	237,785	344,800	1,486,153
Net Position:						
Net investment in capital assets	5,708,365	5,519,721	11,873,567	12,244,456	17,581,932	17,764,177
Restricted	2,317,900	1,696,334	-	-	2,317,900	1,696,334
Unrestricted	6,227,049	5,176,059	10,324,335	9,373,991	16,551,384	14,550,050
Total net position	$ 14,253,314	$ 12,392,114	$ 22,197,902	$ 21,618,447	$ 36,451,216	$ 34,010,561

An additional $2,317,900 of the City's net position (6.36 percent compared to 4.99 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 $16,551,384 (45.41 percent) may be used to meet the government's ongoing obligation to citizens and creditors.

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

Governmental Activities. Governmental activities increased the City's net position by $1,861,200. The following factors caused the increase in governmental activities:

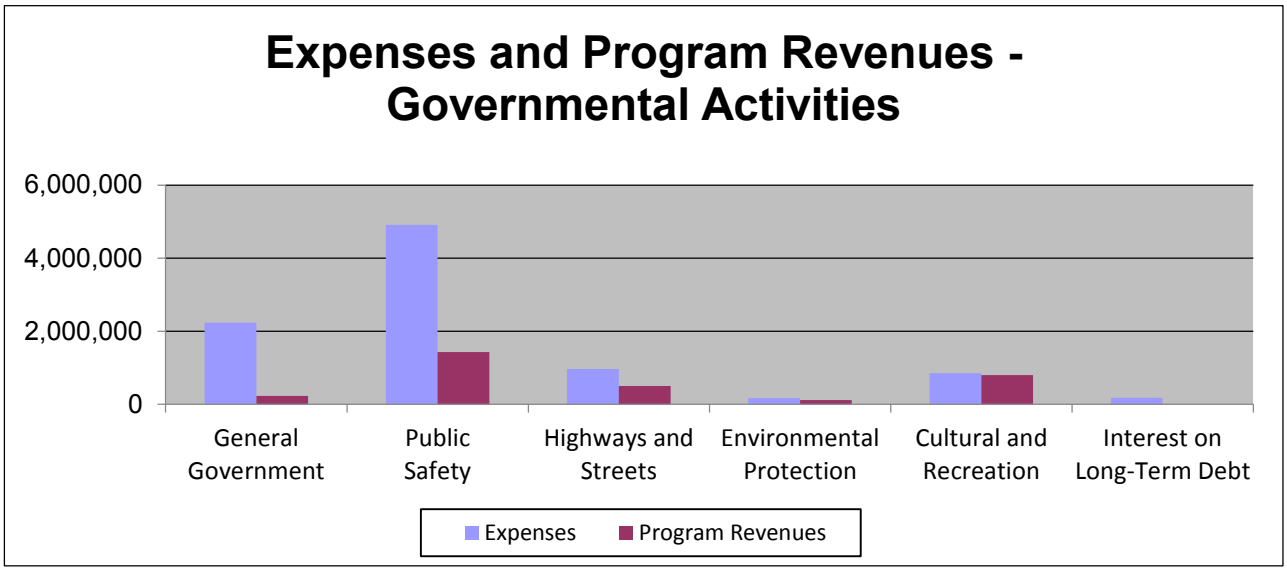
- The main reason for the increase was due to a $1,513,385 increase in fund balance for the General Fund in the current year. This was due from expenditures coming in under budget by $1,495,055 for the fiscal year 2016.

City of Havelock's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	$ 1,287,271	$ 1,341,637	$ 6,499,276	$ 6,507,399	$ 7,786,547	$ 7,849,036
Operating grants and contributions	1,147,461	1,065,369	-	-	1,147,461	1,065,369
Capital grants and contributions	617,768	1,510,255	-	-	617,768	1,510,255
General revenues:						
Property taxes	4,887,046	4,496,412	-	-	4,887,046	4,496,412
Other taxes	3,444,949	3,290,524	-	-	3,444,949	3,290,524
Investment earnings	38,426	17,053	22,590	7,764	61,016	24,817
Total revenues	11,422,921	11,721,250	6,521,866	6,515,163	17,944,787	18,236,413
Expenses:						
General government	2,239,486	2,069,313	-	-	2,239,486	2,069,313
Public safety	4,911,264	4,877,015	-	-	4,911,264	4,877,015
Highways and streets	966,550	1,156,033	-	-	966,550	1,156,033
Environmental protection	166,469	213,595	-	-	166,469	213,595
Cultural and recreation	847,265	832,935	-	-	847,265	832,935
Interest on long-term debt	178,010	253,873	-	-	178,010	253,873
Water	-	-	1,825,652	1,906,359	1,825,652	1,906,359
Sewer	-	-	3,040,205	2,896,978	3,040,205	2,896,978
Solid waste	-	-	936,680	847,268	936,680	847,268
Tourist and Event Center	-	-	392,551	413,106	392,551	413,106
Total expenses	9,309,044	9,402,764	6,195,088	6,063,711	15,504,132	15,466,475
Increase (decrease) in net position before transfers	2,113,877	2,318,486	326,778	451,452	2,440,655	2,769,938
Transfers in (out)	(252,677)	(237,369)	252,677	237,369	-	-
Increase (decrease) in net position	1,861,200	2,081,117	579,455	688,821	2,440,655	2,769,938
Net position, July 1, as previously reported	12,392,114	11,060,271	21,618,447	21,072,346	34,010,561	32,132,617
Restatement	-	(749,274)	-	(142,720)	-	(891,994)
Net position, July 1, restated	12,392,114	10,310,997	21,618,447	20,929,626	34,010,561	31,240,623
Net position, June 30	$ 14,253,314	$ 12,392,114	$ 22,197,902	$ 21,618,447	$ 36,451,216	$ 34,010,561

Property taxes increased in the current year by $390,634. This increase was the result of the tax rate increase in the current fiscal year.

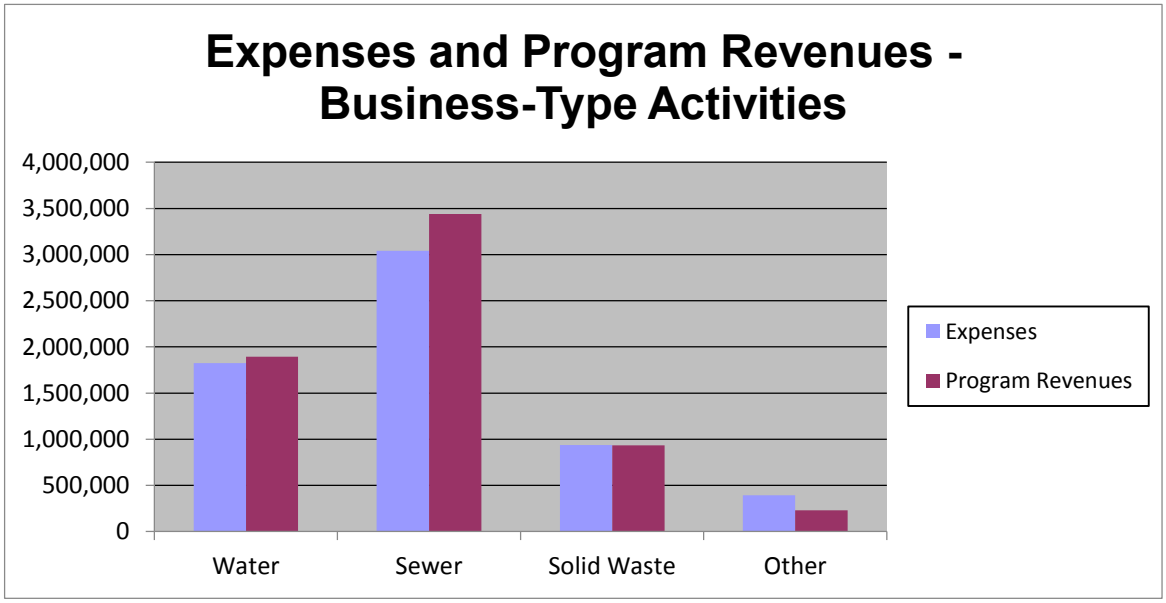
Restricted intergovernmental revenues decreased in the current year due to decreased grant activity related to capital projects taking place in the City of Havelock.



Business-Type Activities. Business-type activities increased the City's net position by $579,455. In fiscal year 2014-2015, business-type activities increased the City's net position by $688,821.

Key elements of this increase are as follows:

- Water revenues increased by $11,824, a .65 percent increase, compared to a decrease of $26,111 (1.69 percent decrease) in fiscal year 2014-2015. The increase for the current fiscal year was a result of slightly higher rates. Sewer revenues increased by $107,825 or a 3.24 percent increase. In comparison, there was an increase of $19,546 (.6 percent decrease) for fiscal year 2014-2015. Solid waste revenues decreased by $25,900, or 2.70 percent, from the prior year due to increased operating costs. The Tourist and Event Center revenues decreased by $36,281, or 27.70 percent, from the prior year due to decreased in building rent.



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $9,778,549, an increase of $1,582,635. Approximately 67.51 percent of this total amount ($6,601,539) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *non-spendable, restricted, assigned or committed* to indicate that it is not available for various reasons. These reasons include 1) a portion is unavailable under State statutes; 2) a portion is legally segregated and can only be spent on specific expenditures; or 3) available for appropriation but the City is segregating out portions for specific expenditures.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, available fund balance of the General Fund was $8,124,319. 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 85.26 percent of General Fund expenditures and transfers to other funds, while total fund balance represents 94.22 percent of the same amount. Unassigned fund balance of the General Fund was $6,664,374 while total fund balance reached $8,978,861. Other factors concerning the finances of the governmental funds have already been addressed in the discussion of the City's governmental activities.

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

Net position of the Water Fund increased by $78,660 at year-end; Sewer Fund net position increased by $408,954; Solid Waste Fund net position increased by $2,721; and the Tourist and Event Center Fund net position increased by $89,120 at year-end. Other factors concerning the finances of these four funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available, 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain or expand services. The City increased the General Fund budget revenue estimates by $543,485. The increase was necessary to incorporate funding received for a recreation project funded by Trillium Health Resources.

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 $770,894 over the year, ultimately actual expenditures were $1,495,055 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:

- $503,409 increase in recreation to for new inclusive playground equipment, a senior meal program and a lacrosse field
- $60,000 increase in transfers to Phoenix project for development consulting services
- $60,000 increase in planning for consulting services for park project
- $52,001 increase in police department for a patrol car and equipment
- $30,000 increase in stormwater for consulting services
  $30,000 increase in fire department for t-shirt program

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, 2016 amounts to $37,099,239 (net of accumulated depreciation), which is a decrease of $779,583 over the 2014-2015. The investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, and streets. The total decrease in the City's investment in capital assets for the current year was 2.06 percent.

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

- Walter Jones Park Playground Equipment of $443,665
- Sewer Plant Expansion and Outfall Line $94,166
- Purchase of 5 police vehicles totaling $156,939

City of Havelock's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	$ 2,680,561	$ 2,680,561	$ 306,658	$ 306,658	$ 2,987,219	$ 2,987,219
Construction in progress	533,625	2,175,970	10,067,003	9,988,475	10,600,628	12,164,445
Buildings	9,336,577	7,179,544	20,944,414	20,867,290	30,280,991	28,046,834
Other improvements	1,329,703	1,279,703	12,705,167	12,705,167	14,034,870	13,984,870
Equipment	3,572,927	3,583,343	1,246,914	1,246,914	4,819,841	4,830,257
Vehicles	3,873,475	3,683,728	967,152	942,336	4,840,627	4,626,064
Subtotal	21,326,868	20,582,849	46,237,308	46,056,840	67,564,176	66,639,689
Accumulated depreciation	(8,898,465)	(8,146,240)	(21,566,472)	(20,614,627)	(30,464,937)	(28,760,867)
Capital assets, net	$ 12,428,403	$ 12,436,609	$ 24,670,836	$ 25,442,213	$ 37,099,239	$ 37,878,822

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

Long-Term Debt. At the end of the current fiscal year, the City had a total debt outstanding of $19,517,307. 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	
	2016	2015	2016	2015	2016	2015
Notes payable	$ 6,720,038	$ 6,916,888	$ 12,797,269	$ 13,197,757	$ 19,517,307	$ 20,114,645

The City's total debt decreased during the current fiscal year by $597,338 due to the City's principal payments during the fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total assessed valuation. The current debt limitation for the City of Havelock is approximately $56,500,000, which is significantly greater than the City's outstanding debt.

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

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City is 5.7 percent. This is slightly higher than the national rate of 5.3 percent, and the State's rate of 5.6. Inflationary trends in the region compare favorable to national indices. All of these factors were considered in preparing the City's budget for the 2017 fiscal year.

The City tax rate was changed from .51 cents per hundred to a revenue neutral rate of .60 cents per hundred since there was revaluation of property values and the City-wide valuation decreased. The Board of Commissioners was able to provide all City services at the revenue neutral rate.

The Water, Sewer and Solid Waste rates were increased by 1.4 percent. The Board remained committed to their policy of increasing the rates based on the Consumer Price Index in these three funds.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	$ 9,531,967	$ 9,812,273	$ 19,344,240
Intergovernmental receivables	399,289	-	399,289
Taxes receivable, net	34,609	-	34,609
Accounts receivable, net	21,749	692,908	714,657
Inventories	6,987	42,984	49,971
Prepaid items	7,150	1,776	8,926
Cash and cash equivalents, restricted	374,472	347,581	722,053
Total current assets	10,376,223	10,897,522	21,273,745
Non-current assets:			
Capital assets:			
Capital assets, non-depreciable	3,214,186	10,373,661	13,587,847
Capital assets, net	9,214,217	14,297,175	23,511,392
Total capital assets	12,428,403	24,670,836	37,099,239
Total assets	22,804,626	35,568,358	58,372,984
Deferred Outflows of Resources:			
Contributions to pension plan in current fiscal year	261,190	49,749	310,939
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	563,065	59,867	622,932
Prepaid fees	-	9,149	9,149
Current portion of long-term liabilities	237,128	412,970	650,098
Liabilities payable from restricted assets:			
Customer deposits	-	347,581	347,581
Total current liabilities	800,193	829,567	1,629,760
Long-term liabilities:			
Net pension liability	352,897	67,218	420,115
Due in more than one year	7,369,780	12,468,252	19,838,032
Total liabilities	8,522,870	13,365,037	21,887,907
Deferred Inflows of Resources:			
Pension deferrals	289,632	55,168	344,800
Net Position:			
Net investment in capital assets	5,708,365	11,873,567	17,581,932
Restricted for stabilization by State statute	926,814	-	926,814
Restricted for streets	374,472	-	374,472
Restricted for debt service	314,190	-	314,190
Restricted for culture and recreation	346,215	-	346,215
Restricted for general government	152,803	-	152,803
Restricted for public safety	203,406	-	203,406
Unrestricted	6,227,049	10,324,335	16,551,384
Total net position	$ 14,253,314	$ 22,197,902	$ 36,451,216

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, 2016

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	$ 2,239,486	$ 170,270	$ 53,002	$ 285
Public safety	4,911,264	873,905	553,633	-
Highways and streets	966,550	-	497,208	-
Environmental protection	166,469	3,591	-	106,469
Cultural and recreation	847,265	239,505	43,618	511,014
Interest on long-term debt	178,010	-	-	-
Total governmental activities	9,309,044	1,287,271	1,147,461	617,768
Business-Type Activities:				
Water Fund	1,825,652	1,893,925	-	-
Sewer Fund	3,040,205	3,441,432	-	-
Solid Waste Fund	936,680	934,925	-	-
Tourist and Event Center Fund	392,551	228,994	-	-
Total business-type activities	6,195,088	6,499,276	-	-
Total primary government	$ 15,504,132	$ 7,786,547	$ 1,147,461	$ 617,768

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, 2016

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	$ (2,015,929)	$ -	$ (2,015,929)
Public safety	(3,483,726)	-	(3,483,726)
Highways and streets	(469,342)	-	(469,342)
Environmental protection	(56,409)	-	(56,409)
Cultural and recreation	(53,128)	-	(53,128)
Interest on long-term debt	(178,010)	-	(178,010)
Total governmental activities	(6,256,544)	-	(6,256,544)
Business-Type Activities:			
Water Fund	-	68,273	68,273
Sewer Fund	-	401,227	401,227
Solid Waste Fund	-	(1,755)	(1,755)
Tourist and Event Center Fund	-	(163,557)	(163,557)
Total business-type activities	-	304,188	304,188
Total primary government	(6,256,544)	304,188	(5,952,356)
General Revenues:			
Property tax	4,887,046	-	4,887,046
Sales tax	1,619,631	-	1,619,631
Franchise tax	1,201,246	-	1,201,246
Other taxes	624,072	-	624,072
Investment earnings	38,426	22,590	61,016
Total general revenues, excluding transfers	8,370,421	22,590	8,393,011
Transfers	(252,677)	252,677	-
Total general revenues and transfers	8,117,744	275,267	8,393,011
Change in net position	1,861,200	579,455	2,440,655
Net Position:			
Beginning of year - July 1	12,392,114	21,618,447	34,010,561
End of year - June 30	$ 14,253,314	$ 22,197,902	$ 36,451,216

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

CITY OF HAVELOCK, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Nonmajor Governmental Funds	Total
Assets:			
Cash and cash equivalents	$ 8,755,266	$ 776,701	$ 9,531,967
Intergovernmental receivables	312,880	86,409	399,289
Taxes receivable, net	34,609	-	34,609
Accounts receivable, net	21,749	-	21,749
Due from other funds	61,432	-	61,432
Inventories	6,987	-	6,987
Prepaid items	7,150	-	7,150
Restricted cash and cash equivalents	374,472	-	374,472
Total assets	$ 9,574,545	$ 863,110	$ 10,437,655
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	$ 561,075	$ 1,990	$ 563,065
Due to other funds	-	61,432	61,432
Total liabilities	561,075	63,422	624,497
Deferred Inflows of Resources:			
Unavailable taxes	34,609	-	34,609
Fund Balances:			
Non-spendable:			
Prepaids	7,150	-	7,150
Inventories	6,987	-	6,987
Restricted:			
Stabilization by State statute	840,405	86,409	926,814
Restricted, other	688,662	702,424	1,391,086
Committed:			
Committed for public safety	-	73,690	73,690
Assigned:			
Assigned, other	771,283	-	771,283
Unassigned	6,664,374	(62,835)	6,601,539
Total fund balances	8,978,861	799,688	9,778,549
Total liabilities, deferred inflows of resources, and fund balances	$ 9,574,545	$ 863,110	

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

Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	12,428,403
Long-term liabilities, interest payable, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(7,606,908)
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.	34,609
Net pension liability	(352,897)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	261,190
Pension related deferrals	(289,632)
Net position of governmental activities per Exhibit A	$ 14,253,314

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, 2016

	General Fund	Nonmajor Governmental Funds	Total
Revenues:			
Taxes	$ 4,872,255	$ -	$ 4,872,255
Unrestricted intergovernmental	3,444,949	-	3,444,949
Restricted intergovernmental	1,084,281	364,051	1,448,332
Licenses and permits	142,999	-	142,999
Sales and services	1,314,328	-	1,314,328
Investment earnings	36,993	1,433	38,426
Miscellaneous	146,841	-	146,841
Total revenues	11,042,646	365,484	11,408,130
Expenditures:			
Current:			
General government	2,219,677	12,973	2,232,650
Public safety	4,546,687	120,926	4,667,613
Highways and streets	916,163	-	916,163
Environmental protection	-	166,469	166,469
Cultural and recreation	1,159,197	55,866	1,215,063
Debt service:			
Principal	196,850	-	196,850
Interest	178,010	-	178,010
Total expenditures	9,216,584	356,234	9,572,818
Revenues over (under) expenditures	1,826,062	9,250	1,835,312
Other Financing Sources (Uses):			
Transfers in	-	60,000	60,000
Transfers out	(312,677)	-	(312,677)
Total other financing sources (uses)	(312,677)	60,000	(252,677)
Net change in fund balances	1,513,385	69,250	1,582,635
Fund Balances:			
Beginning of year - July 1	7,465,476	730,438	8,195,914
End of year - June 30	$ 8,978,861	$ 799,688	$ 9,778,549

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, 2016

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)	$ 1,582,635
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	14,791
Change in deferred outflow - pension	(20,979)
Change in deferred inflows - pension	958,736
Change in net pension liability	(838,079)
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.	(24,548)
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.	786,192
Loss on capital asset disposed of during the year, not recognized on modified accrual basis	(42,173)
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(752,225)
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.	196,850
Change in net position of governmental activities per Exhibit B	$ 1,861,200

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, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over/Under
Revenues:				
Taxes	$ 4,774,815	$ 4,774,815	$ 4,872,255	$ 97,440
Unrestricted intergovernmental	3,196,014	3,196,014	3,444,949	248,935
Restricted intergovernmental	707,018	1,172,018	1,084,281	(87,737)
Licenses and permits	71,155	71,155	142,999	71,844
Sales and services	1,058,750	1,093,450	1,314,328	220,878
Investment earnings	13,305	13,305	36,993	23,688
Miscellaneous	21,155	64,940	146,841	81,901
Total revenues	9,842,212	10,385,697	11,042,646	656,949
Expenditures:				
Current:				
General government	2,734,861	2,849,648	2,219,677	629,971
Public safety	4,838,209	4,951,062	4,546,687	404,375
Highways and streets	1,170,547	1,180,392	916,163	264,229
Sanitation	-	30,000	-	30,000
Cultural and recreation	808,447	1,311,856	1,159,197	152,659
Debt service:				
Principal	196,850	196,850	196,850	-
Interest	191,831	191,831	178,010	13,821
Total expenditures	9,940,745	10,711,639	9,216,584	1,495,055
Revenues over (under) expenditures	(98,533)	(325,942)	1,826,062	2,152,004
Other Financing Sources (Uses):				
Appropriated fund balance	328,058	653,619	-	(653,619)
Transfers out	(229,525)	(327,677)	(312,677)	15,000
Total other financing sources (uses)	98,533	325,942	(312,677)	(638,619)
Net change in fund balance	$ -	$ -	1,513,385	$ 1,513,385
Fund Balance:				
Beginning of year - July 1			7,465,476	
End of year - June 30			$ 8,978,861	

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

CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Water Fund	Sewer Fund	Solid Waste Fund	Tourist and Event Center Fund	Total
Assets:					
Current assets:					
Cash and cash equivalents	$ 2,104,692	$ 6,678,297	$ 850,926	$ 178,358	$ 9,812,273
Accounts receivable, net	280,471	378,931	21,017	12,489	692,908
Prepaid items	1,126	-	-	650	1,776
Inventories	16,428	23,368	-	3,188	42,984
Cash and cash equivalents, restricted	175,518	172,063	-	-	347,581
Total current assets	2,578,235	7,252,659	871,943	194,685	10,897,522
Capital assets:					
Capital assets, non-depreciable	330,362	10,043,299	-	-	10,373,661
Capital assets, net	5,742,964	6,971,209	53,269	1,529,733	14,297,175
Total capital assets	6,073,326	17,014,508	53,269	1,529,733	24,670,836
Total assets	8,651,561	24,267,167	925,212	1,724,418	35,568,358
Deferred Outflows of Resources:					
Contributions to pension plan in current fiscal year	21,766	18,656	3,109	6,218	49,749
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	19,425	24,622	4,074	11,746	59,867
Prepaid fees	-	-	-	9,149	9,149
Compensated absences payable	3,165	318	559	827	4,869
Current portion of long-term debt	128,846	240,621	-	38,634	408,101
Liabilities payable from restricted assets:					
Customer deposits	175,518	172,063	-	-	347,581
Total current liabilities	326,954	437,624	4,633	60,356	829,567
Non-current liabilities:					
Compensated absences payable	28,480	2,866	5,027	7,443	43,816
Other long-term debt	901,926	11,487,242	-	-	12,389,168
Other post-employment benefits	7,614	9,040	13,088	5,526	35,268
Net pension liability	29,408	25,207	4,201	8,402	67,218
Total non-current liabilities	967,428	11,524,355	22,316	21,371	12,535,470
Total liabilities	1,294,382	11,961,979	26,949	81,727	13,365,037
Deferred Inflows of Resources:					
Pension deferrals	24,136	20,688	3,448	6,896	55,168
Net Position:					
Net investment in capital assets	5,042,554	5,286,645	53,269	1,491,099	11,873,567
Unrestricted	2,312,255	7,016,511	844,655	150,914	10,324,335
Total net position	$ 7,354,809	$ 12,303,156	$ 897,924	$ 1,642,013	$ 22,197,902

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, 2016

	Enterprise Funds				
	Water Fund	Sewer Fund	Solid Waste Fund	Tourist and Event Center Fund	Total
Operating Revenues:					
Charges for sales and services	$ 1,840,536	$ 3,439,134	$ 934,925	$ 94,637	$ 6,309,232
Miscellaneous revenue	53,389	2,298	-	37,357	93,044
Total operating revenues	1,893,925	3,441,432	934,925	131,994	6,402,276
Operating Expenses:					
Cost of sales and services:					
Salaries and benefits	495,969	478,995	268,357	162,172	1,405,493
Supplies, maintenance, and administration	1,027,135	1,438,970	665,955	169,631	3,301,691
Depreciation	269,267	619,961	2,368	60,249	951,845
Total operating expenses	1,792,371	2,537,926	936,680	392,052	5,659,029
Operating income (loss)	101,554	903,506	(1,755)	(260,058)	743,247
Non-Operating Revenues (Expenses):					
Interest income	10,387	7,727	4,476	-	22,590
Restricted intergovernmental revenues	-	-	-	97,000	97,000
Loss on disposal of capital assets	-	(83,671)	-	-	(83,671)
Interest expense and fiscal charges	(33,281)	(418,608)	-	(499)	(452,388)
Total non-operating revenues (expenses)	(22,894)	(494,552)	4,476	96,501	(416,469)
Income (loss) before transfers	78,660	408,954	2,721	(163,557)	326,778
Transfers in (out)	-	-	-	252,677	252,677
Change in net position	78,660	408,954	2,721	89,120	579,455
Net Position:					
Beginning of year - July 1 restated	7,276,149	11,894,202	895,203	1,552,893	21,618,447
End of year - June 30	$ 7,354,809	$ 12,303,156	$ 897,924	$ 1,642,013	$ 22,197,902

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, 2016

	Enterprise Funds				
	Water Fund	Sewer Fund	Solid Waste Fund	Tourist and Event Center Fund	Total
Cash Flows from Operating Activities:					
Cash received from customers	$ 1,827,710	$ 3,500,620	$ 950,011	$ 129,621	$ 6,407,962
Cash paid for goods and services	(1,019,605)	(1,423,501)	(666,608)	(163,658)	(3,273,372)
Cash paid to employees	(521,600)	(492,340)	(257,075)	(157,945)	(1,428,960)
Net cash provided (used) by operating activities	286,505	1,584,779	26,328	(191,982)	1,705,630
Cash Flows from Non-Capital Financing Activities:					
Occupancy tax received	-	-	-	97,000	97,000
Transfer in (out)	-	-	-	252,677	252,677
Net cash provided (used) by non-capital financing activities	-	-	-	349,677	349,677
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(140,089)	(101,876)	-	(22,174)	(264,139)
Principal paid on long-term debt	(128,846)	(236,809)	-	(34,833)	(400,488)
Interest paid on long-term debt	(33,281)	(418,608)	-	(499)	(452,388)
Net cash provided (used) for capital and related financing activities	(302,216)	(757,293)	-	(57,506)	(1,117,015)
Cash Flows from Investing Activities:					
Interest received from investments	10,387	7,727	4,476	-	22,590
Net increase (decrease) in cash and cash equivalents	(5,324)	835,213	30,804	100,189	960,882
Cash and Cash Equivalents:					
Beginning of year - July 1	2,285,534	6,015,147	820,122	78,169	9,198,972
End of year - June 30	$ 2,280,210	$ 6,850,360	$ 850,926	$ 178,358	$ 10,159,854
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	$ 101,554	$ 903,506	$ (1,755)	$ (260,058)	$ 743,247
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	269,267	619,961	2,368	60,249	951,845
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(67,803)	54,827	16,273	(3,486)	(189)
(Increase) decrease in inventories	(2,984)	(7,564)	-	(231)	(10,779)
Prepaid items	(1,126)	-	-	(650)	(1,776)
Decrease deferred outflows - pension	1,748	1,499	250	500	3,997
Decrease in net pension asset	40,432	34,656	5,776	11,552	92,416
Increase in net pension liability	29,408	25,207	4,201	8,402	67,218
Decrease deferred inflows - pension	(79,895)	(68,481)	(11,414)	(22,827)	(182,617)
Increase (decrease) in trade accounts payable and accrued liabilities	(13,991)	9,688	10,629	11,081	17,407
Increase (decrease) in prepaid fees	9,895	11,480	-	3,486	24,861
Net cash provided (used) by operating activities	$ 286,505	$ 1,584,779	$ 26,328	$ (191,982)	$ 1,705,630

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, 2016

1. Summary of Significant Accounting Policies

A. Nature of Operations

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

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

B. Reporting Entity

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

C. Basis of Presentation

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

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

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

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.

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

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

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

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

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

The City reports the following major enterprise funds:

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on

registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

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

E. Basis of Presentation - Fund Accounting

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

Governmental Funds

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

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

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

Proprietary Funds

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

F. Budgetary Data

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

The annual budget ordinance is adopted at the departmental level. Over-expenditures at the department level are considered to be a violation of State statutes for all annually budgeted funds and at the project level for the multi-year funds. Annual appropriated budgets are adopted for the General Fund, E-911 Special Revenue Fund, and enterprise funds. Project budgets are adopted for capital project funds. Appropriations for funds that adopt annual budgets lapse at the end of the budget year. Project budgeted appropriations do not lapse until the completion of the project. All budgets are prepared using the modified accrual basis of accounting. Budgets are susceptible to amendment at any time and are amended as necessary by the governing board. Individual amendments to the original General Fund budget were not material in relation to the original appropriations, and all amendments were legally made. The budget amounts shown in the combined financial statements represent the budget as amended at June 30, 2016.

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 $444,344 in encumbrances outstanding at year-end.

G. Deposits and Investments

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

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

H. Cash and Cash Equivalents

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

I. Restricted Assets

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first followed by unrestricted resources as they are needed. Customer deposits held by the City, before any services are supplied, are restricted to the service for which the deposit was collected. At June 30, 2016, restricted cash in the Water Fund and Sewer Fund represent customer deposits held by the City. Powell Bill funds are also classified as restricted cash, because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. At June 30, 2016, restricted cash in the General Fund represents Powell Bill funds held by the City to be appropriated in future years.

Governmental Activities:	
General Fund:	
Streets	$ 374,472
Total governmental activities	374,472
Business-Type Activities:	
Water Fund:	
Customer deposits	175,518
Sewer Fund:	
Customer deposits	172,063
Total business-type activities	347,581
Total restricted cash	$ 722,053

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, 2015. Ad valorem taxes receivable are not accrued as revenue because the amount is not considered "available". At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the subsequent year. An amount equal to the receivable is shown as deferred inflow of resources on the Combined Balance Sheet.

K. Allowances for Doubtful Accounts

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

	Governmental Activities	Business-Type Activities
Ad valorem receivables	$ 181,859	$ -
Water Fund receivables	-	9,057
Sewer Fund receivables	-	9,773
Solid Waste Fund receivables	-	3,231
Total	$ 181,859	$ 22,061

L. Inventories and Prepaid Items

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

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

M. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost greater than $5,000 and an estimated useful life greater than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or significantly extend the asset's life are not capitalized.

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

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

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

N. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation days up to a maximum of 240 hours. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. Vacation pay taken is relieved using the first-in, first-out method. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. The City's sick leave policy provides for unlimited accumulation of earned sick leave.

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

O. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the Statement of Net Position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has two items that meet the criterion for this category – unavailable taxes, and deferrals of pension expense that result from the implementation of GASB Statement 68.

P. Long-Term Obligations

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

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, 2016 is $6,987.

Prepaids – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items, which are not spendable resources. Non-spendable fund balance for prepaids at June 30, 2016 is $7,150.

Restricted Fund Balance

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

	General Fund	Nonmajor Governmental Funds
Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)]	$ 840,405	$ 86,409
Restricted for Streets - Powell Bill – 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.	374,472	-
Restricted for Debt Service - portion of fund balance that is restricted for debt service	314,190	-
Restricted for Culture and Recreation – portion of fund balance that is restricted by revenue source for PARTF grant expenditures	-	346,215
Restricted for General Government – portion of fund balance that is restricted by revenue source for expenditures related to additions and construction of the new City Hall building	-	152,803
Restricted for Public Safety – portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures	-	203,406
Total restricted fund balance	$ 1,529,067	$ 788,833

Committed Fund Balance

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

Fire Annex Building Capital Project Fund:	
Committed for Public Safety – portion of fund balance that has been budgeted by the Board for expenditures related to demolishing and constructing a new fire annex building	$ 73,690

Assigned Fund Balance

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

	General Fund
Assigned for Health Insurance – portion of fund balance that has been budgeted by the Board for payment of health insurance claims and administrative costs	$ 261,163
Assigned for Other Miscellaneous Items – portion of fund balance that has been budgeted by the Board for various other items, such as Appearance Commission, DARE, National Night Out, volunteer fire department expenditures, rescue squad expenditures, and seniors	94,648
Assigned for Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.	415,472
Total assigned fund balance	$ 771,283

Unassigned Fund Balance

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

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

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

Total fund balance - General Fund	$ 8,978,861
Less:	
Non-spendable	(14,137)
Stabilization by State statute	(840,405)
Available for appropriation	$ 8,124,319

The City has not officially adopted a fund balance policy.

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

	General Fund
Encumbrances	$ 444,344

Pensions

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

R. Interfund Transactions

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

S. Use of Estimates

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

2. Deposits and Investments

A. Deposits

All of the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agent in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the unit's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the

State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer of North Carolina to enforce strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City complies with G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2016, the City's deposits had a carrying amount of $8,500,822 and a bank balance of $8,717,171, of which $250,000 was covered by federal depository insurance and $8,467,171 was covered by collateral held by the State Treasurer under the Pooling Method.

At June 30, 2016, the City had $3,923 cash on hand.

B. Investments

At June 30, 2016, the City had the following investments and maturities:

Investment Type	Valuation Measurement Method	Book Value at 6/30/2016	Maturity	Rating
NC Capital Management Trust - Cash Portfolio	Amortized Cost	$ 7,529,767	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	4,031,781	Less than 1 year	Unrated
Total investments		$ 11,561,548		

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

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

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

Credit Risk. The City has no formal policy regarding credit risk, but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2016.

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

3. Capital Assets

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

	Balance July 1, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Governmental Activities:					
By Type:					
Non-Depreciable Capital Assets:					
Land	$ 2,680,561	$ -	$ -	$ -	$ 2,680,561
Construction in progress	2,175,970	532,045	(17,357)	(2,157,033)	533,625
Total non-depreciable capital assets	4,856,531	532,045	(17,357)	(2,157,033)	3,214,186
Depreciable Capital Assets:					
Buildings	7,179,544	-	-	2,157,033	9,336,577
Other improvements	1,279,703	50,000	-	-	1,329,703
Equipment	3,583,343	14,400	(24,816)	-	3,572,927
Vehicles	3,683,728	189,747	-	-	3,873,475
Total depreciable capital assets	15,726,318	254,147	(24,816)	2,157,033	18,112,682
Less Accumulated Depreciation:					
Buildings	1,976,423	258,382	-	-	2,234,805
Other improvements	691,506	41,719	-	-	733,225
Equipment	2,398,463	217,329	-	-	2,615,792
Vehicles	3,079,848	234,795	-	-	3,314,643
Total accumulated depreciation	8,146,240	$ 752,225	$ -	$ -	8,898,465
Capital assets, net	$ 12,436,609				$ 12,428,403

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

Governmental Activities:	
General government	$ 120,356
Public safety	473,902
Highways and streets	67,700
Cultural and recreation	90,267
Total	$ 752,225

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

	Water Fund			
	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Business-Type Activities:				
By Type:				
Non-Depreciable Capital Assets:				
Land	$ 297,847	$ -	$ -	$ 297,847
Construction in progress	-	32,515	-	32,515
Total non-depreciable capital assets	297,847	32,515	-	330,362
Depreciable Capital Assets:				
Plants	9,281,449	54,950	-	9,336,399
Water lines	2,304,418	-	-	2,304,418
Equipment	453,192	-	-	453,192
Vehicles	183,838	52,624	-	236,462
Total depreciable capital assets	12,222,897	107,574	-	12,330,471
Less Accumulated Depreciation:				
Plants	3,936,163	175,474	-	4,111,637
Water lines	1,968,853	45,913	-	2,014,766
Equipment	286,920	37,317	-	324,237
Vehicles	126,304	10,563	-	136,867
Total accumulated depreciation	6,318,240	$ 269,267	$ -	6,587,507
Capital assets, net	$ 6,202,504			$ 6,073,326

	Sewer Fund			
	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
By Type:				
Non-Depreciable Capital Assets:				
Land	$ 8,811	$ -	$ -	$ 8,811
Construction in progress	9,988,475	101,876	(55,863)	10,034,488
Total non-depreciable capital assets	9,997,286	101,876	(55,863)	10,043,299
Depreciable Capital Assets:				
Plants	9,218,437	-	-	9,218,437
Sewer lines	10,400,749	-	-	10,400,749
Equipment	793,722	-	-	793,722
Vehicles	411,202	-	(55,616)	355,586
Total depreciable capital assets	20,824,110	-	(55,616)	20,768,494
Less Accumulated Depreciation:				
Plants	6,749,956	190,446	-	6,940,402
Sewer lines	5,742,980	352,154	-	6,095,134
Equipment	388,871	56,262	-	445,133
Vehicles	323,325	21,099	(27,808)	316,616
Total accumulated depreciation	13,205,132	$ 619,961	$ (27,808)	13,797,285
Capital assets, net	$ 17,616,264			$ 17,014,508

	Solid Waste Fund			
	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Vehicles	$ 347,296	$ -	$ -	$ 347,296
Less: Accumulated depreciation	(291,659)	(2,368)	-	(294,027)
Capital assets, net	$ 55,637	$ (2,368)	$ -	$ 53,269

	Tourist and Event Center Fund			
	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Buildings	$ 2,367,404	$ 22,174	$ -	$ 2,389,578
Less: Accumulated depreciation	(799,596)	(60,249)	-	(859,845)
Capital assets, net	$ 1,567,808	$ (38,075)	$ -	$ 1,529,733

4. Pension Plan Obligations

A. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Havelock employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Havelock's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.67% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Havelock were $310,939 for the year ended June 30, 2016.

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

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

At June 30, 2016, the City reported a liability of $420,115 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the City's proportion was 0.09361%, which was a decrease of 0.004% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of $118,664. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$ -	$ 98,750
Net difference between projected and actual earnings on pension plan investments	-	119,606
Changes in proportion and differences between City contributions and proportionate share of contributions	-	126,444
City contributions subsequent to the measurement date	310,939	-
Total	$ 310,939	$ 344,800

$310,939 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2017	$ (176,732)
2018	(176,732)
2019	(176,384)
2020	185,048
Total	$ (344,800)

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections, reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	$ 2,929,527	$ 420,115	$ (1,694,008)

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

B. Law Enforcement Officers' Special Separation Allowance

Plan Description. The City administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Plan benefits are funded on a pay-as-you-go basis. Any plan contributions that exceed plan benefits by immaterial amounts are accounted for in the General Fund.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Active plan members	27
Total	32

A separate report was not issued for the Plan.

Summary of Significant Accounting Policies.

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

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

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

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

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

The annual required contribution for the fiscal year ended June 30, 2016 was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The amortization method is a level percent of pay closed. The remaining amortization period is 17 years. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases.

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	$ 62,435
Interest on net pension obligation	11,118
Adjustment to annual required contribution	(19,540)
Annual pension costs	54,013
Contributions made	71,432
Increase (decrease) in net pension obligation	(17,419)
Net pension obligation:	
Beginning of year - July 1	222,356
End of year - June 30	$ 204,937

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	$ 44,198	113.22%	$ 239,762
2015	51,767	113.62%	222,356
2016	54,013	132.25%	204,937

Funded Status and Funding Progress. As of December 31, 2015, 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 $433,530. The covered payroll (annual payroll of active employees covered by the Plan) was $1,187,579, and the ratio of the UAAL to the covered payroll was 36.51 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.

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, 2016 were $113,612, which consisted of $59,555 from the City and $54,057 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 administered by Prudential Retirement. Participation begins after the completion of at least three (3) months' continuous employment with the City. The City has no requirement or obligation under State Statutes to contribute to this Plan; however, the City has adopted the Supplemental Retirement Plan of North Carolina 401(k) for its non-law enforcement employees. The City Council has the authority to establish and amend benefit provisions and contribution requirements of the Plan. The City contributes five percent of each employee's salary, and all amounts contributed are vested immediately. Also, employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2016 were $270,592 which consisted of $175,119 from the City and $95,473 from the non-law enforcement employees.

5. Other Post-Employment Benefits

Healthcare Benefits

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

Retirement Condition	Minimum Age at Retirement	Years of Service with City at Retirement	Years of Service with NCLGERS at Retirement	City Contribution
A	Any	5	30	100%
B	55	5	25	100%
C	62	5	15	100%
D	Under 55	5	29	95%
D	Under 55	5	28	90%
D	Under 55	5	27	85%
D	Under 55	5	26	80%
D	Under 55	5	25	75%

Membership of the HCB Plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation.

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	12	-
Terminated plan members entitled to, but not yet receiving benefits	-	-
Active plan members	83	29
Total	95	29

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 4.90% of annual covered payroll. For the current year, the City contributed $221,941, or 4.98%, of annual covered payroll. The City obtains healthcare coverage through private insurers. There were no contributions made by employees during the year. No dependent coverage was paid during the current fiscal 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.

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	$ 218,659
Interest on net OPEB obligation	8,365
Adjustment to annual required contribution	(7,991)
Annual OPEB cost (expense)	219,033
Contributions made	(221,941)
Increase (decrease) in net OPEB obligation	(2,908)
Net OPEB obligation:	
Beginning of year - July 1	209,113
End of year - June 30	$ 206,205

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, 2016 were as follows:

Three-Year Trend Information

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	$ 206,294	77.18%	$ 137,701
2015	212,536	83.98%	209,113
2016	219,033	101.33%	206,205

Funded Status and Funding Progress. As of December 31, 2015, 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 $2,212,590. The covered payroll (annual payroll of active employees covered by the Plan) was $4,460,420, and the ratio of the UAAL to the covered payroll was 49.60 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.

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, 2015, 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 7.75 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, 2015 was 30 years.

Other Employment Benefits

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

6. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contribution to pension plan in current fiscal year	$ 310,939

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

	Amount
Deferred Inflows:	
Taxes receivable (GF)	$ 34,609
Pension deferrals	344,800
Total	$ 379,409

7. Net Investment in Capital Assets

Net investment in capital assets, at June 30, 2016 is computed as follows:

	Governmental Activities	Business-Type Activities
Capital assets, net of accumulated depreciation	$ 12,428,403	$ 24,670,836
Less capital debt	(6,720,038)	(12,797,269)
Net investment in capital assets	$ 5,708,365	$ 11,873,567

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	$ 2,708,195
$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	672,350
$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 2017; secured by real estate	24,700
$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	546,655
$1,700,000 note issued May 2015, interest at 3.50%, payable in annual payments in the amount of $65,000, including interest, final payment is due in fiscal year 2045; secured by real estate	1,665,690
$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	516,646
$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	585,802
Total governmental activities installment loans payable	$ 6,720,038

The future minimum payments of the governmental activities long-term debt installment loans as of June 30, 2016 are as follows:

Year Ending June 30	Principal	Interest	Total
2017	$ 195,378	$ 257,000	$ 452,378
2018	179,852	250,211	430,063
2019	186,911	243,152	430,063
2020	194,247	235,816	430,063
2021	201,874	228,189	430,063
2022-2026	1,134,771	1,015,544	2,150,315
2027-2031	1,319,696	774,096	2,093,792
2032-2036	1,348,722	518,980	1,867,702
2037-2041	1,403,432	254,868	1,658,300
2042-2046	430,896	55,490	486,386
2047-2051	102,425	11,605	114,030
2052	21,834	600	22,434
Total	$ 6,720,038	$ 3,845,551	$ 10,565,589

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	$ 1,030,772
Serviced by Sewer Fund:	
$8,490,000 USDA loan issued October 2014, interest at 3.25% payable in annual principal installments of $386,925, including interest through 2054; secured by plant and equipment	8,379,000
$1,753,441 DENR State Revolving Loan issued April 2001, interest at 2.55%, payable in annual principal installments of $89,175, and semi-annual interest payments, through 2023; secured by plant and equipment	613,704
$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	2,735,159
Total Sewer Fund	11,727,863
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	38,634
Total business-type activities long-term debt	$ 12,797,269

The future minimum payments of the business-type activities long-term debt installment loans payable as of June 30, 2016 are as follows:

Serviced by Water Fund:

Year Ending June 30	Principal	Interest	Total
2017	$ 128,846	$ 29,852	$ 158,698
2018	128,846	25,886	154,732
2019	128,846	22,188	151,034
2020	128,846	18,490	147,336
2021	128,846	14,792	143,638
2022-2024	386,542	22,188	408,730
Total	$ 1,030,772	$ 133,396	$ 1,164,168

Serviced by Sewer Fund:

Year Ending June 30	Principal	Interest	Total
2017	$ 240,621	$ 404,354	$ 644,975
2018	246,364	394,854	641,218
2019	251,187	385,223	636,410
2020	257,095	375,494	632,589
2021	263,090	365,638	628,728
2022-2026	1,154,712	1,682,289	2,837,001
2027-2031	1,169,928	1,462,549	2,632,477
2032-2036	1,398,996	1,227,900	2,626,896
2037-2041	1,672,728	967,932	2,640,660
2042-2046	2,001,327	678,390	2,679,717
2047-2051	1,982,815	353,943	2,336,758
2052-2054	1,089,000	71,499	1,160,499
Total	$ 11,727,863	$ 8,370,065	$ 20,097,928

Serviced by Tourist and Event Center Fund:

Year Ending June 30	Principal	Interest	Total
2017	$ 38,634	$ 6,086	$ 44,720

B. Changes in Long-Term Debt

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

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Current Portion
By Type of Debt:					
Installment loans	$ 6,916,888	$ -	$ (196,850)	$ 6,720,038	$ 195,378
Net pension obligation (LEO)	222,356	54,013	(71,432)	204,937	-
Net pension obligation (LGERS)	-	352,897	-	352,897	-
OPEB	178,000	184,878	(191,941)	170,937	-
IBNR	72,226	1,121,894	(1,100,619)	93,501	-
Compensated absences	389,740	40,250	(12,495)	417,495	41,750
Total	$ 7,779,210	$ 1,753,932	$ (1,573,337)	$ 7,959,805	$ 237,128

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, 2016 amounts to approximately $56,500,000.

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

Serviced by Water Fund:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Current Portion
Installment loans	$ 1,159,618	$ -	$ (128,846)	$ 1,030,772	$ 128,846
Net pension obligation (LGERS)	-	29,408	-	29,408	-
OPEB	13,078	9,536	(15,000)	7,614	-
Compensated absences	38,041	33,450	(39,846)	31,645	3,165
Total	$ 1,210,737	$ 72,394	$ (183,692)	$ 1,099,439	$ 132,011

Serviced by Sewer Fund:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Current Portion
Installment loans	$ 11,964,672	$ -	$ (236,809)	$ 11,727,863	$ 240,621
Net pension obligation (LGERS)	-	25,207	-	25,207	-
OPEB	12,498	11,542	(15,000)	9,040	-
Compensated absences	2,494	5,550	(4,860)	3,184	318
Total	$ 11,979,664	$ 42,299	$ (256,669)	$ 11,765,294	$ 240,939

Serviced by Solid Waste Fund:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Current Portion
Net pension obligation (LGERS)	$ -	$ 4,201	$ -	$ 4,201	$ -
OPEB	2,271	10,817	-	13,088	-
Compensated absences	5,121	5,500	(5,035)	5,586	559
Total	$ 7,392	$ 20,518	$ (5,035)	$ 22,875	$ 559

Serviced by Tourist Center and Event Fund:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Current Portion
Installment loans	$ 73,467	$ -	$ (34,833)	$ 38,634	$ 38,634
Net pension obligation (LGERS)	-	8,402	-	8,402	-
OPEB	3,266	2,260	-	5,526	-
Compensated absences	6,303	7,120	(5,153)	8,270	827
Total	$ 83,036	$ 17,782	$ (39,986)	$ 60,832	$ 39,461

Sewer Revenue Bonds

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

The debt service parity coverage ratio calculation for the year ended June 30, 2016 is as follows:

Operating revenues	$ 3,441,432
Operating expenses*	(1,917,965)
Operating income	$ 1,523,467
Debt service on parity indebtedness	$ 386,925
Debt service coverage ratio on parity indebtedness	394%
Other indebtedness related to the Combined Sewer Enterprise System	$ 268,492
Debt service coverage ratio on parity and other indebtedness	232%
Annual debt service requirement due in upcoming fiscal year	$ 644,975
Debt service coverage ratio on upcoming fiscal year debt service	236%

*Excludes depreciation and amortization.

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay Sewer Enterprise System Revenue Bonds of $8,490,000 issued in 2014. Proceeds from the bonds provided financing for the sewer plant expansion and outfall line. The bonds are payable solely from sewer customer net revenues and are payable through 2054. The total principal and interest remaining to be paid on the bonds is $14,711,420. The principal and interest payments for the current year totaled 386,925, and total net revenues were $1,439,796 respectively.

9. Risk Management

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

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

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

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

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

	2016	2015
Balance, beginning of year	$ 72,226	$ 84,961
Incurred claims (including IBNRs) and changes in estimates	1,121,894	866,612
Less claims payments	(1,100,619)	(879,347)
Balance, end of year	$ 93,501	$ 72,226

10. Interfund Balances and Activity

Due to/from other funds at June 30, 2016 consist of the following:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	EPA Brownsfield Capital Project Fund	$ 29,859	Timing of grant revenue
General Fund	Slocum Water Front Park CPF	31,573	Short-term cash shortfall
		$ 61,432	

Transfers to/from other funds at June 30, 2016 consist of the following:

Purpose	Amount
From the General Fund to the EPA Brownsfield Capital Project fund for the City's contribution	$ 60,000
From the General Fund to the Tourist Center Fund for operations	252,677
Total transfers	$ 312,677

11. Disaggregation Data for Entity-Wide Receivables and Payables

	Governmental Activities	Business-Type Activities
Intergovernmental Receivables:		
Sales tax receivable	$ 167,500	$ -
Grant receivable	86,409	-
Sales tax refund	145,380	-
Total	$ 399,289	$ -
Accounts Payable and Accrued Expenses:		
Trade payables	$ 376,409	$ 18,501
Accrued expenses	186,656	41,366
Total	$ 563,065	$ 59,867

12. Summary Disclosure of Significant Contingencies

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

13. Subsequent Event

On July 25, 2016 the City of Havelock accepted a Clean Water State Revolving Fund loan in the amount of $2,500,000 for the WWTP Backwash Solids Handling Project.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF HAVELOCK, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets A	Actuarial Accrued Liability (AAL)- Projected Unit Credit B	Unfunded AAL (UAAL) B - A	Funded Ratio A / B	Covered Payroll C	UAAL as a Percentage Covered Payroll (B - A) /C
12/31/2015	$ -	$ 433,530	$ 433,530	0.00%	$ 1,187,579	36.51%
12/31/2014	-	478,552	478,552	0.00%	1,129,579	42.37%
12/31/2013	-	461,089	461,089	0.00%	1,228,094	37.55%
12/31/2012	-	472,463	472,463	0.00%	1,185,232	39.86%
12/31/2011	-	483,585	483,585	0.00%	1,243,773	38.88%
12/31/2010	-	493,664	493,664	0.00%	1,136,148	43.45%

CITY OF HAVELOCK, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets A	Actuarial Accrued Liability (AAL)- Projected Unit Credit B	Unfunded AAL (UAAL) B - A	Funded Ratio A / B	Covered Payroll C	UAAL as a Percentage Covered Payroll (B - A) /C
12/31/2015	$ -	$ 2,212,590	$ 2,212,590	0.00%	$ 4,460,420	49.60%
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
2016	$ 218,659	$ 221,941	101.50%
2015	212,290	141,121	66.48%
2014	206,107	173,251	84.06%

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	12/31/2015
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	7.75% - 5.00%
Year of Ultimate trend rate	2022
* Includes inflation at 3.00%	

CITY OF HAVELOCK, NORTH CAROLINA

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

Local Government Employees' Retirement System	2016	2015	2014
City of Havelock's proportion of the net pension liability (asset) (%)	0.09361%	0.09794%	0.10180%
City of Havelock's proportion of the net pension liability (asset) ($)	$ 420,115	$ (577,598)	$ 1,227,081
City of Havelock's covered-employee payroll	4,342,966	4,332,300	4,321,634
City of Havelock's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	9.67%	(13.33%)	28.39%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

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

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

CITY OF HAVELOCK, NORTH CAROLINA

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

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

GENERAL FUND

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CITY OF HAVELOCK, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year property tax	$ 4,419,815	$ 4,462,311	$ 42,496	$ 4,195,151
Motor vehicle tax - current and delinquent	355,000	408,895	53,895	358,687
Prior years' property tax	-	1,049	1,049	8,560
Total	4,774,815	4,872,255	97,440	4,562,398
Unrestricted Intergovernmental Revenues:				
Gross receipts tax	20,800	21,334	534	22,709
Payment in lieu of taxes	3,914	4,459	545	3,914
Franchise tax	1,127,000	1,201,246	74,246	1,152,045
Beer and wine tax	88,000	90,583	2,583	99,303
Local option sales tax	1,473,800	1,619,631	145,831	1,470,959
Hold harmless	454,000	474,347	20,347	487,195
Solid waste disposal tax	13,500	13,124	(376)	13,316
Craven County ABC revenue	15,000	20,225	5,225	41,083
Total	3,196,014	3,444,949	248,935	3,290,524
Restricted Intergovernmental Revenues:				
Powell Bill	500,000	497,208	(2,792)	505,608
Federal and State grants	540,093	455,148	(84,945)	236,920
Craven County BOE contribution - school officer	116,925	116,925	-	116,925
Craven County support - recreation	15,000	15,000	-	-
Total	1,172,018	1,084,281	(87,737)	859,453
Licenses and Permits:				
Dog and cat licenses	1,250	1,280	30	1,065
Privilege license	1,000	-	(1,000)	7,921
Beer and wine licenses	750	785	35	865
Permits	68,155	140,934	72,779	107,318
Total	71,155	142,999	71,844	117,169
Sales and Services:				
Commission - trash stickers	150	169	19	150
Contribution from recreation	20,000	42,985	22,985	34,373
Sale of garbage stickers	3,600	3,422	(178)	3,510
EMS billing	620,000	807,432	187,432	709,355
Other	449,700	460,320	10,620	441,302
Total	1,093,450	1,314,328	220,878	1,188,690

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, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
Interest:				
Investment earnings	12,885	36,105	23,220	15,398
Investment earnings - Powell Bill	420	888	468	492
Total	13,305	36,993	23,688	15,890
Miscellaneous Revenue:				
Court facility fee and refunds	2,050	4,502	2,452	2,791
Insurance proceeds	5,411	14,940	9,529	138,213
Miscellaneous	57,479	127,399	69,920	185,377
Total	64,940	146,841	81,901	326,381
Total revenues	10,385,697	11,042,646	656,949	10,360,505
Expenditures:				
General Government:				
Fees paid to elected officials		27,252		25,936
Operating expenses		157,265		124,047
Capital outlay		-		100
Total	200,303	184,517	15,786	150,083
Administration:				
Salaries and benefits		653,593		559,142
Operating expenses		294,356		204,324
Administration fee credit		(109,289)		(109,289)
Total	1,041,467	838,660	202,807	654,177
Finance:				
Salaries and benefits		243,460		265,411
Operating expenses		56,338		62,492
Administration fee credit		(296,164)		(296,164)
Total	51,531	3,634	47,897	31,739
Revenue Collections:				
Salaries and benefits		162,535		169,892
Operating expenses		158,955		144,978
Administration fee credit		(314,607)		(314,607)
Total	69,189	6,883	62,306	263
Legal Department:				
Professional services	80,000	72,977	7,023	86,899

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, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
Information Systems:				
Salaries and benefits		271,919		275,293
Operating expenses		318,988		264,230
Capital outlay		-		102,492
Administrative fee credit		(77,159)		(77,159)
Total	546,956	513,748	33,208	564,856
Planning and Zoning:				
Salaries and benefits		276,167		227,911
Operating expenses		59,630		139,928
Capital outlay		50,041		25,478
Total	560,283	385,838	174,445	393,317
Public Buildings:				
Salaries and benefits		74,087		66,707
Operating expenses		139,333		123,474
Capital outlay		-		5,200
Total	299,919	213,420	86,499	195,381
Total general government	2,849,648	2,219,677	629,971	2,076,715
Public Safety:				
Police:				
Salaries and benefits		2,330,216		2,401,987
Operating expenses		309,320		328,501
Capital outlay		141,525		115,343
Total	3,020,323	2,781,061	239,262	2,845,831
Fire:				
Salaries and benefits		602,210		541,126
Operating expenses		224,689		209,572
Total	913,089	826,899	86,190	750,698
Emergency Medical Services:				
Salaries and benefits		658,079		671,426
Operating expenses		146,819		143,339
Capital outlay		32,808		129,329
Total	901,986	837,706	64,280	944,094

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, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
Animal Control:				
Salaries and benefits		65,297		70,393
Operating expenses		4,805		8,224
Total	115,664	101,021	14,643	78,617
Total public safety	4,951,062	4,546,687	404,375	4,619,240
Highways and Streets:				
Public Works:				
Salaries and benefits		96,305		72,794
Operating expenses		37,072		61,974
Total	143,559	133,377	10,182	134,768
Central Garage:				
Salaries and benefits		99,901		82,954
Operating expenses		18,576		22,800
Street lights and traffic signals		144,039		152,195
Total	291,538	262,516	29,022	257,949
Powell Bill Funds:				
Salaries and benefits		140,440		143,259
Operating expenses		151,578		322,847
Capital outlay		-		61,174
Total	477,194	292,018	185,176	527,280
Non-Powell Bill Funds:				
Salaries and benefits		167,504		263,082
Operating expenses		60,748		32,415
Total	268,101	228,252	39,849	295,497
Total highways and streets	1,180,392	916,163	264,229	1,215,494
Cultural and Recreation:				
Cultural:				
Library operations		-		4,000
Total	-	-	-	4,000

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, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
Recreation:				
Salaries and benefits		478,743		457,951
Operating expenses		222,389		261,017
Capital outlay		458,065		102,855
Total	1,311,856	1,159,197	152,659	821,823
Total cultural and recreation	1,311,856	1,159,197	152,659	825,823
Debt Service:				
Principal		196,850		152,902
Interest		178,010		230,387
Total debt service	388,681	374,860	13,821	383,289
Total expenditures	10,711,639	9,216,584	1,495,055	9,120,561
Revenue over (under) expenditures	(325,942)	1,826,062	2,152,004	1,239,944
Other Financing Sources (Uses):				
Transfers out	(327,677)	(312,677)	15,000	(369,111)
Appropriated fund balance	653,619	-	(653,619)	-
Total other financing sources (uses)	325,942	(312,677)	(638,619)	(369,111)
Net change in fund balance	$ -	1,513,385	$ 1,513,385	870,833
Fund Balance:				
Beginning of year - July 1		7,465,476		6,594,643
End of year - June 30		$ 8,978,861		$ 7,465,476

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NONMAJOR GOVERNMENTAL FUNDS

CITY OF HAVELOCK, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Emergency Telephone System Fund	City Hall Building Capital Project Fund	EPA Brownsfield Capital Project Fund
Assets:			
Cash and investments	$ 203,993	$ 152,803	$ -
Accounts receivable	-	-	30,543
Total assets	$ 203,993	$ 152,803	$ 30,543
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	$ 587	$ -	$ 684
Due to other funds	-	-	29,859
Total liabilities	587	-	30,543
Fund Balances:			
Restricted:			
Stabilization for State statute	-	-	30,543
Public safety	203,406	-	-
Culture and recreation	-	-	-
General government	-	152,803	-
Committed:			
Public safety	-	-	-
Unassigned	-	-	(30,543)
Total fund balances	203,406	152,803	-
Total liabilities and fund balances	$ 203,993	$ 152,803	$ 30,543

CITY OF HAVELOCK, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Lewis Farm PARTF Capital Project Fund	Slocum Waterfront Park Capital Project Fund	Fire Annex Building Capital Project Fund	Total
Assets:				
Cash and investments	$ 346,215	$ -	$ 73,690	$ 776,701
Accounts receivable	23,574	32,292	-	86,409
Total assets	$ 369,789	$ 32,292	$ 73,690	$ 863,110
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	$ -	$ 719	$ -	$ 1,990
Due to other funds	-	31,573	-	61,432
Total liabilities	-	32,292	-	63,422
Fund Balances:				
Restricted:				
Stabilization for State statute	23,574	32,292	-	86,409
Public safety	-	-	-	203,406
Culture and recreation	346,215	-	-	346,215
General government	-	-	-	152,803
Committed:				
Public safety	-	-	73,690	73,690
Unassigned	-	(32,292)	-	(62,835)
Total fund balances	369,789	-	73,690	799,688
Total liabilities and fund balances	$ 369,789	$ 32,292	$ 73,690	$ 863,110

CITY OF HAVELOCK, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	Emergency Telephone System Fund	City Hall Building Capital Project Fund	EPA Brownsfield Capital Project Fund
Revenues:			
Restricted intergovernmental	$ 201,716	$ -	$ 106,469
Investment income	1,433	-	-
Total revenues	203,149	-	106,469
Expenditures:			
Public safety	120,926	-	-
Environmental protection	-	-	166,469
Culture and recreation	-	-	-
General government	-	12,973	-
Total expenditures	120,926	12,973	166,469
Revenues over (under) expenditures	82,223	(12,973)	(60,000)
Other Financing Sources (Uses):			
Transfers in	-	-	60,000
Total other financing sources (uses)	-	-	60,000
Net change in fund balances	82,223	(12,973)	-
Fund Balances:			
Beginning of year - July 1	121,183	165,776	-
End of year - June 30	$ 203,406	$ 152,803	$ -

CITY OF HAVELOCK, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	Lewis Farm PARTF Capital Project Fund	Slocum Waterfront Park Capital Project Fund	Fire Annex Building Capital Project Fund	Total
Revenues:				
Restricted intergovernmental	$ 23,574	$ 32,292	$ -	$ 364,051
Investment income	-	-	-	1,433
Total revenues	23,574	32,292	-	365,484
Expenditures:				
Public safety	-	-	-	120,926
Environmental protection	-	-	-	166,469
Culture and recreation	23,574	32,292	-	55,866
General government	-	-	-	12,973
Total expenditures	23,574	32,292	-	356,234
Revenues over (under) expenditures	-	-	-	9,250
Other Financing Sources (Uses):				
Transfers in	-	-	-	60,000
Total other financing sources (uses)	-	-	-	60,000
Net change in fund balances	-	-	-	69,250
Fund Balances:				
Beginning of year - July 1	369,789	-	73,690	730,438
End of year - June 30	$ 369,789	$ -	$ 73,690	$ 799,688

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NONMAJOR SPECIAL REVENUE FUND

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CITY OF HAVELOCK, NORTH CAROLINA

EMERGENCY TELEPHONE SYSTEM FUND - NONMAJOR SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted Intergovernmental:				
911 access charges	$ 210,363	$ 201,716	$ (8,647)	$ 179,703
Investment earnings	1,000	1,433	433	1,107
Total revenues	211,363	203,149	(8,214)	180,810
Expenditures:				
Public Safety:				
Implemental functions		28,868		28,934
Telephone		27,601		28,786
Furniture		2,964		1,835
Software maintenance		41,091		26,430
Hardware maintenance		18,624		17,636
Training		1,778		379
Total public safety	211,363	120,926	90,437	104,000
Net change in fund balance	$ -	82,223	$ 82,223	76,810
Fund Balance:				
Beginning of year - July 1		121,183		44,373
End of year - June 30		$ 203,406		$ 121,183

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NONMAJOR CAPITAL PROJECT FUNDS

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CITY OF HAVELOCK, NORTH CAROLINA

CITY HALL 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, 2016

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Restricted intergovernmental revenues	$ 100,000	$ 100,000	$ -	$ 100,000
Interest income	-	184	-	184
Total revenues	100,000	100,184	-	100,184
Expenditures:				
General Government:				
Professional services	65,000	74,757	-	74,757
Capital outlay	2,300,000	2,144,060	12,973	2,157,033
Debt service	1,700,000	1,526,692	-	1,526,692
Total expenditures	4,065,000	3,745,509	12,973	3,758,482
Revenues over (under) expenditures	(3,965,000)	(3,645,325)	(12,973)	(3,658,298)
Other Financing Sources (Uses):				
Long-term debt issued	3,400,000	3,200,000	-	3,200,000
Transfers in	565,000	611,101	-	611,101
Total other financing sources (uses)	3,965,000	3,811,101	-	3,811,101
Net change in fund balance	$ -	$ 165,776	$ (12,973)	$ 152,803

CITY OF HAVELOCK, NORTH CAROLINA

EPA BROWNSFIELD CAPITAL PROJECT FUND
NONMAJOR CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Restricted intergovernmental revenues	$ 400,000	$ 288,101	$ 106,469	$ 394,570
Expenditures:				
Environmental Protection:				
Professional services	425,000	286,101	136,113	422,214
Administration	-	2,000	3,000	5,000
Capital outlay	35,000	-	27,356	27,356
Total expenditures	460,000	288,101	166,469	454,570
Revenues over (under) expenditures	(60,000)	-	(60,000)	(60,000)
Other Financing Sources (Uses):				
Transfers in	60,000	-	60,000	60,000
Net change in fund balance	$ -	$ -	$ -	$ -

CITY OF HAVELOCK, NORTH CAROLINA

LEWIS FARM PARTF CAPITAL PROJECT FUND
NONMAJOR CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Restricted intergovernmental revenues	$ 500,000	$ 304,200	$ 23,574	$ 327,774
Expenditures:				
General Government:				
Professional services	-	5,500	340	5,840
Capital outlay	-	14,553	23,234	37,787
Total expenditures	585,642	20,053	23,574	43,627
Revenues over (under) expenditures	(85,642)	284,147	-	284,147
Other Financing Sources (Uses):				
Transfers in	85,642	85,642	-	85,642
Net change in fund balance	$ -	$ 369,789	$ -	$ 369,789

CITY OF HAVELOCK, NORTH CAROLINA

SLOCUM WATERFRONT PARK CAPITAL PROJECT FUND
NONMAJOR CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Restricted intergovernmental revenues	$ 60,000	$ -	$ 32,292	$ 32,292
Expenditures:				
General Government:				
Professional services	-	-	7,475	7,475
Capital outlay	-	-	24,817	24,817
Total expenditures	70,000	-	32,292	32,292
Revenues over (under) expenditures	(10,000)	-	-	-
Other Financing Sources (Uses):				
Transfers in	10,000	-	-	-
Net change in fund balance	$ -	$ -	$ -	$ -

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, 2016

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

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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, 2016

	Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Charges for sales and services:			
Water charges	$ 1,834,621	$ 1,840,536	$ 5,915
Miscellaneous	40,167	53,389	13,222
Total operating revenues	1,874,788	1,893,925	19,137
Non-operating revenues:			
Interest income (loss)	3,801	9,582	5,781
Total revenues	1,878,589	1,903,507	24,918
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		509,740	
Supplies and administration		912,483	
Repairs and maintenance		114,652	
Capital outlay		140,089	
Total costs of sales and services		1,676,964	
Debt service:			
Principal repayment		128,846	
Interest		33,281	
Total debt service		162,127	
Total operating expenditures	2,353,589	1,839,091	514,498
Revenue over (under) expenditures	(475,000)	64,416	539,416
Other Financing Sources (Uses):			
Appropriated fund balance	475,000	-	(475,000)
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	64,416	$ 64,416
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Reconciling items:			
Depreciation		(269,267)	
Capital reserve fund interest		805	
Decrease deferred outflows - pension		(1,748)	
Decrease in net pension asset		(40,432)	
Increase in net pension liability		(29,408)	
Decrease deferred inflows - pension		79,895	
(Increase) decrease in other post-employment benefits		5,464	
Principal payment		128,846	
Capital outlay, capitalized		140,089	
Change in net position		$ 78,660	

CITY OF HAVELOCK, NORTH CAROLINA

WATER CAPITAL PROJECT FUND - SCADA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

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

CITY OF HAVELOCK, NORTH CAROLINA

ENTERPRISE FUND - SEWER
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Charges for sales and services:			
Sewer charges	$ 3,366,549	$ 3,439,134	$ 72,585
Miscellaneous	47,010	78,258	31,248
Total operating revenue	3,413,559	3,517,392	103,833
Non-operating revenues:			
Interest income (loss)	2,040	6,922	4,882
Total revenues	3,415,599	3,524,314	108,715
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		489,572	
Supplies and administration		1,202,526	
Repairs and maintenance		305,602	
Capital outlay		7,710	
Total costs of sales and services		2,005,410	
Debt service:			
Principal repayment		236,809	
Interest		418,608	
Total debt service		655,417	
Total expenditures	3,774,099	2,660,827	1,113,272
Revenues over (under) expenditures	(358,500)	863,487	1,221,987
Other Financing Sources (Uses):			
Appropriated fund balance	358,500	-	(358,500)
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	863,487	$ 863,487
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Depreciation		(619,961)	
Decrease deferred outflows - pension		(1,499)	
Decrease in net pension asset		(34,656)	
Increase in net pension liability		(25,207)	
Decrease deferred inflows - pension		68,481	
(Increase) decrease in other post-employment benefits		3,458	
Capital Reserve Fund interest		805	
Capital project expenditures, not capitalized		(6,802)	
Long-term debt principal payment		236,809	
Loss on sale of capital assets		(83,671)	
Capital outlay items capitalized		7,710	
Change in net position		$ 408,954	

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, 2016

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Interest income	$ -	$ 10,541	$ -	$ 10,541
Expenditures:				
Professional fees	1,025,000	482,363	24,509	506,872
Capital outlay	10,584,000	9,679,745	69,657	9,749,402
Miscellaneous	25,000	1,083	-	1,083
Debt service	8,546,000	8,545,864	-	8,545,864
Total expenditures	20,180,000	18,709,055	94,166	18,803,221
Revenues over (under) expenditures	(20,180,000)	(18,698,514)	(94,166)	(18,792,680)
Other Financing Sources (Uses):				
Issuance of long-term debt	16,980,000	16,980,000	-	16,980,000
Intrafund transfer in	3,200,000	3,200,000	-	3,200,000
Total other financing sources (uses)	20,180,000	20,180,000	-	20,180,000
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	$ 1,481,486	$ (94,166)	$ 1,387,320

CITY OF HAVELOCK, NORTH CAROLINA

SEWER CAPITAL PROJECT FUND - UTILITY LINE RELOCATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Expenditures:				
Professional fees	$ 100,000	$ -	$ 6,802	$ 6,802
Revenues over (under) expenditures	(100,000)	-	(6,802)	(6,802)
Other Financing Sources (Uses):				
Intrafund transfer in	100,000	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	$ -	$ (6,802)	$ (6,802)

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, 2016

	Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Charges for sales and services:			
Solid waste charges	$ 968,472	$ 934,925	$ (33,547)
Non-Operating Revenues:			
Interest income	-	4,476	4,476
Total revenues	968,472	939,401	(29,071)
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		258,727	
Supplies and administration		646,963	
Repairs and maintenance		18,992	
Total costs of sales and services		924,682	
Total expenditures	968,472	924,682	43,790
Revenues over (under) expenditures	$ -	14,719	$ 14,719
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Depreciation		(2,368)	
Decrease deferred outflows - pension		(250)	
Decrease in net pension asset		(5,776)	
Increase in net pension liability		(4,201)	
Decrease deferred inflows - pension		11,414	
(Increase) decrease in other post-employment benefits		(10,817)	
Change in net position		$ 2,721	

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, 2016

	Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Charges for sales and services:			
Facilities rent	$ 92,800	$ 94,637	$ 1,837
Miscellaneous	34,000	37,357	3,357
Total operating revenues	126,800	131,994	5,194
Non-operating revenues:			
Occupancy tax	105,625	97,000	(8,625)
Total revenues	232,425	228,994	(3,431)
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		162,285	
Supplies and administration		124,700	
Repairs and maintenance		22,875	
Capital outlay		22,174	
Exhibits expense		22,056	
Total costs of sales and services		354,090	
Debt service:			
Principal repayment		34,833	
Interest		499	
Total debt service		35,332	
Total expenditures	485,102	389,422	95,680
Revenues over (under) expenditures	(252,677)	(160,428)	92,249
Other Financing Sources (Uses):			
Transfers in	252,677	252,677	-
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	92,249	$ 92,249
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Depreciation		(60,249)	
Decrease deferred outflows - pension		(500)	
Decrease in net pension asset		(11,552)	
Increase in net pension liability		(8,402)	
Decrease deferred inflows - pension		22,827	
Capital outlay items capitalized		22,174	
(Increase) decrease in other post-employment benefits		(2,260)	
Long-term principal repayment		34,833	
Change in net position		$ 89,120	

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, 2016

	Budget	Actual	Variance Over/Under
Revenues:			
Non-operating revenues:			
Interest income	$ -	$ 1,610	$ 1,610

SUPPLEMENTARY FINANCIAL DATA

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CITY OF HAVELOCK, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2016

Fiscal Year	Uncollected Balance July 1, 2015	Additions	Collections and Credits	Uncollected Balance June 30, 2016
2015-2016	$ -	$ 4,847,423	$ 4,812,813	$ 34,610
2014-2015	19,819	-	13,173	6,646
2013-2014	29,240	-	4,906	24,334
2012-2013	36,962	-	1,800	35,162
2011-2012	28,926	-	781	28,145
2010-2011	20,381	-	880	19,501
2009-2010	16,423	-	69	16,354
2008-2009	16,205	-	243	15,962
2007-2008	17,635	-	13	17,622
2006-2007	18,197	-	65	18,132
2005-2006	14,425	-	14,425	-
Total	$ 218,213	$ 4,847,423	$ 4,849,168	216,468

Less: Allowance for uncollectible ad valorem taxes receivable	(181,859)
Ad valorem taxes receivable, net	$ 34,609

Reconciliation with Revenues:

Taxes, ad valorem - General Fund	$ 4,872,255
Releases of current year and prior years' motor vehicle levy	(37,512)
Arrears written off for tax year 2005-2006 per Statute of Limitations	14,425
Total collections and credits	$ 4,849,168

CITY OF HAVELOCK, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2016

				Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	$ 951,411,765	$ 0.510	$ 4,852,200	$ 4,446,573	$ 405,627
Abatements	(936,667)		(4,777)	(4,777)	-
Total property valuation	$ 950,475,098				
Net Levy			4,847,423	4,441,796	405,627
Uncollected taxes at June 30, 2016			34,610	34,610	-
Current Year's Taxes Collected			$ 4,812,813	$ 4,407,186	$ 405,627
Current Levy Collection Percentage			99.29%	99.22%	100.00%
Prior Year Levy Collection Percentage			99.57%	99.53%	99.99%

CITY OF HAVELOCK, NORTH CAROLINA

EMERGENCY TELEPHONE SYSTEM FUND UNSPENT BALANCE
PSAP RECONCILIATION
JUNE 30, 2016

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)	$	203,406
Fiscal year 2017 transfer from general fund		22,069
Ending balance, PSAP Revenue-Expenditure Report	$	225,475

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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 103-105

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity 106-114

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity 115-118

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.

Demographic and Economic Information 119-120

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information 121-122

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.

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	$ 4,310,534	$ 4,863,333	$ 4,377,752	$ 4,230,690	$ 3,807,910	$ 3,908,182	$ 4,699,072	$ 5,045,723	$ 5,519,721	$ 5,708,365
Restricted	883,882	880,403	660,792	554,056	2,274,617	976,614	1,201,385	1,023,347	1,696,334	2,317,900
Unrestricted	4,624,733	4,770,681	4,874,319	5,307,827	5,175,112	6,026,215	4,702,268	4,991,201	5,176,059	6,227,049
Total governmental activities net position	$ 9,819,149	$ 10,514,417	$ 9,912,863	$ 10,092,573	$ 11,257,639	$ 10,911,011	$ 10,602,725	$ 11,060,271	$ 12,392,114	$ 14,253,314
Business-type activities										
Net investment in capital assets	$ 9,739,269	$ 9,989,913	$ 9,555,951	$ 9,185,219	$ 8,941,867	$ 9,202,664	$ 11,150,859	$ 11,382,120	$ 12,244,456	$ 11,873,567
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	7,023,804	7,192,633	7,752,829	8,834,856	9,211,020	10,122,186	8,905,273	9,690,226	9,373,991	10,324,335
Total business-type activities net position	$ 16,763,073	$ 17,182,546	$ 17,308,780	$ 18,020,075	$ 18,152,887	$ 19,324,850	$ 20,056,132	$ 21,072,346	$ 21,618,447	$ 22,197,902
Primary government										
Net investment in capital assets	$ 14,049,803	$ 14,853,246	$ 13,933,703	$ 13,415,909	$ 12,749,777	$ 13,110,846	$ 15,849,931	$ 16,427,843	$ 17,764,177	$ 17,581,932
Restricted	883,882	880,403	660,792	554,056	2,274,617	976,614	1,201,385	1,023,347	1,696,334	2,317,900
Unrestricted	11,648,537	11,963,314	12,627,148	14,142,683	14,386,132	16,148,401	13,607,541	14,681,427	14,550,050	16,551,384
Total primary government net position	$ 26,582,222	$ 27,696,963	$ 27,221,643	$ 28,112,648	$ 29,410,526	$ 30,235,861	$ 30,658,857	$ 32,132,617	$ 34,010,561	$ 36,451,216

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental actitivities:										
General government	$ 1,826,840	$ 1,766,927	$ 2,914,222	$ 1,989,572	$ 2,170,632	$ 2,447,607	$ 2,270,391	$ 2,305,405	$ 2,069,313	$ 2,239,486
Public Safety	3,063,142	3,684,161	3,788,923	4,064,724	4,806,721	4,663,093	4,718,645	5,059,054	4,877,015	4,911,264
Highways and streets	1,227,976	1,110,102	1,294,920	1,220,300	1,133,896	1,539,765	1,478,680	1,213,686	1,156,033	966,550
Environmental protection	151,123	145,392	165,142	-	-	-	-	74,506	213,595	166,469
Culture and recreations	740,988	911,613	836,083	864,000	867,587	853,944	1,048,043	815,465	832,935	847,265
Interest on long-term debt	29,789	54,499	82,873	64,434	200,118	397,638	244,992	236,945	253,873	178,010
Total governmental activities expenses	7,039,858	7,672,694	9,082,163	8,203,030	9,178,954	9,902,047	9,760,751	9,705,061	9,402,764	9,309,044
Business-type activities										
Water	1,691,159	1,617,762	1,749,929	1,616,786	2,030,596	1,763,697	1,639,411	1,695,142	1,906,359	1,825,652
Sewer	2,807,308	3,375,587	3,234,797	2,901,023	2,838,681	2,566,556	2,782,740	2,528,613	2,896,978	3,040,205
Sanitation						754,011	818,853	786,320	847,268	936,680
Other	313,366	361,777	359,094	972,672	1,034,536	400,950	478,114	462,481	413,106	392,551
Total business-type activities expenses	4,811,833	5,355,126	5,343,820	5,490,481	5,903,813	5,485,214	5,719,118	5,472,556	6,063,711	6,195,088
Total primary government expenses	$ 11,851,691	$ 13,027,820	$ 14,425,983	$ 13,693,511	$ 15,082,767	$ 15,387,261	$ 15,479,869	$ 15,177,617	$ 15,466,475	$ 15,504,132
Program Revenues										
Governmental actitivities:										
Charges for services:										
General government	$ 527,723	$ 559,289	$ 264,887	$ 332,942	$ 298,126	$ 332,322	$ 240,305	$ 369,659	$ 306,047	$ 170,270
Public Safety	485,543	572,602	743,323	758,455	902,589	764,263	731,181	863,562	792,191	873,905
Highways and streets	15,041	-	-	-	-	-	-	-	-	-
Environmental protection	22,342	16,902	20,703	3,868	4,218	4,610	4,526	3,898	3,660	3,591
Culture and recreations	30,905	49,258	177,048	150,564	153,181	205,743	174,740	179,781	239,739	239,505
Other activities	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	530,592	506,950	931,134	1,077,365	1,145,747	1,330,652	1,090,173	976,016	1,065,369	1,147,461
Capital grants and contributions	581,893	797,392	(15,959)	-	85,568	23,734	7,183	172,272	1,510,255	617,768
Total governmental activities programs revenues	2,194,039	2,502,393	2,121,136	2,323,194	2,589,429	2,661,324	2,248,108	2,565,188	3,917,261	3,052,500
Business-type activities:										
Charges for services:										
Water	1,812,487	1,773,549	1,950,831	1,973,159	1,877,135	1,820,558	1,785,904	1,902,607	1,876,497	1,893,925
Sewer	3,134,831	2,998,312	3,106,481	3,037,556	3,187,289	3,382,037	3,256,698	3,423,486	3,403,940	3,441,432
Other	91,821	109,999	144,312	681,128	841,472	822,409	877,102	959,200	1,226,962	934,925
Operating grants and contributions	-	250,000	30,000	25,000	-	217,932	275,933	283,585	-	228,994
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	$5,039,139	$5,131,860	$5,231,624	$5,716,843	$5,905,896	$6,242,936	$6,195,637	$6,568,878	$6,507,399	$6,499,276
Total primary government program revenues	$ 7,233,178	$ 7,634,253	$ 7,352,760	$ 8,040,037	$ 8,495,325	$ 8,904,260	$ 8,443,745	$ 9,134,066	$ 10,424,660	$ 9,551,776

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (expense)/revenue										
Governmental activities	$ (4,845,819)	$ (5,170,301)	$ (6,961,027)	$ (5,879,836)	$ (6,589,525)	$ (7,240,723)	$ (7,512,643)	$ (7,139,873)	$ (5,485,503)	$ (6,256,544)
Business-type activities	227,306	(223,266)	(112,196)	226,362	2,083	757,722	476,519	1,096,322	443,688	304,188
Total primary government net expense	($4,618,513)	($5,393,567)	($7,073,223)	($5,653,474)	($6,587,442)	($6,483,001)	($7,036,124)	($6,043,551)	($5,041,815)	($5,952,356)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Ad Valorem taxes	$ 3,008,997	$ 3,256,168	$ 3,559,577	$ 3,708,643	$ 4,255,278	$ 4,272,576	$ 4,438,418	$ 4,469,420	$ 4,496,412	$ 4,887,046
Other taxes and licenses	2,346,661	2,436,119	2,666,352	2,657,778	3,456,802	2,993,853	3,018,748	3,018,894	3,290,524	1,619,631
Inter-governmental	97,000	237,287	97,000	97,000	-	-	-	-	-	1,201,246
Licenses and Permits	-	-	-	-	-	-	-	-	-	624,072
Sales and Services	-	-	-	-	-	-	-	-	-	-
Gain on sale of capital asset	-	-	-	-	-	-	-	-	-	-
Investment Earnings	278,551	288,977	132,668	38,608	42,511	25,887	11,790	16,163	17,053	38,426
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	(228,000)	(253,881)	-	(345,483)	-	(398,221)	(242,516)	92,942	(237,369)	(252,677)
Total governmental activities	$ 5,503,209	$ 5,964,670	$ 6,455,597	$ 6,156,546	$ 7,754,591	$ 6,894,095	$ 7,226,440	$ 7,597,419	$ 7,566,620	$ 8,117,744
Business-type activities:										
Investment Earnings	$ 329,675	$ 291,858	$ 141,430	$ 42,450	$ 33,729	$ 16,020	$ 12,247	$ 12,834	$ 7,764	$ 22,590
Transfers	228,000	253,881	-	345,483	97,000	398,221	242,516	(92,942)	237,369	252,677
Total business-type activities	557,675	545,739	141,430	387,933	130,729	414,241	254,763	(80,108)	245,133	275,267
Total primary government	$ 884,696	$ 571,103	$ (617,626)	$ 503,072	$ 1,167,149	$ 411,094	$ 190,316	$ 1,553,868	$ 2,524,805	$ 2,165,388
Change in Net Position										
Governmental activities	$ 657,390	$ 794,369	$ (505,430)	$ 276,710	$ 1,165,066	$ (346,628)	$ (286,203)	$ 457,546	$ 2,081,117	$ 1,861,200
Business-type activities	784,981	322,473	29,234	614,295	132,812	1,171,963	731,282	1,016,214	688,821	579,455
Total primary government	$ 1,442,371	$ 1,116,842	$ (476,196)	$ 891,005	$ 1,297,878	$ 825,335	$ 445,079	$ 1,473,760	$ 2,769,938	$ 2,440,655

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
2007	$ 2,711,121	$ 329,157	$ 1,395,815	$ 809,458	$ 5,245,551
2008	2,883,670	423,502	1,600,218	835,901	5,743,291
2009	3,169,816	406,390	1,492,150	1,030,926	6,099,282
2010	3,265,929	402,862	1,207,685	1,130,185	6,006,661
2011	4,023,167	283,711	1,501,608	1,809,905	7,618,391
2012	3,871,479	316,430	1,451,371	1,066,445	6,705,725
2013	4,063,618	358,759	1,378,710	1,095,139	6,896,226
2014	4,020,030	495,800	1,443,105	1,027,514	6,986,449
2015	4,203,711	358,687	1,958,154	1,152,045	7,672,597
2016	4,462,460	408,895	2,093,978	1,201,246	8,166,579

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	$ 1,619,848	$ 1,800,520	$ 1,761,455	$ 2,758,421	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	3,563,039	3,795,257	4,086,814	3,444,847	-	-	-	-	-	-
Non Spendable	-	-	-	-	16,936	16,488	8,389	12,601	5,330	14,137
Restricted	-	-	-	-	1,623,126	1,068,870	1,117,864	1,148,675	966,286	1,529,067
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	735,950	1,891,082	522,527	549,326	769,015	771,283
Unassigned	-	-	-	-	4,670,815	3,962,176	4,693,486	4,884,041	5,724,845	6,664,374
Total General Fund	$ 5,182,887	$ 5,595,777	$ 5,848,269	$ 6,203,268	$ 7,046,827	$ 6,938,616	$ 6,342,266	$ 6,594,643	$ 7,465,476	$ 8,978,861
All other governmental funds										
Reserved	$ 1,293	$ 62,637	$ 1,306	$ 996	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Special revenue funds	556,312	553,310	669,138	813,580	-	-	-	-	-	-
Capital projects funds	205,355	(30,212)	1,514,894	(529,756)	-	-	-	-	-	-
Restricted in Capital Project	-	-	-	-	-	-	-	-	165,776	585,427
Restricted in Special revenue	-	-	-	-	651,491	399,200	93,260	44,373	564,272	203,406
Committed in Capital Project	-	-	-	-	524,726	820,925	81,752	1,415,896	73,690	73,690
Unassigned	-	-	-	-	-	-	-	-	(73,300)	(62,835)
Total all other governmental funds	$ 762,960	$ 585,735	$ 2,185,338	$ 284,820	$ 1,176,217	$ 1,220,125	$ 175,012	$ 1,460,269	$ 730,438	$ 799,688

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

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	$ 3,040,805	$ 3,307,172	$ 3,576,176	$ 3,668,791	$ 4,310,266	$ 4,209,805	$ 4,425,587	$ 4,515,830	$ 4,562,398	$ 4,872,255
Intergovernmental	3,499,437	3,998,216	3,591,343	3,694,293	3,456,802	2,993,853	3,018,748	3,018,894	3,290,524	3,444,949
Licenses and Permits	148,661	216,108	189,250	242,303	1,188,191	1,163,946	799,809	997,142	117,169	142,999
Sales and Services	583,161	609,416	877,541	851,007	230,781	273,598	150,182	229,363	1,188,690	1,314,328
Other taxes	-	-	-	-	1,028,763	1,035,655	983,037	1,056,450	1,656,951	1,448,332
Investment Earnings	278,551	288,977	132,668	38,608	42,511	25,887	11,790	16,163	17,053	38,426
Miscellaneous	309,441	255,059	129,354	193,369	141,694	188,125	272,017	298,278	326,381	146,841
Total revenues	7,860,056	8,674,948	8,496,332	8,688,371	10,399,008	9,890,869	9,661,170	10,132,120	11,159,166	11,408,130
Expenditures										
General government	1,779,363	1,786,040	1,992,570	1,827,405	2,084,386	2,453,383	2,113,766	2,964,195	1,943,545	2,182,609
Public Safety	3,074,158	4,301,019	4,393,788	5,734,219	4,391,151	4,888,960	4,409,207	4,763,445	4,486,630	4,493,280
Highways and streets	1,220,386	1,018,593	1,180,010	1,078,355	954,793	724,838	1,271,528	1,188,591	1,154,320	916,163
Enivronmental Protection	155,585	131,154	151,371	-	-	-	-	-	213,595	166,469
Culture and recreation	655,804	893,226	761,431	745,833	762,451	771,458	965,741	74,506	743,021	756,998
Capital Outlay	13,871	857,023	690,097	1,164,092	355,912	732,138	1,901,981	807,341	2,029,703	682,439
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	81,218	101,488	883,607	146,065	560,545	137,536	152,902	152,405	1,656,108	196,850
Interest	69,272	48,359	89,013	64,434	200,118	397,638	244,992	236,945	253,873	178,010
Other charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	7,049,657	9,136,902	10,141,887	10,760,403	9,309,356	10,105,951	11,060,117	10,187,428	12,480,795	9,572,818
Excess of revenues over (under) expenditures										
Other financing sources (uses)										
Transfers in	-	-	3,264	-	550,000	400,000	-	565,001	131,742	60,000
Transfers out	(155,583)	(228,000)	(3,264)	(345,483)	(550,000)	(798,221)	(242,516)	(472,059)	(369,111)	(312,677)
Debt issued	790,000	-	3,497,650	871,000	646,300	549,000	-	1,500,000	1,700,000	-
Capital leases	-	-	-	-	-	-	-	-	-	-
Sale of Capital assets	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	634,417	(228,000)	3,497,650	525,517	646,300	150,779	(242,516)	1,592,942	1,462,631	(252,677)
Net Change in fund balances	$ 1,444,816	$ (689,954)	$ 1,852,095	$(1,546,515)	$ 1,735,952	$ (64,303)	$ (1,641,463)	$ 1,537,634	$ 141,002	$ 1,582,635
Debt service as a percentage of noncapital expenditues	2.2%	1.8%	11.5%	2.2%	9.3%	1.7%	2.2%	4.4%	18.3%	4.4%

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
2007	$ 2,711,121	$ 329,157	$ 1,395,815	$ 809,458	$ 5,245,551
2008	2,883,670	423,502	1,600,218	835,901	5,743,291
2009	3,169,816	406,390	1,492,150	1,030,926	6,099,282
2010	3,265,929	402,862	1,207,685	1,130,185	6,006,661
2011	4,023,167	283,711	1,501,608	1,809,905	7,618,391
2012	3,871,479	316,430	1,451,371	1,066,445	6,705,725
2013	4,063,618	358,759	1,378,710	1,095,139	6,896,226
2014	4,020,030	495,800	1,848,876	1,027,514	7,392,220
2015	4,203,711	358,687	1,958,154	1,152,045	7,672,597
2016	4,462,460	408,895	2,093,978	1,201,246	8,166,579

City of Havelock

Assessed Valued and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(accrual basis of accounting)

Fiscal Year	Real Property: Residential Property	Real Property: Commercial Property	Personal Property: Motor Vehicles	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2007	$ 421,043,579	$ 185,350,634	$ 92,552,332	$ 59,029,735	$ 639,916,810	0.45	$ 799,896,013	87.38%
2008	534,787,099	204,575,106	144,646,458	43,678,800	840,329,863	0.49	1,050,412,329	84.16%
2009	550,036,917	344,168,677	87,163,590	47,316,849	934,052,335	0.49	1,167,565,419	84.05%
2010	567,564,032	450,932,412	80,911,865	56,531,980	1,042,876,329	0.53	1,303,595,411	84.34%
2011	906,490,259	582,140,703	83,729,677	60,545,225	1,511,815,414	0.465	1,889,769,268	83.20%
2012	862,286,882	599,604,924	114,328,602	62,361,582	1,513,858,826	0.465	1,740,937,650	90.54%
2013	869,038,280	604,299,615	120,917,634	62,410,409	1,531,845,120	0.465	1,547,163,571	103.04%
2014	832,396,899	592,509,388	132,730,323	43,261,010	1,514,375,600	0.465	1,529,519,356	101.84%
2015	833,182,424	593,068,533	132,855,579	43,301,835	1,515,804,701	0.485	1,530,666,496	101.86%
2016	841,514,248	598,999,218	79,534,706	43,734,853	1,476,313,319	0.51	1,530,666,573	99.31%

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
2007	$ 0.4900	$ 0.6100	$ 1.1000
2008	0.4900	0.6100	1.1000
2009	0.5300	0.6100	1.1400
2010	0.4650	0.6100	1.0750
2011	0.4650	0.4728	0.9378
2012	0.4650	0.4728	0.9378
2013	0.4650	0.4675	0.9325
2014	0.4650	0.4675	0.9325
2015	0.4850	0.4675	0.9525
2016	0.5100	0.4675	0.9775

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

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collections Amount	Percentage of Levy	Collections in Subsequent Years	Total Collections to Date Amount	Total Collections to Date Percentage of Levy
2007	$ 2,532,912	$ 2,462,994	97.24%	$ 52,676	$ 2,515,670	99.32%
2008	2,696,515	2,616,699	97.04%	65,652	2,682,351	99.47%
2009	3,135,592	3,038,515	96.90%	82,150	3,120,665	99.52%
2010	3,299,396	3,208,683	97.25%	71,933	3,280,616	99.43%
2011	3,613,925	3,521,462	97.44%	73,419	3,594,881	99.47%
2012	3,712,112	3,602,390	97.04%	92,211	3,694,601	99.53%
2013	4,452,486	4,332,406	97.30%	109,062	4,441,468	99.75%
2014	4,548,225	4,488,118	98.68%	53,709	4,541,827	99.86%
2015	4,592,055	4,572,237	99.57%	1,049	4,573,286	99.59%
2016	4,847,423	4,812,813	99.29%	-	4,812,813	99.29%

City of Havelock
Principal Property Taxpayers
June 30, 2016

	2016				2006		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Property Management/Development	$ 32,815,519	1	3.79%	Property Management/Development	$ 8,803,845	1	1.98%
Property Management/Development	12,107,419	2	1.40%	Public Utility	686,791	3	1.85%
Property Management/Development	11,182,870	3	1.29%	Property Management/Development	5,102,110	8	1.66%
Property Management/Development	6,043,706	4	0.70%	Property Management/Development	4,806,757	2	0.94%
Property Management/Development	5,972,610	5	0.70%	Property Management/Development	4,469,401	9	0.89%
Property Management/Development	5,885,830	6	0.68%	Public Utility	3,884,556	4	0.85%
Property Management/Development	5,805,500	7	0.67%	Property Management/Development	3,758,650	5	0.85%
Property Management/Development	5,560,310	8	0.64%	Property Management/Development	3,630,354	6	0.68%
Public Utility	5,029,340	9	0.58%	Property Management/Development	3,589,300	7	0.55%
Property Management/Development	4,869,642	10	0.56%	Property Management/Development	3,074,000	10	0.49%
Totals	$ 95,272,746		11.02%		$ 41,805,764		10.74%

Source: Craven County Tax Office

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

	Governmental Activities			Business-Type Activities				
Fiscal Year	General Obligation Bonds	Special Assessment Bonds	Installment Loans	Sewer Bonds	Water Bonds	Installment Loans	Total Primary Government	Per Capita
2007	$ -	$ -	$ 992,094	$ 6,717,179	$ 2,190,387	$ 374,139	$ 10,273,799	$ 458
2008	-	-	1,842,106	2,061,541	6,294,589	313,500	10,511,736	462
2009	-	-	4,456,149	5,871,999	1,932,695	278,667	12,539,510	550
2010	-	-	5,181,084	5,420,123	1,803,848	583,833	12,988,888	547
2011	-	-	5,266,839	4,923,283	1,675,002	485,062	12,350,186	596
2012	-	-	5,678,303	4,512,361	1,546,155	174,167	11,910,986	565
2013	-	-	5,525,401	12,546,351	1,417,310	144,400	19,633,462	934
2014	-	-	6,872,996	12,088,838	1,288,463	109,566	20,359,863	964
2015	-	-	6,916,888	11,964,672	1,159,618	53,200	20,094,378	960
2016	-	-	6,720,038	11,727,863	1,030,772	38,634	19,517,307	958

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

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

Fiscal Year	Governmental Activities Debt	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2007	$ 992,094	$ -	$ 992,094	-	46
2008	1,842,106	-	1,842,106	-	82
2009	4,456,149	-	4,456,149	-	196
2010	5,181,084	-	5,181,084	-	227
2011	5,266,839	-	5,266,839	-	222
2012	5,678,303	-	5,678,303	-	274
2013	5,525,401	-	5,525,401	-	262
2014	6,872,996	-	6,872,996	-	327
2015	6,916,888	-	6,916,888	-	327
2016	6,720,038	-	6,720,038	-	330

City of Havelock
Direct and Overlapping Activities Debt
As of June 30, 2016

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes: County	$70,590,499	23.38%	$ 16,504,059
Subtotal, overlapping debt			
City of Havelock direct debt			6,720,038
Total direct and overlapping debt			$ 23,224,097

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 determing 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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	$51,193,345	$53,857,448	$53,900,286	$43,000,000	$55,500,000	$63,700,000	$57,000,000	$57,900,000	$55,600,000	$56,500,000
Total net debt applicable to limit										
Legal debt margin	$51,193,345	$53,857,448	$53,900,286	$43,000,000	$55,500,000	$63,700,000	$57,000,000	$57,900,000	$55,600,000	$56,500,000

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)
2007	22,442	-	-	34.4	4,563	4.90%
2008	22,772	-	-	34.4	4,426	4.90%
2009	22,808	-	-	34.4	4,390	10.00%
2010	23,739	-	-	34.4	4,418	9.70%
2011	20,735	-	-	34.4	4,239	9.80%
2012	21,067	-	-	34.4	4,224	9.70%
2013	21,022	-	-	34.4	4,294	9.90%
2014	21,128	-	-	36.5	3,852	7.80%
2015	20,940	-	-	36.5	3,533	6.50%
2016	20,364	-	-	36.5	4,241	5.70%

Note:
Sources: (1) Office of State Budget and Management.
(2) Personal Income and per capita personal income are not shown because separate personal income is not available for the City of Havelock.
(3) Craven County Board of Education
(3) Unemployment rates for Craven County total.

City of Havelock
Principal Employers
June 30, 2016
Current Year and Nine Fiscal Years Ago

	2016		2007		
Employer	Employees	Rank	Employees	Rank	
2nd Marine Aircraft Wing	7,698	1	5,515	1	2nd Marine Aircraft Wing
Fleet Readiness Center East	3,425	2	3,400	2	Fleet Readiness Center East
Marine Corps Air Station Cherry Point	2,160	3	2,000	3	Marine Corps Air Station Cherry Point
MCCS	951	4	900	4	Other MCAS-Tenants
Craven County Board of Education-Havelock Schools	451	5	523	5	Craven County Board of Education-Havelock Schools
Wal Mart	254	6			
City of Havelock	122	7	104	6	City of Havelock
UPS	95	8			
LTM	90	9			
Food Lion	61	10	75	7	Pizza Hut
Burger King	51		46	8	Tandemloc
Tandemloc	51		43	9	House of Silk Flowers
			42	10	Navy Federal Credit Union
Total	15,409		12,648		

Source: Havelock Chamber of Commerce

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

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

	Full-time Equivalent Employees as of June 30									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function										
General government	20	20	21	21	21	21	22	21	21	21
Public Safety										
Police										
Officers	27	29	29	29	29	29	29	29	29	29
Civilians	7	7	7	7	7	7	8	8	8	8
Fire/EMS										
Firefighters and officers	11	13	13	16	19	19	19	19	18	18
Highways and Streets	13	13	13	13	13	13	13	13	13	13
Sanitation	2	1	1	1	1	1	1	1	1	1
Culture and recreation	8	9	9	9	9	9	9	9	8	8
Water	9	9	9	9	9	9	9	9	9	9
Sewer	11	11	11	11	11	11	11	11	11	11
Tourist and Event Center	2	2	2	2	2	2	2	2	2	2
Total	110	114	115	118	121	121	123	122	120	120

Source: City of Havelock Personnel Office.

City of Havelock
Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function										
Planning										
Number of permits issued	453	182	449	578	911	1,028	679	711	924	1,002
Police										
Physical arrests	834	745	1,473	1,458	2,109	1,822	1,599	1,277	1,688	776
Accidents	636	570	607	556	597	623	699	506	508	585
E911	3,922	47,025	51,154	31,589	33,465	31,232	35,277	32,549	37,294	32,357
Fire										
Number of calls answered	166	289	773	691	613	533	584	517	526	486
EMS										
Number of calls answered	1,567	1,718	2,066	2,053	1,985	2,117	2,185	2,170	2,271	2,233
Culture and recreation										
Recreation Participants	21,585	25,217	27,375	136,035	128,360	106,398	96,664	94,183	100,542	118,605
Number of Libraries	1	1	1	1	1	1	1	1	1	1
Number of Volumes	25,429	26,924	27,462	28,001	29,414	30,809	30,809	30,809	28,979	29,229
Water										
Number of miles of main	79	79	79	79	71	72	72	72	80	80
Number of connections	5,158	5,219	5,309	5,222	5,363	5,400	5,143	5,615	5,625	5,638
Average daily consumption (000s of gallons)	1,758	1,240	1,143	1,126	964	1,400	1,160	1,100	959	1,041
Solid Waste										
Number of containers*	-	-	-	4,857	4,949	4,970	4,936	4,865	4,865	4,971
Sewer										
Number of miles of main	80	80	80	80	74	74	74	74	74	74
Number of connections	4,989	5,094	5,192	5,270	5,248	5,208	5,002	5,732	5,638	5,704
Average daily treatment (000s of gallons)	1,594	1,310	1,399	1,495	1,476	1,300	1,400	1,450	1,530	1,308
Tourist and Event Center										
Event Days (1)	240	208	224	227	176	204	219	217	200	181

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

Source: City of Havelock Departmental Activity Reports.

City of Havelock
Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	29	29	29	29	29	29	29	29	29	29
Fire										
Stations	1	1	1	2	2	2	2	2	2	2
Fire Trucks	3	3	3	4	4	4	5	5	5	5
EMS										
Stations	1	1	1	2	2	2	2	2	2	2
EMS Units	4	4	4	4	4	4	4	4	4	4
Streets										
Miles of Streets	43.64	44.13	44.13	44.13	44.13	44.13	44.13	46.00	46.00	46.00
Culture and recreation										
Number of Parks	11	11	11	11	11	11	11	11	11	11
Tennis Courts	3	3	3	3	3	3	3	3	3	3
Recreation Centers	2	2	2	2	2	2	2	2	2	2
Number of Playgrounds	5	7	7	7	7	7	7	7	7	7
Water										
Number of miles of main	79	79	79	79	79	72	72	72	80	80
Fire hydrants	580	580	580	580	580	567	567	567	569	566
Maximum daily capacity (000s of gallons)	2,100	2,100	2,100	2,100	2,100	2,800	2,800	2,800	2,800	2,800
Sewer										
Number of miles of main	80	80	80	80	80	74	74	74	74	74
Maximum daily treatment capacity (000s of gallons)	2,250	2,250	2,250	2,250	2,250	2,800	2,800	2,800	2,800	2,800
Tourist and Event Center										
Centers	1	1	1	1	1	1	1	1	1	1

Source: City of Havelock Fixed Asset System and GIS.

COMPLIANCE SECTION

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

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

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Havelock, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Havelock's basic financial statements, and have issued our report thereon dated August 22, 2016.

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.

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13 South Center Street ♦ Taylorsville, North Carolina 28681 ♦ Phone 828-632-9025 ♦ Fax 828-632-9085
Toll Free Both Locations 1-800-948-0585 ♦ Website: www.martinstarnes.com

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 22, 2016

CITY OF HAVELOCK, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP:	Unmodified			
Internal control over financial reporting:				
• Material weaknesses identified?	_____	Yes	X	No
• Significant deficiencies identified?	_____	Yes	X	None reported
Non-compliance material to financial statements noted?	_____	Yes	X	No

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

None reported.

CITY OF HAVELOCK, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.