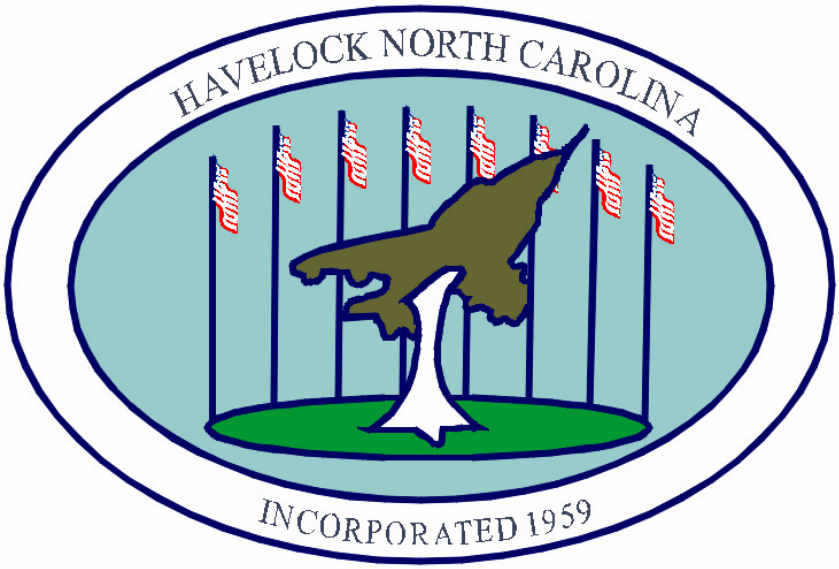
COMPREHENSIVE ANNUAL

FINANCIAL REPORT



CITY OF HAVELOCK

HAVELOCK, NORTH CAROLINA

FOR THE YEAR ENDING JUNE 30, 2017

This page left blank intentionally.

CITY OF HAVELOCK

HAVELOCK, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

Prepared by: City of Havelock
Finance Department

This page left blank intentionally.

CITY OF HAVELOCK, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

Exhibit		Page
	Introductory Section	
	Transmittal Letter	1-6
	List of Principal Officials	7
	Organizational Chart	8
	GFOA Certificate of Achievement	9
	Financial Section	
	Independent Auditor's Report	10-12
	Management's Discussion and Analysis	13-23
	Basic Financial Statements:	
A	Statement of Net Position	24
B	Statement of Activities	25-26
C	Balance Sheet - Governmental Funds	27
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	28
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	29
F	General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	30
G	Statement of Net Position - Proprietary Funds	31
H	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	32
I	Statement of Cash Flows - Proprietary Funds	33
	Notes to the Financial Statements	34-73
Schedule		
	Supplementary Information:	
A-1	Law Enforcement Officers' Special Separation Allowance - Schedule of Changes in Total Pension Liability	74

CITY OF HAVELOCK, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

Schedule		Page
	Supplementary Information (continued):	
A-2	Law Enforcement Officers' Special Separation Allowance - Schedule of Total Pension Liability as a Percentage of Covered Payroll	75
A-3	Other Post-Employment Benefits - Retiree Insurance Allowance - Retiree Health Plan	76
A-4	Local Government Employees' Retirement System - Proportionate Share of Net Pension Liability (Asset)	77
A-5	Local Government Employees' Retirement System - City of Havelock's Contributions	78
	General Fund:	
B-1	General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	79-83
	Nonmajor Governmental Funds:	
C-1	Combining Balance Sheet	84-85
C-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	86-87
	Nonmajor Special Revenue Fund:	
C-3	Emergency Telephone System Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	88
	Nonmajor Capital Project Funds:	
D-1	City Hall Capital Project Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	89
D-2	Lewis Farm PARTF Capital Project Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	90
D-3	Solcum Waterfront Park Capital Project Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	91
D-4	Fire Annex Building Capital Project Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	92

CITY OF HAVELOCK, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

Schedule		Page
	Enterprise Funds:	
E-1	Enterprise Fund - Water - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	93
E-2	Water Capital Project Fund - SCADA - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	94
E-3	Water Capital Project Fund - Backwash Basin - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	95
E-4	Enterprise Fund - Sewer - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	96
E-5	Sewer Capital Project Fund - Sewer Plant Expansion and Outfall Line - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	97
E-6	Enterprise Fund - Sewer Capital Project Fund - Utility Line Relocation - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	98
E-7	Enterprise Fund - Solid Waste - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	99
E-8	Enterprise Fund - Tourist and Event Center - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	100
E-9	Enterprise Fund - Capital Reserve Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	101
	Supplementary Financial Data:	
F-1	Schedule of Ad Valorem Taxes Receivable	102
F-2	Analysis of Current Year Tax Levy	103
	Statistical Section	
	Net Position by Component	104
	Changes in Net Position	105-106
	Governmental Activities Tax Revenues by Source	107
	Fund Balances of Governmental Funds	108
	Changes in Fund Balance of Governmental Funds	109
	General Governmental Tax Revenues by Source	110
	Assessed Value and Estimated Actual Value of Taxable Property	111
	Property Tax Rates - Direct and Overlapping Governments	112
	Property Tax Levies and Collections	113

CITY OF HAVELOCK, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

	Page
Statistical Section (continued)	
Principal Property Taxpayers	114
Ratios of Outstanding Debt by Type	115
Ratios of General Bonded Debt Outstanding	116
Direct and Overlapping Activities Debt	117
Legal Debt Margin Information	118
Demographic Statistics	119
Full-Time Equivalent City Employees by Function	120
Operating Indicators by Function	121-122
Compliance Section	
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*	123-124
Schedule of Findings and Responses	125
Summary Schedule of Prior Year's Audit Findings	126

INTRODUCTORY SECTION

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

This page left blank intentionally.

CITY OF HAVELOCK
Post Office Box 368
Havelock, N.C. 28532

September 8, 2017

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, 2017 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, 2017, 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, 2017 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.

Phone (252) 444-6403 www.HavelockNC.us Fax (252) 447-0126

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

The City of Havelock

The City of Havelock, North Carolina is located in Craven County within the eastern coastal plains region of North Carolina and includes, within its municipal boundaries, Marine Corps Air Station Cherry Point (MCAS-CP). Havelock comprises about 20 percent of Craven County's population. The certified population estimate was 20,331 for 2015 and the estimate for 2016 is 20,684. The City presently encompasses 46 miles and employs 121 permanent staff.

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

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

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

City of Havelock's Mission Statement

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

City of Havelock's Core Values

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

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

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

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

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

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

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

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

The Budget Process

The annual budget serves as the foundation for the City of Havelock's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget ordinance adopted by the Board of Commissioners. Activities of General and Enterprise Funds are

included in the annual budget ordinance. Project length financial plans are adopted for those projects which are expected to require more than a fiscal year for completion. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the departmental level. The government also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end. Project budgeted appropriations do not lapse until the completion of the project.

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

Economic Conditions and Outlook

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

Havelock's economy is driven by Marine Corps Air Station Cherry Point. Overall, MCAS-CP will contribute approximately $2.01 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 $1.215 billion in fiscal year 2016. Approximately 4,545 civilians are employed at the Fleet Readiness Center (FRC). The unemployment rate for June 2017 was 4.5 percent compared with 4.2 percent for the state and 4.4 percent for the nation. The local unemployment rate decreased 1.2 percent while the states decreased .7 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 added a driveway, picnic tables and grills and a small parking lot to the Slocum Creek Waterfront Park. The City also continued to refine the Water Treatment Backwash Basin Project. 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 changed to .59 at per hundred for 2016-2017. Water, sewer and solid waste rates were increased by 1.4%. The annual utility rate increases allow the City to meet the mandates that are imposed for drinking water and treating sewer.

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

For The Future

The fiscal year 2017-2018 budget was recommended and adopted. The Board of Commissioners made no changes to the tax rate of .59 per hundred, utility rates along with solid waste rates were increased by 2.0 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 restroom facilities. The City anticipates usage of this water front park to continue to increase.

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

Other Information

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

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, 2016. 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, 2016. 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 Mr. Matt Braswell of Martin Starnes and Associates, CPAs, P.A.

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

Sincerely,

Frank Bottorff
City Manager

Lee W. Tillman
Finance Director

CITY OF HAVELOCK

LIST OF PRINCIPAL OFFICIALS

June 30, 2017

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

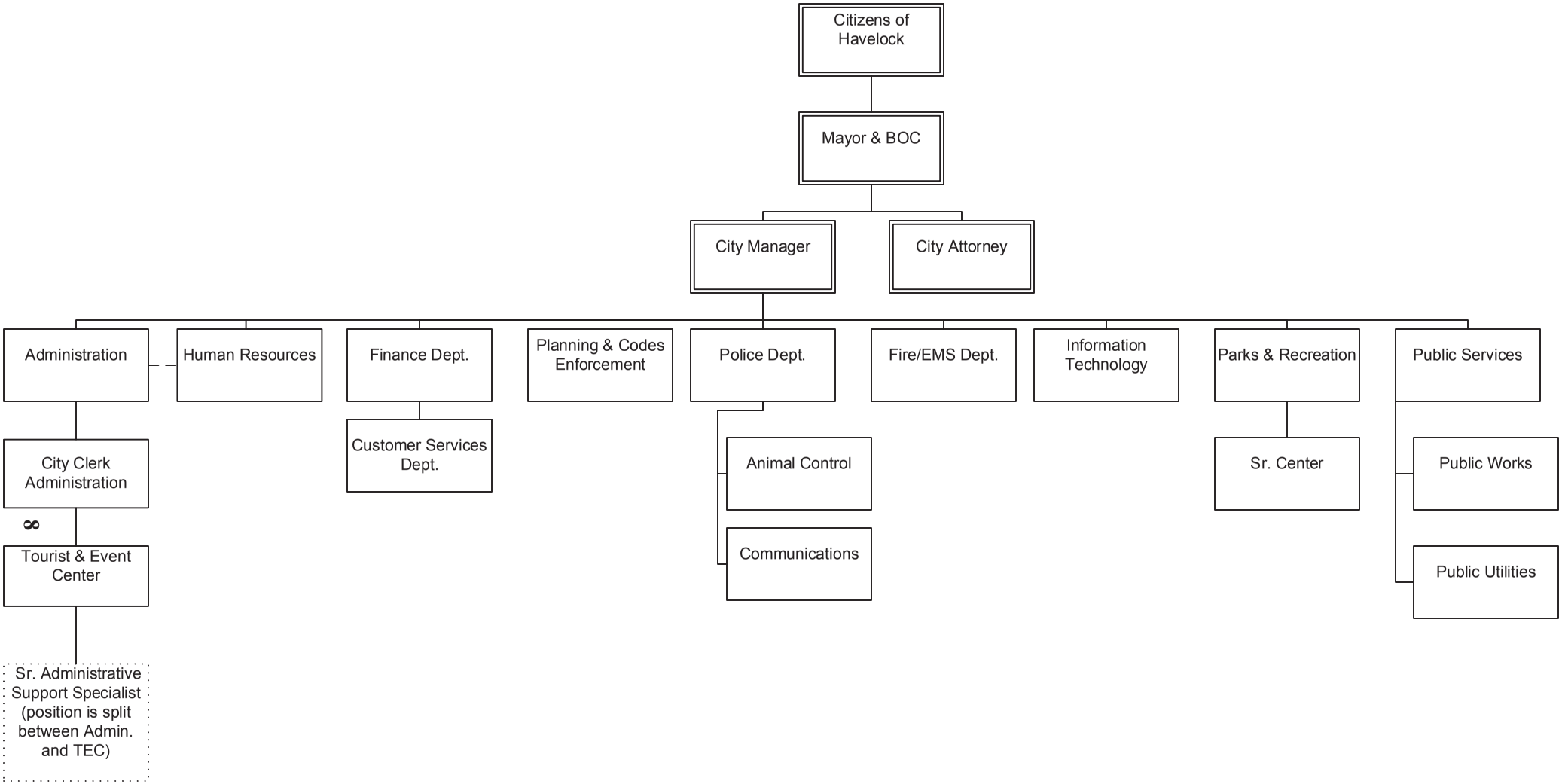
KATRINA MARSHALL
Director of Planning
and Inspections

CHAD IVES
Director of Information
Technology

MARK SAYGER
Director of
Public Services

TRAVIS ADAMS
Director of Parks
and Recreation

CITY OF HAVELOCK
FY 2016-2017



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, 2016

Executive Director/CEO

This page left blank intentionally.

FINANCIAL SECTION

This page left blank intentionally.

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, 2017, 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, 2017, and the respective changes in financial position, and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of the City of Havelock, North Carolina. The introductory section, combining and individual fund financial statements, budgetary schedules, other schedules, and statistical tables 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, based on our audit and the procedures performed as described above, 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 September 8, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Havelock's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Havelock's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
September 8, 2017

This page left blank intentionally.

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, 2017 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

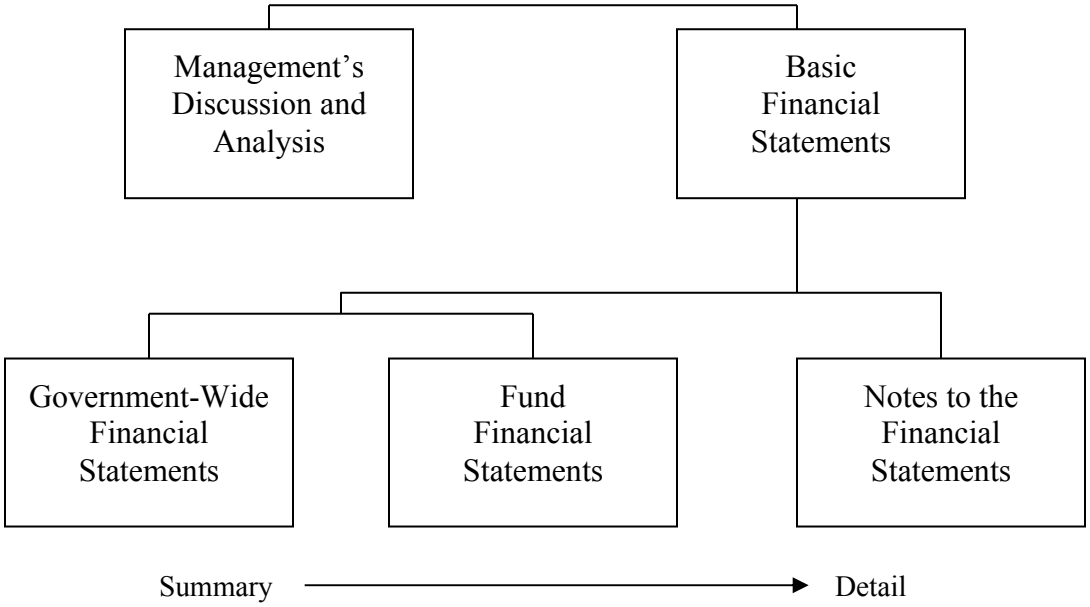
- The City of Havelock's assets and deferred outflows exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $38,063,181.
- The City's total net position increased by $1,771,417 of which $154,850 was from business-type activities, while net position of governmental activities increased by $1,616,567.
- The overall financial position of the City increased in 2017 as evidenced by an increase in the unassigned fund balance to $7,743,539 in the General Fund (an increase in total fund balance of $1,486,172 in the General Fund) at June 30, which is approximately 69 percent of the budget for fiscal year 2017. 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 $6,930,651. Total program revenues were $2,682,224, and expenses were $9,612,875.
- On a government-wide basis for business-type activities, the City had expenses net of program revenues of $105,460.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on Schedule A-1, A-2, A-3, A-4 and A-5 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on Schedules C1-E9 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows of resources by $38,063,181 at the close of the most recent fiscal year compared to $36,451,216 for the prior year. The City's net position increased by $1,771,417 for the fiscal year ended June 30, 2017. In the current fiscal year there was a prior period adjustment for ($159,452) for GASB Statement 73.

A large portion of the City's net position (46.32 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	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	$ 12,005,385	$ 10,376,223	$ 11,623,505	$ 10,897,522	$ 23,628,890	$ 21,273,745
Capital assets	12,346,176	12,428,403	24,195,349	24,670,836	36,541,525	37,099,239
Total assets	24,351,561	22,804,626	35,818,854	35,568,358	60,170,415	58,372,984
Deferred Outflows of Resources	1,296,877	261,190	240,058	49,749	1,536,935	310,939
Liabilities:						
Current	860,092	800,193	1,258,636	829,567	2,118,728	1,629,760
Non-current	8,867,579	7,722,677	12,410,426	12,535,470	21,278,005	20,258,147
Total liabilities	9,727,671	8,522,870	13,669,062	13,365,037	23,396,733	21,887,907
Deferred Inflows of Resources:						
Prepaid taxes	10,031	-	-	-	10,031	-
Pension deferrals	200,307	289,632	37,098	55,168	237,405	344,800
Total deferred inflows of resources	210,338	289,632	37,098	55,168	247,436	344,800
Net Position:						
Net investment in capital assets	5,824,398	5,708,365	11,808,087	11,873,567	17,632,485	17,581,932
Restricted	2,637,811	2,317,900	-	-	2,637,811	2,317,900
Unrestricted	7,248,220	6,227,049	10,544,665	10,324,335	17,792,885	16,551,384
Total net position	$ 15,710,429	$ 14,253,314	$ 22,352,752	$ 22,197,902	$ 38,063,181	$ 36,451,216

An additional $2,637,811 of the City's net position (6.93 percent compared to 6.36 percent for the prior fiscal year) represent resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position $17,792,885 (46.75 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 $1,616,567. The following factors caused the increase in governmental activities:

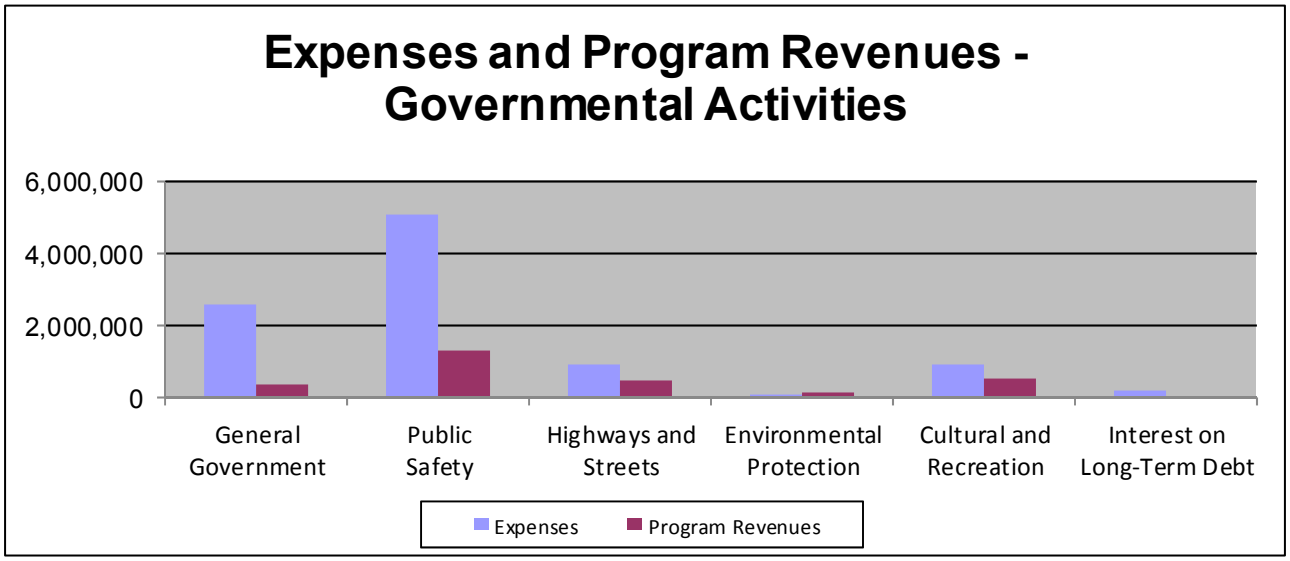
- The main reason for the increase was due to a $1,486,172 increase in fund balance for the General Fund in the current year. This was due to receiving some unanticipated revenues late in the fiscal year and from expenditures coming in under budget.

City of Havelock's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	$ 1,382,614	$ 1,287,271	$ 7,140,150	$ 6,499,276	$ 8,522,764	$ 7,786,547
Operating grants and contributions	1,065,600	1,147,461	-	-	1,065,600	1,147,461
Capital grants and contributions	234,010	617,768	53,185	-	287,195	617,768
General revenues:						
Property taxes	5,082,534	4,887,046	-	-	5,082,534	4,887,046
Other taxes	3,655,538	3,444,949	-	-	3,655,538	3,444,949
Investment earnings	31,808	38,426	37,648	22,590	69,456	61,016
Total revenues	11,452,104	11,422,921	7,230,983	6,521,866	18,683,087	17,944,787
Expenses:						
General government	2,582,069	2,239,486	-	-	2,582,069	2,239,486
Public safety	5,069,121	4,911,264	-	-	5,069,121	4,911,264
Highways and streets	887,467	966,550	-	-	887,467	966,550
Environmental protection	12,468	166,469	-	-	12,468	166,469
Cultural and recreation	886,256	847,265	-	-	886,256	847,265
Interest on long-term debt	175,494	178,010	-	-	175,494	178,010
Water	-	-	2,079,724	1,825,652	2,079,724	1,825,652
Sewer	-	-	3,953,418	3,040,205	3,953,418	3,040,205
Solid waste	-	-	867,313	936,680	867,313	936,680
Tourist and Event Center	-	-	398,340	392,551	398,340	392,551
Total expenses	9,612,875	9,309,044	7,298,795	6,195,088	16,911,670	15,504,132
Change in net position before transfers	1,839,229	2,113,877	(67,812)	326,778	1,771,417	2,440,655
Transfers in (out)	(222,662)	(252,677)	222,662	252,677	-	-
Change in net position	1,616,567	1,861,200	154,850	579,455	1,771,417	2,440,655
Net position, July 1, as previously reported	14,253,314	12,392,114	22,197,902	21,618,447	36,451,216	34,010,561
Restatement	(159,452)	-	-	-	(159,452)	-
Net position, July 1, restated	14,093,862	12,392,114	22,197,902	21,618,447	36,291,764	34,010,561
Net position, June 30	$ 15,710,429	$ 14,253,314	$ 22,352,752	$ 22,197,902	$ 38,063,181	$ 36,451,216

Property taxes increased in the current year by $195,488. This increase was the result of tax base growth.

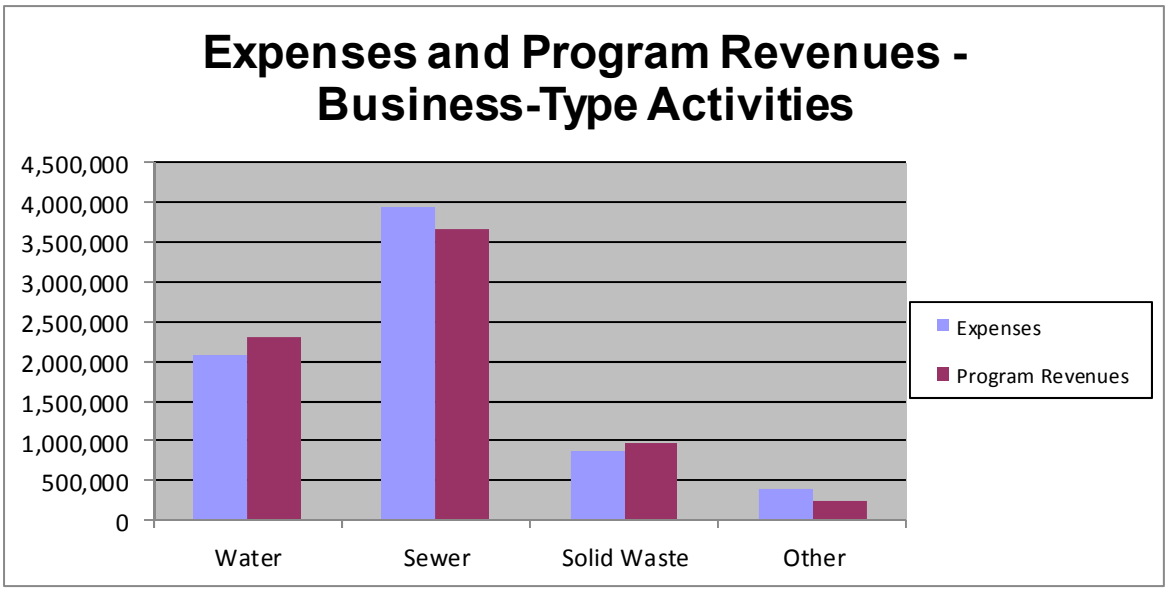
Restricted intergovernmental revenues decreased in the current year due to decreased grant activity related to capital projects taking place in the City of Havelock.



Business-Type Activities. Business-type activities increased the City's net position by $154,850. In fiscal year 2015-2016, business-type activities increased the City's net position by $579,455.

Key elements of this increase are as follows:

- Water revenues increased by $417,487, a .18 percent increase, compared to an increase of $11,824 (.65 percent increase) in fiscal year 2015-2016. The increase for the current fiscal year was a result of slightly higher rates. Sewer revenues increased by $164,641 or a 5.00 percent increase. In comparison, there was an increase of $107,825 (3.24 percent increase) for fiscal year 2015-2016. Solid waste revenues increased by $41,153, or 4.00 percent, from the prior year due to increased operating costs. The Tourist and Event Center revenues increased by $17,593, or 12.00 percent, from the prior year due to increases 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 $11,323,393, an increase of $1,544,844. Approximately 68.39 percent of this total amount ($7,743,539) 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 $9,437,004. 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 97.40 percent of General Fund expenditures and transfers to other funds, while total fund balance represents 108.01 percent of the same amount. Unassigned fund balance of the General Fund was $7,743,539 while total fund balance reached $10,465,033. 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 $249,649 at year-end; Sewer Fund net position decreased by $281,444; Solid Waste Fund net position increased by $115,736; and the Tourist and Event Center Fund net position increased by $70,909 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 $261,072. The increase was necessary to incorporate additional funding received during the fiscal year.

Expenditure budgets were increased over the fiscal year primarily to authorize expenditures for contracts, grant awards, and special studies. Although the City's expenditure budget increased $1,514,789 over the year, ultimately actual expenditures were $2,328,325 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:

- $80,000 increase in IT for lighting storm damage repairs
- $135,000 increase in planning for the purchase of Slocum park land and associated improvements
- $115,500 increase in public buildings for restroom repairs and new fields
- $30,000 increase in stormwater for stormwater planning
- $30,000 increase in fire for pink-t shirt campaign
- $83,369 increase in IT funding for software update
- $32,687 increase in planning for new sidewalks
- $30,000 increase in recreation for new recreation field equipment
- $391,000 increase for new vehicles and repairs
- $500,000 increase in Powell Bill and streets for road repairs

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, 2017 amounts to $36,541,525 (net of accumulated depreciation), which is a decrease of $2,865,458 over the 2015-2016. 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 7.27 percent.

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

- Improvements of $94,427 for to public buildings
- Purchase of land for Slocum Creek Park for $75,717
- Sewer Plant Expansion and Outfall Line $94,427
- Purchase of new vehicles for police, planning and fire departments totaling $323,058

City of Havelock's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	$ 2,802,762	$ 2,680,561	$ 306,658	$ 306,658	$ 3,109,420	$ 2,987,219
Construction in progress	65,143	533,625	175,807	10,067,003	240,950	10,600,628
Buildings	9,840,709	9,336,577	31,066,365	20,944,414	40,907,074	30,280,991
Other improvements	1,349,933	1,329,703	12,881,607	12,705,167	14,231,540	14,034,870
Equipment	3,740,213	3,572,927	1,278,174	1,246,914	5,018,387	4,819,841
Vehicles	4,196,533	3,873,475	970,310	939,344	5,166,843	4,812,819
Subtotal	21,995,293	21,326,868	46,678,921	46,209,500	68,674,214	67,536,368
Accumulated depreciation	(9,649,117)	(8,898,465)	(22,483,572)	(19,230,920)	(32,132,689)	(28,129,385)
Capital assets, net	$ 12,346,176	$ 12,428,403	$ 24,195,349	$ 26,978,580	$ 36,541,525	$ 39,406,983

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 $18,909,040. 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	
	2017	2016	2017	2016	2017	2016
Notes payable	$ 6,521,778	$ 6,720,038	$ 12,387,262	$ 12,797,269	$ 18,909,040	$ 19,517,307

The City's total debt decreased during the current fiscal year by $608,267 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 $49,800,000, which is significantly greater than the City's outstanding debt.

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

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City is 4.5 percent. This is slightly higher than the national rate of 4.4 percent, and the State's rate of 4.2. Inflationary trends in the region compare favorable to national indices. All of these factors were considered in preparing the City's budget for the 2018 fiscal year.

The City tax rate was maintained at .59 cents per hundred. The Board of Commissioners was able to provide all City services while maintain the tax rate.

The Water, Sewer, and Solid Waste rates were increased by 2.0 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.

This page left blank intentionally.

BASIC FINANCIAL STATEMENTS

This page left blank intentionally.

CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	$ 11,088,717	$ 10,347,463	$ 21,436,180
Intergovernmental receivables	362,820	-	362,820
Taxes receivable, net	30,967	-	30,967
Accounts receivable, net	-	894,627	894,627
Inventories	3,119	22,435	25,554
Prepaid items	2,860	-	2,860
Cash and cash equivalents, restricted	516,902	358,980	875,882
Total current assets	12,005,385	11,623,505	23,628,890
Non-current assets:			
Capital assets:			
Capital assets, non-depreciable	2,867,905	482,465	3,350,370
Capital assets, net	9,478,271	23,712,884	33,191,155
Total capital assets	12,346,176	24,195,349	36,541,525
Total assets	24,351,561	35,818,854	60,170,415
Deferred Outflows of Resources:			
Contributions to pension plan in current fiscal year	304,183	57,937	362,120
Pension deferrals	992,694	182,121	1,174,815
Total deferred outflows	1,296,877	240,058	1,536,935
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	640,994	494,752	1,135,746
Prepaid fees	-	26,856	26,856
Current portion of long-term liabilities	219,098	378,048	597,146
Liabilities payable from restricted assets:			
Customer deposits	-	358,980	358,980
Total current liabilities	860,092	1,258,636	2,118,728
Long-term liabilities:			
Net pension liability - LGERS	1,493,597	284,495	1,778,092
Net pension liability - LEOSSA	395,683	-	395,683
Due in more than one year	6,978,299	12,125,931	19,104,230
Total liabilities	9,727,671	13,669,062	23,396,733
Deferred Inflows of Resources:			
Prepaid taxes	10,031	-	10,031
Pension deferrals	200,307	37,098	237,405
Total deferred inflows of resources	210,338	37,098	247,436
Net Position:			
Net investment in capital assets	5,824,398	11,808,087	17,632,485
Restricted for stabilization by State statute	1,045,624	-	1,045,624
Restricted for streets	516,902	-	516,902
Restricted for debt service	314,189	-	314,189
Restricted for culture and recreation	369,913	-	369,913
Restricted for general government	152,803	-	152,803
Restricted for public safety	238,380	-	238,380
Unrestricted	7,248,220	10,544,665	17,792,885
Total net position	$ 15,710,429	$ 22,352,752	$ 38,063,181

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, 2017

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	$ 2,582,069	$ 345,265	$ 28,860	$ -
Public safety	5,069,121	761,715	521,726	-
Highways and streets	887,467	-	483,991	-
Environmental protection	12,468	3,795	-	-
Cultural and recreation	886,256	271,839	31,023	234,010
Interest on long-term debt	175,494	-	-	-
Total governmental activities	9,612,875	1,382,614	1,065,600	234,010
Business-Type Activities:				
Water Fund	2,079,724	2,311,412	-	-
Sewer Fund	3,953,418	3,606,073	-	53,185
Solid Waste Fund	867,313	976,078	-	-
Tourist and Event Center Fund	398,340	246,587	-	-
Total business-type activities	7,298,795	7,140,150	-	53,185
Total primary government	$ 16,911,670	$ 8,522,764	$ 1,065,600	$ 287,195

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, 2017

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	$ (2,207,944)	$ -	$ (2,207,944)
Public safety	(3,785,680)	-	(3,785,680)
Highways and streets	(403,476)	-	(403,476)
Environmental protection	(8,673)	-	(8,673)
Cultural and recreation	(349,384)	-	(349,384)
Interest on long-term debt	(175,494)	-	(175,494)
Total governmental activities	(6,930,651)	-	(6,930,651)
Business-Type Activities:			
Water Fund	-	231,688	231,688
Sewer Fund	-	(294,160)	(294,160)
Solid Waste Fund	-	108,765	108,765
Tourist and Event Center Fund	-	(151,753)	(151,753)
Total business-type activities	-	(105,460)	(105,460)
Total primary government	(6,930,651)	(105,460)	(7,036,111)
General Revenues:			
Property tax	5,082,534	-	5,082,534
Sales tax	1,794,936	-	1,794,936
Franchise tax	1,177,168	-	1,177,168
Other taxes	683,434	-	683,434
Investment earnings	31,808	37,648	69,456
Total general revenues, excluding transfers	8,769,880	37,648	8,807,528
Transfers	(222,662)	222,662	-
Total general revenues and transfers	8,547,218	260,310	8,807,528
Change in net position	1,616,567	154,850	1,771,417
Net Position:			
Beginning of year - July 1 previously reported	14,253,314	22,197,902	36,451,216
Restatement	(159,452)	-	(159,452)
Beginning of year - July 1	14,093,862	22,197,902	36,291,764
End of year - June 30	$ 15,710,429	$ 22,352,752	$ 38,063,181

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

CITY OF HAVELOCK, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Nonmajor Governmental Funds	Total
Assets:			
Cash and cash equivalents	$ 10,246,846	$ 841,871	$ 11,088,717
Intergovernmental receivables	339,246	23,574	362,820
Taxes receivable, net	30,967	-	30,967
Inventories	3,119	-	3,119
Prepaid items	2,860	-	2,860
Restricted cash and cash equivalents	516,902	-	516,902
Total assets	$ 11,139,940	$ 865,445	$ 12,005,385
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	$ 633,909	$ 7,085	$ 640,994
Total liabilities	633,909	7,085	640,994
Deferred Inflows of Resources:			
Unavailable taxes	30,967	-	30,967
Prepaid taxes	10,031	-	10,031
Total deferred inflows of resources	40,998	-	40,998
Fund Balances:			
Non-spendable:			
Prepaids	2,860	-	2,860
Inventories	3,119	-	3,119
Restricted:			
Stabilization by State statute	1,022,050	23,574	1,045,624
Restricted, other	831,091	761,096	1,592,187
Committed:			
Committed for public safety	-	73,690	73,690
Assigned:			
Assigned, other	862,374	-	862,374
Unassigned	7,743,539	-	7,743,539
Total fund balances	10,465,033	858,360	11,323,393
Total liabilities, deferred inflows of resources, and fund balances	$ 11,139,940	$ 865,445	

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.	12,346,176
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.	(7,197,397)
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.	30,967
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the statement of net position	36,563
Net pension liability - LEOSSA	(395,683)
Net pension liability - LGERS	(1,493,597)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	304,183
Pension related deferrals	755,824
Net position of governmental activities per Exhibit A	$ 15,710,429

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, 2017

	General Fund	Nonmajor Governmental Funds	Total
Revenues:			
Taxes	$ 5,086,176	$ -	$ 5,086,176
Unrestricted intergovernmental	3,655,538	-	3,655,538
Restricted intergovernmental	716,425	278,186	994,611
Licenses and permits	131,372	-	131,372
Sales and services	1,249,870	-	1,249,870
Investment earnings	29,076	2,732	31,808
Miscellaneous	306,371	-	306,371
Total revenues	11,174,828	280,918	11,455,746
Expenditures:			
Current:			
General government	2,603,298	-	2,603,298
Public safety	4,730,291	127,443	4,857,734
Highways and streets	852,443	-	852,443
Sanitation	12,468	-	12,468
Cultural and recreation	893,740	94,803	988,543
Debt service:			
Principal	198,260	-	198,260
Interest	175,494	-	175,494
Total expenditures	9,465,994	222,246	9,688,240
Revenues over (under) expenditures	1,708,834	58,672	1,767,506
Other Financing Sources (Uses):			
Transfers out	(222,662)	-	(222,662)
Total other financing sources (uses)	(222,662)	-	(222,662)
Net change in fund balances	1,486,172	58,672	1,544,844
Fund Balances:			
Beginning of year - July 1	8,978,861	799,688	9,778,549
End of year - June 30	$ 10,465,033	$ 858,360	$ 11,323,393

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, 2017

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)	$ 1,544,844
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	(3,642)
Change in deferred outflow - pension	999,124
Change in deferred inflows - pension	94,870
Change in net pension liability	(1,140,700)
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.	(30,525)
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.	668,425
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities.	36,563
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(750,652)
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.	198,260
Change in net position of governmental activities per Exhibit B	$ 1,616,567

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, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over/Under
Revenues:				
Taxes	$ 4,803,470	$ 4,803,470	$ 5,086,176	$ 282,706
Unrestricted intergovernmental	3,452,499	3,452,499	3,655,538	203,039
Restricted intergovernmental	611,925	691,563	716,425	24,862
Licenses and permits	72,412	72,412	131,372	58,960
Sales and services	1,114,200	1,178,400	1,249,870	71,470
Investment earnings	25,765	25,765	29,076	3,311
Miscellaneous	66,449	183,683	306,371	122,688
Total revenues	10,146,720	10,407,792	11,174,828	767,036
Expenditures:				
Current:				
General government	2,790,309	3,300,415	2,603,298	697,117
Public safety	5,055,640	5,250,453	4,730,291	520,162
Highways and streets	1,224,092	1,726,580	852,443	874,137
Sanitation	-	30,000	12,468	17,532
Cultural and recreation	820,808	1,098,190	893,740	204,450
Debt service:				
Principal	198,260	198,260	198,260	-
Interest	190,421	190,421	175,494	14,927
Total expenditures	10,279,530	11,794,319	9,465,994	2,328,325
Revenues over (under) expenditures	(132,810)	(1,386,527)	1,708,834	3,095,361
Other Financing Sources (Uses):				
Appropriated fund balance	355,472	1,750,107	-	(1,750,107)
Transfers out	(222,662)	(363,580)	(222,662)	140,918
Total other financing sources (uses)	132,810	1,386,527	(222,662)	(1,609,189)
Net change in fund balance	$ -	$ -	1,486,172	$ 1,486,172
Fund Balance:				
Beginning of year - July 1			8,978,861	
End of year - June 30			$ 10,465,033	

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

CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Enterprise Funds				
	Water Fund	Sewer Fund	Solid Waste Fund	Tourist and Event Center Fund	Total
Assets:					
Current assets:					
Cash and cash equivalents	$ 2,533,185	$ 6,574,463	$ 981,451	$ 258,364	$ 10,347,463
Accounts receivable, net	330,978	522,332	19,723	21,594	894,627
Inventories	13,672	5,029	-	3,734	22,435
Cash and cash equivalents, restricted	181,805	177,175	-	-	358,980
Total current assets	3,059,640	7,278,999	1,001,174	283,692	11,623,505
Capital assets:					
Capital assets, non-depreciable	473,654	8,811	-	-	482,465
Capital assets, net	5,547,377	16,628,122	50,901	1,486,484	23,712,884
Total capital assets	6,021,031	16,636,933	50,901	1,486,484	24,195,349
Total assets	9,080,671	23,915,932	1,052,075	1,770,176	35,818,854
Deferred Outflows of Resources:					
Contributions to pension plan in current fiscal year	25,348	21,727	3,620	7,242	57,937
Pension deferrals	79,678	68,295	11,383	22,765	182,121
Total deferred outflows	105,026	90,022	15,003	30,007	240,058
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	306,314	175,570	4,549	8,319	494,752
Prepaid fees	-	-	-	26,856	26,856
Compensated absences payable	3,339	503	491	411	4,744
Current portion of long-term debt	128,844	244,460	-	-	373,304
Liabilities payable from restricted assets:					
Customer deposits	181,805	177,175	-	-	358,980
Total current liabilities	620,302	597,708	5,040	35,586	1,258,636
Non-current liabilities:					
Compensated absences payable	30,055	4,529	4,423	3,700	42,707
Other long-term debt	773,080	11,240,878	-	-	12,013,958
Other post-employment benefits	17,106	20,529	23,855	7,776	69,266
Net pension liability - LGERS	124,466	106,686	17,781	35,562	284,495
Total non-current liabilities	944,707	11,372,622	46,059	47,038	12,410,426
Total liabilities	1,565,009	11,970,330	51,099	82,624	13,669,062
Deferred Inflows of Resources:					
Pension deferrals	16,230	13,912	2,319	4,637	37,098
Net Position:					
Net investment in capital assets	5,119,107	5,151,595	50,901	1,486,484	11,808,087
Unrestricted	2,485,351	6,870,117	962,759	226,438	10,544,665
Total net position	$ 7,604,458	$ 12,021,712	$ 1,013,660	$ 1,712,922	$ 22,352,752

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, 2017

	Enterprise Funds				
	Water Fund	Sewer Fund	Solid Waste Fund	Tourist and Event Center Fund	Total
Operating Revenues:					
Charges for sales and services	$ 2,244,871	$ 3,554,447	$ 976,078	$ 108,431	$ 6,883,827
Miscellaneous revenue	66,541	51,626	-	41,156	159,323
Total operating revenues	2,311,412	3,606,073	976,078	149,587	7,043,150
Operating Expenses:					
Cost of sales and services:					
Salaries and benefits	539,966	532,379	181,405	136,119	1,389,869
Supplies, maintenance, and administration	1,235,416	2,403,648	683,540	200,283	4,522,887
Depreciation	274,759	606,341	2,368	61,440	944,908
Total operating expenses	2,050,141	3,542,368	867,313	397,842	6,857,664
Operating income (loss)	261,271	63,705	108,765	(248,255)	185,486
Non-Operating Revenues (Expenses):					
Interest income	17,961	12,716	6,971	-	37,648
Restricted intergovernmental revenues	-	-	-	97,000	97,000
Miscellaneous	-	53,185	-	-	53,185
Interest expense and fiscal charges	(29,583)	(411,050)	-	(498)	(441,131)
Total non-operating revenues (expenses)	(11,622)	(345,149)	6,971	96,502	(253,298)
Income (loss) before transfers	249,649	(281,444)	115,736	(151,753)	(67,812)
Transfers in (out)	-	-	-	222,662	222,662
Change in net position	249,649	(281,444)	115,736	70,909	154,850
Net Position:					
Beginning of year - July 1	7,354,809	12,303,156	897,924	1,642,013	22,197,902
End of year - June 30	$ 7,604,458	$ 12,021,712	$ 1,013,660	$ 1,712,922	$ 22,352,752

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, 2017

	Enterprise Funds				
	Water Fund	Sewer Fund	Solid Waste Fund	Tourist and Event Center Fund	Total
Cash Flows from Operating Activities:					
Cash received from customers	$ 2,271,086	$ 3,471,121	$ 977,929	$ 159,301	$ 6,879,437
Cash paid for goods and services	(958,031)	(2,249,187)	(683,065)	(208,606)	(4,098,889)
Cash paid to employees	(515,341)	(504,216)	(171,310)	(138,028)	(1,328,895)
Net cash provided (used) by operating activities	797,714	717,718	123,554	(187,333)	1,451,653
Cash Flows from Non-Capital Financing Activities:					
Occupancy tax received	-	-	-	97,000	97,000
Transfer in (out)	-	-	-	222,662	222,662
Net cash provided (used) by non-capital financing activities	-	-	-	319,662	319,662
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(222,464)	(228,766)	-	(18,191)	(469,421)
Capital contributions	-	53,185	-	-	53,185
Principal paid on long-term debt	(128,848)	(242,525)	-	(38,634)	(410,007)
Interest paid on long-term debt	(29,583)	(411,050)	-	4,502	(436,131)
Net cash provided (used) for capital and related financing activities	(380,895)	(829,156)	-	(52,323)	(1,262,374)
Cash Flows from Investing Activities:					
Interest received from investments	17,961	12,716	6,971	-	37,648
Net increase (decrease) in cash and cash equivalents	434,780	(98,722)	130,525	80,006	546,589
Cash and Cash Equivalents:					
Beginning of year - July 1	2,280,210	6,850,360	850,926	178,358	10,159,854
End of year - June 30	$ 2,714,990	$ 6,751,638	$ 981,451	$ 258,364	$ 10,706,443
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	$ 261,271	$ 63,705	$ 108,765	$ (248,255)	$ 185,486
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	274,759	606,341	2,368	61,440	944,908
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(50,505)	(143,401)	1,294	(14,104)	(206,716)
(Increase) decrease in inventories	2,756	18,339	-	(546)	20,549
Prepaid items	1,126	-	-	649	1,775
Decrease deferred outflows - pension	(83,260)	(71,366)	(11,894)	(23,789)	(190,309)
Increase in net pension liability	95,058	81,479	13,580	27,160	217,277
Decrease deferred inflows - pension	(7,906)	(6,776)	(1,129)	(2,259)	(18,070)
Increase (decrease) in trade accounts payable and accrued liabilities	298,128	164,285	10,570	(5,336)	467,647
Increase (decrease) in prepaid fees	6,287	5,112	-	17,707	29,106
Net cash provided (used) by operating activities	$ 797,714	$ 717,718	$ 123,554	$ (187,333)	$ 1,451,653

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, 2017

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.

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 four capital project funds within its governmental fund types: the Fire Annex Building Capital Project Fund (nonmajor), the City Hall Building Capital Project Fund (nonmajor), the Slocum Waterfront 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, 2017.

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 $682,804 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-Government 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, 2017, 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, 2017, 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	$ 516,902
Total governmental activities	516,902
Business-Type Activities:	
Water Fund:	
Customer deposits	181,805
Sewer Fund:	
Customer deposits	177,175
Total business-type activities	358,980
Total restricted cash	$ 875,882

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, 2016. 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	$ 150,000	$ -
Water Fund receivables	-	10,701
Sewer Fund receivables	-	17,100
Solid Waste Fund receivables	-	4,879
Total	$ 150,000	$ 32,680

L. Inventories and Prepaid Items

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

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

M. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost greater than $5,000 and an estimated useful life greater than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or significantly extend the asset's life are not capitalized.

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

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 two item that meets this criterion, contributions made to the pension plan in the 2017 fiscal year and pension deferrals. In addition to liabilities, the Statement of Net Position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has three items that meet the criterion for this category – prepaid taxes, unavailable taxes, and deferrals of pension expense.

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, 2017 is $3,119.

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, 2017 is $2,860.

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)]	$ 1,022,050	$ 23,574
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.	516,902	-
Restricted for Debt Service - portion of fund balance that is restricted for debt service	314,189	-
Restricted for Culture and Recreation – portion of fund balance that is restricted by revenue source for PARTF grant expenditures	-	369,913
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	-	238,380
Total restricted fund balance	$ 1,853,141	$ 784,670

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	91,511
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.	509,700
Total assigned fund balance	$ 862,374

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	$ 10,465,033
Less:	
Non-spendable	(5,979)
Stabilization by State statute	(1,022,050)
Available for appropriation	$ 9,437,004

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	$ 682,804

Defined Benefit Cost Sharing Plans

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

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, 2017, the City's deposits had a carrying amount of $5,098,981 and a bank balance of $5,314,244, of which $250,000 was covered by federal depository insurance and $5,064,244 was covered by collateral held by the State Treasurer under the Pooling Method.

At June 30, 2017, the City had $6,898 cash on hand.

B. Investments

At June 30, 2017, the City had the following investments and maturities:

Investment Type	Valuation Measurement Method	Book Value at 6/30/2017	Maturity	Rating
US Government Agencies	Fair Value Level 2	2,964,800	Less than 3 years	AA+
NC Capital Management Trust - Government Portfolio	Amortized Cost	$ 10,177,965	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	4,063,418	Less than 1 year	Unrated
Total investments		$ 17,206,183		

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

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

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

Credit Risk. The City has no formal policy regarding credit risk, but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The investments in US Government Agencies are rated AA+ by Standard and Poor's and Aaa by Moody's Investment Service. The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2017.

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, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
Governmental Activities:					
By Type:					
Non-Depreciable Capital Assets:					
Land	$ 2,680,561	$ 122,201	$ -	$ -	$ 2,802,762
Construction in progress	533,625	-	-	(468,482)	65,143
Total non-depreciable capital assets	3,214,186	122,201	-	(468,482)	2,867,905
Depreciable Capital Assets:					
Buildings	9,336,577	35,650	-	468,482	9,840,709
Other improvements	1,329,703	20,230	-	-	1,349,933
Equipment	3,572,927	167,286	-	-	3,740,213
Vehicles	3,873,475	323,058	-	-	4,196,533
Total depreciable capital assets	18,112,682	546,224	-	468,482	19,127,388
Less Accumulated Depreciation:					
Buildings	2,234,805	177,494	-	-	2,412,299
Other improvements	733,225	40,981	-	-	774,206
Equipment	2,615,792	238,311	-	-	2,854,103
Vehicles	3,314,643	293,866	-	-	3,608,509
Total accumulated depreciation	8,898,465	$ 750,652	$ -	$ -	9,649,117
Capital assets, net	$ 12,428,403				$ 12,346,176

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

Governmental Activities:	
General government	$ 120,300
Public safety	472,515
Highways and streets	67,600
Cultural and recreation	90,237
Total	$ 750,652

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

	Water Fund				
	Balance July 1, 2016	**Additions**	**Retirements**	**Transfers**	**Balance June 30, 2017**
Business-Type Activities:					
By Type:					
Non-Depreciable Capital Assets:					
Land	$ 297,847	$ -	$ -	$ -	$ 297,847
Construction in progress	32,515	160,807	-	(17,515)	175,807
Total non-depreciable capital assets	330,362	160,807	-	-	473,654
Depreciable Capital Assets:					
Plants	9,336,399	51,757	-	17,515	9,405,671
Water lines	2,304,418	-	-	-	2,304,418
Equipment	453,192	9,900	-	-	463,092
Vehicles	236,462	-	-	-	236,462
Total depreciable capital assets	12,330,471	61,657	-	17,515	12,409,643
Less Accumulated Depreciation:					
Plants	4,111,637	189,961	-	-	4,301,598
Water lines	2,014,766	477	-	-	2,015,243
Equipment	324,237	63,233	-	-	387,470
Vehicles	136,867	21,088	-	-	157,955
Total accumulated depreciation	6,587,507	$ 274,759	$ -	$ -	6,862,266
Capital assets, net	$ 6,073,326				$ 6,021,031

	Sewer Fund				
	Balance July 1, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
By Type:					
Non-Depreciable Capital Assets:					
Land	$ 8,811	$ -	$ -	$ -	$ 8,811
Construction in progress	10,034,488	-	-	(10,034,488)	-
Total non-depreciable capital assets	10,043,299	-	-	(10,034,488)	8,811
Depreciable Capital Assets:					
Plants	9,218,437	-	-	10,034,488	19,252,925
Sewer lines	10,400,749	176,440	-	-	10,577,189
Equipment	793,722	21,360	-	-	815,082
Vehicles	355,586	30,966	-	-	386,552
Total depreciable capital assets	20,768,494	228,766	-	10,034,488	31,031,748
Less Accumulated Depreciation:					
Plants	6,940,402	213,171	-	-	7,153,573
Sewer lines	6,095,134	346,161	-	-	6,441,295
Equipment	445,133	35,707	-	-	480,840
Vehicles	316,616	11,302	-	-	327,918
Total accumulated depreciation	13,797,285	$ 606,341	$ -	$ -	14,403,626
Capital assets, net	$ 17,014,508				$ 16,636,933

	Solid Waste Fund			
	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
Vehicles	$ 347,296	$ -	$ -	$ 347,296
Less: Accumulated depreciation	294,027	2,368	-	296,395
Capital assets, net	$ 53,269	$ 2,368	$ -	$ 50,901

	Tourist and Event Center Fund			
	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
Buildings	$ 2,389,578	$ 18,191	$ -	$ 2,407,769
Less: Accumulated depreciation	859,845	61,440	-	921,285
Capital assets, net	$ 1,529,733	$ 79,631	$ -	$ 1,486,484

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, 2017, was 8.00% of compensation for law enforcement officers and 7.320% 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 $362,120 for the year ended June 30, 2017.

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, 2017, the City reported a liability of $1,778,092 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the City's proportion was 0.08378%, which was a decrease of 0.009% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of $417,724. At June 30, 2017, 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	$ 33,407	$ 62,306
Changes of assumptions	121,783	-
Net difference between projected and actual earnings on pension plan investments	983,062	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	169,554
City contributions subsequent to the measurement date	362,120	-
Total	$ 1,500,372	$ 231,860

$362,120 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, 2018. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	$ 105,123
2019	105,453
2020	431,308
2021	264,508
Total	$ 906,392

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.50 to 7.75 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 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 Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25 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)	$ 4,220,242	$ 1,778,092	$ (261,773)

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

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

Retirees receiving benefits	5
Active plan members	27
Total	32

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 Statement 73.

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Projected salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond index determined at the end of each month.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on the MP-2015.

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid $69,141 as benefits came due for the reporting period.

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

At June 30, 2017, the City reported a total pension liability of $395,683. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the City recognized pension expense of $36,839.

	Deferred Outflows of Resources	Deferred Inflow of Resources
Changes of assumptions and other inputs	$ -	$ 5,545
Benefit payments and administrative expenses subsequent to the measurement date	36,563	-
Total	$ 36,563	$ 5,545

$36,563 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	$ 1,185
2019	1,185
2020	1,185
2021	1,185
2022	805
Total	$ 5,545

$36,563 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate. The following presents the City's total pension liability calculated using the discount rate of 3.86 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	$ 419,682	$ 395,683	$ 373,863

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

Beginning balance	$ 433,530
Service cost	23,781
Interest	14,243
Changes of assumptions and other inputs	(6,730)
Benefit payments	(69,141)
Net change in total pension liability	(37,847)
Ending balance of total pension liability	$ 395,683

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements. The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2017 were $109,264, which consisted of $60,351 from the City and $48,913 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, 2017 were $297,932 which consisted of $186,120 from the City and $111,812 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 4.88% of annual covered payroll. For the current year, the City contributed $185,851, or 4.17%, 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	$ 217,663
Interest on net OPEB obligation	8,248
Adjustment to annual required contribution	(7,880)
Annual OPEB cost (expense)	218,031
Contributions made	(185,851)
Increase (decrease) in net OPEB obligation	32,180
Net OPEB obligation:	
Beginning of year - July 1	206,205
End of year - June 30	$ 238,385

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, 2017 were as follows:

Three-Year Trend Information

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 212,536	83.98%	$ 209,113
2016	219,033	101.33%	206,205
2017	218,031	85.24%	238,385

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

Deferred outflows of resources are comprised of the following:

Source	Amount
Contribution to pension plan in current fiscal year	$ 362,120
Differences between expected and actual experience	33,407
Changes of assumptions	121,783
Net difference between projected and actual earnings on pension plan investments	983,062
Benefit payments made for LEOSSA	36,563
Total	$ 1,536,935

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

	Statement of Net Position	General Fund Balance Sheet
Deferred Inflows:		
Taxes receivable (GF)	$ -	$ 30,967
Prepaid taxes	10,031	10,031
Pension deferrals	237,405	-
Total	$ 247,436	$ 40,998

7. Net Investment in Capital Assets

Net investment in capital assets, at June 30, 2017 is computed as follows:

	Governmental Activities	Business-Type Activities
Capital assets, net of accumulated depreciation	$ 12,346,176	$ 24,195,349
Less capital debt	(6,521,778)	(12,387,262)
Net investment in capital assets	$ 5,824,398	$ 11,808,087

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	$ 2,643,003
$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	656,165
$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	528,704
$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	1,631,543
$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	508,048
$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	554,315
Total governmental activities installment loans payable	$ 6,521,778

The future minimum payments of the governmental activities long-term debt installment loans as of June 30, 2017 are as follows:

Year Ending June 30	Principal	Interest	Total
2018	$ 176,970	$ 250,211	$ 427,181
2019	186,911	243,152	430,063
2020	194,247	235,816	430,063
2021	201,874	228,189	430,063
2022	209,802	220,261	430,063
2023-2027	1,179,383	970,932	2,150,315
2028-2032	1,315,092	722,316	2,037,408
2033-2037	1,359,759	466,759	1,826,518
2038-2042	1,240,458	201,242	1,441,700
2043-2047	352,411	40,886	393,297
2048-2052	104,871	8,788	113,660
Total	$ 6,521,778	$ 3,588,552	$ 10,110,330

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	$ 901,924
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	8,264,000
$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	526,032
$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	2,695,306
Total Sewer Fund	11,485,338
Total business-type activities long-term debt	$ 12,387,262

The future minimum payments of the business-type activities long-term debt installment loans payable as of June 30, 2017 are as follows:

Serviced by Water Fund:

Year Ending June 30	Principal	Interest	Total
2018	$ 128,844	$ 25,886	$ 154,730
2019	128,846	22,188	151,034
2020	128,846	18,490	147,336
2021	128,846	14,792	143,638
2022	128,846	11,094	139,940
2023-2024	257,696	11,094	268,790
Total	$ 901,924	$ 103,544	$ 1,005,468

Serviced by Sewer Fund:

Year Ending June 30	Principal	Interest	Total
2018	$ 244,460	$ 394,854	$ 639,314
2019	251,187	385,223	636,410
2020	257,095	375,494	632,589
2021	263,090	365,638	628,728
2022	270,176	355,876	626,052
2023-2027	1,102,001	1,636,591	2,738,592
2028-2032	1,212,901	1,417,485	2,630,386
2033-2037	1,449,740	1,178,058	2,627,798
2038-2042	1,733,190	912,533	2,645,723
2043-2047	2,075,698	616,491	2,692,189
2048-2052	1,888,800	291,363	2,180,163
2053-2054	737,000	36,107	773,107
Total	$ 11,485,338	$ 7,965,712	$ 19,451,050

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, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
By Type of Debt:					
Installment loans	$ 6,720,038	$ -	$ (198,260)	$ 6,521,778	$ 176,970
Net pension obligation (LEO)	204,937	190,746	-	395,683	-
Net pension obligation (LGERS)	352,897	1,140,700	-	1,493,597	-
OPEB	170,937	184,033	(185,851)	169,119	-
IBNR	93,501	1,022,522	(1,030,803)	85,220	-
Compensated absences	417,495	20,125	(16,340)	421,280	42,128
Total	$ 7,959,805	$ 2,558,126	$ (1,431,254)	$ 9,086,677	$ 219,098

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, 2017 amounts to approximately $49,800,000.

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

Serviced by Water Fund:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
Installment loans	$ 1,030,772	$ -	$ (128,848)	$ 901,924	$ 128,844
Net pension obligation (LGERS)	29,408	95,058	-	124,466	-
OPEB	7,614	9,492	-	17,106	-
Compensated absences	31,645	2,050	(301)	33,394	3,339
Total	$ 1,099,439	$ 106,600	$ (129,149)	$ 1,076,890	$ 132,183

Serviced by Sewer Fund:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
Installment loans	$ 11,727,863	$ -	$ (242,525)	$ 11,485,338	$ 244,460
Net pension obligation (LGERS)	25,207	81,479	-	106,686	-
OPEB	9,040	11,489	-	20,529	-
Compensated absences	3,184	2,025	(177)	5,032	503
Total	$ 11,765,294	$ 94,993	$ (242,702)	$ 11,617,585	$ 244,963

Serviced by Solid Waste Fund:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
Net pension obligation (LGERS)	$ 4,201	$ 13,580	$ -	$ 17,781	$ -
OPEB	13,088	10,767	-	23,855	-
Compensated absences	5,586	400	(1,072)	4,914	491
Total	$ 22,875	$ 24,747	$ (1,072)	$ 46,550	$ 491

Serviced by Tourist Center and Event Fund:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
Installment loans	$ 38,634	$ -	$ (38,634)	$ -	$ -
Net pension obligation (LGERS)	8,402	27,160	-	35,562	-
OPEB	5,526	2,250	-	7,776	-
Compensated absences	8,270	2,045	(6,204)	4,111	411
Total	$ 60,832	$ 31,455	$ (44,838)	$ 47,449	$ 411

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, 2017 is as follows:

Operating revenues	$ 3,606,073
Operating expenses*	(2,936,027)
Operating income	$ 670,046
Debt service on parity indebtedness	$ 387,318
Debt service coverage ratio on parity indebtedness	173%
Other indebtedness related to the Combined Sewer Enterprise System	$ 266,257
Debt service coverage ratio on parity and other indebtedness	103%
Annual debt service requirement due in upcoming fiscal year	$ 639,314
Debt service coverage ratio on upcoming fiscal year debt service	105%

*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 $14,324,102. The principal and interest payments for the current year totaled $387,318, and total net revenues were $670,046 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:

	2017	2016
Balance, beginning of year	$ 93,501	$ 72,226
Incurred claims (including IBNRs) and changes in estimates	1,022,522	1,121,894
Less claims payments	(1,030,803)	(1,100,619)
Balance, end of year	$ 85,220	$ 93,501

10. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2017 consist of the following:

Purpose	Amount
From the General Fund to the Tourist Center Fund for operations	$ 222,662
Total transfers	$ 222,662

11. Disaggregation Data for Entity-Wide Receivables and Payables

	Governmental Activities	Business-Type Activities
Intergovernmental Receivables:		
Sales tax receivable	$ 159,246	$ -
Grant receivable	23,574	-
Sales tax refund	180,000	-
Total	$ 362,820	$ -
Accounts Payable and Accrued Expenses:		
Trade payables	$ 464,364	$ 441,823
Accrued expenses	176,630	52,929
Total	$ 640,994	$ 494,752

12. Summary Disclosure of Significant Contingencies

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

13. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the City to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the City to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased $159,452.

14. Subsequent Event

On July 21, 2017 the City of Havelock signed a promissory note for a Clean Water State Revolving Fund loan in the amount of $3,160,000 for the WWTP Backwash Solids Handling Project.

REQUIRED SUPPLEMENTARY INFORMATION

This page left blank intentionally.

CITY OF HAVELOCK, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FOR THE YEAR ENDED JUNE 30, 2017

Law Enforcement Officers' Special Seperation Allowance		2017
Beginning balance	$	433,530
Service cost		23,781
Interest on the total pension liability		14,243
Changes in assumptions or other inputs		(6,730)
Benefit payments		(69,141)
Ending balance of the total pension liability	$	395,683

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

CITY OF HAVELOCK, NORTH CAROLINA

SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FOR THE YEAR ENDED JUNE 30, 2017

Law Enforcement Officers' Special Separation Allowance		2017
Total pension liability	$	395,683
Covered payroll		1,187,579
Total pension liability as a percentage of covered payroll		33.32%

Notes to schedules:

The City of Havelock has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits

CITY OF HAVELOCK, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

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
2017	$ 217,663	$ 185,851	85.38%
2016	218,659	221,941	101.50%
2015	212,290	141,121	66.48%

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 FOUR FISCAL YEARS*

Local Government Employees' Retirement System	2017	2016	2015	2014
City of Havelock's proportion of the net pension liability (asset) (%)	0.08378%	0.09361%	0.09794%	0.10180%
City of Havelock's proportion of the net pension liability (asset) ($)	$ 1,778,092	$ 420,115	$ (577,598)	$ 1,227,081
City of Havelock's covered-employee payroll	4,547,693	4,342,966	4,332,300	4,321,634
City of Havelock's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.10%	9.67%	(13.33%)	28.39%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.
This schedule will not present 10 years worth of information until 2024.

CITY OF HAVELOCK, NORTH CAROLINA

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

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

This page left blank intentionally.

GENERAL FUND

This page left blank intentionally.

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year property tax	$ 4,419,815	$ 4,575,150	$ 155,335	$ 4,462,311
Motor vehicle tax - current and delinquent	383,655	506,225	122,570	408,895
Prior years' property tax	-	4,801	4,801	1,049
Total	4,803,470	5,086,176	282,706	4,872,255
Unrestricted Intergovernmental Revenues:				
Gross receipts tax	22,000	19,920	(2,080)	21,334
Payment in lieu of taxes	4,459	-	(4,459)	4,459
Franchise tax	1,203,040	1,177,168	(25,872)	1,201,246
Beer and wine tax	94,500	92,008	(2,492)	90,583
Local option sales tax	1,615,000	1,794,936	179,936	1,619,631
Hold harmless	480,000	536,654	56,654	474,347
Solid waste disposal tax	13,500	13,697	197	13,124
Craven County ABC revenue	20,000	21,155	1,155	20,225
Total	3,452,499	3,655,538	203,039	3,444,949
Restricted Intergovernmental Revenues:				
Powell Bill	495,000	483,991	(11,009)	497,208
Federal and State grants	79,638	115,509	35,871	455,148
Craven County BOE contribution - school officer	116,925	116,925	-	116,925
Craven County support - recreation	-	-	-	15,000
Total	691,563	716,425	24,862	1,084,281
Licenses and Permits:				
Dog and cat licenses	1,250	1,795	545	1,280
Beer and wine licenses	750	915	165	785
Permits	70,412	128,662	58,250	140,934
Total	72,412	131,372	58,960	142,999
Sales and Services:				
Commission - trash stickers	150	147	(3)	169
Contribution from recreation	62,500	57,159	(5,341)	42,985
Sale of garbage stickers	3,700	3,648	(52)	3,422
EMS billing	630,000	705,071	75,071	807,432
Other	482,050	483,845	1,795	460,320
Total	1,178,400	1,249,870	71,470	1,314,328

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Interest:				
Investment earnings	25,015	26,804	1,789	36,105
Investment earnings - Powell Bill	750	2,272	1,522	888
Total	25,765	29,076	3,311	36,993
Miscellaneous Revenue:				
Court facility fee and refunds	4,300	978	(3,322)	4,502
Insurance proceeds	119,984	92,227	(27,757)	14,940
Sale of capital assets	-	107,700	107,700	-
Miscellaneous	59,399	105,466	46,067	127,399
Total	183,683	306,371	122,688	146,841
Total revenues	10,407,792	11,174,828	767,036	11,042,646
Expenditures:				
General Government:				
Fees paid to elected officials		52,965		27,252
Operating expenses		96,736		157,265
Total	165,764	149,701	16,063	184,517
Administration:				
Salaries and benefits		650,551		653,593
Operating expenses		262,888		294,356
Administration fee credit		(151,789)		(109,289)
Total	971,407	761,650	209,757	838,660
Grants:				
Salaries and benefits		69,716		-
Operating expenses		3,893		-
Total	89,664	73,609	16,055	-
Finance:				
Salaries and benefits		243,211		243,460
Operating expenses		62,968		56,338
Administration fee credit		(296,164)		(296,164)
Total	59,600	10,015	49,585	3,634

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Revenue Collections:				
Salaries and benefits		182,088		162,535
Operating expenses		164,646		158,955
Administration fee credit		(314,607)		(314,607)
Total	69,327	32,127	37,200	6,883
Legal Department:				
Professional services	87,000	86,766	234	72,977
Information Systems:				
Salaries and benefits		288,485		271,919
Operating expenses		396,042		318,988
Capital outlay		48,793		-
Administrative fee credit		(77,159)		(77,159)
Total	772,639	656,161	116,478	513,748
Planning and Zoning:				
Salaries and benefits		259,403		276,167
Operating expenses		101,082		59,630
Capital outlay		103,019		50,041
Total	527,845	463,504	64,341	385,838
Public Buildings:				
Salaries and benefits		70,007		74,087
Operating expenses		191,466		139,333
Capital outlay		108,292		-
Total	557,169	369,765	187,404	213,420
Total general government	3,300,415	2,603,298	697,117	2,219,677
Public Safety:				
Police:				
Salaries and benefits		2,229,232		2,330,216
Operating expenses		329,340		309,320
Capital outlay		182,524		141,525
Total	2,994,982	2,741,096	253,886	2,781,061

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Fire:				
Salaries and benefits		766,734		602,210
Operating expenses		217,387		224,689
Capital outlay		42,958		-
Total	1,253,195	1,027,079	226,116	826,899
Emergency Medical Services:				
Salaries and benefits		642,566		658,079
Operating expenses		146,628		146,819
Capital outlay		100,000		32,808
Total	922,262	889,194	33,068	837,706
Animal Control:				
Salaries and benefits		66,969		65,297
Operating expenses		5,203		4,805
Capital outlay		750		30,919
Total	80,014	72,922	7,092	101,021
Total public safety	5,250,453	4,730,291	520,162	4,546,687
Highways and Streets:				
Public Works:				
Salaries and benefits		84,862		96,305
Operating expenses		34,217		37,072
Total	150,054	119,079	30,975	133,377
Central Garage:				
Salaries and benefits		89,722		99,901
Operating expenses		31,375		18,576
Street lights and traffic signals		134,638		144,039
Total	296,268	255,735	40,533	262,516
Powell Bill Funds:				
Salaries and benefits		213,853		140,440
Operating expenses		77,868		151,578
Total	644,194	291,721	352,473	292,018

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Final Budget	Actual	Variance Over/Under	Actual
Non-Powell Bill Funds:				
Salaries and benefits		154,054		167,504
Operating expenses		31,854		60,748
Total	636,064	185,908	450,156	228,252
Total highways and streets	1,726,580	852,443	874,137	916,163
Sanitation:				
Operating expenses		12,468		-
Total sanitation	30,000	12,468	17,532	-
Cultural and Recreation:				
Recreation:				
Salaries and benefits		472,782		478,743
Operating expenses		247,132		222,389
Capital outlay		173,826		458,065
Total	1,098,190	893,740	204,450	1,159,197
Total cultural and recreation	1,098,190	893,740	204,450	1,159,197
Debt Service:				
Principal		198,260		196,850
Interest		175,494		178,010
Total debt service	388,681	373,754	14,927	374,860
Total expenditures	11,794,319	9,465,994	2,328,325	9,216,584
Revenues over (under) expenditures	(1,386,527)	1,708,834	3,095,361	1,826,062
Other Financing Sources (Uses):				
Transfers out	(363,580)	(222,662)	140,918	(312,677)
Appropriated fund balance	1,750,107	-	(1,750,107)	-
Total other financing sources (uses)	1,386,527	(222,662)	(1,609,189)	(312,677)
Net change in fund balance	$ -	1,486,172	$ 1,486,172	1,513,385
Fund Balance:				
Beginning of year - July 1		8,978,861		7,465,476
End of year - June 30		$ 10,465,033		$ 8,978,861

This page left blank intentionally.

NONMAJOR GOVERNMENTAL FUNDS

CITY OF HAVELOCK, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	Emergency Telephone System Fund	City Hall Building Capital Project Fund	Lewis Farm PARTF Capital Project Fund
Assets:			
Cash and investments	$ 239,065	$ 152,803	$ 338,730
Accounts receivable	-	-	23,574
Total assets	$ 239,065	$ 152,803	$ 362,304
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	$ 685	$ -	$ -
Total liabilities	685	-	-
Fund Balances:			
Restricted:			
Stabilization for State statute	-	-	23,574
Public safety	238,380	-	-
Culture and recreation	-	-	338,730
General government	-	152,803	-
Committed:			
Public safety	-	-	-
Total fund balances	238,380	152,803	362,304
Total liabilities and fund balances	$ 239,065	$ 152,803	$ 362,304

CITY OF HAVELOCK, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	Slocum Waterfront Park Capital Project Fund	Fire Annex Building Capital Project Fund	Total
Assets:			
Cash and investments	$ 37,583	$ 73,690	$ 841,871
Accounts receivable	-	-	23,574
Total assets	$ 37,583	$ 73,690	$ 865,445
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	$ 6,400	$ -	$ 7,085
Total liabilities	6,400	-	7,085
Fund Balances:			
Restricted:			
Stabilization for State statute	-	-	23,574
Public safety	-	-	238,380
Culture and recreation	31,183	-	369,913
General government	-	-	152,803
Committed:			
Public safety	-	73,690	73,690
Total fund balances	31,183	73,690	858,360
Total liabilities and fund balances	$ 37,583	$ 73,690	$ 865,445

CITY OF HAVELOCK, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	Emergency Telephone System Fund	City Hall Building Capital Project Fund	Lewis Farm PARTF Capital Project Fund
Revenues:			
Restricted intergovernmental	$ 159,685	$ -	$ -
Investment income	2,732	-	-
Total revenues	162,417	-	-
Expenditures:			
Public safety	127,443	-	-
Culture and recreation	-	-	7,485
Total expenditures	127,443	-	7,485
Net change in fund balances	34,974	-	(7,485)
Fund Balances:			
Beginning of year - July 1	203,406	152,803	369,789
End of year - June 30	$ 238,380	$ 152,803	$ 362,304

CITY OF HAVELOCK, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	Slocum Waterfront Park Capital Project Fund	Fire Annex Building Capital Project Fund	Total
Revenues:			
Restricted intergovernmental	$ 118,501	$ -	$ 278,186
Investment income	-	-	2,732
Total revenues	118,501	-	280,918
Expenditures:			
Public safety	-	-	127,443
Culture and recreation	87,318	-	94,803
Total expenditures	87,318	-	222,246
Net change in fund balances	31,183	-	58,672
Fund Balances:			
Beginning of year - July 1	-	73,690	799,688
End of year - June 30	$ 31,183	$ 73,690	$ 858,360

This page left blank intentionally.

NONMAJOR SPECIAL REVENUE FUND

This page left blank intentionally.

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted Intergovernmental:				
911 access charges	$ 155,708	$ 159,685	$ 3,977	$ 201,716
Investment earnings	1,000	2,732	1,732	1,433
Total revenues	156,708	162,417	5,709	203,149
Expenditures:				
Public Safety:				
Databasing	30,355	22,152	8,203	17,029
Operating expenses	154,189	92,711	61,478	95,093
Capital outlay	45,815	12,580	33,235	8,804
Total public safety	230,359	127,443	102,916	120,926
Revenues over (under) expenditures	(73,651)	34,974	108,625	82,223
Other Financing Sources (Uses):				
Appropriated fund balance	73,651	-	(73,651)	-
Net change in fund balance	$ -	34,974	$ 34,974	82,223
Fund Balance:				
Beginning of year - July 1		203,406		121,183
End of year - June 30		$ 238,380		$ 203,406

This page left blank intentionally.

NONMAJOR CAPITAL PROJECT FUNDS

This page left blank intentionally.

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, 2017

		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	2,157,033	-	2,157,033
Debt service	1,700,000	1,526,692	-	1,526,692
Total expenditures	4,065,000	3,758,482	-	3,758,482
Revenues over (under) expenditures	(3,965,000)	(3,658,298)	-	(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	$ -	$ 152,803	$ -	$ 152,803

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, 2017

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Restricted intergovernmental revenues	$ 500,000	$ 327,774	$ -	$ 327,774
Expenditures:				
General Government:				
Professional services		5,840	5,065	10,905
Capital outlay		37,787	2,420	40,207
Total expenditures	585,642	43,627	7,485	51,112
Revenues over (under) expenditures	(85,642)	284,147	(7,485)	276,662
Other Financing Sources (Uses):				
Transfers in	85,642	85,642	-	85,642
Net change in fund balance	$ -	$ 369,789	$ (7,485)	$ 362,304

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, 2017

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Restricted intergovernmental revenues	$ 200,000	$ 32,292	$ 118,501	$ 150,793
Expenditures:				
General Government:				
Professional services		7,475	2,820	10,295
Capital outlay		24,817	84,498	109,315
Total expenditures	210,000	32,292	87,318	119,610
Revenues over (under) expenditures	(10,000)	-	31,183	31,183
Other Financing Sources (Uses):				
Transfers in	10,000	-	-	-
Net change in fund balance	$ -	$ -	$ 31,183	$ 31,183

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, 2017

		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

ENTERPRISE FUNDS

This page left blank intentionally.

CITY OF HAVELOCK, NORTH CAROLINA

ENTERPRISE FUND - WATER
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Charges for sales and services:			
Water charges	$ 1,879,566	$ 2,244,871	$ 365,305
Miscellaneous	61,851	66,541	4,690
Total operating revenues	1,941,417	2,311,412	369,995
Non-operating revenues:			
Interest income (loss)	6,000	16,427	10,427
Total revenues	1,947,417	2,327,839	380,422
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		526,582	
Supplies and administration		983,490	
Repairs and maintenance		184,632	
Capital outlay		61,657	
Total costs of sales and services		1,756,361	
Debt service:			
Principal repayment		128,848	
Interest		29,583	
Total debt service		158,431	
Total operating expenditures	2,871,809	1,914,792	957,017
Revenues over (under) expenditures	(924,392)	413,047	1,337,439
Other Financing Sources (Uses):			
Appropriated fund balance	924,392	-	(924,392)
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	413,047	$ 413,047
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Reconciling items:			
Depreciation		(274,759)	
Capital reserve fund interest		1,534	
Increase deferred outflows - pension		83,260	
Capital project expenditures, not capitalized		(67,294)	
Increase in net pension liability		(95,058)	
Decrease deferred inflows - pension		7,906	
(Increase) decrease in other post-employment benefits		(9,492)	
Principal payment		128,848	
Capital outlay, capitalized		61,657	
Change in net position		$ 249,649	

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, 2017

		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

WATER CAPITAL PROJECT FUND - BACKWASH BASIN
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Expenditures:				
Professional fees	$ -	$ -	65,170	$ 65,170
Capital outlay	-	-	161,507	161,507
Miscellaneous	-	-	1,424	1,424
Total expenditures	3,160,000	-	228,101	228,101
Revenues over (under) expenditures	(3,160,000)	-	(228,101)	(228,101)
Other Financing Sources (Uses):				
Issuance of long-term debt	3,160,000	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	$ -	$ (228,101)	$ (228,101)

CITY OF HAVELOCK, NORTH CAROLINA

ENTERPRISE FUND - SEWER
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Charges for sales and services:			
Sewer charges	$ 3,549,000	$ 3,554,447	$ 5,447
Miscellaneous	260,161	51,626	(208,535)
Total operating revenue	3,809,161	3,606,073	(203,088)
Non-operating revenues:			
Interest income (loss)	2,500	11,181	8,681
Total revenues	3,811,661	3,617,254	(194,407)
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		517,553	
Supplies and administration		1,213,062	
Repairs and maintenance		1,133,094	
Capital outlay		228,766	
Total costs of sales and services		3,092,475	
Debt service:			
Principal repayment		242,525	
Interest		411,050	
Total debt service		653,575	
Total expenditures	5,333,574	3,746,050	1,587,524
Revenues over (under) expenditures	(1,521,913)	(128,796)	1,393,117
Other Financing Sources (Uses):			
Appropriated fund balance	1,521,913	-	(1,521,913)
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	(128,796)	$ (128,796)
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Depreciation		(606,341)	
Increase deferred outflows - pension		71,366	
Increase in net pension liability		(81,479)	
Decrease deferred inflows - pension		6,776	
(Increase) decrease in other post-employment benefits		(11,489)	
Capital Reserve Fund interest		1,535	
Capital project expenditures, not capitalized		(57,492)	
Long-term debt principal payment		242,525	
Capital project revenue		53,185	
Capital outlay items capitalized		228,766	
Change in net position		$ (281,444)	

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, 2017

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Interest income	$ -	$ 10,541	$ -	$ 10,541
Expenditures:				
Professional fees	1,025,000	506,872	4,307	511,179
Capital outlay	10,584,000	9,749,402	-	9,749,402
Miscellaneous	25,000	1,083	-	1,083
Debt service	8,546,000	8,545,864	-	8,545,864
Total expenditures	20,180,000	18,803,221	4,307	18,807,528
Revenues over (under) expenditures	(20,180,000)	(18,792,680)	(4,307)	(18,796,987)
Other Financing Sources (Uses):				
Issuance of long-term debt	16,980,000	16,980,000	-	16,980,000
Intrafund transfer in	3,200,000	3,200,000	-	3,200,000
Total other financing sources (uses)	20,180,000	20,180,000	-	20,180,000
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	$ 1,387,320	$ (4,307)	$ 1,383,013

CITY OF HAVELOCK, NORTH CAROLINA

SEWER CAPITAL PROJECT FUND - UTILITY LINE RELOCATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

		Actual		
	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Miscellaneous	$ -	$ -	$ 53,185	$ 53,185
Expenditures:				
Professional fees	100,000	6,802	53,185	59,987
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, 2017

	Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Charges for sales and services:			
Solid waste charges	$ 990,567	$ 976,078	$ (14,489)
Non-Operating Revenues:			
Interest income	-	6,971	6,971
Total revenues	990,567	983,049	(7,518)
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		170,081	
Supplies and administration		659,127	
Repairs and maintenance		24,413	
Total costs of sales and services		853,621	
Total expenditures	990,567	853,621	136,946
Revenues over (under) expenditures	$ -	129,428	$ 129,428
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Depreciation		(2,368)	
Increase deferred outflows - pension		11,894	
Increase in net pension liability		(13,580)	
Decrease deferred inflows - pension		1,129	
(Increase) decrease in other post-employment benefits		(10,767)	
Change in net position		$ 115,736	

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, 2017

	Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Charges for sales and services:			
Facilities rent	$ 93,850	$ 108,431	$ 14,581
Miscellaneous	31,500	41,156	9,656
Total operating revenues	125,350	149,587	24,237
Non-operating revenues:			
Occupancy tax	97,000	97,000	-
Total revenues	222,350	246,587	24,237
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		132,757	
Supplies and administration		142,905	
Repairs and maintenance		30,870	
Capital outlay		18,191	
Exhibits expense		26,508	
Total costs of sales and services		351,231	
Debt service:			
Principal repayment		38,634	
Interest		498	
Total debt service		39,132	
Total expenditures	509,534	390,363	119,171
Revenues over (under) expenditures	(287,184)	(143,776)	143,408
Other Financing Sources (Uses):			
Transfers in	287,184	222,662	(64,522)
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	78,886	$ 78,886
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Depreciation		(61,440)	
Increase deferred outflows - pension		23,789	
Increase in net pension liability		(27,160)	
Decrease deferred inflows - pension		2,259	
Capital outlay items capitalized		18,191	
(Increase) decrease in other post-employment benefits		(2,250)	
Long-term principal repayment		38,634	
Change in net position		$ 70,909	

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, 2017

	Budget	Actual	Variance Over/Under
Revenues:			
Non-operating revenues:			
Interest income	$ -	$ 3,069	$ 3,069

This page left blank intentionally.

SUPPLEMENTARY FINANCIAL DATA

This page left blank intentionally.

CITY OF HAVELOCK, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2017

Fiscal Year	Uncollected Balance July 1, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2016-2017	$ -	$ 5,066,754	$ 5,049,320	$ 17,434
2015-2016	34,610	-	27,432	7,178
2014-2015	6,646	-	2,260	4,386
2013-2014	24,334	-	571	23,763
2012-2013	35,162	-	668	34,494
2011-2012	28,145	-	3,204	24,941
2010-2011	19,501	-	343	19,158
2009-2010	16,354	-	34	16,320
2008-2009	15,962	-	166	15,796
2007-2008	17,622	-	125	17,497
2006-2007	18,132	-	18,132	-
Total	$ 216,468	$ 5,066,754	$ 5,102,255	180,967

Less: Allowance for uncollectible ad valorem taxes receivable	(150,000)
Ad valorem taxes receivable, net	$ 30,967

Reconciliation with Revenues:

Taxes, ad valorem - General Fund	$ 5,086,176
Releases of current year and prior years' motor vehicle levy	(2,053)
Arrears written off for tax year 2006-2007 per Statute of Limitations	18,132
Total collections and credits	$ 5,102,255

CITY OF HAVELOCK, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2017

				Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	$ 859,374,237	$ 0.590	$ 5,070,308	$ 4,556,073	$ 514,235
Abatements	(602,373)		(3,554)	(3,554)	-
Total property valuation	$ 858,771,864				
Net Levy			5,066,754	4,552,519	514,235
Uncollected taxes at June 30, 2017			17,434	17,434	-
Current Year's Taxes Collected			$ 5,049,320	$ 4,535,085	$ 514,235
Current Levy Collection Percentage			99.66%	99.62%	100.00%
Prior Year Levy Collection Percentage			99.29%	99.22%	100.00%

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 104-106

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 107-115

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

Debt Capacity 116-119

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 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.

This page left blank intentionally.

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	$ 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	$ 5,824,398
Restricted	880,403	660,792	554,056	2,274,617	976,614	1,201,385	1,023,347	1,696,334	2,317,900	2,637,811
Unrestricted	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	7,248,220
Total governmental activities net position	$ 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	$ 15,710,429
Business-type activities										
Net investment in capital assets	$ 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	$ 11,808,087
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	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	10,544,665
Total business-type activities net position	$ 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	$ 22,352,752
Primary government										
Net investment in capital assets	$ 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	$ 17,632,485
Restricted	880,403	660,792	554,056	2,274,617	976,614	1,201,385	1,023,347	1,696,334	2,317,900	2,637,811
Unrestricted	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	17,792,885
Total primary government net position	$ 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	$ 38,063,181

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	$ 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	$ 2,582,069
Public Safety	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	5,069,121
Highways and streets	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	887,467
Environmental protection	145,392	165,142	-	-	-	-	74,506	213,595	166,469	12,468
Culture and recreations	911,613	836,083	864,000	867,587	853,944	1,048,043	815,465	832,935	847,265	886,256
Interest on long-term debt	54,499	82,873	64,434	200,118	397,638	244,992	236,945	253,873	178,010	175,494
Total governmental activities expenses	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	9,612,875
Business-type activities										
Water	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	2,079,724
Sewer	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	3,953,418
Sanitation					754,011	818,853	786,320	847,268	936,680	867,313
Other	361,777	359,094	972,672	1,034,536	400,950	478,114	462,481	413,106	392,551	398,340
Total business-type activities expenses	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	7,298,795
Total primary government expenses	$ 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	$ 16,911,670
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 559,289	$ 264,887	$ 332,942	$ 298,126	$ 332,322	$ 240,305	$ 369,659	$ 306,047	$ 170,270	$ 345,265
Public Safety	572,602	743,323	758,455	902,589	764,263	731,181	863,562	792,191	873,905	761,715
Highways and streets	-	-	-	-	-	-	-	-	-	-
Environmental protection	16,902	20,703	3,868	4,218	4,610	4,526	3,898	3,660	3,591	3,795
Culture and recreations	49,258	177,048	150,564	153,181	205,743	174,740	179,781	239,739	239,505	271,839
Other activities	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	506,950	931,134	1,077,365	1,145,747	1,330,652	1,090,173	976,016	1,065,369	1,147,461	1,065,600
Capital grants and contributions	797,392	(15,959)	-	85,568	23,734	7,183	172,272	1,510,255	617,768	234,010
Total governmental activities programs revenues	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	2,682,224
Business-type activities:										
Charges for services:										
Water	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	2,311,412
Sewer	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	3,606,073
Other	109,999	144,312	681,128	841,472	822,409	877,102	959,200	1,226,962	934,925	1,222,665
Operating grants and contributions	250,000	30,000	25,000	-	217,932	275,933	283,585	-	228,994	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	53,185
Total business-type activities program revenues	$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	$7,193,335
Total primary government program revenues	$ 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	$ 9,875,559

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (expense)/revenue										
Governmental activities	$ (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)	$ (6,930,651)
Business-type activities	(223,266)	(112,196)	226,362	2,083	757,722	476,519	1,096,322	443,688	304,188	(105,460)
Total primary government net expense	($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)	($7,036,111)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Ad Valorem taxes	$ 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	$ 5,082,534
Other taxes and licenses	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	1,794,936
Inter-governmental	237,287	97,000	97,000	-	-	-	-	-	1,201,246	1,177,168
Licenses and Permits	-	-	-	-	-	-	-	-	624,072	683,434
Sales and Services	-	-	-	-	-	-	-	-	-	-
Gain on sale of capital asset	-	-	-	-	-	-	-	-	-	-
Investment Earnings	288,977	132,668	38,608	42,511	25,887	11,790	16,163	17,053	38,426	31,808
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	(253,881)	-	(345,483)	-	(398,221)	(242,516)	92,942	(237,369)	(252,677)	(222,662)
Total governmental activities	$ 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	$ 8,547,218
Business-type activities:										
Investment Earnings	$ 291,858	$ 141,430	$ 42,450	$ 33,729	$ 16,020	$ 12,247	$ 12,834	$ 7,764	$ 22,590	$ 37,648
Transfers	253,881	-	345,483	97,000	398,221	242,516	(92,942)	237,369	252,677	222,662
Total business-type activities	545,739	141,430	387,933	130,729	414,241	254,763	(80,108)	245,133	275,267	260,310
Total primary government	$ 571,103	$ (617,626)	$ 503,072	$ 1,167,149	$ 411,094	$ 190,316	$ 1,553,868	$ 2,524,805	$ 2,165,388	$ 1,511,107
Change in Net Position										
Governmental activities	$ 794,369	$ (505,430)	$ 276,710	$ 1,165,066	$ (346,628)	$ (286,203)	$ 457,546	$ 2,081,117	$ 1,861,200	$ 1,616,567
Business-type activities	322,473	29,234	614,295	132,812	1,171,963	731,282	1,016,214	688,821	579,455	154,850
Total primary government	$ 1,116,842	$ (476,196)	$ 891,005	$ 1,297,878	$ 825,335	$ 445,079	$ 1,473,760	$ 2,769,938	$ 2,440,655	$ 1,771,417

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
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
2017	4,579,951	506,225	2,331,590	1,177,168	8,594,934

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	$ 1,800,520	$ 1,761,455	$ 2,758,421	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	3,795,257	4,086,814	3,444,847	-	-	-	-	-	-	-
Non Spendable	-	-	-	16,936	16,488	8,389	12,601	5,330	14,137	5,979
Restricted	-	-	-	1,623,126	1,068,870	1,117,864	1,148,675	966,286	1,529,067	1,853,141
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	735,950	1,891,082	522,527	549,326	769,015	771,283	862,374
Unassigned	-	-	-	4,670,815	3,962,176	4,693,486	4,884,041	5,724,845	6,664,374	7,743,539
Total General Fund	$ 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	$ 10,465,033
All other governmental funds										
Reserved	$ 62,637	$ 1,306	$ 996	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Special revenue funds	553,310	669,138	813,580	-	-	-	-	-	-	-
Capital projects funds	(30,212)	1,514,894	(529,756)	-	-	-	-	-	-	-
Restricted in Capital Project	-	-	-	-	-	-	-	165,776	585,427	546,290
Restricted in Special revenue	-	-	-	651,491	399,200	93,260	44,373	564,272	203,406	238,380
Committed in Capital Project	-	-	-	524,726	820,925	81,752	1,415,896	73,690	73,690	73,690
Unassigned	-	-	-	-	-	-	-	(73,300)	(62,835)	-
Total all other governmental funds	$ 585,735	$ 2,185,338	$ 284,820	$ 1,176,217	$ 1,220,125	$ 175,012	$ 1,460,269	$ 730,438	$ 799,688	$ 858,360

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	$ 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	$ 5,086,176
Intergovernmental	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	4,650,149
Licenses and Permits	216,108	189,250	242,303	1,188,191	1,163,946	799,809	997,142	117,169	142,999	131,372
Sales and Services	609,416	877,541	851,007	230,781	273,598	150,182	229,363	1,188,690	1,314,328	1,249,870
Other taxes	-	-	-	1,028,763	1,035,655	983,037	1,056,450	1,656,951	1,448,332	-
Investment Earnings	288,977	132,668	38,608	42,511	25,887	11,790	16,163	17,053	38,426	31,808
Miscellaneous	255,059	129,354	193,369	141,694	188,125	272,017	298,278	326,381	146,841	306,371
Total revenues	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	11,455,746
Expenditures										
General government	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	2,343,194
Public Safety	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	4,575,210
Highways and streets	1,018,593	1,180,010	1,078,355	954,793	724,838	1,271,528	1,188,591	1,154,320	916,163	852,443
Environmental Protection	131,154	151,371	-	-	-	-	-	213,595	166,469	12,468
Culture and recreation	893,226	761,431	745,833	762,451	771,458	965,741	74,506	743,021	756,998	814,717
Capital Outlay	857,023	690,097	1,164,092	355,912	732,138	1,901,981	807,341	2,029,703	682,439	716,454
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	101,488	883,607	146,065	560,545	137,536	152,902	152,405	1,656,108	196,850	198,260
Interest	48,359	89,013	64,434	200,118	397,638	244,992	236,945	253,873	178,010	175,494
Other charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	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	9,688,240
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	(228,000)	(3,264)	(345,483)	(550,000)	(798,221)	(242,516)	(472,059)	(369,111)	(312,677)	(222,662)
Debt issued	-	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)	(228,000)	3,497,650	525,517	646,300	150,779	(242,516)	1,592,942	1,462,631	(252,677)	(222,662)
Net Change in fund balances	$ (689,954)	$ 1,852,095	$ (1,546,515)	$ 1,735,952	$ (64,303)	$ (1,641,463)	$ 1,537,634	$ 141,002	$ 1,582,635	$ 1,544,844
Debt service as a percentage of noncapital expenditures	1.8%	11.5%	2.2%	9.3%	1.7%	2.2%	4.4%	18.3%	4.4%	4.3%

City of Havelock

General Governmental Tax Revenues By Source

Last Ten Fiscal Years

(accrual basis of accounting)

Fiscal Year	Property Tax	Motor Vehicle Tax	Sales Tax	Franchise Tax	Total
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
2017	4,579,951	506,225	2,331,590	1,177,168	8,594,934

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
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%
2017	* 494,408,880	263,975,748	109,884,803	30,615,421	837,654,010	0.59	863,928,084	100.50%

*Property located in the City of Havelock was revalued by the Craven County Tax Office. The new values were effective for the 2017 Fiscal Year.

Source: Craven County Tax Office

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

Fiscal Year	City Of Havelock Tax Rate	Overlapping Rate Craven County Tax Rate	Total Direct & Overlapping Rates
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
2017*	0.5900	0.5394	1.1294

*Property assessment values were re-valued effective Fiscal year 2017. The tax rate was proposed revenue neutral.

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

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collections Amount	Percentage of Levy	Collections in Subsequent Years	Total Collections to Date	
					Amount	Percentage of Levy
2008	$ 2,696,515	$ 2,616,699	97.04%	$ 65,652	$ 2,679,273	99.36%
2009	3,135,592	3,038,515	96.90%	82,150	3,121,428	99.55%
2010	3,299,396	3,208,683	97.25%	71,933	3,284,469	99.55%
2011	3,613,925	3,521,462	97.44%	73,419	3,595,145	99.48%
2012	3,712,112	3,602,390	97.04%	92,211	3,693,068	99.49%
2013	4,452,486	4,332,406	97.30%	109,062	4,445,075	99.83%
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%	4,801	4,817,614	99.39%
2017	4,592,584	4,575,150	99.62%	-	4,575,150	99.62%

City of Havelock
Principal Property Taxpayers
June 30, 2017

	2017				2007		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Property Management/Development	$ 28,325,000	1	3.17%	Property Management/Development	$ 7,766,208	1	2.20%
Property Management/Development	12,626,734	2	1.41%	Public Utility	6,019,145	2	1.71%
Property Management/Development	10,605,280	3	1.19%	Property Management/Development	5,376,556	3	1.52%
Property Management/Development	6,222,897	4	0.70%	Property Management/Development	3,085,362	4	0.87%
Property Management/Development	5,626,370	5	0.70%	Public Utility	2,911,503	5	0.82%
Property Management/Development	5,276,280	6	0.59%	Property Management/Development	2,533,033	6	0.72%
Property Management/Development	5,076,956	7	0.57%	Property Management/Development	2,259,541	7	0.64%
Public Utility	5,070,694	8	0.57%	Property Management/Development	2,734,847	8	0.77%
Property Management/Development	4,952,530	9	0.55%	Property Management/Development	1,328,846	9	0.38%
Property Management/Development	4,726,643	10	0.53%	Financial Institution	889,396	10	0.25%
Totals	$ 88,509,384		9.97%		$ 34,904,437		9.88%

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
2008	$ -	$ -	$ 1,842,106	$ 2,061,541	$ 6,294,589	$ 313,500	$ 10,511,736	$ 468
2009	-	-	4,456,149	5,871,999	1,932,695	278,667	12,539,510	551
2010	-	-	5,181,084	5,420,123	1,803,848	583,833	12,988,888	569
2011	-	-	5,266,839	4,923,283	1,675,002	485,062	12,350,186	520
2012	-	-	5,678,303	4,512,361	1,546,155	174,167	11,910,986	574
2013	-	-	5,525,401	12,546,351	1,417,310	144,400	19,633,462	932
2014	-	-	6,872,996	12,088,838	1,288,463	109,566	20,359,863	969
2015	-	-	6,916,888	11,964,672	1,159,618	53,200	20,094,378	951
2016	-	-	6,720,038	11,727,863	1,030,772	38,634	19,517,307	932
2017	-	-	6,521,778	11,485,338	901,924	-	18,909,040	930

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)
2008	$ 1,842,106	$ -	$ 1,842,106	-	85
2009	4,456,149	-	4,456,149	-	199
2010	5,181,084	-	5,181,084	-	228
2011	5,266,839	-	5,266,839	-	231
2012	5,678,303	-	5,678,303	-	239
2013	5,525,401	-	5,525,401	-	266
2014	6,872,996	-	6,872,996	-	326
2015	6,916,888	-	6,916,888	-	329
2016	6,720,038	-	6,720,038	-	318
2017	6,521,778	-	6,521,778	-	321

City of Havelock
Direct and Overlapping Activities Debt
As of June 30, 2017

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes: County	$64,055,806	23.38%	$ 14,976,247
Subtotal, overlapping debt			
City of Havelock direct debt			6,521,778
Total direct and overlapping debt			$ 21,498,025

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

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

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

City of Havelock
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	$ 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	$ 49,800,000
Total net debt applicable to limit										
Legal debt margin	$ 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	$ 49,800,000

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)
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%
2017	20,331	-	-	36.5	0	0.00%

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

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

	Full-time Equivalent Employees as of June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function										
General government	20	21	21	21	21	22	21	21	21	22
Public Safety										
Police										
Officers	29	29	29	29	29	29	29	29	29	29
Civilians	7	7	7	7	7	8	8	8	8	8
Fire/EMS										
Firefighters and officers	13	13	16	19	19	19	19	18	18	18
Highways and Streets	13	13	13	13	13	13	13	13	12	12
Sanitation	1	1	1	1	1	1	1	1	1	1
Culture and recreation	9	9	9	9	9	9	9	8	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	114	115	118	121	121	123	122	120	119	120

Source: City of Havelock Personnel Office.

City of Havelock
Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year									
Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Planning										
Number of permits issued	182	449	578	911	1,028	679	711	924	1,002	848
Police										
Physical arrests	745	1,473	1,458	2,109	1,822	1,599	1,277	1,688	776	805
Accidents	570	607	556	597	623	699	506	508	585	557
E911	47,025	51,154	31,589	33,465	31,232	35,277	32,549	37,294	32,357	29,404
Fire										
Number of calls answered	289	773	691	613	533	584	517	526	486	0
EMS										
Number of calls answered	1,718	2,066	2,053	1,985	2,117	2,185	2,170	2,271	2,233	0
Culture and recreation										
Recreation Participants	25,217	27,375	136,035	128,360	106,398	96,664	94,183	100,542	118,605	79,894
Water										
Number of miles of main	79	79	79	71	72	72	72	80	80	80
Number of connections	5,219	5,309	5,222	5,363	5,400	5,143	5,615	5,625	5,638	5,573
Average daily consumption (000s of gallons)	1,240	1,143	1,126	964	1,400	1,160	1,100	959	1,041	976
Solid Waste										
Number of containers*	-	-	4,857	4,949	4,970	4,936	4,865	4,865	4,971	4,979
Sewer										
Number of miles of main	80	80	80	74	74	74	74	74	74	74
Number of connections	5,094	5,192	5,270	5,248	5,208	5,002	5,732	5,638	5,704	5,586
Average daily treatment (000s of gallons)	1,310	1,399	1,495	1,476	1,300	1,400	1,450	1,530	1,308	1,057
Tourist and Event Center										
Event Days (1)	208	224	227	176	204	219	217	200	181	199

* 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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	2	2	2	2	2	2	2	2
Fire Trucks	3	3	4	4	4	5	5	5	5	5
EMS										
Stations	1	1	2	2	2	2	2	2	2	2
EMS Units	4	4	4	4	4	4	4	4	4	4
Streets										
Miles of Streets	44.13	44.13	44.13	44.13	44.13	44.13	46.00	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	7	7	7	7	7	7	7	7	7	7
Water										
Number of miles of main	79	79	79	79	72	72	72	80	80	80
Fire hydrants	580	580	580	580	567	567	567	569	566	566
Maximum daily capacity (000s of gallons)	2,100	2,100	2,100	2,100	2,800	2,800	2,800	2,800	2,800	2,800
Sewer										
Number of miles of main	80	80	80	80	74	74	74	74	74	74
Maximum daily treatment capacity (000s of gallons)	2,250	2,250	2,250	2,250	2,800	2,800	2,800	2,800	2,800	2,800
Tourist and Event Center										
Centers	1	1	1	1	1	1	1	1	1	1

Source: City of Havelock Fixed Asset System and GIS.

This page left blank intentionally.

COMPLIANCE SECTION

This page left blank intentionally.

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, 2017, and the related notes to the financial statements, which collectively comprise the City of Havelock's basic financial statements, and have issued our report thereon dated September 8, 2017.

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.

730 13th Avenue Drive SE ♦ Hickory, NC 28602 ♦ 828-327-2727 ♦ Fax 828-328-2324
13 South Center Street ♦ Taylorsville, NC 28681 ♦ 828-632-9025 ♦ Fax 828-632-9085
PO Box 5729 ♦ Statesville, NC 28687 ♦ 1710 Wilkesboro Hwy ♦ Statesville, NC 28625 ♦ 704-872-8923 ♦ Fax 704-872-4982
800-948-0585 ♦ 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
September 8, 2017

CITY OF HAVELOCK, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

1. Summary of Auditor's Results

Financial Statements

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

2. 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, 2017

None reported.