

COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF HAVELOCK
HAVELOCK, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2018

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CITY OF HAVELOCK
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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

Prepared by: City of Havelock
Finance Department

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CITY OF HAVELOCK

Post Office Box 368
Havelock, N.C. 28532

December 17, 2018

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, 2018 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

The City of Havelock's financial statements have been audited by Martin Starnes and Associates, CPAs, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2018, 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, 2018 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the Comprehensive Annual Financial Report.

The independent audit of the financial statements of the City was part of a broader, federal and state mandated “Single Audit” designed to meet the specific needs of grantor agencies. The single audit must be in conformity with the provisions of the Single Audit Act of 1984, Uniform Guidance and North Carolina's State Single Audit Implementation Act. The standards governing Single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These auditor reports are available in the Single Audit section of this report.

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

The City of Havelock

The City of Havelock, North Carolina is located in Craven County within the eastern coastal plains region of North Carolina and includes, within its municipal boundaries, Marine Corps Air Station Cherry Point (MCAS-CP). Havelock comprises about 20 percent of Craven County’s population. The certified population estimate was 20,008 for 2018 and the estimate for 2017 is 20,735. The City presently encompasses 46 miles and employs 120 permanent staff.

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

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

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

City of Havelock's Mission Statement

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

City of Havelock's Core Values

H-Honesty/Integrity

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

A- Accountability

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

V-Value of Service

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

E-Excellence

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

L-Leadership

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

O-Openness

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

C-Competence

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

K-Knowledge

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

The Budget Process

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

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

Economic Conditions and Outlook

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

Havelock's economy is driven by Marine Corps Air Station Cherry Point with more than 7,100 active marines. It is home to Fleet Readiness Center East (FRC) which provides maintenance, engineering, and logistics support for aviation operations of the Marine Corps, Navy and other branches of the U.S. military. It is the largest employer of civilians east of Interstate 95 in North Carolina and has an annual payroll of over \$275 million. The unemployment rate for June 2018 was 3.8 percent compared with 4.2 percent for the state and 4.0 percent for the nation. The local unemployment rate decreased .7percent while the state's rate was unchanged. 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 restroom facilities to the Slocum Creek Waterfront Park increasing the usage of the park. The City completed the Water Treatment Backwash Basin Project allowing the plant to operate at full capacity. The City also started construction on the restroom facilities at Lewis Farm Park. The modest growth rate was based on historical trends of a 1-3% 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 is expected to be 1-3% and there is no growth anticipated in the property tax base.

The tax rate was unchanged to .59 at per hundred for 2017-2018. Water, sewer and solid waste rates were increased by 2.0%. 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 2018-2019 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 2.1 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 provides tourist activities. The City will be expanding the parking lot and drive way along with installing picnic shelters. The City anticipates usage of this water front park to continue to increase. The City also plans to open Lewis Farm Park which will feature a new multi-purpose athletic field and playground.

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

Other Information

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

Awards and Acknowledgments

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Havelock for its comprehensive annual financial report ("CAFR") for the fiscal year ended June 30, 2017. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

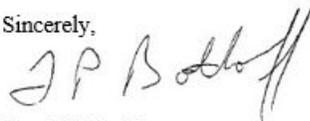
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal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

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, 2018

BOARD OF COMMISSIONERS

WILL LEWIS, Mayor

DANIEL WALSH

JIM KORR

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

MARVIN WILLIAMS

Police Chief

KATRINA MARSHALL

Director of Planning
and Inspections

CHAD IVES

Director of Information
Technology

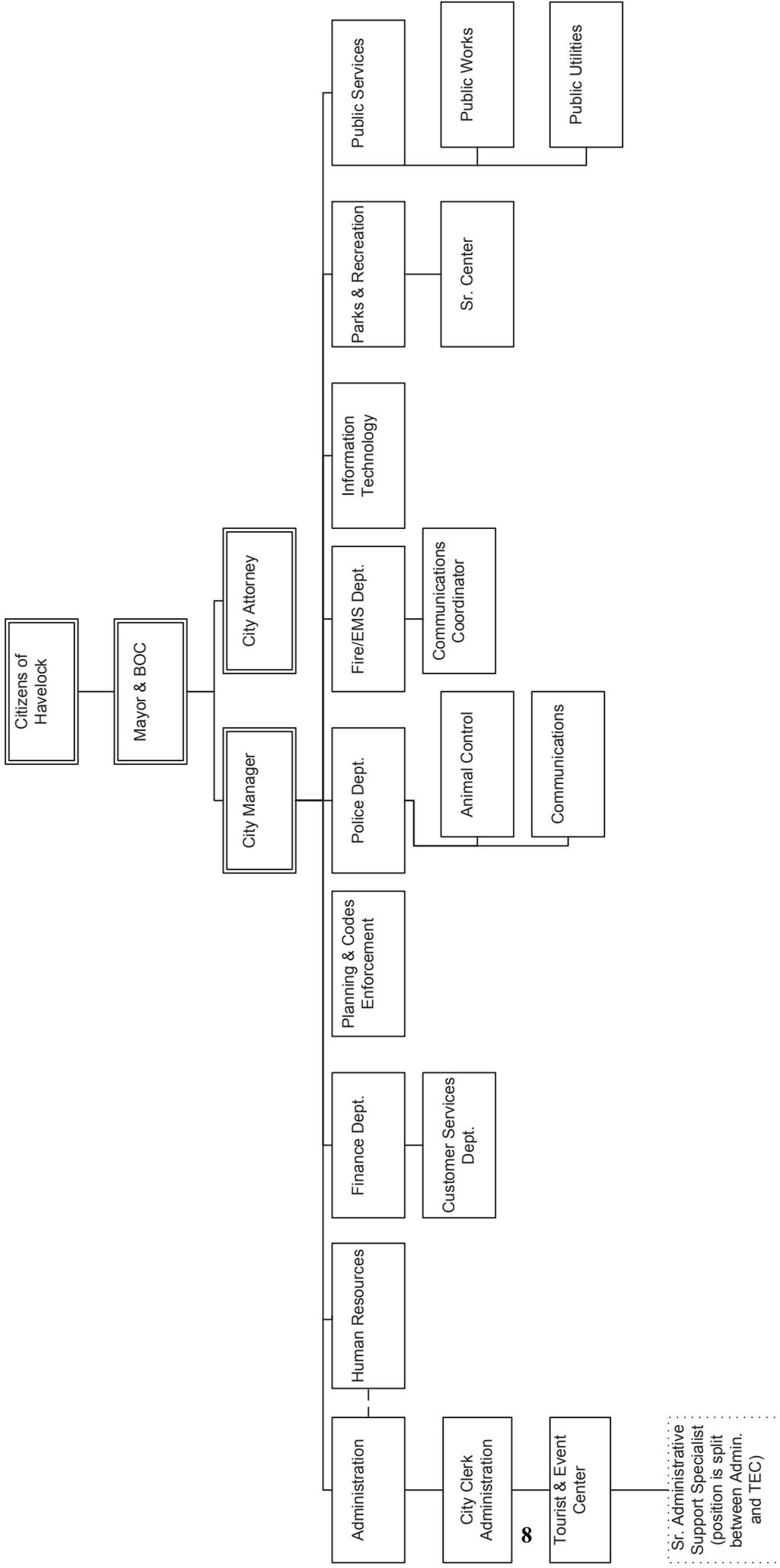
ASHLEY WIMBERLY

Interim, Director of
Public Services

TRAVIS ADAMS

Director of Parks
and Recreation

CITY OF HAVELOCK
FY 2017-2018





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, 2017

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Havelock, North Carolina, as of and for the year ended June 30, 2018, 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, 2018, 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.

Change in Accounting Principle

As discussed in Note 13 to the financial statements, for fiscal year ended June 30, 2018, the City of Havelock adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

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' Schedule of Changes in Total OPEB Liability and Related Ratios, 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, statistical tables as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2018 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, North Carolina
December 17, 2018

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Management's Discussion and Analysis

As management of the City of Havelock (City), we offer readers of the City of Havelock's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018 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

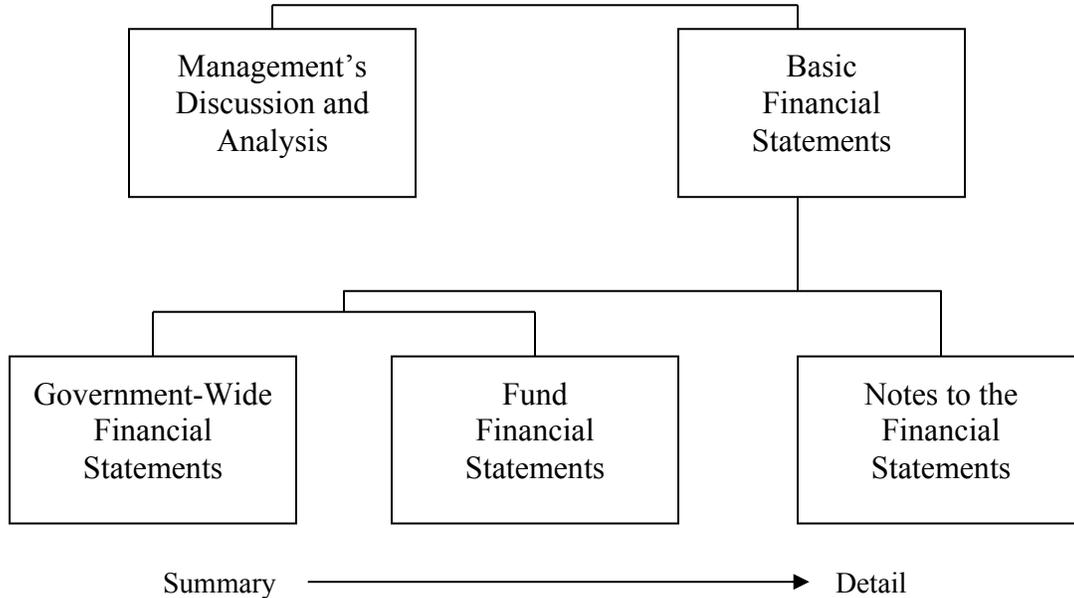
- The City of Havelock's assets and deferred outflows exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$37,105,012.
- The City's total net position increased by \$1,371,704 of which \$109,540 was from business-type activities, while net position of governmental activities increased by \$1,262,164.
- The overall financial position of the City increased in 2018 as evidenced by an increase in the unassigned fund balance to \$7,870,598 in the General Fund (an increase in total fund balance of \$685,804 in the General Fund) at June 30, which is approximately 73 percent of the budget for fiscal year 2018. 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 \$7,383,118. Total program revenues were \$2,582,921, and expenses were \$9,966,039.
- On a government-wide basis for business-type activities, the City had expenses net of program revenues of \$286,624.

Overview of the Financial Statements

This discussion and analysis is 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 \$37,056,211 at the close of the most recent fiscal year compared to \$38,063,181 for the prior year. The City's net position increased by \$1,322,903 for the fiscal year ended June 30, 2018. In the current fiscal year there was a prior period adjustment for (\$2,329,873) for GASB Statement 75.

A large portion of the City's net position (48.20 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	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$ 13,752,941	\$ 12,005,385	\$ 11,921,940	\$ 11,623,505	\$ 25,674,881	\$ 23,628,890
Capital assets	12,641,997	12,346,176	26,492,225	24,195,349	39,134,222	36,541,525
Total assets	<u>26,394,938</u>	<u>24,351,561</u>	<u>38,414,165</u>	<u>35,818,854</u>	<u>64,809,103</u>	<u>60,170,415</u>
Deferred Outflows of Resources	<u>1,065,372</u>	<u>1,296,877</u>	<u>195,930</u>	<u>240,058</u>	<u>1,261,302</u>	<u>1,536,935</u>
Liabilities:						
Current	1,746,605	860,092	1,316,844	1,258,636	3,063,449	2,118,728
Non-current	10,430,140	8,867,579	15,124,278	12,410,426	25,554,418	21,278,005
Total liabilities	<u>12,176,745</u>	<u>9,727,671</u>	<u>16,441,122</u>	<u>13,669,062</u>	<u>28,617,867</u>	<u>23,396,733</u>
Deferred Inflows of Resources:						
Prepaid taxes	5,431	10,031	-	-	5,431	10,031
Pension deferrals	293,759	200,307	48,336	37,098	342,095	237,405
Total deferred inflows of resources	<u>299,190</u>	<u>210,338</u>	<u>48,336</u>	<u>37,098</u>	<u>347,526</u>	<u>247,436</u>
Net Position:						
Net investment in capital assets	6,300,569	5,824,398	11,560,871	11,808,087	17,861,440	17,632,485
Restricted	2,801,196	2,637,811	-	-	2,801,196	2,637,811
Unrestricted	5,882,610	7,248,220	10,559,766	10,544,665	16,442,376	17,792,885
Total net position	<u>\$ 14,984,375</u>	<u>\$ 15,710,429</u>	<u>\$ 22,120,637</u>	<u>\$ 22,352,752</u>	<u>\$ 37,105,012</u>	<u>\$ 38,063,181</u>

An additional \$2,801,196 of the City's net position (7.55 percent compared to 6.93 percent for the prior fiscal year) represent resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position \$16,442,376 (44.31 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.

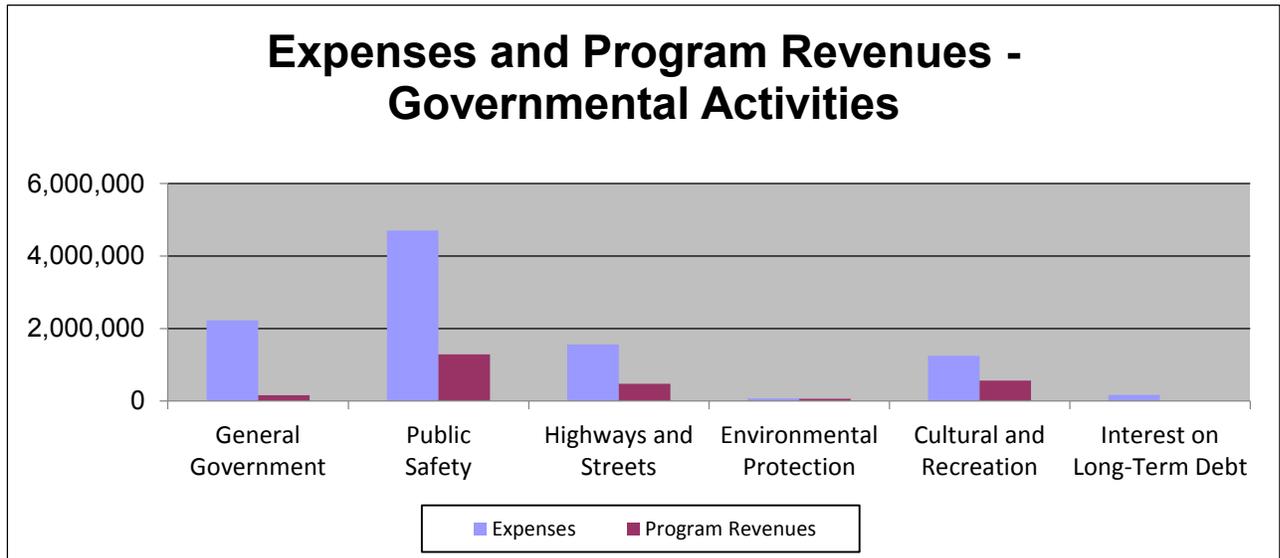
Governmental Activities. Governmental activities increased the City’s net position by \$1,262,164. The following factors caused the increase in governmental activities:

- The main reason for the increase was due to a \$685,804 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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,102,750	\$ 1,382,614	\$ 7,218,104	\$ 7,140,150	\$ 8,320,854	\$ 8,522,764
Operating grants and contributions	1,168,000	1,065,600	-	-	1,168,000	1,065,600
Capital grants and contributions	312,171	234,010	-	53,185	312,171	287,195
General revenues:						
Property taxes	5,105,262	5,082,534	-	-	5,105,262	5,082,534
Other taxes	3,727,747	3,655,538	-	-	3,727,747	3,655,538
Investment earnings	145,357	31,808	63,080	37,648	208,437	69,456
Total revenues	<u>11,561,287</u>	<u>11,452,104</u>	<u>7,281,184</u>	<u>7,230,983</u>	<u>18,842,471</u>	<u>18,683,087</u>
Expenses:						
General government	2,227,946	2,582,069	-	-	2,227,946	2,582,069
Public safety	4,703,051	5,069,121	-	-	4,703,051	5,069,121
Highways and streets	1,560,339	887,467	-	-	1,560,339	887,467
Environmental protection	71,520	12,468	-	-	71,520	12,468
Cultural and recreation	1,241,286	886,256	-	-	1,241,286	886,256
Interest on long-term debt	161,897	175,494	-	-	161,897	175,494
Water	-	-	2,146,243	2,079,724	2,146,243	2,079,724
Sewer	-	-	4,007,710	3,953,418	4,007,710	3,953,418
Solid waste	-	-	953,348	867,313	953,348	867,313
Tourist and Event Center	-	-	397,427	398,340	397,427	398,340
Total expenses	<u>9,966,039</u>	<u>9,612,875</u>	<u>7,504,728</u>	<u>7,298,795</u>	<u>17,470,767</u>	<u>16,911,670</u>
Change in net position before transfers	1,595,248	1,839,229	(223,544)	(67,812)	1,371,704	1,771,417
Transfers in (out)	<u>(333,084)</u>	<u>(222,662)</u>	<u>333,084</u>	<u>222,662</u>	<u>-</u>	<u>-</u>
Change in net position	<u>1,262,164</u>	<u>1,616,567</u>	<u>109,540</u>	<u>154,850</u>	<u>1,371,704</u>	<u>1,771,417</u>
Net position, July 1, as previously reported	15,710,429	14,253,314	22,352,752	22,197,902	38,063,181	36,451,216
Restatement	<u>(1,988,218)</u>	<u>(159,452)</u>	<u>(341,655)</u>	<u>-</u>	<u>(2,329,873)</u>	<u>(159,452)</u>
Net position, July 1, restated	<u>13,722,211</u>	<u>14,093,862</u>	<u>22,011,097</u>	<u>22,197,902</u>	<u>35,733,308</u>	<u>36,291,764</u>
Net position, June 30	<u>\$ 14,984,375</u>	<u>\$ 15,710,429</u>	<u>\$ 22,120,637</u>	<u>\$ 22,352,752</u>	<u>\$ 37,105,012</u>	<u>\$ 38,063,181</u>

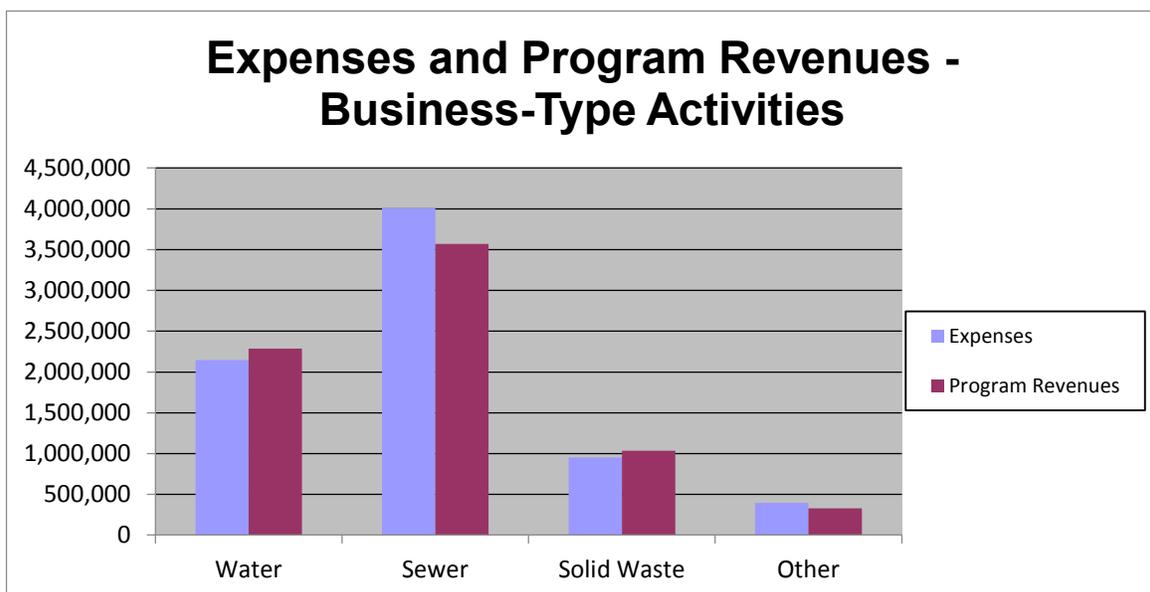
Property taxes increased in the current year by \$22,728.



Business-Type Activities. Business-type activities increased the City’s net position by \$109,540. In fiscal year 2016-2017, business-type activities increased the City’s net position by \$154,850.

Key elements of this increase are as follows:

- Water revenues decreased by \$25,175, a 1.09 percent decrease, compared to an increase of \$417,487 (.18 percent increase) in fiscal year 2016-2017. The decrease for the current fiscal year was a result of slightly higher rates. Sewer revenues decreased by \$38,342 or a 1.06 percent decrease. In comparison, there was an increase of \$164,641 (5.00 percent increase) for fiscal year 2016-2017. Solid waste revenues increased by \$60,246, or 6.17 percent, from the prior year due to increased operating costs. The Tourist and Event Center revenues increased by \$40,842, or 27.30 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 \$12,127,129, an increase of \$803,736. Approximately 64.90 percent of this total amount (\$7,870,598) 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 \$10,297,634. 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 99.27 percent of General Fund expenditures and transfers to other funds, while total fund balance represents 115.09 percent of the same amount. Unassigned fund balance of the General Fund was \$7,870,598 while total fund balance reached \$11,150,837. 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 \$173,196 at year-end; Sewer Fund net position decreased by \$419,028; Solid Waste Fund net position increased by \$91,903; and the Tourist and Event Center Fund net position increased by \$263,469 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 \$57,748. 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 \$1,049,540 over the year, ultimately actual expenditures were \$2,167,193 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:

- \$165,238 increase in planning for the development of Slocum Park
- \$153,807 increase in stormwater for stormwater system repairs
- \$30,000 increase in fire for pink-t shirt campaign
- \$232,000 increase in recreation for new recreation field
- \$400,000 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, 2018 amounts to \$39,134,222 (net of accumulated depreciation), which is an increase of \$2,592,697 over the 2016-2017. The investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, and streets. The total increase in the City’s investment in capital assets for the current year was 7.10 percent.

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

- Water system improvements (wells, lines and plant) of \$118,266
- Purchase of software and equipment telecommunications for \$125,813
- Sewer line rehabilitation of \$430,794
- Purchase of new vehicles and equipment for police and public service departments totaling \$509,150
- Development of new park and playground for \$392,604

City of Havelock’s Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 2,802,762	\$ 2,802,762	\$ 306,658	\$ 306,658	\$ 3,109,420	\$ 3,109,420
Construction in progress	409,852	65,143	358,911	175,807	768,763	240,950
Buildings	9,840,709	9,840,709	33,727,345	31,066,365	43,568,054	40,907,074
Other improvements	1,349,933	1,349,933	12,932,590	12,881,607	14,282,523	14,231,540
Equipment	4,040,765	3,740,213	1,306,331	1,278,174	5,347,096	5,018,387
Vehicles	4,270,200	4,196,533	1,203,921	970,310	5,474,121	5,166,843
Subtotal	22,714,221	21,995,293	49,835,756	46,678,921	72,549,977	68,674,214
Accumulated depreciation	(10,072,224)	(9,649,117)	(23,343,531)	(22,483,572)	(33,415,755)	(32,132,689)
Capital assets, net	<u>\$ 12,641,997</u>	<u>\$ 12,346,176</u>	<u>\$ 26,492,225</u>	<u>\$ 24,195,349</u>	<u>\$ 39,134,222</u>	<u>\$ 36,541,525</u>

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 \$21,272,782. 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	
	2018	2017	2018	2017	2018	2017
Notes payable	\$ 6,341,428	\$ 6,521,778	\$ 14,931,354	\$ 12,387,262	\$ 21,272,782	\$ 18,909,040

The City’s total debt increased during the current fiscal year by \$2,363,742 due to the City’s long term debt issuance in the current 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 \$47,900,000, 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 3.8 percent. This is lower than the national rate of 4.0 percent, and the state’s rate of 4.2 percent. Inflationary trends in the region compare favorable to national indices. All of these factors were considered in preparing the City’s budget for the 2019 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 maintaining the tax rate.

The water, sewer, and solid waste rates were increased by 2.1 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.

BASIC FINANCIAL SECTION

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CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 11,399,445	\$ 10,624,254	\$ 22,023,699
Intergovernmental receivables	584,570	-	584,570
Taxes receivable, net	50,634	-	50,634
Accounts receivable, net	1,368	913,367	914,735
Inventories	3,086	30,679	33,765
Prepaid items	11,544	-	11,544
Cash and cash equivalents, restricted	1,702,294	353,640	2,055,934
Total current assets	<u>13,752,941</u>	<u>11,921,940</u>	<u>25,674,881</u>
Non-current assets:			
Capital assets:			
Capital assets, non-depreciable	3,212,614	665,569	3,878,183
Capital assets, net	<u>9,429,383</u>	<u>25,826,656</u>	<u>35,256,039</u>
Total capital assets	<u>12,641,997</u>	<u>26,492,225</u>	<u>39,134,222</u>
Total assets	<u>26,394,938</u>	<u>38,414,165</u>	<u>64,809,103</u>
Deferred Outflows of Resources:			
Pension deferrals	843,829	153,731	997,560
OPEB deferrals	221,543	42,199	263,742
Total deferred outflows	<u>1,065,372</u>	<u>195,930</u>	<u>1,261,302</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	451,990	440,345	892,335
Prepaid fees	-	9,912	9,912
Unearned grant revenue	1,068,956	-	1,068,956
Current portion of long-term liabilities	225,659	512,947	738,606
Liabilities payable from restricted assets:			
Customer deposits	-	353,640	353,640
Total current liabilities	<u>1,746,605</u>	<u>1,316,844</u>	<u>3,063,449</u>
Long-term liabilities:			
Net pension liability - LGERS	1,109,915	211,413	1,321,328
Total pension liability - LEOSSA	353,995	-	353,995
Total OPEB liability	2,326,241	443,093	2,769,334
Due in more than one year	6,639,989	14,469,772	21,109,761
Total long-term liabilities	<u>10,430,140</u>	<u>15,124,278</u>	<u>25,554,418</u>
Total liabilities	<u>12,176,745</u>	<u>16,441,122</u>	<u>28,617,867</u>
Deferred Inflows of Resources:			
Prepaid taxes	5,431	-	5,431
OPEB deferrals	118,145	22,504	140,649
Pension deferrals	175,614	25,832	201,446
Total deferred inflows of resources	<u>299,190</u>	<u>48,336</u>	<u>347,526</u>
Net Position:			
Net investment in capital assets	6,300,569	11,560,871	17,861,440
Restricted for stabilization by state statute	1,011,783	-	1,011,783
Restricted for streets	633,338	-	633,338
Restricted for debt service	426,683	-	426,683
Restricted for culture and recreation	377,232	-	377,232
Restricted for general government	152,803	-	152,803
Restricted for public safety	199,357	-	199,357
Unrestricted	5,882,610	10,559,766	16,442,376
Total net position	<u>\$ 14,984,375</u>	<u>\$ 22,120,637</u>	<u>\$ 37,105,012</u>

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

CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 2,227,946	\$ 121,652	\$ 32,827	\$ 285
Public safety	4,703,051	743,297	544,442	-
Highways and streets	1,560,339	-	475,091	-
Environmental protection	71,520	6,815	-	99,000
Cultural and recreation	1,241,286	230,986	115,640	212,886
Interest on long-term debt	161,897	-	-	-
Total governmental activities	<u>9,966,039</u>	<u>1,102,750</u>	<u>1,168,000</u>	<u>312,171</u>
Business-Type Activities:				
Water Fund	2,146,243	2,286,237	-	-
Sewer Fund	4,007,710	3,567,731	-	-
Solid Waste Fund	953,348	1,036,324	-	-
Tourist and Event Center Fund	397,427	327,812	-	-
Total business-type activities	<u>7,504,728</u>	<u>7,218,104</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 17,470,767</u>	<u>\$ 8,320,854</u>	<u>\$ 1,168,000</u>	<u>\$ 312,171</u>

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

CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ (2,073,182)	\$ -	\$ (2,073,182)
Public safety	(3,415,312)	-	(3,415,312)
Highways and streets	(1,085,248)	-	(1,085,248)
Environmental protection	34,295	-	34,295
Cultural and recreation	(681,774)	-	(681,774)
Interest on long-term debt	(161,897)	-	(161,897)
Total governmental activities	<u>(7,383,118)</u>	<u>-</u>	<u>(7,383,118)</u>
Business-Type Activities:			
Water Fund	-	139,994	139,994
Sewer Fund	-	(439,979)	(439,979)
Solid Waste Fund	-	82,976	82,976
Tourist and Event Center Fund	-	(69,615)	(69,615)
Total business-type activities	<u>-</u>	<u>(286,624)</u>	<u>(286,624)</u>
Total primary government	<u>(7,383,118)</u>	<u>(286,624)</u>	<u>(7,669,742)</u>
General Revenues:			
Property tax	5,105,262	-	5,105,262
Sales tax	1,865,479	-	1,865,479
Franchise tax	1,168,166	-	1,168,166
Other taxes	694,102	-	694,102
Investment earnings	145,357	63,080	208,437
Total general revenues, excluding transfers	8,978,366	63,080	9,041,446
Transfers	<u>(333,084)</u>	<u>333,084</u>	<u>-</u>
Total general revenues and transfers	<u>8,645,282</u>	<u>396,164</u>	<u>9,041,446</u>
Change in net position	<u>1,262,164</u>	<u>109,540</u>	<u>1,371,704</u>
Net Position:			
Beginning of year - July 1 previously reported	15,710,429	22,352,752	38,063,181
Restatement	<u>(1,988,218)</u>	<u>(341,655)</u>	<u>(2,329,873)</u>
Beginning of year - July 1	<u>13,722,211</u>	<u>22,011,097</u>	<u>35,733,308</u>
End of year - June 30	<u>\$ 14,984,375</u>	<u>\$ 22,120,637</u>	<u>\$ 37,105,012</u>

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

CITY OF HAVELOCK, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	EPA Brownsfield Capital Project Fund	Nonmajor Governmental Funds	Total
Assets:				
Cash and cash equivalents	\$ 10,576,048	\$ -	\$ 823,397	\$ 11,399,445
Intergovernmental receivables	362,559	-	222,011	584,570
Taxes receivable, net	50,634	-	-	50,634
Accounts receivable, net	1,368	-	-	1,368
Inventories	3,086	-	-	3,086
Prepaid items	11,544	-	-	11,544
Restricted cash and cash equivalents	633,338	1,000,000	68,956	1,702,294
Total assets	<u>\$ 11,638,577</u>	<u>\$ 1,000,000</u>	<u>\$ 1,114,364</u>	<u>\$ 13,752,941</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 431,675	\$ -	\$ 20,315	\$ 451,990
Unearned grant revenue	-	1,000,000	68,956	1,068,956
Total liabilities	<u>431,675</u>	<u>1,000,000</u>	<u>89,271</u>	<u>1,520,946</u>
Deferred Inflows of Resources:				
Unavailable taxes	50,634	-	-	50,634
Grant receivable	-	-	48,801	48,801
Prepaid taxes	5,431	-	-	5,431
Total deferred inflows of resources	<u>56,065</u>	<u>-</u>	<u>48,801</u>	<u>104,866</u>
Fund Balances:				
Non-spendable:				
Prepays	11,544	-	-	11,544
Inventories	3,086	-	-	3,086
Restricted:				
Stabilization by state statute	838,573	-	173,210	1,011,783
Restricted, other	1,060,021	-	729,392	1,789,413
Committed:				
Committed for public safety	-	-	73,690	73,690
Assigned:				
Assigned, other	1,367,015	-	-	1,367,015
Unassigned	7,870,598	-	-	7,870,598
Total fund balances	<u>11,150,837</u>	<u>-</u>	<u>976,292</u>	<u>12,127,129</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,638,577</u>	<u>\$ 1,000,000</u>	<u>\$ 1,114,364</u>	

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

Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	12,641,997
Long-term liabilities, interest payable, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(6,865,648)
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.	99,435
Deferred outflows of resources related to pensions are not reported in the funds.	843,829
Deferred outflows of resources related to OPEB are not reported in the funds.	221,543
Total pension liability - LEOSSA	(353,995)
Net pension liability - LGERS	(1,109,915)
Total OPEB liability	(2,326,241)
Deferred inflows of resources related to pensions are not reported in the funds.	(175,614)
Deferred inflows of resources related to OPEB are not reported in the funds.	(118,145)
Net position of governmental activities per Exhibit A	<u>\$ 14,984,375</u>

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

CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	EPA Brownsfield Capital Project Fund	Nonmajor Governmental Funds	Total
Revenues:				
Taxes	\$ 5,085,595	\$ -	\$ -	\$ 5,085,595
Unrestricted intergovernmental	3,727,747	-	-	3,727,747
Restricted intergovernmental	668,156	-	427,541	1,095,697
Licenses and permits	71,360	-	-	71,360
Sales and services	1,226,012	-	-	1,226,012
Investment earnings	139,287	-	6,070	145,357
Miscellaneous	141,051	-	-	141,051
Total revenues	<u>11,059,208</u>	<u>-</u>	<u>433,611</u>	<u>11,492,819</u>
Expenditures:				
Current:				
General government	2,430,966	-	-	2,430,966
Public safety	4,342,177	-	209,549	4,551,726
Highways and streets	1,780,635	-	-	1,780,635
Sanitation	18,871	-	-	18,871
Environmental protection	-	2,450	50,199	52,649
Cultural and recreation	777,974	-	400,931	1,178,905
Debt service:				
Principal	180,350	-	-	180,350
Interest	161,897	-	-	161,897
Total expenditures	<u>9,692,870</u>	<u>2,450</u>	<u>660,679</u>	<u>10,355,999</u>
Revenues over (under) expenditures	<u>1,366,338</u>	<u>(2,450)</u>	<u>(227,068)</u>	<u>1,136,820</u>
Other Financing Sources (Uses):				
Transfers in	-	2,450	345,000	347,450
Transfers out	<u>(680,534)</u>	<u>-</u>	<u>-</u>	<u>(680,534)</u>
Total other financing sources (uses)	<u>(680,534)</u>	<u>2,450</u>	<u>345,000</u>	<u>(333,084)</u>
Net change in fund balances	685,804	-	117,932	803,736
Fund Balances:				
Beginning of year - July 1	<u>10,465,033</u>	<u>-</u>	<u>858,360</u>	<u>11,323,393</u>
End of year - June 30	<u>\$ 11,150,837</u>	<u>\$ -</u>	<u>\$ 976,292</u>	<u>\$ 12,127,129</u>

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

CITY OF HAVELOCK, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

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)	\$ 803,736
<p>Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:</p>	
Property taxes and business licenses	68,468
Pension expense	(10,500)
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.	(75,711)
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.	925,249
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(629,428)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	<u>180,350</u>
Change in net position of governmental activities per Exhibit B	<u>\$ 1,262,164</u>

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

CITY OF HAVELOCK, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 5,040,128	\$ 5,040,128	\$ 5,085,595	\$ 45,467
Unrestricted intergovernmental	3,761,714	3,761,713	3,727,747	(33,966)
Restricted intergovernmental	600,915	600,915	668,156	67,241
Licenses and permits	72,532	72,532	71,360	(1,172)
Sales and services	1,111,620	1,152,720	1,226,012	73,292
Investment earnings	26,018	26,018	139,287	113,269
Miscellaneous	101,725	118,374	141,051	22,677
Total revenues	<u>10,714,652</u>	<u>10,772,400</u>	<u>11,059,208</u>	<u>286,808</u>
Expenditures:				
Current:				
General government	2,878,461	3,017,312	2,430,966	586,346
Public safety	5,135,343	5,149,408	4,342,177	807,231
Highways and streets	1,606,649	2,446,797	1,780,635	666,162
Sanitation	30,000	30,000	18,871	11,129
Cultural and recreation	810,389	866,865	777,974	88,891
Debt service:				
Principal	180,350	180,350	180,350	-
Interest	169,331	169,331	161,897	7,434
Total expenditures	<u>10,810,523</u>	<u>11,860,063</u>	<u>9,692,870</u>	<u>2,167,193</u>
Revenues over (under) expenditures	<u>(95,871)</u>	<u>(1,087,663)</u>	<u>1,366,338</u>	<u>2,454,001</u>
Other Financing Sources (Uses):				
Appropriated fund balance	409,700	1,801,181	-	(1,801,181)
Transfers out	(313,829)	(713,518)	(680,534)	32,984
Total other financing sources (uses)	<u>95,871</u>	<u>1,087,663</u>	<u>(680,534)</u>	<u>(1,768,197)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	685,804	<u>\$ 685,804</u>
Fund Balance:				
Beginning of year - July 1			<u>10,465,033</u>	
End of year - June 30			<u>\$ 11,150,837</u>	

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

CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Enterprise Funds				Total
	Water Fund	Sewer Fund	Solid Waste Fund	Tourist and Event Center Fund	
Assets:					
Current assets:					
Cash and cash equivalents	\$ 2,984,488	\$ 6,013,507	\$ 1,082,620	\$ 543,639	\$ 10,624,254
Accounts receivable, net	361,691	522,008	13,271	16,397	913,367
Inventories	15,076	10,545	-	5,058	30,679
Cash and cash equivalents, restricted	179,685	173,955	-	-	353,640
Total current assets	3,540,940	6,720,015	1,095,891	565,094	11,921,940
Capital assets:					
Capital assets, non-depreciable	297,847	367,722	-	-	665,569
Capital assets, net	7,947,920	16,378,318	48,534	1,451,884	25,826,656
Total capital assets	8,245,767	16,746,040	48,534	1,451,884	26,492,225
Total assets	11,786,707	23,466,055	1,144,425	2,016,978	38,414,165
Deferred Outflows of Resources:					
Pension deferrals	67,269	57,642	9,606	19,214	153,731
OPEB deferrals	18,462	15,825	2,637	5,275	42,199
Total deferred outflows	85,731	73,467	12,243	24,489	195,930
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	39,048	389,131	5,832	6,334	440,345
Prepaid fees	-	-	-	9,912	9,912
Compensated absences payable	3,339	503	491	411	4,744
Current portion of long-term debt	260,874	247,329	-	-	508,203
Liabilities payable from restricted assets:					
Customer deposits	179,685	173,955	-	-	353,640
Total current liabilities	482,946	810,918	6,323	16,657	1,316,844
Non-current liabilities:					
Compensated absences payable	33,557	6,229	2,682	4,153	46,621
Other long-term debt	3,433,460	10,989,691	-	-	14,423,151
Total OPEB liability	193,853	166,160	27,694	55,386	443,093
Net pension liability - LGERS	92,493	79,280	13,213	26,427	211,413
Total non-current liabilities	3,753,363	11,241,360	43,589	85,966	15,124,278
Total liabilities	4,236,309	12,052,278	49,912	102,623	16,441,122
Deferred Inflows of Resources:					
OPEB deferrals	9,845	8,439	1,406	2,814	22,504
Pension deferrals	11,301	9,687	1,615	3,229	25,832
Total deferred inflows	21,146	18,126	3,021	6,043	48,336
Net Position:					
Net investment in capital assets	4,551,433	5,509,020	48,534	1,451,884	11,560,871
Unrestricted	3,063,550	5,960,098	1,055,201	480,917	10,559,766
Total net position	\$ 7,614,983	\$ 11,469,118	\$ 1,103,735	\$ 1,932,801	\$ 22,120,637

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, 2018

	Enterprise Funds				Total
	Water Fund	Sewer Fund	Solid Waste Fund	Tourist and Event Center Fund	
Operating Revenues:					
Charges for sales and services	\$ 2,227,884	\$ 3,481,614	\$ 1,036,324	\$ 146,285	\$ 6,892,107
Miscellaneous revenue	58,353	86,117	-	44,144	188,614
Total operating revenues	<u>2,286,237</u>	<u>3,567,731</u>	<u>1,036,324</u>	<u>190,429</u>	<u>7,080,721</u>
Operating Expenses:					
Cost of sales and services:					
Salaries and benefits	520,605	533,898	246,203	143,077	1,443,783
Supplies, maintenance, and administration	1,333,763	2,456,949	704,778	192,759	4,688,249
Depreciation	265,990	613,580	2,367	61,591	943,528
Total operating expenses	<u>2,120,358</u>	<u>3,604,427</u>	<u>953,348</u>	<u>397,427</u>	<u>7,075,560</u>
Operating income (loss)	<u>165,879</u>	<u>(36,696)</u>	<u>82,976</u>	<u>(206,998)</u>	<u>5,161</u>
Non-Operating Revenues (Expenses):					
Interest income	33,202	20,951	8,927	-	63,080
Restricted intergovernmental revenues	-	-	-	137,383	137,383
Interest expense and fiscal charges	(25,885)	(403,283)	-	-	(429,168)
Total non-operating revenues (expenses)	<u>7,317</u>	<u>(382,332)</u>	<u>8,927</u>	<u>137,383</u>	<u>(228,705)</u>
Income (loss) before transfers	173,196	(419,028)	91,903	(69,615)	(223,544)
Transfers in (out)	-	-	-	333,084	333,084
Change in net position	<u>173,196</u>	<u>(419,028)</u>	<u>91,903</u>	<u>263,469</u>	<u>109,540</u>
Net Position:					
Beginning of year - July 1	7,604,458	12,021,712	1,013,660	1,712,922	22,352,752
Restatement	(162,671)	(133,566)	(1,828)	(43,590)	(341,655)
Beginning of year - July 1 restated	<u>7,441,787</u>	<u>11,888,146</u>	<u>1,011,832</u>	<u>1,669,332</u>	<u>22,011,097</u>
End of year - June 30	<u>\$ 7,614,983</u>	<u>\$ 11,469,118</u>	<u>\$ 1,103,735</u>	<u>\$ 1,932,801</u>	<u>\$ 22,120,637</u>

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

CITY OF HAVELOCK, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Enterprise Funds				Total
	Water Fund	Sewer Fund	Solid Waste Fund	Tourist and Event Center Fund	
Cash Flows from Operating Activities:					
Cash received from customers	\$ 2,245,643	\$ 3,558,198	\$ 1,041,672	\$ 178,931	\$ 7,024,444
Cash paid for goods and services	(1,608,747)	(2,254,332)	(703,495)	(196,067)	(4,762,641)
Cash paid to employees	(496,714)	(514,705)	(245,935)	(141,065)	(1,398,419)
Net cash provided (used) by operating activities	<u>140,182</u>	<u>789,161</u>	<u>92,242</u>	<u>(158,201)</u>	<u>863,384</u>
Cash Flows from Non-Capital Financing Activities:					
Occupancy tax received	-	-	-	137,383	137,383
Transfer in (out)	-	-	-	333,084	333,084
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>470,467</u>	<u>470,467</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(2,490,726)	(722,687)	-	(26,991)	(3,240,404)
Proceeds from issuance of notes payable	2,921,256	-	-	-	2,921,256
Principal paid on long-term debt	(128,846)	(248,318)	-	-	(377,164)
Interest paid on long-term debt	(25,885)	(403,283)	-	-	(429,168)
Net cash provided (used) for capital and related financing activities	<u>275,799</u>	<u>(1,374,288)</u>	<u>-</u>	<u>(26,991)</u>	<u>(1,125,480)</u>
Cash Flows from Investing Activities:					
Interest received from investments	<u>33,202</u>	<u>20,951</u>	<u>8,927</u>	<u>-</u>	<u>63,080</u>
Net increase (decrease) in cash and cash equivalents	449,183	(564,176)	101,169	285,275	271,451
Cash and Cash Equivalents:					
Beginning of year - July 1	<u>2,714,990</u>	<u>6,751,638</u>	<u>981,451</u>	<u>258,364</u>	<u>10,706,443</u>
End of year - June 30	<u>\$ 3,164,173</u>	<u>\$ 6,187,462</u>	<u>\$ 1,082,620</u>	<u>\$ 543,639</u>	<u>\$ 10,977,894</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 165,879	\$ (36,696)	\$ 82,976	\$ (206,998)	\$ 5,161
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	265,990	613,580	2,367	61,591	943,528
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(44,787)	(39,147)	4,443	5,197	(74,294)
(Increase) decrease in deferred outflows of resources - OPEB	(18,462)	(15,825)	(2,637)	(5,275)	(42,199)
Increase (decrease) in deferred inflows of resources - OPEB	9,845	8,439	1,406	2,814	22,504
Increase (decrease) in OPEB liability	14,075	12,065	2,011	4,020	32,171
(Increase) decrease in inventories	(1,404)	(5,516)	-	(1,324)	(8,244)
(Increase) decrease deferred outflows - pension	37,778	32,381	5,397	10,794	86,350
Increase (decrease) in net pension liability	(31,973)	-	(4,568)	(9,135)	(45,676)
Increase (decrease) deferred inflows - pension	(4,950)	(4,226)	(704)	(1,409)	(11,289)
Increase (decrease) in trade accounts payable and accrued liabilities	(249,689)	227,326	1,551	(1,532)	(22,344)
Increase (decrease) in prepaid fees	(2,120)	(3,220)	-	(16,944)	(22,284)
Net cash provided (used) by operating activities	<u>\$ 140,182</u>	<u>\$ 789,161</u>	<u>\$ 92,242</u>	<u>\$ (158,201)</u>	<u>\$ 863,384</u>

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

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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.

EPA Brownsfield Capital Project Fund. This fund is used to account for expenditures related to remediation requested by the EPA.

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.

McCotter Capital Project Fund. This fund is used to account for expenditures related to McCotter road related capital expenditures.

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.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

E. Basis of Presentation - Fund Accounting

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

Governmental Funds

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

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 several 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), the Lewis Farm PARTF Capital Project Fund (nonmajor), the McCotter Capital Project Fund (nonmajor), and the EPA Brownsfield Capital Project Fund (major).

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, 2018.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 \$474,646 in encumbrances in the General Fund 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, an SEC-registered (2a-7) government money market fund, 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.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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. Grant revenue received before the earning process is complete is restricted for the intended purpose of the grant until the requirements of the grant are met. 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, 2018, 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, 2018, 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 \$ 633,338

EPA Brownsfield Capital Project Fund:

Environmental Protection - Unearned grant revenue 1,000,000

Nonmajor Governmental Funds:

McCotter Capital Project Fund

Environmental Protection - Unearned grant revenue 68,956

Total governmental activities 1,702,294

Business-Type Activities:

Water Fund:

Customer deposits 179,685

Sewer Fund:

Customer deposits 173,955

Total business-type activities 353,640

Total restricted cash \$ 2,055,934

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, 2017. Ad valorem taxes receivable are not accrued as revenue because the amount is not considered "available". At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the subsequent year. An amount equal to the receivable is shown as deferred inflow of resources on the combined balance sheet.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
Ad valorem receivables	\$ 123,500	\$ -
Water Fund receivables	-	10,701
Sewer Fund receivables	-	17,100
Solid Waste Fund receivables	-	4,879
Total	<u>\$ 123,500</u>	<u>\$ 32,680</u>

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.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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

N. Compensated Absences

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

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

O. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of 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 items that meet this criteria, OPEB deferrals 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 several items that meet the criteria for this category – prepaid taxes, grant receivable, unavailable taxes, pension deferrals and OPEB deferrals.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018 is \$3,086.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Prepays – 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, 2018 is \$11,544.

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
<i>Restricted for Stabilization by State Statute</i> – portion of fund balance that is restricted by state statute [G.S. 159-8(a)]	\$ 838,573	\$ 173,210
<i>Restricted for Streets - Powell Bill</i> – portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total expended Powell Bill funds.	633,338	-
<i>Restricted for Debt Service</i> - portion of fund balance that is restricted for debt service	426,683	-
<i>Restricted for Culture and Recreation</i> – portion of fund balance that is restricted by revenue source for PARTF grant expenditures	-	377,232
<i>Restricted for General Government</i> – portion of fund balance that is restricted by revenue source for expenditures related to additions and construction of the new city hall building	-	152,803
<i>Restricted for Public Safety</i> – portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures	-	199,357
Total restricted fund balance	\$ 1,898,594	\$ 902,602

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

90,792

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.

1,015,060

Total assigned fund balance

\$ 1,367,015

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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	\$ 11,150,837
Less:	
Non-spendable	(14,630)
Stabilization by state statute	<u>(838,573)</u>
Available for appropriation	<u>\$ 10,297,634</u>

The City has not officially adopted a fund balance policy.

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

	General
	Fund
Encumbrances	<u>\$ 474,646</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018, the City's deposits had a carrying amount of \$6,187,914 and a bank balance of \$6,571,625, of which \$250,000 was covered by federal depository insurance and \$6,321,625 was covered by collateral held by the State Treasurer under the Pooling Method.

At June 30, 2018, the City had \$6,898 cash on hand.

B. Investments

At June 30, 2018, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2018</u>	<u>Maturity</u>	<u>Rating</u>
US Government Agencies	Fair Value Level 2	2,955,160	Less than 3 years	AA+
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$ 10,806,137	N/A	AAA
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	4,123,524	Less than 1 year	Unrated
Total investments		<u>\$ 17,884,821</u>		

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.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018.

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:

	<u>Balance</u>					<u>Balance</u>
	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>		<u>June 30, 2018</u>
Governmental Activities:						
By Type:						
Non-Depreciable Capital Assets:						
Land	\$ 2,802,762	\$ -	\$ -	\$ -		\$ 2,802,762
Construction in progress	65,143	344,709	-	-		409,852
Total non-depreciable capital assets	<u>2,867,905</u>	<u>344,709</u>	<u>-</u>	<u>-</u>		<u>3,212,614</u>
Depreciable Capital Assets:						
Buildings	9,840,709	-	-	-		9,840,709
Other improvements	1,349,933	-	-	-		1,349,933
Equipment	3,740,213	349,462	(48,910)	-		4,040,765
Vehicles	4,196,533	231,078	(157,411)	-		4,270,200
Total depreciable capital assets	<u>19,127,388</u>	<u>580,540</u>	<u>(206,321)</u>	<u>-</u>		<u>19,501,607</u>
Less Accumulated Depreciation:						
Buildings	2,412,299	232,871	-	-		2,645,170
Other improvements	774,206	40,442	-	-		814,648
Equipment	2,854,103	191,680	(48,910)	-		2,996,873
Vehicles	3,608,509	164,435	(157,411)	-		3,615,533
Total accumulated depreciation	<u>9,649,117</u>	<u>\$ 629,428</u>	<u>\$ (206,321)</u>	<u>\$ -</u>		<u>10,072,224</u>
Capital assets, net	<u>\$ 12,346,176</u>					<u>\$ 12,641,997</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Governmental Activities:

General government	\$	120,300
Public safety		351,291
Highways and streets		67,600
Cultural and recreation		90,237
Total	\$	<u>629,428</u>

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

	Water Fund				Balance June 30, 2018
	Balance July 1, 2017	Additions	Retirements	Transfers	
Business-Type Activities:					
By Type:					
Non-Depreciable Capital Assets:					
Land	\$ 297,847	\$ -	\$ -	\$ -	\$ 297,847
Construction in progress	175,807	-	-	(175,807)	-
Total non-depreciable capital assets	<u>473,654</u>	<u>-</u>	<u>-</u>	<u>(175,807)</u>	<u>297,847</u>
Depreciable Capital Assets:					
Plants	9,405,671	2,426,915	-	175,807	12,008,393
Water lines	2,304,418	-	-	-	2,304,418
Equipment	463,092	63,811	(30,730)	-	496,173
Vehicles	236,462	-	-	-	236,462
Total depreciable capital assets	<u>12,409,643</u>	<u>2,490,726</u>	<u>(30,730)</u>	<u>175,807</u>	<u>15,045,446</u>
Less Accumulated Depreciation:					
Plants	4,301,598	190,959	-	-	4,492,557
Water lines	2,015,243	21,283	-	-	2,036,526
Equipment	387,470	32,660	(30,730)	-	389,400
Vehicles	157,955	21,088	-	-	179,043
Total accumulated depreciation	<u>6,862,266</u>	<u>\$ 265,990</u>	<u>\$ (30,730)</u>	<u>\$ -</u>	<u>7,097,526</u>
Capital assets, net	<u>\$ 6,021,031</u>				<u>\$ 8,245,767</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	Sewer Fund				
	Balance				Balance
	July 1, 2017	Additions	Retirements	Transfers	June 30, 2018
By Type:					
Non-Depreciable Capital Assets:					
Land	\$ 8,811	\$ -	\$ -	\$ -	\$ 8,811
Construction in progress	-	358,911	-	-	358,911
Total non-depreciable capital assets	8,811	358,911	-	-	367,722
Depreciable Capital Assets:					
Plants	19,252,925	61,900	(30,633)	-	19,284,192
Sewer lines	10,577,189	50,983	-	-	10,628,172
Equipment	815,082	-	(4,924)	-	810,158
Vehicles	386,552	250,893	(17,282)	-	620,163
Total depreciable capital assets	31,031,748	363,776	(52,839)	-	31,342,685
Less Accumulated Depreciation:					
Plants	7,153,573	292,160	(30,633)	-	7,415,100
Sewer lines	6,441,295	230,014	-	-	6,671,309
Equipment	480,840	58,072	(4,924)	-	533,988
Vehicles	327,918	33,334	(17,282)	-	343,970
Total accumulated depreciation	14,403,626	\$ 613,580	\$ (52,839)	\$ -	14,964,367
Capital assets, net	\$ 16,636,933				\$ 16,746,040

	Solid Waste Fund			
	Balance			Balance
	July 1, 2017	Additions	Retirements	June 30, 2018
Vehicles	\$ 347,296	\$ -	\$ -	\$ 347,296
Less: Accumulated depreciation	296,395	2,367	-	298,762
Capital assets, net	\$ 50,901	\$ 2,367	\$ -	\$ 48,534

	Tourist and Event Center Fund			
	Balance			Balance
	July 1, 2017	Additions	Retirements	June 30, 2018
Buildings	\$ 2,407,769	\$ 26,991	\$ -	\$ 2,434,760
Less: Accumulated depreciation	921,285	61,591	-	982,876
Capital assets, net	\$ 1,486,484	\$ 88,582	\$ -	\$ 1,451,884

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

4. Pension Plan Obligations

A. Local Governmental Employees' Retirement System

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

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

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

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018, was 8.25% of compensation for law enforcement officers and 7.50% 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 \$375,048 for the year ended June 30, 2018.

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, 2018, the City reported a liability of \$1,321,328 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the City's proportion was 0.08649%, which was an increase of 0.003% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$387,549. At June 30, 2018, 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	\$ 76,143	\$ 37,403
Changes of assumptions	188,704	-
Net difference between projected and actual earnings on pension plan investments	320,820	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	124,043
City contributions subsequent to the measurement date	<u>375,048</u>	<u>-</u>
Total	<u>\$ 960,715</u>	<u>\$ 161,446</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

\$375,048 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2019. 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
2019	\$ 9,095
2020	344,752
2021	171,998
2022	(101,624)
2023	-
Total	<u>\$ 424,221</u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 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	7.20 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, 2016 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

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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, 2017 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	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 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 7.20%. 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.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability (asset)	\$ 3,966,655	\$ 1,321,328	\$ (886,686)

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, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Active plan members	24
Total	29

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 criteria which are outlined in GASB Statement 73.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Actuarial Assumptions. The entry age normal actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Projected salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010- December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

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 \$56,865 as benefits came due for the reporting period.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 \$353,995. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the City recognized pension expense of \$31,415.

	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 35,640
Changes of assumptions	18,217	4,360
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	<u>18,628</u>	<u>-</u>
Total	<u>\$ 36,845</u>	<u>\$ 40,000</u>

\$18,628 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2019	\$ (5,334)
2020	(5,334)
2021	(5,334)
2022	(4,954)
2023	<u>(827)</u>
Total	<u>\$ (21,783)</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 3.16 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 (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 380,779	\$ 353,995	\$ 330,012

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

Beginning balance	\$	395,683
Service cost		22,573
Interest		14,176
Difference between expected and actual experience		(44,126)
Changes of assumptions and other inputs		22,554
Benefit payments		(56,865)
Net change in total pension liability		(41,688)
Ending balance of total pension liability	\$	353,995

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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 387,549	\$ 31,415	\$ 418,964
Pension liability	1,321,328	353,995	1,675,323
Proportionate share of the net pension liability	0.08649%	n/a	-

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 76,143	\$ -	\$ 76,143
Changes of assumptions	188,704	18,217	206,921
Net difference between projected and actual earnings on plan investments	320,820	-	320,820
Benefit payments and administrative costs paid subsequent to the measurement date	<u>375,048</u>	<u>18,628</u>	<u>393,676</u>
Total deferred outflows of resources	<u>\$ 960,715</u>	<u>\$ 36,845</u>	<u>\$ 997,560</u>

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ 37,403	\$ 35,640	\$ 73,043
Changes of assumptions	-	4,360	4,360
Changes in proportion and differences between contributions and proportionate share of contributions	<u>124,043</u>	<u>-</u>	<u>124,043</u>
Total deferred inflows of resources	<u>\$ 161,446</u>	<u>\$ 40,000</u>	<u>\$ 201,446</u>

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.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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. The City made contributions of \$53,882 for the reporting year. No amounts were forfeited.

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. The City made contributions of \$192,431 for the reporting year. No amounts were forfeited.

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). The City board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. 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.

<u>Retirement Condition</u>	<u>Minimum Age at Retirement</u>	<u>Years of Service with City at Retirement</u>	<u>Years of Service with NCLGERS at Retirement</u>	<u>City Contribution</u>
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%

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Membership of the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation.

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	10	-
Terminated plan members entitled to, but not yet receiving benefits	-	-
Active plan members	88	29
Total	98	29

Total OPEB Liability

The City's total OPEB liability of \$2,769,334 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.00 percent
Salary increases, including wage inflation	
General employees and firefighters	3.50 - 7.75 percent
Law enforcement officers	3.50 - 7.35 percent
Discount rate	3.56 percent
Healthcare cost trend rates	
Pre-Medicare	7.75 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2023
Medicare	5.75 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2019

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

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2017	\$ 2,754,109
Changes for the year	
Service cost	199,246
Interest	80,122
Differences between expected and actual experience	80,251
Changes in assumptions or other inputs	(158,543)
Benefit payments	(185,851)
Net changes	15,225
Balance at June 30, 2018	\$ 2,769,334

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	\$ 3,065,344	\$ 2,769,334	\$ 2,506,242

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

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$ 2,423,159	\$ 2,769,334	\$ 3,188,353

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$270,532. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 71,193	\$ -
Changes of assumptions	-	140,649
City benefit payments and plan administrative expense made subsequent to the measurement date	<u>192,549</u>	<u>-</u>
Total	<u>\$ 263,742</u>	<u>\$ 140,649</u>

\$192,549 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2019	\$ (8,836)
2020	(8,836)
2021	(8,836)
2022	(8,836)
2023	(8,836)
Thereafter	<u>(25,276)</u>
Total	<u>\$ (69,456)</u>

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

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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	\$ 375,048
Benefit payments made for LEOSA subsequent to measurement date	18,628
Differences between expected and actual experience	76,143
Differences between expected and actual experience - OPEB	71,193
Changes of assumptions	206,921
Net difference between projected and actual earnings on pension plan investments	320,820
Benefit payments for OPEB subsequent to measurement date	192,549
Total	\$ 1,261,302

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

	Statement of Net Position	General Fund Balance Sheet	Nonmajor Governmental Funds Balance Sheet
Deferred Inflows:			
Taxes receivable (GF)	\$ -	\$ 50,634	\$ -
Grant receivable	-	-	48,801
Prepaid taxes	5,431	5,431	-
Differences between expected and actual experience	73,043	-	-
Change in assumptions - OPEB	140,649	-	-
Change in assumptions - pensions	4,360	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions - pensions	124,043	-	-
Total	\$ 347,526	\$ 56,065	\$ 48,801

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

7. Net Investment in Capital Assets

Net investment in capital assets, at June 30, 2018 is computed as follows:

	Governmental Activities	Business-Type Activities
Capital assets, net of accumulated depreciation	\$ 12,641,997	\$ 26,492,225
Less capital debt	(6,341,428)	(14,931,354)
Net investment in capital assets	\$ 6,300,569	\$ 11,560,871

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	\$ 2,575,203
\$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	639,331
\$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	509,990
\$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	1,596,201
\$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	499,213
\$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	521,490
Total governmental activities installment loans payable	\$ 6,341,428

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

The future minimum payments of the governmental activities long-term debt installment loans as of June 30, 2018 are as follows:

Year Ending June 30	Principal	Interest	Total
2019	\$ 183,531	\$ 243,152	\$ 426,683
2020	194,247	235,816	430,063
2021	201,874	228,189	430,063
2022	209,802	220,261	430,063
2023	218,046	212,017	430,063
2024-2028	1,225,762	924,553	2,150,315
2029-2033	1,310,141	670,883	1,981,024
2034-2038	1,371,083	414,251	1,785,334
2039-2043	1,070,879	154,221	1,225,100
2044-2048	271,115	29,093	300,208
2049-2052	84,948	5,905	90,853
Total	<u>\$ 6,341,428</u>	<u>\$ 3,338,341</u>	<u>\$ 9,679,769</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 \$ 773,078

\$3,160,000 DEQ State Revolving Loan issued July 2017, interest at 1.63%, payable in annual principal installments of \$158,000, and semi-annual interest payments at 1.63% interest, through 2038; secured by plant and equipment 2,921,256

Total Water Fund 3,694,334

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 8,145,000

\$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 438,360

\$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 2,653,660

Total Sewer Fund 11,237,020

Total business-type activities long-term debt \$ 14,931,354

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

The future minimum payments of the business-type activities long-term debt installment loans payable as of June 30, 2018 are as follows:

Serviced by Water Fund:

Year Ending June 30	Principal	Interest	Total
2019	\$ 260,874	\$ 62,244	\$ 323,118
2020	255,126	64,295	319,421
2021	257,200	58,524	315,724
2022	259,308	52,718	312,026
2023	261,450	46,877	308,327
2024-2028	825,261	167,716	992,977
2029-2033	755,504	104,925	860,429
2034-2028	819,611	40,819	860,430
Total	<u>\$ 3,694,334</u>	<u>\$ 598,118</u>	<u>\$ 4,292,452</u>

Serviced by Sewer Fund:

Year Ending June 30	Principal	Interest	Total
2019	\$ 247,329	\$ 385,223	\$ 632,552
2020	257,095	375,494	632,589
2021	263,090	365,638	628,728
2022	270,176	355,876	626,052
2023	276,358	345,501	621,859
2024-2028	1,050,840	1,592,606	2,643,446
2029-2033	1,257,562	1,371,510	2,629,072
2034-2038	1,502,344	1,127,175	2,629,519
2039-2043	1,796,731	855,931	2,652,662
2044-2048	2,235,495	553,129	2,788,624
2049-2053	1,706,000	230,619	1,936,619
2054	374,000	12,155	386,155
Total	<u>\$ 11,237,020</u>	<u>\$ 7,570,857</u>	<u>\$ 18,807,877</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Current</u> <u>Portion</u>
By Type of Debt:					
Installment loans	\$ 6,521,778	\$ -	\$ (180,350)	\$ 6,341,428	\$ 183,531
Total pension liability (LEO)	395,683	-	(41,688)	353,995	-
Net pension liability (LGERS)	1,493,597	-	(383,682)	1,109,915	-
Total OPEB liability	2,313,452	168,904	(156,115)	2,326,241	-
IBNR	85,220	1,072,028	(1,067,903)	89,345	-
Compensated absences	421,280	22,265	(8,670)	434,875	42,128
Total	<u>\$ 11,231,010</u>	<u>\$ 1,263,197</u>	<u>\$ (1,838,408)</u>	<u>\$ 10,655,799</u>	<u>\$ 225,659</u>

The General Fund provides the resources for the retirement of compensated absences payable, liability for claims and judgments, other post-employment benefits, and the pension obligations. 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, 2018 amounts to approximately \$47,900,000.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Serviced by Water Fund:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Current</u> <u>Portion</u>
Installment loans	\$ 901,924	\$ 2,921,256	\$ (128,846)	\$ 3,694,334	\$ 260,874
Net pension liability (LGERS)	124,466	-	(31,973)	92,493	-
Total OPEB Liability	192,788	14,075	(13,010)	193,853	-
Compensated absences	33,394	9,510	(6,008)	36,896	3,339
Total	<u>\$ 1,252,572</u>	<u>\$ 2,944,841</u>	<u>\$ (179,837)</u>	<u>\$ 4,017,576</u>	<u>\$ 264,213</u>

Serviced by Sewer Fund:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Current</u> <u>Portion</u>
Installment loans	\$ 11,485,338	\$ -	\$ (248,318)	\$ 11,237,020	\$ 247,329
Net pension liability (LGERS)	106,686	-	(27,406)	79,280	-
Total OPEB liability	165,247	12,065	(11,152)	166,160	-
Compensated absences	5,032	2,145	(445)	6,732	503
Total	<u>\$ 11,762,303</u>	<u>\$ 14,210</u>	<u>\$ (287,321)</u>	<u>\$ 11,489,192</u>	<u>\$ 247,832</u>

Serviced by Solid Waste Fund:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Current</u> <u>Portion</u>
Net pension liability (LGERS)	\$ 17,781	\$ -	\$ (4,568)	\$ 13,213	\$ -
Total OPEB liability	27,541	2,011	(1,858)	27,694	-
Compensated absences	4,914	1,275	(3,016)	3,173	491
Total	<u>\$ 50,236</u>	<u>\$ 3,286</u>	<u>\$ (9,442)</u>	<u>\$ 44,080</u>	<u>\$ 491</u>

Serviced by Tourist Center and Event Fund:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Current</u> <u>Portion</u>
Net pension liability (LGERS)	\$ 35,562	\$ -	\$ (9,135)	\$ 26,427	\$ -
Total OPEB liability	55,082	4,021	(3,717)	55,386	-
Compensated absences	4,111	900	(447)	4,564	411
Total	<u>\$ 94,755</u>	<u>\$ 4,921</u>	<u>\$ (13,299)</u>	<u>\$ 86,377</u>	<u>\$ 411</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018 is as follows:

Operating revenues	\$ 3,567,731
Operating expenses*	<u>(2,990,847)</u>
Operating income	<u>\$ 576,884</u>
Debt service on parity indebtedness	<u>\$ 387,580</u>
Debt service coverage ratio on parity indebtedness	149%
Other indebtedness related to the combined sewer enterprise system	<u>\$ 264,021</u>
Debt service coverage ratio on parity and other indebtedness	89%
Annual debt service requirement due in upcoming fiscal year	<u>\$ 632,552</u>
Debt service coverage ratio on upcoming fiscal year debt service	91%

*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 \$13,936,522. The principal and interest payments for the current year totaled \$387,580, and total net revenues were \$576,884 respectively.

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

9. Risk Management

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

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

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

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

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

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 85,220	\$ 93,501
Incurred claims (including IBNRs) and changes in estimates	1,072,028	1,022,522
Less claims payments	<u>(1,067,903)</u>	<u>(1,030,803)</u>
Balance, end of year	<u>\$ 89,345</u>	<u>\$ 85,220</u>

CITY OF HAVELOCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

10. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2018 consist of the following:

Purpose	Amount
From the General Fund to the EPA Brownsfield Capital Project Fund for the City's contribution	\$ 2,450
From the General Fund to the Lewis Farm PARTF Fund for the City's contribution	232,000
From the General Fund to the Slocum Water Front Capital Project Fund for the City's contribution	113,000
From the General Fund to the Tourist Center Fund for operations	333,084
Total transfers	\$ 680,534

11. Disaggregation Data for Entity-Wide Receivables and Payables

	Governmental Activities	Business-Type Activities
Intergovernmental Receivables:		
Sales tax receivable	\$ 167,559	\$ -
Grant receivable	222,011	-
Sales tax refund	195,000	-
Total	\$ 584,570	\$ -
Accounts Payable and Accrued Expenses:		
Trade payables	\$ 274,912	\$ 391,889
Accrued expenses	177,078	48,456
Total	\$ 451,990	\$ 440,345

12. Summary Disclosure of Significant Contingencies

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

13. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, in the fiscal year ended June 30, 2018. The implementation of the statement required the City to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the City related to OPEB during the measurement period (fiscal year ended June 30, 2017). As a result, net position for the governmental activities decreased \$1,988,218 and \$341,655 for the business-type activities, for a total decrease of \$2,329,873.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF HAVELOCK, NORTH CAROLINA

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FOR THE LAST TWO FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance		
	2018	2017
Beginning balance	\$ 395,683	\$ 433,530
Service cost	22,573	23,781
Interest on the total pension liability	14,176	14,243
Difference between expected and actual experience	(44,126)	-
Changes in assumptions or other inputs	22,554	(6,730)
Benefit payments	(56,865)	(69,141)
Ending balance of the total pension liability	<u>\$ 353,995</u>	<u>\$ 395,683</u>

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

Information is not available for years prior to 2017. It is intended to be shown for ten years and will be displayed as it becomes available.

CITY OF HAVELOCK, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FOR THE LAST TWO FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance		
	2018	2017
Total pension liability	\$ 353,995	\$ 395,683
Covered payroll	1,102,338	1,187,579
Total pension liability as a percentage of covered payroll	32.11%	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.

Information is not available for years prior to 2017. It is intended to be shown for ten years and will be displayed as it becomes available.

CITY OF HAVELOCK, NORTH CAROLINA

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Total OPEB Liability</u>	
	<u>2018</u>
Service cost	\$ 199,246
Interest	80,122
Changes of benefit terms	
Differences between expected and actual experience	80,251
Changes of assumptions	(158,543)
Benefit Payments	<u>(185,851)</u>
Net change in total OPEB liability	15,225
Total OPEB liability - beginning	<u>2,754,109</u>
Total OPEB liability - ending	<u>\$ 2,769,334</u>
Covered payroll	\$ 3,909,995
Total OPEB liability as a percentage of covered payroll	70.83%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2018	3.18

CITY OF HAVELOCK, NORTH CAROLINA

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

	Local Government Employees' Retirement System				
	2018	2017	2016	2015	2014
City of Havelock's proportion of the net pension liability (asset) (%)	0.08649%	0.08378%	0.09361%	0.09794%	0.10180%
City of Havelock's proportion of the net pension liability (asset) (\$)	\$ 1,321,328	\$ 1,778,092	\$ 420,115	\$ (577,598)	\$ 1,227,081
City of Havelock's covered-employee payroll	4,842,911	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	27.28%	39.10%	9.67%	(13.33%)	28.39%
Plan fiduciary net position as a percentage of the total pension liability	94.18%	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 2023.

CITY OF HAVELOCK, NORTH CAROLINA

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

	Local Government Employees' Retirement System				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 375,048	\$ 362,120	\$ 310,939	\$ 335,915	\$ 335,088
Contributions in relation to the contractually required contribution	<u>375,048</u>	<u>362,120</u>	<u>310,939</u>	<u>335,915</u>	<u>335,088</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Havelock's covered-employee payroll	\$ 4,867,849	\$ 4,842,911	\$ 4,547,693	\$ 4,342,966	\$ 4,332,300
Contributions as a percentage of covered-employee payroll	7.70%	7.48%	6.84%	7.73%	7.73%

This schedule will not present 10 years worth of information until 2023.

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GENERAL FUND

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CITY OF HAVELOCK, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year property tax	\$ 4,529,394	\$ 4,569,970	\$ 40,576	\$ 4,575,150
Motor vehicle tax - current and delinquent	510,734	515,591	4,857	506,225
Prior years' property tax	-	34	34	4,801
Total	<u>5,040,128</u>	<u>5,085,595</u>	<u>45,467</u>	<u>5,086,176</u>
Unrestricted Intergovernmental Revenues:				
Gross receipts tax	21,500	18,289	(3,211)	19,920
Franchise tax	1,242,900	1,168,166	(74,734)	1,177,168
Beer and wine tax	94,100	86,937	(7,163)	92,008
Local option sales tax	1,831,313	1,865,479	34,166	1,794,936
Hold harmless	538,675	548,774	10,099	536,654
Solid waste disposal tax	13,000	13,745	745	13,697
Craven County ABC revenue	<u>20,225</u>	<u>26,357</u>	<u>6,132</u>	<u>21,155</u>
Total	<u>3,761,713</u>	<u>3,727,747</u>	<u>(33,966)</u>	<u>3,655,538</u>
Restricted Intergovernmental Revenues:				
Powell Bill	483,990	475,091	(8,899)	483,991
Federal and state grants	-	112	112	115,509
Craven County BOE contribution - school officer	116,925	116,925	-	116,925
Craven County support - recreation	-	<u>76,028</u>	<u>76,028</u>	-
Total	<u>600,915</u>	<u>668,156</u>	<u>67,241</u>	<u>716,425</u>
Licenses and Permits:				
Dog and cat licenses	1,250	2,260	1,010	1,795
Beer and wine licenses	785	855	70	915
Permits	<u>70,497</u>	<u>68,215</u>	<u>(2,282)</u>	<u>128,662</u>
Total	<u>72,532</u>	<u>71,360</u>	<u>(1,172)</u>	<u>131,372</u>
Sales and Services:				
Commission - trash stickers	120	266	146	147
Contribution from recreation	32,500	26,018	(6,482)	57,159
Sale of garbage stickers	3,500	6,549	3,049	3,648
EMS billing	626,500	690,490	63,990	705,071
Other	<u>490,100</u>	<u>502,689</u>	<u>12,589</u>	<u>483,845</u>
Total	<u>1,152,720</u>	<u>1,226,012</u>	<u>73,292</u>	<u>1,249,870</u>

CITY OF HAVELOCK, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
Interest:				
Investment earnings	25,018	133,613	108,595	26,804
Investment earnings - Powell Bill	1,000	5,674	4,674	2,272
Total	<u>26,018</u>	<u>139,287</u>	<u>113,269</u>	<u>29,076</u>
Miscellaneous Revenue:				
Court facility fee and refunds	1,450	555	(895)	978
Insurance proceeds	16,649	19,102	2,453	92,227
Sale of capital assets	-	19,041	19,041	107,700
Miscellaneous	100,275	102,353	2,078	105,466
Total	<u>118,374</u>	<u>141,051</u>	<u>22,677</u>	<u>306,371</u>
Total revenues	<u>10,772,400</u>	<u>11,059,208</u>	<u>286,808</u>	<u>11,174,828</u>
Expenditures:				
General Government:				
Fees paid to elected officials		55,249		52,965
Operating expenses		105,975		96,736
Total	<u>171,107</u>	<u>161,224</u>	<u>9,883</u>	<u>149,701</u>
Administration:				
Salaries and benefits		675,466		650,551
Operating expenses		312,764		262,888
Administration fee credit		(151,789)		(151,789)
Total	<u>988,629</u>	<u>841,427</u>	<u>147,202</u>	<u>761,650</u>
Grants:				
Salaries and benefits		79,688		69,716
Operating expenses		3,024		3,893
Total	<u>103,720</u>	<u>82,712</u>	<u>21,008</u>	<u>73,609</u>
Finance:				
Salaries and benefits		249,605		243,211
Operating expenses		50,920		62,968
Administration fee credit		(296,164)		(296,164)
Total	<u>70,442</u>	<u>6,464</u>	<u>63,978</u>	<u>10,015</u>

CITY OF HAVELOCK, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
Revenue Collections:				
Salaries and benefits		164,092		182,088
Operating expenses		170,667		164,646
Administration fee credit		(314,607)		(314,607)
Total	83,366	22,255	61,111	32,127
Legal Department:				
Professional services	85,000	64,561	20,439	86,766
Information Systems:				
Salaries and benefits		297,403		288,485
Operating expenses		337,376		396,042
Capital outlay		84,798		48,793
Administrative fee credit		(77,159)		(77,159)
Total	718,982	642,418	76,564	656,161
Planning and Zoning:				
Salaries and benefits		286,949		259,403
Operating expenses		68,278		101,082
Capital outlay		2,813		103,019
Total	391,798	358,040	33,758	463,504
Public Buildings:				
Salaries and benefits		70,734		70,007
Operating expenses		166,570		191,466
Capital outlay		14,561		108,292
Total	404,268	251,865	152,403	369,765
Total general government	3,017,312	2,430,966	586,346	2,603,298
Public Safety:				
Police:				
Salaries and benefits		2,109,672		2,229,232
Operating expenses		314,354		329,340
Capital outlay		156,507		182,524
Total	2,963,548	2,580,533	383,015	2,741,096

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, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		2017
	Final Budget	Actual	Variance Over/Under
Fire:			
Salaries and benefits		624,693	766,734
Operating expenses		190,670	217,387
Capital outlay		8,434	42,958
Total	<u>1,203,895</u>	<u>823,797</u>	<u>380,098</u>
Emergency Medical Services:			
Salaries and benefits		695,633	642,566
Operating expenses		165,586	146,628
Capital outlay		-	100,000
Total	<u>896,545</u>	<u>861,219</u>	<u>35,326</u>
Animal Control:			
Salaries and benefits		69,259	66,969
Operating expenses		7,369	5,203
Capital outlay		-	750
Total	<u>85,420</u>	<u>76,628</u>	<u>8,792</u>
Total public safety	<u>5,149,408</u>	<u>4,342,177</u>	<u>807,231</u>
Highways and Streets:			
Public Works:			
Salaries and benefits		103,645	84,862
Operating expenses		40,757	34,217
Total	<u>148,494</u>	<u>144,402</u>	<u>4,092</u>
Central Garage:			
Salaries and benefits		91,322	89,722
Operating expenses		29,360	31,375
Street lights and traffic signals		136,772	134,638
Total	<u>293,639</u>	<u>257,454</u>	<u>36,185</u>
Powell Bill Funds:			
Salaries and benefits		112,208	213,853
Operating expenses		231,828	77,868
Total	<u>631,184</u>	<u>344,036</u>	<u>287,148</u>

CITY OF HAVELOCK, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
Non-Powell Bill Funds:				
Salaries and benefits		217,554		154,054
Operating expenses		520,826		31,854
Total	<u>1,373,480</u>	<u>1,034,743</u>	<u>338,737</u>	<u>185,908</u>
Total highways and streets	<u>2,446,797</u>	<u>1,780,635</u>	<u>666,162</u>	<u>852,443</u>
Sanitation:				
Operating expenses		18,871		12,468
Total sanitation	<u>30,000</u>	<u>18,871</u>	<u>11,129</u>	<u>12,468</u>
Cultural and Recreation:				
Recreation:				
Salaries and benefits		464,782		472,782
Operating expenses		244,718		247,132
Capital outlay		68,474		173,826
Total	<u>866,865</u>	<u>777,974</u>	<u>88,891</u>	<u>893,740</u>
Total cultural and recreation	<u>866,865</u>	<u>777,974</u>	<u>88,891</u>	<u>893,740</u>
Debt Service:				
Principal		180,350		196,850
Interest		161,897		176,904
Total debt service	<u>349,681</u>	<u>342,247</u>	<u>7,434</u>	<u>373,754</u>
Total expenditures	<u>11,860,063</u>	<u>9,692,870</u>	<u>2,167,193</u>	<u>9,465,994</u>
Revenues over (under) expenditures	<u>(1,087,663)</u>	<u>1,366,338</u>	<u>2,454,001</u>	<u>1,708,834</u>
Other Financing Sources (Uses):				
Transfers out	(713,518)	(680,534)	32,984	(222,662)
Appropriated fund balance	<u>1,801,181</u>	-	<u>(1,801,181)</u>	-
Total other financing sources (uses)	<u>1,087,663</u>	<u>(680,534)</u>	<u>(1,768,197)</u>	<u>(222,662)</u>
Net change in fund balance	<u>\$ -</u>	<u>685,804</u>	<u>\$ 685,804</u>	<u>1,486,172</u>
Fund Balance:				
Beginning of year - July 1		<u>10,465,033</u>		<u>8,978,861</u>
End of year - June 30		<u>\$ 11,150,837</u>		<u>\$ 10,465,033</u>

CITY OF HAVELOCK, NORTH CAROLINA

EPA BROWNSFIELD CAPITAL PROJECT FUND

MAJOR CAPITAL PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	Project Authorization	Actual		Total
		Prior Years	Current Year	
Revenues:				
Restricted intergovernmental revenues	\$ 1,000,000	\$ -	\$ -	\$ -
Expenditures:				
Environmental Protection:				
Professional services		-	2,450	2,450
Total expenditures	1,000,000	-	2,450	2,450
Revenues over (under) expenditures	-	-	(2,450)	(2,450)
Other Financing Sources (Uses):				
Transfers in	-	-	2,450	2,450
Net change in fund balance	\$ -	\$ -	\$ -	\$ -

NONMAJOR GOVERNMENTAL FUNDS

CITY OF HAVELOCK, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	Emergency Telephone System Fund	City Hall Building Capital Project Fund	Lewis Farm PARTF Capital Project Fund	McCotter Capital Project Fund
Assets:				
Cash and investments	\$ 200,078	\$ 152,803	\$ 260,970	\$ -
Accounts receivable	-	-	166,305	48,801
Restricted cash and investments	-	-	-	68,956
Total assets	<u>\$ 200,078</u>	<u>\$ 152,803</u>	<u>\$ 427,275</u>	<u>\$ 117,757</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 721	\$ -	\$ 19,594	\$ -
Unearned grant revenue	-	-	-	68,956
Total liabilities	<u>721</u>	<u>-</u>	<u>19,594</u>	<u>68,956</u>
Deferred Inflows of Resources:				
Grant receivable	-	-	-	48,801
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,801</u>
Fund Balances:				
Restricted:				
Stabilization for state statute	-	-	166,305	-
Public safety	199,357	-	-	-
Culture and recreation	-	-	241,376	-
General government	-	152,803	-	-
Committed:				
Public safety	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>199,357</u>	<u>152,803</u>	<u>407,681</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 200,078</u>	<u>\$ 152,803</u>	<u>\$ 427,275</u>	<u>\$ 117,757</u>

CITY OF HAVELOCK, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	Slocum Waterfront Park Capital Project Fund	Fire Annex Building Capital Project Fund	Total
Assets:			
Cash and investments	\$ 135,856	\$ 73,690	\$ 823,397
Accounts receivable	6,905	-	222,011
Restricted cash and investments	<u>-</u>	<u>-</u>	<u>68,956</u>
 Total assets	 <u>\$ 142,761</u>	 <u>\$ 73,690</u>	 <u>\$ 1,114,364</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 20,315
Unearned grant revenue	<u>-</u>	<u>-</u>	<u>68,956</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>89,271</u>
Deferred Inflows of Resources:			
Grant receivable	<u>-</u>	<u>-</u>	<u>48,801</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>48,801</u>
Fund Balances:			
Restricted:			
Stabilization for state statute	6,905	-	173,210
Public safety	-	-	199,357
Culture and recreation	135,856	-	377,232
General government	-	-	152,803
Committed:			
Public safety	-	73,690	73,690
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>142,761</u>	<u>73,690</u>	<u>976,292</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 142,761</u>	 <u>\$ 73,690</u>	 <u>\$ 1,114,364</u>

CITY OF HAVELOCK, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Emergency Telephone System Fund	City Hall Capital Project Fund	Lewis Farm PARTF Capital Project Fund	McCotter Capital Project Fund
Revenues:				
Restricted intergovernmental	\$ 164,456	\$ -	\$ 205,981	\$ 50,199
Investment income	6,070	-	-	-
Total revenues	<u>170,526</u>	<u>-</u>	<u>205,981</u>	<u>50,199</u>
Expenditures:				
Public safety	209,549	-	-	-
Environmental protection	-	-	-	50,199
Culture and recreation	-	-	392,604	-
Total expenditures	<u>209,549</u>	<u>-</u>	<u>392,604</u>	<u>50,199</u>
Revenues over (under) expenditures	<u>(39,023)</u>	<u>-</u>	<u>(186,623)</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfers in	-	-	232,000	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>232,000</u>	<u>-</u>
Net change in fund balances	(39,023)	-	45,377	-
Fund Balances:				
Beginning of year - July 1	<u>238,380</u>	<u>152,803</u>	<u>362,304</u>	<u>-</u>
End of year - June 30	<u>\$ 199,357</u>	<u>\$ 152,803</u>	<u>\$ 407,681</u>	<u>\$ -</u>

CITY OF HAVELOCK, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Slocum Waterfront Park Capital Project Fund</u>	<u>Fire Annex Building Capital Project Fund</u>	<u>Total</u>
Revenues:			
Restricted intergovernmental	\$ 6,905	\$ -	\$ 427,541
Investment income	<u>-</u>	<u>-</u>	<u>6,070</u>
Total revenues	<u>6,905</u>	<u>-</u>	<u>433,611</u>
Expenditures:			
Public safety	-	-	209,549
Environmental protection	-	-	50,199
Culture and recreation	<u>8,327</u>	<u>-</u>	<u>400,931</u>
Total expenditures	<u>8,327</u>	<u>-</u>	<u>660,679</u>
Revenues over (under) expenditures	<u>(1,422)</u>	<u>-</u>	<u>(227,068)</u>
Other Financing Sources (Uses):			
Transfers in	<u>113,000</u>	<u>-</u>	<u>345,000</u>
Total other financing sources (uses)	<u>113,000</u>	<u>-</u>	<u>345,000</u>
Net change in fund balances	111,578	-	117,932
Fund Balances:			
Beginning of year - July 1	<u>31,183</u>	<u>73,690</u>	<u>858,360</u>
End of year - June 30	<u>\$ 142,761</u>	<u>\$ 73,690</u>	<u>\$ 976,292</u>

CITY OF HAVELOCK, NORTH CAROLINA

EMERGENCY TELEPHONE SYSTEM FUND - NONMAJOR SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted Intergovernmental:				
911 access charges	\$ 166,072	\$ 164,456	\$ (1,616)	\$ 159,685
Investment earnings	1,875	6,070	4,195	2,732
Total revenues	<u>167,947</u>	<u>170,526</u>	<u>2,579</u>	<u>162,417</u>
Expenditures:				
Public Safety:				
Databasing	31,705	23,053	8,652	22,152
Operating expenses	154,147	93,266	60,881	92,711
Capital outlay	93,230	93,230	-	12,580
Total public safety	<u>279,082</u>	<u>209,549</u>	<u>69,533</u>	<u>127,443</u>
Revenues over (under) expenditures	(111,135)	(39,023)	72,112	34,974
Other Financing Sources (Uses):				
Appropriated fund balance	<u>111,135</u>	<u>-</u>	<u>(111,135)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(39,023)</u>	<u>\$ (39,023)</u>	<u>34,974</u>
Fund Balance:				
Beginning of year - July 1		<u>238,380</u>		<u>203,406</u>
End of year - June 30		<u>\$ 199,357</u>		<u>\$ 238,380</u>

NONMAJOR CAPITAL PROJECT FUNDS

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CITY OF HAVELOCK, NORTH CAROLINA

CITY HALL CAPITAL PROJECT FUND
NONMAJOR CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

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

CITY OF HAVELOCK, NORTH CAROLINA

MCCOTTER 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, 2018

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Restricted intergovernmental revenues	\$ 119,155	\$ -	\$ 50,199	\$ 50,199
Expenditures:				
Environmental Protection:				
Professional services		-	49,629	49,629
Capital outlay		-	570	570
Total expenditures	<u>119,155</u>	<u>-</u>	<u>50,199</u>	<u>50,199</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HAVELOCK, NORTH CAROLINA

LEWIS FARM PARTF CAPITAL PROJECT FUND
 NONMAJOR CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	Project Authorization	Prior Years	Actual	
			Current Year	Total
Revenues:				
Restricted intergovernmental revenues	\$ 500,000	\$ 327,774	\$ 205,981	\$ 533,755
Expenditures:				
General Government:				
Professional services		10,905	24,761	35,666
Capital outlay		40,207	367,843	408,050
Total expenditures	585,642	51,112	392,604	443,716
Revenues over (under) expenditures	(85,642)	276,662	(186,623)	90,039
Other Financing Sources (Uses):				
Transfers in	85,642	85,642	232,000	317,642
Net change in fund balance	\$ -	\$ 362,304	\$ 45,377	\$ 407,681

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, 2018

	Project Authorization	Actual		
		Prior Years	Current Year	Total
Revenues:				
Restricted intergovernmental revenues	\$ 200,000	\$ 150,793	\$ 6,905	\$ 157,698
Expenditures:				
General Government:				
Professional services		10,295	1,422	11,717
Capital outlay		109,315	6,905	116,220
Total expenditures	210,000	119,610	8,327	127,937
Revenues over (under) expenditures	(10,000)	31,183	(1,422)	29,761
Other Financing Sources (Uses):				
Transfers in	10,000	-	113,000	113,000
Net change in fund balance	\$ -	\$ 31,183	\$ 111,578	\$ 142,761

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, 2018

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

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ENTERPRISE FUNDS

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CITY OF HAVELOCK, NORTH CAROLINA

ENTERPRISE FUND - WATER
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for sales and services:			
Water charges	\$ 1,984,085	\$ 2,227,884	\$ 243,799
Miscellaneous	<u>51,000</u>	<u>58,353</u>	<u>7,353</u>
Total operating revenues	<u>2,035,085</u>	<u>2,286,237</u>	<u>251,152</u>
Non-operating revenues:			
Interest income (loss)	<u>12,250</u>	<u>29,793</u>	<u>17,543</u>
Total revenues	<u>2,047,335</u>	<u>2,316,030</u>	<u>268,695</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		514,291	
Supplies and administration		905,683	
Repairs and maintenance		153,669	
Capital outlay		<u>117,935</u>	
Total costs of sales and services		<u>1,691,578</u>	
Debt service:			
Principal repayment		128,846	
Interest		<u>25,885</u>	
Total debt service		<u>154,731</u>	
Total operating expenditures	<u>2,418,703</u>	<u>1,846,309</u>	<u>572,394</u>
Revenues over (under) expenditures	(371,368)	469,721	841,089
Other Financing Sources (Uses):			
Appropriated fund balance	<u>371,368</u>	<u>-</u>	<u>(371,368)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>469,721</u>	<u>\$ 469,721</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Reconciling items:			
Depreciation		(265,990)	
Capital reserve fund interest		3,408	
Decrease deferred outflows - pension		(37,778)	
Capital project expenditures, not capitalized		(274,411)	
Decrease in net pension liability		31,973	
Decrease deferred inflows - pension		4,950	
(Increase) decrease in other post-employment benefits		(14,075)	
Increase in deferred outflow - OPEB		18,462	
Increase in deferred inflow - OPEB		(9,845)	
Principal payment		128,846	
Capital outlay, capitalized		<u>117,935</u>	
Change in net position		<u>\$ 173,196</u>	

CITY OF HAVELOCK, NORTH CAROLINA

WATER CAPITAL PROJECT FUND - SCADA
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total</u>
		<u>Prior Years</u>	<u>Current Year</u>	
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	<u>1,730,000</u>	<u>1,726,371</u>	<u>-</u>	<u>1,726,371</u>
Revenues over (under) expenditures	(1,730,000)	(1,726,371)	-	(1,726,371)
Other Financing Sources (Uses):				
Intrafund transfer in	<u>1,730,000</u>	<u>1,450,000</u>	<u>-</u>	<u>1,450,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (276,371)</u>	<u>\$ -</u>	<u>\$ (276,371)</u>

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, 2018

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Expenditures:				
Professional fees	\$ -	\$ 65,170	274,233	\$ 339,403
Capital outlay	-	161,507	2,372,791	2,534,298
Miscellaneous	-	1,424	174	1,598
Total expenditures	<u>3,160,000</u>	<u>228,101</u>	<u>2,647,198</u>	<u>2,875,299</u>
Revenues over (under) expenditures	(3,160,000)	(228,101)	(2,647,198)	(2,875,299)
Other Financing Sources (Uses):				
Issuance of long-term debt	<u>3,160,000</u>	<u>-</u>	<u>2,921,256</u>	<u>2,921,256</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (228,101)</u>	<u>\$ 274,058</u>	<u>\$ 45,957</u>

CITY OF HAVELOCK, NORTH CAROLINA

ENTERPRISE FUND - SEWER
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for sales and services:			
Sewer charges	\$ 3,584,138	\$ 3,481,614	\$ (102,524)
Miscellaneous	50,575	86,117	35,542
Total operating revenue	<u>3,634,713</u>	<u>3,567,731</u>	<u>(66,982)</u>
Non-operating revenues:			
Interest income (loss)	8,450	17,542	9,092
Total revenues	<u>3,643,163</u>	<u>3,585,273</u>	<u>(57,890)</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		528,470	
Supplies and administration		1,362,858	
Repairs and maintenance		1,026,656	
Capital outlay		<u>363,776</u>	
Total costs of sales and services		<u>3,281,760</u>	
Debt service:			
Principal repayment		248,318	
Interest		<u>403,283</u>	
Total debt service		<u>651,601</u>	
Total expenditures	<u>6,143,691</u>	<u>3,933,361</u>	<u>2,210,330</u>
Revenues over (under) expenditures	<u>(2,500,528)</u>	<u>(348,088)</u>	<u>2,152,440</u>
Other Financing Sources (Uses):			
Transfers out	(756,000)	(756,000)	-
Appropriated fund balance	<u>3,256,528</u>	-	<u>(3,256,528)</u>
Total other financing sources (uses)	<u>2,500,528</u>	<u>(756,000)</u>	<u>(3,256,528)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(1,104,088)</u>	<u>\$ (1,104,088)</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Depreciation		(613,580)	
Decrease deferred outflows - pension		(32,381)	
Decrease in net pension asset		27,406	
Decrease deferred inflows - pension		4,226	
(Increase) decrease in other post-employment benefits		(12,065)	
Capital Reserve Fund interest		3,409	
Intrafund transfer		756,000	
Capital project expenditures, not capitalized		(67,435)	
Increase in deferred outflow - OPEB		15,825	
Increase in deferred inflow - OPEB		(8,439)	
Long-term debt principal payment		248,318	
Capital outlay items capitalized		<u>363,776</u>	
Change in net position		<u>\$ (419,028)</u>	

CITY OF HAVELOCK, NORTH CAROLINA

SEWER CAPITAL PROJECT FUND - SEWER PLANT EXPANSION AND OUTFALL LINE
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	Project Authorization	Actual		Total
		Prior Years	Current Year	
Revenues:				
Interest income	\$ -	\$ 10,541	\$ -	\$ 10,541
Expenditures:				
Professional fees	1,025,000	511,179	-	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	18,807,528	-	18,807,528
Revenues over (under) expenditures	(20,180,000)	(18,796,987)	-	(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	\$ -	\$ 1,383,013	\$ -	\$ 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, 2018

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Miscellaneous	\$ -	\$ 53,185	\$ -	\$ 53,185
Expenditures:				
Professional fees	-	59,987	67,439	127,426
Capital outlay	-	-	358,911	358,911
Total expenditures	<u>756,000</u>	<u>59,987</u>	<u>426,350</u>	<u>486,337</u>
Revenues over (under) expenditures	(756,000)	(6,802)	(426,350)	(433,152)
Other Financing Sources (Uses):				
Intrafund transfer in	<u>756,000</u>	-	<u>756,000</u>	<u>756,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (6,802)</u>	<u>\$ 329,650</u>	<u>\$ 322,848</u>

CITY OF HAVELOCK, NORTH CAROLINA

**ENTERPRISE FUND - SOLID WASTE
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for sales and services:			
Solid waste charges	\$ 999,787	\$ 1,036,324	\$ 36,537
Non-Operating Revenues:			
Interest income	5,000	8,927	3,927
Total revenues	<u>1,004,787</u>	<u>1,045,251</u>	<u>40,464</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		245,298	
Supplies and administration		680,003	
Repairs and maintenance		<u>24,775</u>	
Total costs of sales and services		<u>950,076</u>	
Total expenditures	<u>1,004,787</u>	<u>950,076</u>	<u>54,711</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	95,175	<u>\$ 95,175</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Depreciation		(2,367)	
Decrease deferred outflows - pension		(5,397)	
Decrease in net pension liability		4,568	
Decrease deferred inflows - pension		704	
(Increase) decrease in other post-employment benefits		(2,011)	
Increase in deferred outflow - OPEB		2,637	
Increase in deferred inflow - OPEB		<u>(1,406)</u>	
Change in net position		<u>\$ 91,903</u>	

CITY OF HAVELOCK, NORTH CAROLINA

ENTERPRISE FUND - TOURIST AND EVENT CENTER
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for sales and services:			
Facilities rent	\$ 86,200	\$ 146,285	\$ 60,085
Miscellaneous	30,000	44,144	14,144
Total operating revenues	<u>116,200</u>	<u>190,429</u>	<u>74,229</u>
Non-operating revenues:			
Occupancy tax	<u>97,000</u>	<u>137,383</u>	<u>40,383</u>
Total revenues	<u>213,200</u>	<u>327,812</u>	<u>114,612</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Salaries and employee benefits		141,268	
Supplies and administration		138,145	
Repairs and maintenance		28,728	
Capital outlay		26,991	-
Exhibits expense		<u>25,886</u>	
Total costs of sales and services		<u>361,018</u>	
Total expenditures	<u>546,284</u>	<u>361,018</u>	<u>185,266</u>
Revenues over (under) expenditures	(333,084)	(33,206)	299,878
Other Financing Sources (Uses):			
Transfers in	<u>333,084</u>	<u>333,084</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>299,878</u>	<u>\$ 299,878</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Depreciation		(61,591)	
Decrease deferred outflows - pension		(10,794)	
Increase in deferred outflow - OPEB		5,275	
Increase in deferred inflow - OPEB		(2,814)	
Decrease in net pension liability		9,135	
Decrease deferred inflows - pension		1,409	
Capital outlay items capitalized		26,991	
(Increase) decrease in OPEB		<u>(4,020)</u>	
Change in net position		<u>\$ 263,469</u>	

CITY OF HAVELOCK, NORTH CAROLINA

**ENTERPRISE FUND - CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Non-operating revenues:			
Interest income	\$ -	\$ 6,818	\$ 6,818

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SUPPLEMENTARY FINANCIAL DATA

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CITY OF HAVELOCK, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2018

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2017</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2018</u>
2017-2018	\$ -	\$ 5,100,152	\$ 5,083,997	\$ 16,155
2016-2017	17,434	-	11,412	6,022
2015-2016	7,178	-	2,971	4,207
2014-2015	4,386	-	(1,662)	6,048
2013-2014	23,763	-	(778)	24,541
2012-2013	34,494	-	(654)	35,148
2011-2012	24,941	-	(1,068)	26,009
2010-2011	19,158	-	(1,999)	21,157
2009-2010	16,320	-	(1,700)	18,020
2008-2009	15,796	-	(1,031)	16,827
2007-2008	17,497	-	17,497	-
Total	<u>\$ 180,967</u>	<u>\$ 5,100,152</u>	<u>\$ 5,106,985</u>	174,134
Less: Allowance for uncollectible ad valorem taxes receivable				<u>(123,500)</u>
Ad valorem taxes receivable, net				<u>\$ 50,634</u>
Reconciliation with Revenues:				
Taxes, ad valorem - General Fund			\$ 5,085,595	
Releases of current year and prior years' motor vehicle levy				3,893
Arrears written off for tax year 2007-2008 per Statute of Limitations				<u>17,497</u>
Total collections and credits			<u>\$ 5,106,985</u>	

CITY OF HAVELOCK, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2018

			<u>Total Levy</u>		
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	\$ 865,163,390	\$ 0.590	\$ 5,104,464	\$ 4,560,519	\$ 543,945
Abatements	<u>(730,847)</u>		<u>(4,312)</u>	<u>(4,312)</u>	<u>-</u>
Total property valuation	<u>\$ 864,432,542</u>				
Net Levy			5,100,152	4,556,207	543,945
Uncollected taxes at June 30, 2018			<u>16,155</u>	<u>16,155</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 5,083,997</u>	<u>\$ 4,540,052</u>	<u>\$ 543,945</u>
Current Levy Collection Percentage			<u>99.68%</u>	<u>99.65%</u>	<u>100.00%</u>
Prior Year Levy Collection Percentage			<u>99.66%</u>	<u>99.62%</u>	<u>100.00%</u>

STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	106-108
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	109-116
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	117-120
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	121-122
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	123-124

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

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 4,230,690	\$ 3,807,910	\$ 3,908,182	\$ 4,699,072	\$ 5,045,723	\$ 5,519,721	\$ 5,708,365	\$ 5,824,398	\$ 5,824,398	\$ 6,300,569
Restricted	554,056	2,274,617	976,614	1,201,385	1,023,347	1,696,334	2,317,900	2,756,966	2,756,966	2,801,196
Unrestricted	5,307,827	5,175,112	6,026,215	4,702,268	4,991,201	5,176,059	6,227,049	7,248,220	7,248,220	5,882,610
Total governmental activities net position	<u>\$ 10,092,573</u>	<u>\$ 11,257,639</u>	<u>\$ 10,911,011</u>	<u>\$ 10,602,725</u>	<u>\$ 11,060,271</u>	<u>\$ 12,392,114</u>	<u>\$ 14,253,314</u>	<u>\$ 15,829,584</u>	<u>\$ 15,829,584</u>	<u>\$ 14,984,375</u>
Business-type activities										
Net investment in capital assets	\$ 9,185,219	\$ 8,941,867	\$ 9,202,664	\$ 11,150,859	\$ 11,382,120	\$ 12,244,456	\$ 11,873,567	\$ 11,808,087	\$ 11,808,087	\$ 11,560,871
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	8,834,856	9,211,020	10,122,186	8,905,273	9,690,226	9,373,991	10,324,335	10,544,665	10,544,665	10,559,766
Total business-type activities net position	<u>\$ 18,020,075</u>	<u>\$ 18,152,887</u>	<u>\$ 19,324,850</u>	<u>\$ 20,056,132</u>	<u>\$ 21,072,346</u>	<u>\$ 21,618,447</u>	<u>\$ 22,197,902</u>	<u>\$ 22,352,752</u>	<u>\$ 22,352,752</u>	<u>\$ 22,120,637</u>
Primary government										
Net investment in capital assets	\$ 13,415,909	\$ 12,749,777	\$ 13,110,846	\$ 15,849,931	\$ 16,427,843	\$ 17,764,177	\$ 17,581,932	\$ 17,632,485	\$ 17,632,485	\$ 17,861,440
Restricted	554,056	2,274,617	976,614	1,201,385	1,023,347	1,696,334	2,317,900	2,756,966	2,756,966	2,801,196
Unrestricted	14,142,683	14,386,132	16,148,401	13,607,541	14,681,427	14,550,050	16,551,384	17,792,885	17,792,885	16,442,376
Total primary government net position	<u>\$ 28,112,648</u>	<u>\$ 29,410,526</u>	<u>\$ 30,235,861</u>	<u>\$ 30,658,857</u>	<u>\$ 32,132,617</u>	<u>\$ 34,010,561</u>	<u>\$ 36,451,216</u>	<u>\$ 38,182,336</u>	<u>\$ 38,182,336</u>	<u>\$ 37,105,012</u>

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	\$ 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	\$ 2,227,946
Public Safety	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	4,703,051
Highways and streets	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	1,560,339
Environmental protection	165,142	-	-	-	-	74,506	213,595	166,469	12,468	71,520
Culture and recreations	836,083	864,000	867,587	853,944	1,048,043	815,465	832,935	847,265	886,256	1,241,286
Interest on long-term debt	82,873	64,434	200,118	397,638	244,992	236,945	253,873	178,010	175,494	161,897
Total governmental activities expenses	<u>9,082,163</u>	<u>8,203,030</u>	<u>9,178,954</u>	<u>9,902,047</u>	<u>9,760,751</u>	<u>9,705,061</u>	<u>9,402,764</u>	<u>9,309,044</u>	<u>9,612,875</u>	<u>9,966,039</u>
Business-type activities										
Water	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	2,146,243
Sewer	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	4,007,710
Sanitation	-	-	-	754,011	818,853	786,320	847,268	936,680	867,313	953,348
Other	359,094	972,672	1,034,536	400,950	478,114	462,481	413,106	392,551	398,340	397,427
Total business-type activities expenses	<u>5,343,820</u>	<u>5,490,481</u>	<u>5,903,813</u>	<u>5,485,214</u>	<u>5,719,118</u>	<u>5,472,556</u>	<u>6,063,711</u>	<u>6,195,088</u>	<u>7,298,795</u>	<u>7,504,728</u>
Total primary government expenses	<u>\$ 14,425,983</u>	<u>\$ 13,693,511</u>	<u>\$ 15,082,767</u>	<u>\$ 15,387,261</u>	<u>\$ 15,479,869</u>	<u>\$ 15,177,617</u>	<u>\$ 15,466,475</u>	<u>\$ 15,504,132</u>	<u>\$ 16,911,670</u>	<u>\$ 17,470,767</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 264,887	\$ 332,942	\$ 298,126	\$ 332,322	\$ 240,305	\$ 369,659	\$ 306,047	\$ 170,270	\$ 345,265	\$ 121,652
Public Safety	743,323	758,455	902,589	764,263	731,181	863,562	792,191	873,905	761,715	743,297
Highways and streets	-	-	-	-	-	-	-	-	-	-
Environmental protection	20,703	3,868	4,218	4,610	4,526	3,898	3,660	3,591	3,795	6,815
Culture and recreations	177,048	150,564	153,181	205,743	174,740	179,781	239,739	239,505	271,839	230,986
Other activities	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	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	1,168,000
Capital grants and contributions	(15,959)	-	85,568	23,734	7,183	172,272	1,510,255	617,768	406,350	312,171
Total governmental activities programs revenues	<u>2,121,136</u>	<u>2,323,194</u>	<u>2,589,429</u>	<u>2,661,324</u>	<u>2,248,108</u>	<u>2,565,188</u>	<u>3,917,261</u>	<u>3,052,500</u>	<u>2,854,564</u>	<u>2,582,921</u>
Business-type activities:										
Charges for services:										
Water	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	2,286,237
Sewer	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	3,567,731
Other	144,312	681,128	841,472	822,409	877,102	959,200	1,226,962	934,925	976,078	1,036,324
Operating grants and contributions	30,000	25,000	-	217,932	275,933	283,585	-	228,994	246,587	327,812
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>\$5,231,624</u>	<u>\$5,716,843</u>	<u>\$5,905,896</u>	<u>\$6,242,936</u>	<u>\$6,195,637</u>	<u>\$6,568,878</u>	<u>\$6,507,399</u>	<u>\$6,499,276</u>	<u>\$7,140,150</u>	<u>\$7,218,104</u>
Total primary government program revenues	<u>\$ 7,352,760</u>	<u>\$ 8,040,037</u>	<u>\$ 8,495,325</u>	<u>\$ 8,904,260</u>	<u>\$ 8,443,745</u>	<u>\$ 9,134,066</u>	<u>\$ 10,424,660</u>	<u>\$ 9,551,776</u>	<u>\$ 9,994,714</u>	<u>\$ 9,801,025</u>

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (expense)/revenue										
Governmental activities	\$ (6,961,027)	\$ (5,879,836)	\$ (6,589,525)	\$ (7,240,723)	\$ (7,512,643)	\$ (7,139,873)	\$ (5,485,503)	\$ (6,256,544)	\$ (6,758,311)	\$ (7,383,118)
Business-type activities	(112,196)	226,362	2,083	757,722	476,519	1,096,322	443,688	304,188	(158,645)	(286,624)
Total primary government net expense	<u>(\$7,073,223)</u>	<u>(\$5,653,474)</u>	<u>(\$6,587,442)</u>	<u>(\$6,483,001)</u>	<u>(\$7,036,124)</u>	<u>(\$6,043,551)</u>	<u>(\$5,041,815)</u>	<u>(\$5,952,356)</u>	<u>(\$6,916,956)</u>	<u>(\$7,669,742)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Ad Valorem taxes	\$ 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	\$ 5,105,262
Other taxes and licenses	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	1,865,479
Inter-governmental	97,000	97,000	-	-	-	-	-	1,201,246	1,177,168	1,168,166
Licenses and Permits	-	-	-	-	-	-	-	624,072	683,434	694,102
Sales and Services	-	-	-	-	-	-	-	-	-	-
Gain on sale of capital asset	-	-	-	-	-	-	-	-	-	-
Investment Earnings	132,668	38,608	42,511	25,887	11,790	16,163	17,053	38,426	31,808	145,357
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	-	(345,483)	-	(398,221)	(242,516)	92,942	(237,369)	(252,677)	(222,662)	(333,084)
Total governmental activities	<u>\$ 6,455,597</u>	<u>\$ 6,156,546</u>	<u>\$ 7,754,591</u>	<u>\$ 6,894,095</u>	<u>\$ 7,226,440</u>	<u>\$ 7,597,419</u>	<u>\$ 7,566,620</u>	<u>\$ 8,117,744</u>	<u>\$ 8,547,218</u>	<u>\$ 8,645,282</u>
Business-type activities:										
Investment Earnings	\$ 141,430	\$ 42,450	\$ 33,729	\$ 16,020	\$ 12,247	\$ 12,834	\$ 7,764	\$ 22,590	\$ 37,648	\$ 63,080
Transfers	-	345,483	97,000	398,221	242,516	(92,942)	237,369	252,677	222,662	333,084
Total business-type activities	141,430	387,933	130,729	414,241	254,763	(80,108)	245,133	275,267	260,310	396,164
Total primary government	<u>\$ (617,626)</u>	<u>\$ 503,072</u>	<u>\$ 1,167,149</u>	<u>\$ 411,094</u>	<u>\$ 190,316</u>	<u>\$ 1,553,868</u>	<u>\$ 2,524,805</u>	<u>\$ 2,165,388</u>	<u>\$ 1,630,262</u>	<u>\$ 975,540</u>
Change in Net Position										
Governmental activities	\$ (505,430)	\$ 276,710	\$ 1,165,066	\$ (346,628)	\$ (286,203)	\$ 457,546	\$ 2,081,117	\$ 1,861,200	\$ 1,788,907	\$ 1,262,164
Business-type activities	29,234	614,295	132,812	1,171,963	731,282	1,016,214	688,821	579,455	101,665	109,540
Total primary government	<u>\$ (476,196)</u>	<u>\$ 891,005</u>	<u>\$ 1,297,878</u>	<u>\$ 825,335</u>	<u>\$ 445,079</u>	<u>\$ 1,473,760</u>	<u>\$ 2,769,938</u>	<u>\$ 2,440,655</u>	<u>\$ 1,890,572</u>	<u>\$ 1,371,704</u>

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

Fiscal Year	Property Tax	Motor Vehicle Tax	Sales Tax	Franchise Tax	Total
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
2018	4,569,970	515,591	2,414,253	1,168,166	8,667,980

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 1,761,455	\$ 2,758,421	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	4,086,814	3,444,847	-	-	-	-	-	-	-	-
Non Spendable	-	-	16,936	16,488	8,389	12,601	5,330	14,137	5,979	14,630
Restricted	-	-	1,623,126	1,068,870	1,117,864	1,148,675	966,286	1,529,067	1,833,141	1,898,594
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	735,950	1,891,082	522,527	549,326	769,015	771,283	862,374	1,367,015
Unassigned	-	-	4,670,815	3,962,176	4,693,486	4,884,041	5,724,845	6,664,374	7,743,539	7,870,598
Total General Fund	\$ 5,848,269	\$ 6,203,268	\$ 7,046,827	\$ 6,938,616	\$ 6,342,266	\$ 6,594,643	\$ 7,465,476	\$ 8,978,861	\$ 10,445,033	\$ 11,150,837
All other governmental funds										
Reserved	\$ 1,306	\$ 996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Special revenue funds	669,138	813,580	-	-	-	-	-	-	-	-
Capital projects funds	1,514,894	(529,756)	-	-	-	-	-	-	-	-
Restricted in Capital Project	-	-	-	-	-	-	165,776	585,427	665,445	703,245
Restricted in Special revenue	-	-	651,491	399,200	93,260	44,373	564,272	203,406	238,380	199,357
Committed in Capital Project	-	-	524,726	820,925	81,752	1,415,896	73,690	73,690	73,690	73,690
Unassigned	-	-	-	-	-	-	(73,300)	(62,835)	-	-
Total all other governmental funds	\$ 2,185,338	\$ 284,820	\$ 1,176,217	\$ 1,220,125	\$ 175,012	\$ 1,460,269	\$ 730,438	\$ 799,688	\$ 977,515	\$ 976,292

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 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	\$ 5,085,595
Intergovernmental	3,591,343	3,694,293	3,456,802	2,993,853	3,018,748	3,018,894	3,290,524	3,444,949	4,769,304	4,823,444
Licenses and Permits	189,250	242,303	1,188,191	1,163,946	799,809	997,142	117,169	142,999	131,372	71,360
Sales and Services	877,541	851,007	230,781	273,598	150,182	229,363	1,188,690	1,314,328	1,249,870	1,226,012
Other taxes	-	-	1,028,763	1,035,655	983,037	1,056,450	1,656,951	1,448,332	-	-
Investment Earnings	132,668	38,608	42,511	25,887	11,790	16,163	17,053	38,426	31,808	145,357
Miscellaneous	129,354	193,369	141,694	188,125	272,017	298,278	326,381	146,841	306,371	141,051
Total revenues	8,496,332	8,688,371	10,399,008	9,890,869	9,661,170	10,132,120	11,159,166	11,408,130	11,574,901	11,492,819
Expenditures										
General government	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	2,430,966
Public Safety	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	4,551,726
Highways and streets	1,180,010	1,078,355	954,793	724,838	1,271,528	1,188,591	1,154,320	916,163	852,443	1,780,635
Environmental Protection	151,371	-	-	-	-	-	213,595	166,469	12,468	71,520
Culture and recreation	761,431	745,833	762,451	771,458	965,741	74,506	743,021	756,998	814,717	1,178,905
Capital Outlay	690,097	1,164,092	355,912	732,138	1,901,981	807,341	2,029,703	682,439	716,454	-
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	883,607	146,065	560,545	137,536	152,902	152,405	1,656,108	196,850	198,260	180,350
Interest	89,013	64,434	200,118	397,638	244,992	236,945	253,873	178,010	175,494	161,897
Other charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	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	10,355,999
Excess of revenues over (under) expenditures										
Other financing sources (uses)										
Transfers in	3,264	-	550,000	400,000	-	565,001	131,742	60,000	-	347,450
Transfers out	(3,264)	(345,483)	(550,000)	(798,221)	(242,516)	(472,059)	(369,111)	(312,677)	(222,662)	(680,534)
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)	3,497,650	525,517	646,300	150,779	(242,516)	1,592,942	1,462,631	(252,677)	(222,662)	(333,084)
Net Change in fund balances	\$ 1,852,095	\$(1,546,515)	\$ 1,735,952	\$ (64,303)	\$(1,641,463)	\$ 1,537,634	\$ 141,002	\$ 1,582,635	\$ 1,663,999	\$ 803,736
Debt service as a percentage of noncapital expenditures	11.5%	2.2%	9.3%	1.7%	2.2%	4.4%	18.3%	4.4%	8.9%	8.9%

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
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
2018	4,569,970	515,591	2,414,253	1,168,166	8,667,980

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

Fiscal Year	Real Property		Personal Property	Less:	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Motor Vehicles	Tax Exempt Real Property				
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	0.49	1,303,595,411	84.34%
2011	906,490,259	582,140,703	83,729,677	60,545,225	1,511,815,414	0.53	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	1,892,323,533	83.30%
2013	869,038,280	604,299,615	120,917,634	62,410,409	1,531,845,120	0.465	1,761,621,888	90.50%
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	0.465	1,530,962,748	101.84%
2016	841,514,248	598,999,218	79,534,706	43,734,853	1,476,313,319	0.485	1,530,666,496	99.31%
2017	494,408,880	263,975,748	109,884,803	30,615,421	837,654,010	0.51	863,928,084	100.50%
2018	581,132,325	241,767,652	92,194,068	49,930,655	865,163,390	0.59	863,971,280	105.92%

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
Dierct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City Of Havelock Tax Rate	Overlapping Rate Craven County Tax Rate	Total Direct & Overlapping Rates
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
2018	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
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%	34	4,575,184	99.62%
2018	4,560,519	4,556,207	99.91%	-	4,556,207	99.91%

City of Havelock
Principal Property Taxpayers
June 30, 2018

Taxpayer	2018				2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Property Management/Development	\$ 28,571,725	1	3.70%	Property Management/Development	\$ 14,885,011	1	2.20%
Property Management/Development	13,750,644	2	1.78%	Property Management/Development	5,945,210	2	1.71%
Property Management/Development	10,605,280	3	1.37%	Public Utility	5,584,915	3	1.52%
Property Management/Development	6,221,540	4	0.81%	Public Utility	5,514,900	4	0.87%
Property Management/Development	5,637,650	5	0.81%	Property Management/Development	4,771,920	5	0.82%
Property Management/Development	5,362,572	6	0.70%	Public Utility	4,316,109	6	0.72%
Public Utility	5,301,230	7	0.69%	Property Management/Development	4,044,420	7	0.64%
Property Management/Development	5,276,280	8	0.68%	Property Management/Development	3,589,300	8	0.77%
Property Management/Development	5,063,350	9	0.66%	Property Management/Development	3,564,770	9	0.38%
Property Management/Development	5,049,407	10	0.65%	Property Management/Development	3,493,540	10	0.25%
Totals	\$ <u>90,839,678</u>		<u>11.85%</u>		\$ <u>55,710,095</u>		<u>9.88%</u>

Source: Craven County Tax Office

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Installment Loans	Sewer Bonds	Water Bonds	Installment Loans		
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	903
2018	-	-	6,341,428	11,237,020	3,694,334	-	21,272,782	1,046

- 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)
2009	\$ 4,456,149	\$ -	\$ 4,456,149	-	206
2010	5,181,084	-	5,181,084	-	231
2011	5,266,839	-	5,266,839	-	231
2012	5,678,303	-	5,678,303	-	249
2013	5,525,401	-	5,525,401	-	233
2014	6,872,996	-	6,872,996	-	331
2015	6,916,888	-	6,916,888	-	328
2016	6,720,038	-	6,720,038	-	320
2017	6,521,778	-	6,521,778	-	309
2018	6,341,428	-	6,341,428	-	312

City of Havelock
Direct and Overlapping Activities Debt
As of June 30, 2018

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County	\$56,065,651	23.38%	<u>\$ 13,108,149</u>
Subtotal, overlapping debt			<u>6,341,428</u>
City of Havelock direct debt			<u>6,341,428</u>
Total direct and overlapping debt			<u><u>\$ 19,449,577</u></u>

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

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

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

City of Havelock
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$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	\$47,900,000
Total net debt applicable to limit										
Legal debt margin	<u>\$53,900,286</u>	<u>\$43,000,000</u>	<u>\$55,500,000</u>	<u>\$63,700,000</u>	<u>\$57,000,000</u>	<u>\$57,900,000</u>	<u>\$55,600,000</u>	<u>\$56,500,000</u>	<u>\$49,800,000</u>	<u>\$47,900,000</u>

City of Havelock
Demographic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Median Age</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
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	20,735	-	-	36.5	4,153	4.70%
2018	20,087	-	-	36.5	4,064	4.30%

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function										
General government	21	21	21	21	22	21	21	21	22	22
Public Safety										
Police										
Officers	29	29	29	29	29	29	29	29	29	29
Civilians	7	7	7	7	8	8	8	8	8	8
Fire/EMS										
Firefighters and officers	13	16	19	19	19	19	18	18	18	18
Highways and Streets	13	13	13	13	13	13	13	12	12	12
Sanitation	1	1	1	1	1	1	1	1	1	1
Culture and recreation	9	9	9	9	9	9	8	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	115	118	121	121	123	122	120	119	120	120

Source: City of Havelock Personnel Office.

City of Havelock
 Operating Indicators by Function
 Last Ten Fiscal Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Planning										
Number of permits issued	449	578	911	1,028	679	711	924	1,002	848	952
Police										
Physical arrests	1,473	1,458	2,109	1,822	1,599	1,277	1,688	776	805	735
Accidents	607	556	597	623	699	506	508	585	557	622
E911	51,154	31,589	33,465	31,232	35,277	32,549	37,294	32,357	29,404	27,598
Fire										
Number of calls answered	773	691	613	533	584	517	526	486	490	582
EMS										
Number of calls answered	2,066	2,053	1,985	2,117	2,185	2,170	2,271	2,233	1,719	2,517
Culture and recreation										
Recreation Participants	27,375	136,035	128,360	106,398	96,664	94,183	100,542	118,605	79,894	78,902
Water										
Number of miles of main	79	79	71	72	72	72	80	80	80	80
Number of connections	5,309	5,222	5,363	5,400	5,143	5,615	5,625	5,638	5,573	5,583
Average daily consumption (000s of gallons)	1,143	1,126	964	1,400	1,160	1,100	959	1,041	976	1,043
Solid Waste										
Number of containers*	-	4,857	4,949	4,970	4,936	4,865	4,865	4,971	4,979	4,893
Sewer										
Number of miles of main	80	80	74	74	74	74	74	74	74	74
Number of connections	5,192	5,270	5,248	5,208	5,002	5,732	5,638	5,704	5,586	5,600
Average daily treatment (000s of gallons)	1,399	1,495	1,476	1,300	1,400	1,450	1,530	1,308	1,057	1,487
Tourist and Event Center										
Event Days (1)	224	227	176	204	219	217	200	181	199	218

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

Source: City of Havelock Departmental Activity Reports.

City of Havelock
 Operating Indicators by Function
 Last Ten Fiscal Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	2	2	2	2	2	2	2	2	2
Fire Trucks	3	4	4	4	5	5	5	5	5	5
EMS										
Stations	1	2	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	46.00	46.00	46.00	46.00	46.00
Culture and recreation										
Number of Parks	11	11	11	11	11	11	11	11	11	12
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	72	72	72	80	80	80	80
Fire hydrants	580	580	580	567	567	567	569	566	566	565
Maximum daily capacity (000s of gallons)	2,100	2,100	2,100	2,800	2,800	2,800	2,800	2,800	2,800	2,800
Sewer										
Number of miles of main	80	80	80	74	74	74	74	74	74	74
Maximum daily treatment capacity (000s of galls)	2,250	2,250	2,250	2,800	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.

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COMPLIANCE SECTION

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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, 2018, 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 December 17, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 17, 2018

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

Report On Compliance For Each Major Federal Program And Report On Internal Control Over Compliance Required By The Uniform Guidance And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report On Compliance for Each Major Federal Program

We have audited City of Havelock, North Carolina's compliance with the types of compliance requirements described in the OMB Compliance Supplement and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of City of Havelock's major federal programs for the year ended June 30, 2018. City of Havelock's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Havelock's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Havelock's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, City of Havelock complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report On Internal Control Over Compliance

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 17, 2018

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& ASSOCIATES, CPAs, P.A.

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Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance Required By The Uniform Guidance; And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the City of Havelock's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Havelock's major state programs for the year ended June 30, 2018. The City of Havelock's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Havelock's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, applicable sections of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Havelock's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the City of Havelock complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 17, 2018

CITY OF HAVELOCK, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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 weakness(es) identified?	No
• Significant deficiency(s) identified?	None reported
Non-compliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(s) identified?	None reported
Type of auditor's report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs:	

<u>Federal Program</u>	<u>CFDA Number</u>
Clean Water State Revolving Fund Cluster	66.468
Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	No

CITY OF HAVELOCK, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

State Awards

Internal control over major state programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? No

Identification of major state programs:

Program Name _____

Powell Bill

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

None reported.

3. Findings and Questioned Costs Related to the Audit of Federal Awards

None reported.

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

None reported.

CITY OF HAVELOCK, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

CITY OF HAVELOCK, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass-Through Grantor's Number</u>	<u>Fed. (Direct & Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-Through to Subrecipients</u>
Federal Grant:					
U.S. Environmental Protection Agency					
Passed-through N.C. Department of Environmental Quality					
Clean Water State Revolving Fund Cluster (Note 3):					
Capitalization Grants for Clean Water State Revolving Fund	66.458	CS370429-06	\$ 2,921,256	\$ -	\$ -
Total Clean Water State Revolving Fund Cluster			<u>2,921,256</u>	<u>-</u>	<u>-</u>
State Programs:					
N.C. Department of Environment and Natural Resources:					
North Carolina Coastal Management Program (CAMA Grant)					
PARTF Grant		5061	-	8,327	-
		2013-748	<u>-</u>	<u>392,604</u>	<u>-</u>
Total N.C. Department of Environment and Natural Resources			<u>-</u>	<u>400,931</u>	<u>-</u>
N.C. Department of Transportation:					
Powell Bill		DOT-4	<u>-</u>	<u>364,704</u>	<u>-</u>
Total federal expenditures			<u>\$ 2,921,256</u>		
Total state expenditures				<u>\$ 765,635</u>	

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

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the City of Havelock under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the City of Havelock, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Havelock.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Loans Outstanding

City of Havelock had the following loan balances outstanding at June 30, 2018 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2018 consist of:

<u>Program Name</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for Clean Water State Revolving Fund	66.458	CS370429-06	\$ 2,921,256

Note 4 - Indirect Cost Rate

The City has elected not to use the 10% de minimus indirect cost rate as allowed under Uniform Guidance.