

THE CITY OF

Whiteville

NORTH CAROLINA



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2017

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Gregory S. Adams, CPA

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council
Whiteville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Whiteville, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Whiteville ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Whiteville ABC Board, is based solely on the report of another auditor. 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 financial statements are free of material misstatement. The financial statements of the City of Whiteville ABC Board were not audited in accordance with *Government Auditing Standards*.

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 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 financial statement presentation of the financial statements.

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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, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Whiteville, North Carolina as of June 30, 2017, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 9, the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions on pages 40 and 41, the Local Government Employees' Retirement Systems' Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 42 through 43, the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 44, 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 on pages 45 and 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 and the other auditor 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 financial statements that collectively comprise the basic financial statements of the City of Whiteville, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules, are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditor. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditor, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2017 on our consideration of the City of Whiteville'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 the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Whiteville's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, North Carolina
October 27, 2017



Financial Section

- **Independent Auditors' Report**
- **Management's Discussion and Analysis**
- **Government-wide Financial Statements**
- **Fund Financial Statements**
- **Notes to Financial Statements**

City of Whiteville
Management's Discussion and Analysis

As management of the City of Whiteville, we offer the readers of the City of Whiteville's financial statements this narrative overview and analysis of the financial activities of the City of Whiteville for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

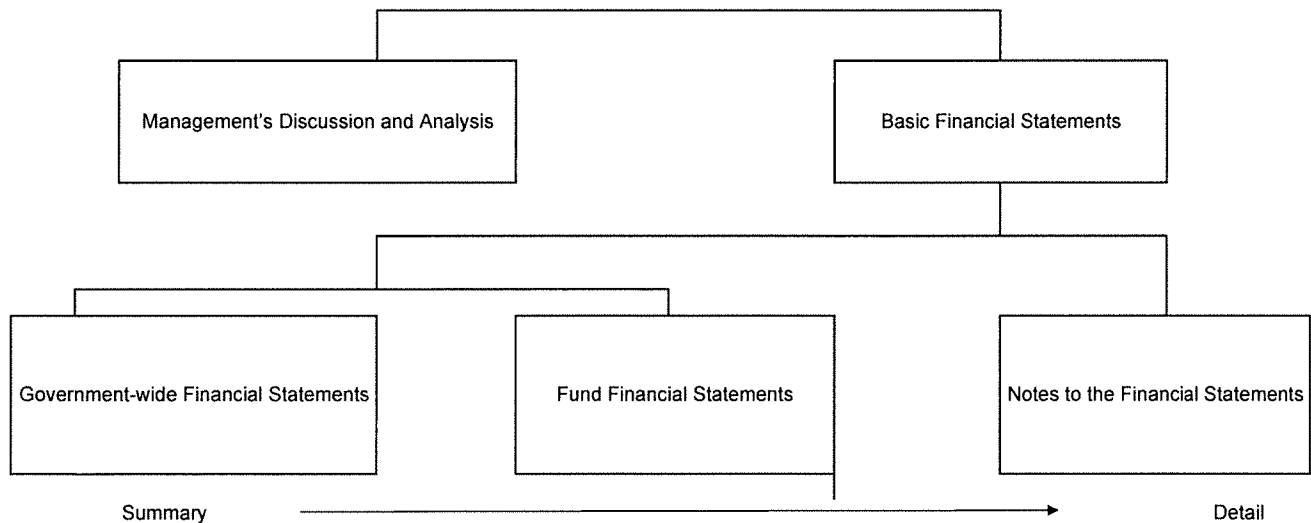
Financial Highlights

- The assets and deferred outflows of resources of the City of Whiteville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$20,973,910 (net position).
- The government's total net position increased by \$1,667,231, mainly as a result of a capital contribution from the Town of Bolton for a sewer lift station of \$1,500,000.
- As of the close of the current fiscal year, the City of Whiteville governmental funds reported combined ending fund balances of \$4,512,431, an increase of \$257,723 in comparison with the prior year. Approximately 65 percent of this total amount, or \$2,940,990, is available for spending at the government's discretion.
- At the end of the current fiscal year, fund balance for the General Fund was \$4,627,188, or 86 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to City of Whiteville's basic financial statements. The City of Whiteville's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Whiteville.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) 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 3 through 9) 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 also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) a component unit. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. This includes the water and sewer services offered by the City of Whiteville. The final category is the component unit. Although legally separate from the City, the ABC Board is important to the City because the City exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the City. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at City of Whiteville ABC Board, 112 South J.K. Powell Blvd, Whiteville, NC 28472.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. 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 of Whiteville, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Whiteville can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Whiteville adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – City of Whiteville has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. City of Whiteville uses an enterprise fund to account for its water and sewer activity. This fund is the same as the functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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 follow directly behind the basic financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Whiteville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information follows directly behind the notes to the financial statements.

Interdependence with Other Entities – The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

City of Whiteville Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 4,817,325	\$ 4,497,032	\$ 3,315,353	\$ 3,031,493	\$ 8,132,678	\$ 7,528,525
Capital assets	4,817,195	4,310,195	15,741,564	14,992,633	20,558,759	19,302,828
Deferred outflows of resources	612,340	133,096	247,614	44,225	859,954	177,321
Total assets	10,246,860	8,940,323	19,304,531	18,068,351	29,551,391	7,528,525
Long-term liabilities outstanding	5,159,123	4,085,841	3,319,547	3,313,738	8,478,670	7,399,579
Other liabilities	410,037	414,863	612,635	629,554	1,022,672	1,044,417
Deferred inflows of resources	72,763	104,031	26,048	34,447	98,811	
Total liabilities & deferred inflows of resources	5,641,923	4,604,735	3,958,230	3,977,739	9,600,153	8,443,996
Net position:						
Net investments in capital assets	3,730,954	3,165,773	13,964,922	12,829,036	17,695,876	15,994,809
Restricted	1,321,441	1,752,550	-	-	1,321,441	1,752,550
Unrestricted	(37,421)	(167,872)	1,994,014	1,891,130	1,956,593	1,723,258
Total net position	\$ 5,014,974	\$ 4,750,451	\$ 15,958,936	\$ 14,720,166	\$ 20,973,910	\$ 19,470,617

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Whiteville exceeded liabilities and deferred inflows by \$20,973,910 as of June 30, 2017. The City's net position increased by \$1,667,231 for the fiscal year ended June 30, 2017. The largest portion (84%) of net position reflects the City's investment in capital assets (e.g. land, construction in progress, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Whiteville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Whiteville's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net position, \$1,321,441 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,956,593 is unrestricted.

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.90%. The statewide average in fiscal year 2016 was 99.02%.
- Increased sales tax revenues of approximately \$183,000 due to economic growth in the City.

City of Whiteville Changes in Net Position
Figure 3

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 1,193,334	\$ 1,173,275	\$ 2,806,268	\$ 2,796,807	\$ 3,999,602	\$ 3,970,082
Operating grants & contributions	329,138	599,249	-	-	329,138	599,249
Capital grants & contributions	100,000	-	1,500,000	-	1,600,000	-
General revenues:						
Property taxes	2,399,349	2,424,420	-	-	2,399,349	2,424,420
Other taxes	1,779,943	1,612,340	-	-	1,779,943	1,612,340
Other	141,920	60,267	31,644	3,812	173,564	64,079
Total revenues	5,943,684	5,869,551	4,337,912	2,800,619	10,281,596	8,670,170
Expenses:						
General Government	612,790	517,541	-	-	612,790	517,541
Public safety	3,320,741	3,187,772	-	-	3,320,741	3,187,772
Transportation	471,655	979,569	-	-	471,655	979,569
Environmental Protection	435,669	975,460	-	-	435,669	975,460
Cultural & Recreation	33,923	440,190	-	-	33,923	440,190
Economic & Physical Development	934,399	35,013	-	-	934,399	35,013
Interest on Long-term Debt	37,762	31,873	-	-	37,762	31,873
Water & Sewer	-	-	2,767,426	2,535,104	2,767,426	2,535,104
Total expenses	5,846,939	6,167,418	2,767,426	2,535,104	8,614,365	8,702,522
Increase (Decrease) in net position before transfers	96,745	(297,867)	1,570,486	265,515	1,667,231	(32,352)
Transfers	-	75,000	-	(75,000)	-	-
Increase (decrease) in net position	96,745	(222,867)	1,570,486	190,515	1,667,231	(32,352)
Net position, July 1	4,750,451	4,959,102	14,720,166	14,571,418	19,470,617	19,530,520
Prior Period Adjustment	496,484	14,216	(331,716)	(41,767)	164,768	(27,551)
Restatement	(328,706)	-	-	-	(328,706)	-
Net position, June 30	\$ 5,014,974	\$ 4,750,451	\$ 15,958,936	\$ 14,720,166	\$ 20,973,910	\$ 19,470,617

Governmental activities. Governmental activities increased the City's net position by \$96,745 thereby accounting for 6% of the total growth in the net position of the City of Whiteville.

* Significant increase in local option sales tax funding

Business-type activities: Business-type activities increased the City of Whiteville's net position by \$1,570,486, accounting for 64 of the total growth in the government's net position. Key elements of this increase are as follows:

* Capital contribution of lift stations from the Town of Bolton

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City of Whiteville governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Whiteville's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Whiteville. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,059,063 while total fund balance of the general fund was \$4,627,188. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 57 percent of total General Fund expenditures, while total fund balance represents 86 percent of that same amount.

At June 30, 2017, the governmental funds of City of Whiteville reported a combined fund balance of \$4,512,431, an increase of \$257,723 over last year.

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 services.

The budgetary amendments for FY 16-17 were due to necessary increases in appropriations in order to meet and maintain service needs of the City's departments.

Proprietary Funds. The City of Whiteville proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,994,014. The total increase in net position was \$1,570,486, which was primarily a result of receiving sewer lines from the Town of Bolton valued at \$1,500,000. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Whiteville's business-type activities.

Capital Assets and Debt Administration

Capital Assets. The City of Whiteville investment in capital assets for its governmental and business-type activities as of June 30, 2017, totals \$20,558,759 (net of accumulated depreciation). These assets include buildings, land, construction in progress, machinery and equipment, and vehicles.

Major capital asset transactions during the year include the following additions:

- Police Vehicles
- Sewer Lines
- PARTF Project

City of Whiteville Capital Assets

Figure 4

(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 385,419	\$ 385,419	\$ 206,018	\$ 206,018	\$ 591,437	\$ 591,437
Buildings and Distribution Systems	3,299,237	2,342,320	15,301,419	14,191,165	18,600,656	16,533,485
Equipment & Vehicles	1,106,035	1,183,634	234,127	241,120	1,340,162	1,424,754
Construction in Progress	26,504	798,680	-	-	26,504	798,680
Total	\$ 4,817,195	\$ 4,710,053	\$ 15,741,564	\$ 14,638,303	\$ 20,558,759	\$ 19,348,356

Additional information on the City's capital assets can be found in note 3.A. of the Basic Financial Statements.

Long-Term Debt

As of June 30, 2017, the City had total debt of \$2,862,883 (excluding compensated absences and pension obligation). There was a net decrease in total debt of \$430,874.

Economic Factors and Next Year's Budgets and Rates

The City of Whiteville is located in Columbus County which is experiencing an unemployment rate of approximately 5.2% and the primary elements of the local economy, textiles and agriculture, have experienced losses in the past years. Related information may be reviewed at www.nccommerce.com/workforce, which addresses transitions in occupations and opportunities for displaced workers. The North Carolina Department of Commerce has designated Columbus County as Tier One. This category is reserved for the most economically distressed counties.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities: Tax revenues are expected to increase, as the City has increased the tax rate from \$.5125 to \$.5300. Other revenues are not expected to vary greatly. There are expected increases in expenditures in the various departments, including increases in capital outlay and debt repayments. There will also be continued progress on the street paving projects, and the City anticipates building a new town hall over the new few years.

Business – type Activities: The loan repayments will continue on the Wastewater Treatment Plant and Well loans. Revenues are expected to increase as well as expenditures.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of Whiteville, P.O. Box 607, Whiteville, NC 28472. One can also call (910)-642-8046, visit our website www.whitevillecity.com or send an email to cbrown@ci.whiteville.nc.us for more information.

BASIC FINANCIAL STATEMENTS

City of Whiteville, North Carolina
Statement of Net Position
June 30, 2017

	Primary Government			City of Whiteville ABC Board
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets:				
Cash and Investments	\$ 3,557,683	\$ 2,509,457	\$ 6,067,140	\$ 259,027
Taxes Receivable (Net)	36,199	-	36,199	-
Accrued Interest Receivable on Taxes	6,391	-	6,391	-
Accounts Receivable (Net)	167,450	577,022	744,472	-
Due From Other Governments	499,030	18,255	517,285	-
Due From Component Units	11,537	-	11,537	-
Inventories	-	-	-	117,004
Prepaid Expenses	-	-	-	4,576
Internal Balances	-	-	-	-
Restricted assets:				
Cash and cash equivalents	539,035	210,619	749,654	-
Total Current Assets	<u>4,817,325</u>	<u>3,315,353</u>	<u>8,132,678</u>	<u>380,607</u>
Non-current Assets:				
Capital Assets:				
Land, Non-depreciable Improvements, and Construction in Progress	411,923	206,018	617,941	-
Other Capital Assets, Net of Depreciation	4,405,272	15,535,546	19,940,818	55,598
Total Capital Assets	<u>4,817,195</u>	<u>15,741,564</u>	<u>20,558,759</u>	<u>55,598</u>
Total Assets	<u>9,634,520</u>	<u>19,056,917</u>	<u>28,691,437</u>	<u>436,205</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	612,340	247,614	859,954	30,061
Total deferred outflows of resources	<u>612,340</u>	<u>247,614</u>	<u>859,954</u>	<u>30,061</u>
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	261,944	56,077	318,021	59,035
Unearned Revenue	-	2,402	2,402	-
Customer Deposits	-	210,619	210,619	-
Accrued Interest Payable	26,495	6,035	32,530	-
Current portion of long-term liabilities	121,598	337,502	459,100	-
Total current liabilities	<u>410,037</u>	<u>612,635</u>	<u>1,022,672</u>	<u>59,035</u>
Long-Term Liabilities:				
Net Pension Liability	725,846	293,511	1,019,357	37,567
Total Pension Liability	330,342	-	330,342	-
Due in more than one year	3,692,898	2,413,401	6,106,299	-
Total Liabilities	<u>5,159,123</u>	<u>3,319,547</u>	<u>8,478,670</u>	<u>96,602</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	72,403	26,048	98,451	3,010
Prepaid licenses	360	-	360	-
Total deferred inflows of resources	<u>72,763</u>	<u>26,048</u>	<u>98,811</u>	<u>3,010</u>
Net Position				
Net investment in capital assets	3,730,954	13,964,922	17,695,876	55,598
Restricted for:				
Stabilization by State Statute	779,090	-	779,090	-
Other functions	542,351	-	542,351	36,631
Unrestricted	(37,421)	1,994,014	1,956,593	274,425
Total Net Position	<u>\$ 5,014,974</u>	<u>\$ 15,958,936</u>	<u>\$ 20,973,910</u>	<u>\$ 366,654</u>

City of Whiteville, North Carolina
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Primary Government						City of Whiteville ABC Board
	Program Revenues	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
General government	\$ 612,790	\$ 73,180	\$ -	\$ 100,000	\$ (439,610)	\$ -	\$ (439,610)
Public safety	3,320,741	9,861	78,412	-	(3,232,468)	-	(3,232,468)
Transportation	471,655	-	164,500	-	(307,155)	-	(307,155)
Economic & physical	934,399	-	82,619	-	(851,780)	-	(851,780)
Environmental protection	435,669	1,087,508	3,607	-	655,446	-	655,446
Cultural and recreation	33,923	22,785	-	-	(11,138)	-	(11,138)
Interest on Long-Term Debt	37,762	-	-	-	(37,762)	-	(37,762)
Total governmental activities	5,846,939	1,193,334	329,138	100,000	(4,224,467)	-	(4,224,467)
Business-type activities:							
Water & Sewer	2,767,426	2,806,268	-	1,500,000	-	1,538,842	1,538,842
Total business-type activities	2,767,426	2,806,268	-	1,500,000	-	1,538,842	1,538,842
Total primary government	\$ 8,614,365	\$ 3,999,602	\$ 329,138	\$ 1,600,000	(4,224,467)	1,538,842	(2,685,625)
Component Unit:							
City of Whiteville ABC Board	\$ 1,233,973	\$ 1,234,359	\$ -	\$ -	\$ -	\$ -	\$ 386
Total Component Unit	\$ 1,233,973	\$ 1,234,359	\$ -	\$ -	\$ -	\$ -	\$ 386
General revenues:							
Taxes:							
Property taxes, levied for general purpose					2,399,349		2,399,349
Other taxes					5,491		5,491
Grants and contributions not restricted to specific program					1,772,722		1,772,722
Unrestricted investment earnings					1,730	67	1,797
Miscellaneous					141,920	31,577	173,497
Total general revenues not including transfers					4,321,212	31,644	4,352,856
Transfers							
Total general revenues and transfers					4,321,212	31,644	4,352,856
Change in net position					96,745	1,570,486	1,667,231
Net position, beginning, previously reported					4,750,451	14,720,166	19,470,617
Prior Period Adjustments					496,484	(331,716)	164,768
Restatement					(328,706)	-	(328,706)
Net position, beginning, restated					4,918,229	14,388,450	19,306,679
Net position, ending					\$ 5,014,974	\$ 15,958,936	\$ 20,973,910
					\$ -	\$ -	\$ 366,654

The notes to the financial statements are an integral part of this statement.

City of Whiteville, North Carolina
Balance Sheet
Governmental Funds
June 30, 2017

	Major Funds		Total Governmental Funds
	General Fund	Non-Major Funds	
ASSETS			
Cash and cash equivalents	\$ 3,553,367	\$ 4,316	\$ 3,557,683
Restricted Cash	539,035	-	539,035
Receivables, net:			
Taxes	35,574	625	36,199
Accounts	167,450	-	167,450
Prepaid Expense	-	-	-
Due from other governments	497,945	1,085	499,030
Due from component unit	11,537	-	11,537
Advance to other funds	-	-	-
Due from other funds	102,158	-	102,158
Total assets	<u>\$ 4,907,066</u>	<u>\$ 6,026</u>	<u>\$ 4,913,092</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 243,944	\$ 18,000	\$ 261,944
Due to other funds	-	102,158	102,158
Total liabilities	<u>243,944</u>	<u>120,158</u>	<u>364,102</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	35,574	625	36,199
Prepaid licenses	360	-	360
Total deferred inflows of resources	<u>35,934</u>	<u>625</u>	<u>36,559</u>
Fund balances:			
Non Spendable			
Inventories	-	-	-
Prepaid Expenses	-	-	-
Restricted			
Stabilization by State Statute	779,090	-	779,090
Streets	521,743	-	521,743
Economic Development	-	3,316	3,316
Debt Reserve	17,292	-	17,292
Assigned			
Subsequent year's expenditures	250,000	-	250,000
Unassigned	3,059,063	(118,073)	2,940,990
Total fund balances	<u>4,627,188</u>	<u>(114,757)</u>	<u>4,512,431</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,907,066</u>	<u>\$ 6,026</u>	

City of Whiteville, North Carolina
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 Governmental Funds
 June 30, 2017

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds	\$	4,512,431
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,817,195
Deferred outflows of resources related to pensions are not reported in the funds		612,340
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		6,391
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		36,199
Pension related deferrals		(72,403)
Net pension asset (liability)		(725,846)
Total pension liability		(330,342)
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.		(3,840,991)
		(3,840,991)
Net position of governmental activities	\$	5,014,974

City of Whiteville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	Major Fund		Total Governmental Funds
	General Fund	Non-Major Funds	
REVENUES			
Ad valorem taxes	\$ 2,415,013	\$ 27,203	\$ 2,442,216
Other taxes and licenses	5,491	-	5,491
Unrestricted intergovernmental	1,772,722	-	1,772,722
Restricted intergovernmental	246,519	82,619	329,138
Permits and fees	63,076	-	63,076
Investment earnings	1,730	-	1,730
Sales and Service	1,130,258	-	1,130,258
Miscellaneous	81,256	60,664	141,920
Total revenues	<u>5,716,065</u>	<u>170,486</u>	<u>5,886,551</u>
EXPENDITURES			
Current:			
General government	456,770	117,534	574,304
Public safety	2,991,721	44,278	3,035,999
Transportation	397,363	-	397,363
Environmental protection	907,459	22,229	929,688
Cultural and recreational	356,284	203,243	559,527
Economic Development	6,720	27,203	33,923
Debt Service:			
Principal	193,878	-	193,878
Interest & Other Charges	39,842	-	39,842
Total expenditures	<u>5,350,037</u>	<u>414,487</u>	<u>5,764,524</u>
Excess (deficiency) of revenues over expenditures	<u>366,028</u>	<u>(244,001)</u>	<u>122,027</u>
OTHER FINANCING SOURCES (USES)			
Transfers from (to) other funds	(9,774)	9,774	-
Loan / Capital Lease Proceeds	135,696	-	135,696
Total other financing sources (uses)	<u>125,922</u>	<u>9,774</u>	<u>135,696</u>
Net change in fund balance	491,950	(234,227)	257,723
Fund balances, beginning	4,038,612	119,470	4,158,082
Prior Period Adjustment	96,626	-	96,626
Fund balances, ending	<u>\$ 4,627,188</u>	<u>\$ (114,757)</u>	<u>\$ 4,512,431</u>

City of Whiteville, North Carolina
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	257,723
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	448,284	
Contributed Capital not recorded on fund statements	100,000	
Depreciation expense for governmental assets	<u>(441,142)</u>	107,142

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		147,281
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		21,902
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues		(42,867)
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The issuance of long-term debt provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	(135,696)	
Principal payments on long-term debt	193,878	
Increase in accrued interest payable	<u>2,080</u>	60,262

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences & related liabilities	(9,546)	
Pension expense - LGERS	(176,702)	
Pension expense - LEOSSA	(31,521)	
Other postemployment benefits	<u>(236,929)</u>	<u>(454,698)</u>

Total changes in net position of governmental activities	\$	<u>96,745</u>
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City of Whiteville, North Carolina
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2017

Exhibit 6

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 2,386,800	\$ 2,379,000	\$ 2,415,013	\$ 36,013
Other taxes and licenses	-	5,000	5,491	491
Unrestricted intergovernmental revenues	1,676,700	1,667,500	1,772,722	105,222
Restricted intergovernmental revenues	240,000	253,700	246,519	(7,181)
Permits and fees	95,200	44,000	63,076	19,076
Investment Earnings	-	800	1,730	930
Sales and Services	1,126,000	1,171,700	1,130,258	(41,442)
Miscellaneous	9,500	34,961	81,256	46,295
Total revenues	<u>5,534,200</u>	<u>5,556,661</u>	<u>5,716,065</u>	<u>159,404</u>
Expenditures:				
Current:				
General government	423,900	461,256	456,770	4,486
Public safety	3,126,559	3,067,316	2,991,721	75,595
Transportation	747,588	747,589	397,363	350,226
Economic and physical development	-	6,720	6,720	-
Environmental protection	957,387	957,388	907,459	49,929
Cultural and recreation	503,546	448,496	356,284	92,212
Debt Service:				
Principal retirement	-	170,930	193,878	(22,948)
Interest and fees	-	6,153	39,842	(33,689)
Total expenditures	<u>5,758,980</u>	<u>5,865,848</u>	<u>5,350,037</u>	<u>515,811</u>
Revenues over/(under) expenditures	<u>(224,780)</u>	<u>(309,187)</u>	<u>366,028</u>	<u>675,215</u>
Other financing sources (uses):				
Transfer from (to) other fund:				
Special Revenue	(11,820)	-	(9,774)	(9,774)
General Fund	-	-	-	-
Capital Lease Proceeds	-	-	135,696	135,696
Appropriated Fund Balance	236,600	309,187	-	(309,187)
Total other financing sources (uses)	<u>224,780</u>	<u>309,187</u>	<u>125,922</u>	<u>(183,265)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	491,950	<u>\$ 491,950</u>
Fund balance, beginning of year			4,038,612	
Prior Period Adjustment			<u>96,626</u>	
Fund balance, end of year			<u>\$ 4,627,188</u>	

City of Whiteville, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2017

		Major Enterprise Fund Water and Sewer Fund
Assets		
Current assets:		
Cash and cash equivalents	\$	2,509,457
Accounts receivable (net) - billed		458,789
Accounts receivable (net) - unbilled		116,861
Miscellaneous Receivable		1,372
Due From Other Funds		-
Due From Other Governments		18,255
Restricted Assets:		
Cash and cash equivalents		210,619
Total current assets		3,315,353
Noncurrent assets:		
Capital assets:		
Land and other non-depreciable assets		206,018
Other capital assets, net of depreciation		15,535,546
Capital Assets (net)		15,741,564
Total noncurrent assets		15,741,564
Total Assets	\$	19,056,917
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan	\$	247,614
Total deferred outflows of resources	\$	247,614
Liabilities		
Current liabilities:		
Accounts Payable and Accrued Liabilities	\$	56,077
Due to Other Funds		-
Customer Deposits		210,619
Unearned Revenue		2,402
Accrued Interest Payable		6,035
Current Maturities of Long Term Debt		337,502
Total Current Liabilities		612,635
Noncurrent Liabilities		
Compensated Absences		45,968
Other Post Employment Benefits		928,293
Net Pension Liability		293,511
Long Term Debt		1,439,140
Total Noncurrent liabilities		2,706,912
Total Liabilities	\$	3,319,547
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	\$	26,048
Net Position		
Net investment in capital assets	\$	13,964,922
Unrestricted		1,994,014
Total Net Position of Business - Type Activities	\$	15,958,936

City of Whiteville, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017

Exhibit 8

	Major Enterprise Fund
	Water and Sewer Fund
Operating revenues:	
Charges for services	\$ 2,566,593
Other operating revenues	123,466
Total operating revenues	2,690,059
Operating Expenses:	
Administration	438,613
Water Operations	606,830
Sewer Operations	541,469
Waste Water Treatment & Distribution Plant	674,748
Depreciation	461,059
Total operating expenses	2,722,719
Operating income (loss)	(32,660)
Nonoperating revenues (expenses):	
Investment earnings	67
Interest and fees	(44,707)
Water Tank Lease	27,744
Sewer Line Expansion Revenue	88,465
Miscellaneous income	31,577
Total nonoperating revenues (expenses)	103,146
Income (Loss) Before Contributions and Transfers	70,486
Capital contributions	1,500,000
Transfers from (to) other funds	-
Total Income (Loss) After Contributions and Transfers	1,570,486
Change in Net Position	1,570,486
Total Net Position, Beginning	14,720,166
Prior Period Adjustment	(331,716)
Total Net Position, Ending	\$ 15,958,936

City of Whiteville, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

Exhibit 9

	Major Enterprise Fund Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 2,643,052
Cash paid for goods and services	(850,938)
Cash paid to employees for services	(1,210,461)
Customer deposits received / (returned)	3,325
Net cash provided by (used in) operating activities	584,978
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,564,320)
Capital Lease Proceeds	24,458
Principal paid on loans	(411,413)
Interest & fees paid on loans	(47,105)
Miscellaneous income	31,577
Capital Contributions & Miscellaneous Grants	1,500,000
Sewer line expansion revenue	88,465
Water tank lease	27,744
Net cash provided by (used in) capital and related financing activities	(350,594)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Due to/from other funds & transfers	(473,543)
Transfers to / from other funds	-
Net cash provided by (used in) non-capital financing activities	(473,543)
Cash flows from investment activities:	
Interest on investments	67
Net increase (decrease) in cash and cash equivalents	(239,092)
Cash and cash equivalents, July 1	2,959,168
Cash and cash equivalents, June 30	\$ 2,720,076
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ (32,660)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	461,059
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(43,605)
(Increase) decrease in due from other governments	(6,209)
(Increase) decrease in miscellaneous receivable	405
(Increase) decrease in prepaid expense	-
(Increase) decrease in net pension asset	-
(Increase) decrease in deferred outflows of resources for pensions	(203,389)
Increase (decrease) in accounts payable and other liabilities	1,042
Increase (decrease) in unearned revenue	2,402
Increase (decrease) in accrued vacation pay	22,833
Increase (decrease) in deferred inflows of resources - pension	(8,399)
Increase (decrease) in other post employment benefits	153,785
Increase (decrease) in net pension liability	234,389
Increase (decrease) in customer deposits	3,325
Total adjustments	617,638
Net cash provided by (used in) operating activities	\$ 584,978

The Notes To The Financial Statements Are An Integral Part Of This Statement.

CITY OF WHITEVILLE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Whiteville and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Whiteville is a municipal corporation, incorporated in 1834, that is governed by an elected mayor and a six member council. As required by generally accepted accounting principles, these financial statements present the City and its component unit, a legally-separate entity for which the City is financially accountable. The discretely presented component unit presented below is reported in a separate column in the City's financial statements in order to emphasize that it is legally separate from the City.

Whiteville ABC Board

The members of the ABC Board's governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute 55% of its surpluses to the General Fund of the City. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be reviewed at the Board's administrative offices at 112 South J.K. Powell Blvd., Whiteville, North Carolina 28472.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. 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 (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate 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 non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies result from nonexchange 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 general government, public safety, transportation, and environmental protection services.

The City reports the following non-major governmental funds:

Pedestrian Planning Grant Fund. This fund is used to account for amounts received to do a pedestrian transportation study.

NCPARTF Grant Project Fund. This fund is used to account for funds received for improvements at the park.

FY2011 CDBG Catalyst Grant. This fund is used to account for the Community Development Block Grant Funds.

WDDC Tax District Fund. This fund accounts for the ad valorem tax levy of the municipal service district established at the request of the Whiteville Downtown City Development Commission.

Hurricane Matthew Project Fund. This fund is used to account for repairs necessary as a result of Hurricane Matthew.

The City reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City are maintained 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. The government-wide and proprietary fund financial statements are reported using 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. Nonexchange 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 is 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 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 City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. 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 nonoperating 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Whiteville because the tax is levied by Columbus 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 is 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 revenue.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, WDDC Tax District and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the remaining Special Revenue Funds and the Enterprise Capital Project Fund, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Any revisions that alter the total expenditures of any fund must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the City and of the ABC Board are made in board designated official depositories and are secured as required by State law [G.S. 159-31]. The City and ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City and the ABC Board 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 and ABC Board 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 and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost (if any). The NC Capital Management Trust Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT - Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

The City pools money 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. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they 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.

<u>City of Whiteville Restricted Cash</u>	
Governmental Activities	
General Fund	
Powell Bill Funds - Streets	\$ 521,743
Reserve - USDA	17,292
Total Governmental activities	<u>\$ 539,035</u>
Business-type Activities	
Water and Sewer Fund	
Customer Deposits	\$ 210,619
Total business-type activities	<u>\$ 210,619</u>
Total Restricted Cash	<u>\$ 749,654</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2016. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. 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.

6. Inventory and Prepaid Items

The inventories of the ABC Board are valued at cost (first-in, first-out), which approximates market. The City does not keep enough supplies on hand to require maintaining an inventory; expendable supplies are recorded as expenditures when purchased.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$0; equipment, furniture and fixtures, and vehicles, \$5,000; streets, \$100,000; wells, tanks, and bridges, \$100,000; culverts, \$15,000 and sidewalks and water and sewer lines, \$10,000. 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 prior to June 15, 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 materially extend assets' lives are not capitalized.

Capital assets of the City are depreciated on a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Water and Sewer Distribution Lines	67 Years
Buildings	45 Years
Water and Sewer Equipment	40 Years
Infrastructure	30 Years
Equipment & Furniture	5-10 Years
Computers	3 - 5 Years
Vehicles	5-15 Years

Property, plant and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building	40 Years
Landscaping	8 Years
Leasehold Improvement	10-20 Years
Store Fixtures & Equipment	10 Years
Office Furniture & Fixtures	5-7 years
Signage	10 Years

8. Deferred Outflows/Inflows of Resources

In addition to assets, the state of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, contributions made to the pension plan in the 2017 fiscal year. In addition to liabilities, the statement of financial position will sometimes 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 criterion for this category – prepaid taxes, property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. 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 statement of net position. Bond premiums and discounts, as well as issuance costs, 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 cost, 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 fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued 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.

10. Compensated Absences

The vacation policy of the City allows for the maximum accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a last-in, first-out method of using accumulated compensated time. 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 provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the City nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Full-time ABC Board employees are entitled to 96 hours of vacation each year, earned at a rate of 8 hours per month. After 10 years of service, this amount increases to 144 hours each year. Employees may use vacation time after it is earned, and unused vacation is capped at twice the annual amount.

Full-time employees are entitled to eight days sick leave per calendar year, regardless of length of employment, and unused sick leave benefits are allowed to accumulate. Since the Board has no obligation for accumulated sick leave until it is actually taken no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or 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:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because either they are (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.

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

- Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].
- Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Whiteville's governing body. Any changes or removal of specific purpose requires majority action by the governing body.

Assigned Fund Balance – portion of fund balance that City of Whiteville intends to use for specific purposes.

- 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; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

Unassigned Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

12. 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 Whiteville's employer contributions are recognized when due and the City of Whiteville 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.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit in Fund Balance or Net Position of Individual Funds

The deficit fund balances of the nonmajor governmental funds; the WDDC Fund and Hurricane Matthew Fund are due to reimbursements that have not been applied for or received as of the year end. This will be corrected in the coming year as the reimbursements are applied for and received.

Excess of Expenditures over Appropriations

The City did not appropriately budget or record the capital lease and the associated equipment purchased through the lease or the initial lease payments, resulting in an overexpenditure in the budget for debt service. Capital leases should be budgeted and properly recorded on the general ledger. As a result, the expenditures made by the City's General Fund exceeded the authorized appropriations made by the governing board for debt service by \$56,637. There was budget available to cover the debt service payments, but appropriate amendments were not made to transfer the funds from the departments to the debt service line items.

NOTE 3: DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the City and the ABC Board 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 or the ABC Board's agents in these units' names. 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 and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in their names. 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, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City and the ABC Board under the Pooling Method, the potential exists for under-collateralization, 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 to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2017, the City's deposits had a carrying amount of \$6,513,904 and a bank balance of \$6,639,684. The carrying amount of deposits for the ABC Board was \$258,152 and the bank balance was \$312,692. Of the ABC Board's bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. Of the City's bank balance, \$500,000 was covered by FDIC and the excess deposits were collateralized under the pooling method. Included in the carrying amount at June 30, 2017 was the City's petty cash fund which totaled \$200.

2. Investments

At June 30, 2017, the City of Whiteville had \$302,890 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk of its investments. The ABC Board does not have a policy regarding credit risk of its investments.

3. Accounts Receivable and Due From Other Governments

The amounts presented in the Statement of Net Position are shown below:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Sales Tax Refund Receivable	\$ 29,426	\$ 18,255
Charges for Services - Billed	101,503	458,788
Charges for Services - Unbilled	49,265	116,861
Motor Vehicle Tax Receivable	18,389	-
Ad Valorem Tax Receivable	24,577	-
ABC Board A/R	11,537	-
Town of Brunswick A/R	-	-
Returned Checks & Other Misc.Receivables	21,430	1,373
Franchise Tax Receivable	117,929	-
Local Option Sales Tax Receivable	303,961	-
Total	<u>\$ 678,017</u>	<u>\$ 595,277</u>

Receivables – Allowance for Doubtful Accounts

The amount presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2017 are net of the following allowances for doubtful accounts.

<u>Fund</u>	<u>6/30/17</u>
General Fund:	
Taxes Receivable	<u>\$ 43,000</u>
Enterprise Fund:	
Accounts Receivable	<u>\$ 71,700</u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases and Adjustments	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 385,419	\$ -	\$ -	\$ 385,419
Construction in Progress	798,680	224,028	996,204	26,504
Total capital assets not being depreciated	1,184,099	224,028	996,204	411,923
Capital assets being depreciated				
Buildings	2,797,205	100,000	-	2,897,205
Infrastructure	2,228,856	996,204	-	3,225,060
Equipment & Furn. & Fixtures	939,466	43,387	-	982,853
Vehicles	3,279,465	180,869	48,300	3,412,034
Total capital assets being depreciated	9,244,992	1,320,460	48,300	10,517,152
Less accumulated depreciation for:				
Buildings	1,284,402	76,537	-	1,360,939
Infrastructure	1,399,339	62,750	-	1,462,089
Equipment & Furn. & Fixtures	688,496	124,553	-	813,049
Vehicles	2,346,801	177,302	48,300	2,475,803
Total accumulated depreciation	5,719,038	\$ 441,142	\$ 48,300	6,111,880
Total capital assets being depreciated, net	3,525,954			4,405,272
Governmental activity capital assets, net	\$ 4,710,053			\$ 4,817,195

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

General Government	\$ 45,251
Public Safety	202,951
Transportation	100,271
Environmental Protection	2,700
Cultural & Recreational	89,969
Total Depreciation Expense	<u>\$ 441,142</u>

Business-type activities:

Water and Sewer Fund

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 206,018	\$ -	\$ -	\$ 206,018
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	206,018	-	-	206,018
Capital assets being depreciated:				
Plant and distribution systems	22,951,287	1,500,000	-	24,451,287
Furniture, Maint Equip, & Vehicles	1,526,197	64,320	116,071	1,474,446
Total capital assets being depreciated	24,477,484	1,564,320	116,071	25,925,733
Less accumulated depreciation for:				
Plant and distribution systems	8,760,122	389,746	-	9,149,868
Furniture, Maint Equip, & Vehicles	1,285,077	71,313	116,071	1,240,319
Total accumulated depreciation	10,045,199	\$ 461,059	\$ 116,071	10,390,187
Total capital assets being depreciated, net	14,432,285			15,535,546
Business-type activities capital assets, net	\$ 14,638,303			\$ 15,741,564

Construction Commitments

The City does not have any active construction projects as of June 30, 2017.

Activity for the ABC Board for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Building	\$ 153,867	\$ -	\$ -	\$ 153,867
Office Furniture and Fixtures	26,632	-	-	26,632
Store Equipment	100,313	-	-	100,313
Total capital assets being depreciated	280,812	-	-	280,812
Less accumulated depreciation for:				
Building	109,476	6,705	-	116,181
Office Furniture and Fixtures	21,037	1,447	-	22,484
Store Equipment	81,712	4,837	-	86,549
Total Accumulated Depreciation	212,225	\$ 12,989	\$ -	225,214
ABC Capital Assets, Net	\$ 68,587			\$ 55,598

B. - Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Whiteville 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 Whiteville's contractually required contribution rate for the year ended June 30, 2017, was 8.0% of compensation for law enforcement officers and 7.33% 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 Whiteville were \$206,837 for the year ended June 30, 2017.

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

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

At June 30, 2017, the City reported a liability of \$1,019,358 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the City's proportion was 0.04803%, which was an decrease of .00479% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$258,860. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,152	\$ 35,719
Changes of assumptions	69,817	-
Net difference between projected and actual earnings on pension plan investments	563,576	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	572	54,750
City contributions subsequent to the measurement date	206,837	-
Total	<u>\$ 859,954</u>	<u>\$ 90,469</u>

\$206,837 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 77,245
2019	77,373
2020	256,099
2021	151,932
2022	-
Thereafter	-
	<u>\$ 562,649</u>

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

Inflation	3.0 percent
Salary Increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	\$ 2,419,411	\$ 1,019,358	\$ (150,071)

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

1. *Plan Description.*

The City of Whiteville 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 .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.

The Separation Allowance covers all full-time law enforcement officers of the City. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees Receiving Benefits	2
Terminated plan members entitled to but no yet receive	0
Active Plan Members	23
Total	<u>25</u>

2. *Summary of Significant Accounting Policies:*

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

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

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

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

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

4. Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. 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 \$21,902 as benefits came due for the reporting period.

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

At June 30, 2017, the City reported a total pension liability of \$330,342. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the City recognized pension expense of \$31,259.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual	\$ -	\$ -
Changes of assumptions	-	7,983
County benefit payments and plan administrative expense made subsequent to	21,902	-
Total	<u>\$ 21,902</u>	<u>\$ 7,983</u>

\$21,902 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ (1,403)
2019	(1,403)
2020	(1,403)
2021	(1,403)
2022	(1,403)
Thereafter	(968)
	<u>\$ (7,983)</u>

\$21,902 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

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

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	\$ 363,868	\$ 330,342	\$ 300,008

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

Beginning Balance	\$ 328,706
Service Cost	20,906
Interest on the total pension liability	11,356
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(9,386)
Benefit payments	(21,240)
Other changes	-
Ending balance of the total pension liability	<u>\$ 330,342</u>

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 ended December 31, 2015.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (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 financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2017 were \$50,672, which consisted of \$40,112 from the City and \$10,560 from law enforcement officers. The City has also elected to contribute four and one half a percent of general employees' salaries to the plan on their behalf. General employees may also make voluntary contributions to the plan. Contributions for general employees for the year ended June 30, 2017 were \$107,699, which consisted of \$82,816 from the City and \$24,883 from general employees.

d. Firemen's and Rescue Squad Worker's Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City of Whiteville, to the Fireman's and Rescue Squad Workers' Pension Fund, a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGER 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 Firemen's and Rescue Squad Workers' Pension Fund 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 the fund. 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. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the fund. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the fund. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ended June 30, 2016, the State contributed \$13,900,000 to the plan. The City of Whiteville's proportionate share of the State's contribution is \$2,520.

Refunds of Contributions. Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2017, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$17,831. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2016 and at June 30, 2015 was 0%.

For the year ended June 30, 2017, the City recognized pension expense of \$5,231 and revenue of \$6,817 for support provided by the State. At June 30, 2017, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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

Inflation	3.0 percent
Salary Increase	Not applicable
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

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

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.

e. Other Postemployment Benefit

Healthcare Benefits

Plan Description. Under the terms of a City resolution, the City administers a single-employer defined benefits healthcare plan ("the Retiree Health Plan"). The plan provides postemployment healthcare benefits to retirees of the City, provided they participate in the North Carolina Local Government Employees' Retirement System and have at least 20 years of creditable service with the City for all employees hired prior to June 8, 2010. The City adopted an amendment to the plan that offers healthcare benefits to retirees hired after June 8, 2010 at the following percentages: after 20 years of service, the City will pay 25%; after 25 years of service, the City will pay 50%; after 30 years of service, the City will pay 75%, and after 35 years of service, the City will pay 100%. The City pays the cost of coverage for these benefits through private insurers. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	13	6
Terminated plan members entitled to but not yet benefits	-	-
Active Plan Members	42	4
Total	<u>55</u>	<u>10</u>

Funding Policy. By City resolution, the City pays the full cost of coverage for the healthcare benefits paid to qualified retirees. The City's members pay the full cost of any dependent coverage. The City has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting, and the Utility Fund, which is maintained on the full accrual basis. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. The City's contributions totaled \$41,883 in fiscal year 2017.

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

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

Annual required contributions	\$ 159,916
Interest on net OPEB obligation	15,046
Adjustment to annual required contribution	<u>216,197</u>
Annual OPEB cost (expense)	391,159
Contributions made	<u>(41,883)</u>
Increase (decrease) in net OPEB obligation	349,276
Net OPEB obligation, beginning of year	<u>3,103,308</u>
Net OPEB obligation, end of year	<u>\$ 3,452,584</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 were as follows:

For Year Ended June 30	3 Year Trend Information Percentage of Annual		
	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
2017	349,278	10.71%	3,452,584
2016	435,088	12.22%	3,103,308
2015	485,417	17.08%	2,721,409

Funded Status and Funding Progress. As of December 31, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$3,343,305. The covered payroll (annual payroll of active employees covered by the plan) was \$2,747,989, and the ratio of the UAAL to the covered payroll was 121.66 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 12.00 to 6.00 percent annually. The investment rate included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using the techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2016 was 30 years.

2. Other Employment Benefit

The City has also elected to provide death benefits to employees through the League of Municipalities. The City pays the premiums to provide for \$10,000 of life insurance for department heads and \$5,000 for all other employees. The City also provides \$15,000 life insurance coverage for each employee through Blue Cross Blue Shield of North Carolina.

3. Deferred Outflows and Inflows of Resources

The City has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 206,836
Benefit payments made and administrative expenses for LEOSSA	21,902
Differences between expected and actual experience	19,152
Changes of assumptions	69,817
Net difference between projected and actual	563,576
Changes in proportion and differences between employer contributions and proportionate share of contributions	572
Total	<u>\$ 881,855</u>

Deferred inflows of resources at year-end is comprised of the following:

Prepaid taxes (General Fund)	\$ 360
Taxes Receivable, less penalties (General Fund)	36,199
Differences between expected and actual experience	35,719
Changes of assumptions - LEOSSA	7,983
Changes in proportion and differences between employer contributions and proportionate share of contributions	54,750
	<u>\$ 135,011</u>

4. 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 participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of the reinsurance and excess policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

The City carries flood insurance through the North Carolina League of Municipalities. The City has areas that have been mapped and designated by the Federal Emergency Management Agency as not being in a flood zone and some are in a flood zone. The City's insurance carrier will provide coverage for those areas in the flood zones B, C, and X, but no coverage is provided for property located in the other flood zones. The City does not have any additional insurance to cover this damage should it occur.

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 is bonded for \$100,000. The tax collector is bonded for \$10,000. The remaining employees are that have access to funds are bonded under a blanket bond for \$50,000.

5. Claims, Judgments and Contingent Liabilities

As of June 30, 2017, the City was not involved in any civil or legal actions which in the opinion of management and the City's attorney, would have an adverse or material effect on the City's financial position.

6. Long-Term Obligations

a. Capital Leases

The City has entered several agreements to lease vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

There are three outstanding lease agreements. The first agreement was executed on February 22, 2016 to lease seven vehicles and requires three annual payments of \$70,470, including interest of 5.75%. The second agreement was executed on December 14, 2016 to lease four vehicles and requires three annual payments of \$45,428 including interest of 5.99%. The third agreement was executed on June 24, 2017 to lease one vehicle and requires three annual payments of \$11,091, including interest of 6.0%. Title passes to the City at the end of the lease term.

The following is an analysis of the assets recorded under capital leases at June 30, 2017:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Vehicles - Governmental	\$ 314,048	\$ 74,331	\$ 239,717
Vehicles - Enterprise	45,073	7,879	37,194
Total	<u>\$ 359,121</u>	<u>\$ 82,210</u>	<u>\$ 276,911</u>

The future minimum lease obligations and the net present value of these minimum lease payment as of June 30, 2017 were as follows:

	<u>Governmental</u>	<u>Enterprise</u>
2018	\$ 117,094	\$ 7,752
2019	47,888	17,263
2020	-	-
2021	-	-
Total Minimum Lease Payments	<u>164,982</u>	<u>25,015</u>
Less: Amount representing interest	<u>(17,866)</u>	<u>(1,858)</u>
Present value of the minimum lease payments	<u>\$ 147,116</u>	<u>\$ 23,157</u>

b. Installment Loans

Serviced by Governmental Activities:

Note Payable – BB&T

\$62,222 BB&T Loan issued for the purchase of police vehicles on October 5, 2012. Annual installments of \$13,037, including interest at 1.570% are due in 5 payments. Final payment is scheduled for October 5, 2017. The loan was paid in full at June 30, 2017.

Note Payable – BB&T

\$540,000 BB&T Loan issued for the purchase of a Rescue Pumper Fire Truck on August 14, 2013. Annual installments of \$47,320, including interest at 3.630% are due in 15 payments. Final payment is scheduled for August 2028. The amount due at June 30, 2017 was \$453,791.

Note Payable – BB&T

\$520,000 BB&T Loan issued for improvements to Nolan Park fitness center and recreation complex on July 13, 2015. Annual installments of \$34,667, including interest at 2.87% are due in 15 payments. Final payment is scheduled for July, 2031. The amount due at June 30, 2017 was \$485,333.

Serviced by the Enterprise Funds:

Note Payable - North Carolina Water Pollution Control Revolving Loan Proceeds

\$2,200,000 NC Water Pollution Control Revolving Loan, issued for wastewater treatment plant improvements. Principal installments are due annually on May 1 with a semiannual interest payment due on May 1 and November 1, at an interest rate of 2.27%. The amount due at June 30, 2017 was \$785,714.

Note Payable - North Carolina Water Pollution Control Revolving Loan Proceeds

\$2,250,000 NC Water Pollution Control Revolving Loan, issued for wastewater treatment plant improvements. Principal installments are due annually on May 1 with a semiannual interest payment due on May 1 and November 1, at an interest rate of 2.265%. The amount due at June 30, 2017 was \$811,224.

Note Payable – North Carolina Drinking Water State Revolving Loan Proceeds

\$462,104 NC Drinking Water Revolving Loan issued for a well replacement project. Principal installments in the amount of \$11,183 are due annually on May 1. In July 2013, the City was awarded ARRA funds to refinance the loan, which reduced the principal to \$201,288 and reduced the interest rate to 0%. The amount due at June 30, 2017 was \$156,548.

Note Payable – BB&T

\$106,500 BB&T Loan issued for the renovations to the Water Tower on August 14, 2013. Annual installments of \$22,720, including interest at 2.190% are due in 5 payments. Final payment is scheduled for August 2018. The loan was paid in full at June 30, 2017.

Annual debt service requirements to maturity for the City's Governmental activities are as follows:

Fiscal Year Ended	BB&T Loan Fire Truck		BB&T Loan Police Vehicles		BB&T Parks & Rec		Total Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 30,847	\$ 15,353	\$ -	\$ -	\$ 34,667	\$ 13,929	\$ 65,514	\$ 29,282
2019	31,967	14,192	-	-	34,667	12,934	66,634	27,126
2020	33,128	12,990	-	-	34,667	11,939	67,795	24,929
2021	34,330	11,744	-	-	34,667	10,944	68,997	22,688
2022	35,576	10,452	-	-	34,667	9,949	70,243	20,401
2023-2027	198,216	31,189	-	-	173,333	34,823	371,549	66,012
2028-2032	89,727	1,658	-	-	138,665	9,949	228,392	11,607
Total	\$ 453,791	\$ 97,578	\$ -	\$ -	\$ 485,333	\$ 104,467	\$ 939,124	\$ 202,045

Annual debt service requirements to maturity for the City's Business-type activities are as follows:

Fiscal Year Ended	NC Water Pollution Control Revolving Loan		NC Water Pollution Control Revolving Loan		ARRA Loan		Total Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 157,143	\$ 17,836	\$ 162,245	\$ 18,374	\$ 11,182	\$ -	\$ 330,570	\$ 36,210
2019	157,143	14,269	162,245	14,699	11,182	-	330,570	28,968
2020	157,143	10,701	162,245	11,025	11,182	-	330,570	21,726
2021	157,143	7,134	162,245	7,350	11,182	-	330,570	14,484
2022	157,142	3,567	162,244	3,675	11,182	-	330,568	7,242
2023-2027	-	-	-	-	55,913	-	55,913	-
2028-2032	-	-	-	-	44,724	-	44,724	-
Total	\$ 785,714	\$ 53,507	\$ 811,224	\$ 55,123	\$ 156,547	\$ -	\$ 1,753,485	\$ 108,630

c. Changes in Long – Term Liabilities

	Balance			Balance	Current Portion
	July 01, 2016	Increases	Decreases		
Governmental Activities:					
Loans	\$ 1,029,030	\$ -	\$ 89,905	\$ 939,125	\$ 65,514
Capital Leases	115,392	135,696	103,972	147,116	56,084
Other Postemployment benefits	2,328,799	236,929	-	2,565,728	-
Net pension liability (LGERS)	177,931	547,915	-	725,846	-
Net pension liability (LEOSSA)	328,706	1,636	-	330,342	-
Compensated Absences	152,981	9,546	-	162,527	-
Governmental activity long term liabilities	\$ 4,132,839	\$ 931,722	\$ 193,877	\$ 4,870,684	\$ 121,598
Business-type Activities:					
NC Water Pollution Control Revolving Loan	\$ 1,916,326	\$ -	\$ 319,388	\$ 1,596,938	\$ 319,388
NC Drinking Water Revolving Loan/ARRA Loan	167,730	-	11,183	156,547	11,182
Loan	65,279	-	65,279	-	-
Capital Leases	14,262	24,458	15,563	23,157	6,932
Net pension liability (LGERS)	59,122	234,389	-	293,511	-
Other Postemployment benefits	774,508	153,785	-	928,293	-
Compensated Absences	45,748	220	-	45,968	-
Business-type activity long term liabilities	\$ 3,042,975	\$ 412,852	\$ 411,413	\$ 3,044,414	\$ 337,502

C. Interfund Balances and Activity

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

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	WDDC Tax District	\$ 2,176
General Fund	Hurricane Matthew	99,982
		<u>\$ 102,158</u>

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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

Transfer from General Fund to NCPARTF Grant Fund - to provide local match	\$ 9,777
Transfer from Pedestrian Planning to General Fund - to close out fund	3
	<u>\$ 9,780</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations , including amounts provided matching funds for various grant programs.

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 4,817,195	\$ 15,741,564
less: long-term debt	1,086,241	1,776,642
Net investment in capital assets	<u>\$ 3,730,954</u>	<u>\$ 13,964,922</u>

E. Fund Balance

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

Total fund balance - General Fund	<u>\$ 4,627,188</u>
Less:	
Prepaid Expenses	-
Stabilization by State Statute	779,090
Street - Powell Bill	521,743
USDA Reserve	17,292
Appropriated Fund Balance in 2018 budget	250,000
Working Capital/Fund Balance Policy	-
Remaining Fund Balance	<u>\$ 3,059,063</u>

NOTE 4: Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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 moneys.

NOTE 5: SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through October 27, 2017, the date the financial statements were available to be issued. No items were noted for disclosure.

NOTE 6: PRIOR PERIOD ADJUSTMENTS

Prior period adjustments were made in both the General Fund and Water Sewer Fund to correct beginning balances for prior year salary accruals that were not reversed. These adjustments increased net position \$96,626 and \$22,614 for the general fund and water fund, respectively. In addition, beginning accumulated depreciation was adjusted on the governmental activities statements that increased net position by \$399,858, and on the utility fund that decreased net position by \$354,330.

NOTE 7: CHANGE IN ACCOUNTING PRINCIPLES / RESTATEMENT

The City implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the City to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the City to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased \$328,706.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles.

- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits
- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Proportionate Share of Net Pension Liability for Firefighters' and Rescue Squad Workers' Pension Plan
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payrol

**City of Whiteville, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
6/30/2017	\$ -	\$ 3,343,305	\$ 3,343,305	0.00%	\$ 2,747,989	121.66%
6/30/2016	\$ -	\$ 3,777,952	\$ 3,777,952	0.00%	\$ 2,665,208	141.75%
6/30/2015	\$ -	\$ 4,033,129	\$ 4,033,129	0.00%	\$ 2,499,505	161.36%

**City of Whiteville, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2017	391,159	10.71%
2016	435,088	12.22%
2015	485,417	17.08%

City of Whiteville, North Carolina
City of Whiteville's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Four Fiscal Years*

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City of Whiteville's proportion of the net pension liability (asset) (%)	0.04803%	0.05282%	0.04803%	0.04850%
City of Whiteville's proportion of the net pension liability (asset) (\$)	\$ 1,019,358	\$ 237,053	\$ (283,255)	\$ 584,611
City of Whiteville's covered-employee payroll	\$ 2,567,451	\$ 2,431,308	\$ 2,387,209	\$ 2,298,610
City of Whiteville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.70%	9.75%	-11.87%	25.43%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

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

**City of Whiteville, North Carolina
City of Whiteville's Contributions
Required Supplementary Information
Last Four Fiscal Years**

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 206,837	\$ 176,546	\$ 174,463	\$ 170,382
Contributions in relation to the contractually required contribution	206,837	176,546	174,463	170,382
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Whiteville's covered-employee payroll	\$ 2,747,989	\$ 2,567,451	\$ 2,431,308	\$ 2,387,209
Contributions as a percentage of covered-employee payroll	7.53%	6.88%	7.18%	7.14%

City of Whiteville, North Carolina
City of Whiteville's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Three Fiscal Years*

Firefighters' and Rescue Squad Workers' Pension

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City of Whiteville's proportion of the net pension liability (asset) (%)	0.00000%	0.00000%	0.00000%
City of Whiteville's proportion of the net pension liability (asset) (\$)	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the City of Whiteville	\$ 17,831	\$ 15,173	\$ 11,682
Total	<u>\$ 17,831</u>	<u>\$ 15,173</u>	<u>\$ 11,682</u>
City of Whiteville's covered-employee payroll	\$ 309,938	\$ 355,632	\$ 362,770
City of Whiteville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	5.75%	4.27%	3.22%
Plan fiduciary net position as a percentage of the total pension liability*	84.94%	91.40%	93.42%

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

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

City of Whiteville, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

	<u>2017</u>
Beginning Balance	\$ 328,706
Service Cost	20,906
Interest on the total pension liability	11,356
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(9,386)
Benefit payments	(21,240)
Other changes	-
Ending balance of the total pension liability	<u>\$ 330,342</u>

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

City of Whiteville, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

	<u>2017</u>
Total pension liability	\$ 330,342
Covered payroll	851,737
Total pension liability as a percentage of payroll	38.78%

Notes to the schedules:

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

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

City of Whiteville, North Carolina
 General Fund
 Comparative Balance Sheets
 June 30, 2017 and June 30, 2016

Exhibit B-1

	June 30, 2017	June 30, 2016
Assets		
Cash and cash equivalents	\$ 3,553,367	\$ 2,661,293
Restricted Cash	539,035	469,774
Receivables, net:		
Taxes	35,574	72,366
Accounts	167,450	152,354
Due from other governments	497,945	441,175
Due from other funds	102,158	567,509
Due from component unit	11,537	-
Prepaid Expense	-	-
Total assets	\$ 4,907,066	\$ 4,364,471
Liabilities and fund balances		
Liabilities:		
Accounts payable and accrued liabilities	\$ 243,944	\$ 253,133
Due to other funds	-	-
Unearned revenue	-	-
Total liabilities	243,944	253,133
Deferred Inflows of Resources		
Property taxes	35,574	72,366
Prepaid Licenses	360	360
Total deferred inflows of resources	35,934	72,726
Fund balances:		
Nonspendable:		
Prepaid Expenses	-	-
Restricted:		
Stabilization by State Statute	779,090	1,161,038
Streets	521,743	452,482
Debt Reserve	17,292	17,292
Assigned		
Subsequent year's expenditures	250,000	-
Unassigned	3,059,063	2,407,800
Total fund balances	4,627,188	4,038,612
Total liabilities, deferred inflows of resources and fund balances	\$ 4,907,066	\$ 4,364,471

City of Whiteville, North Carolina
 General Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2017
 (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

Exhibit B-2

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues				
Ad Valorem taxes:				
Taxes	\$ 2,369,000	\$ 2,400,116	\$ 31,116	\$ 2,386,298
Penalties and interest	10,000	14,897	4,897	13,683
Total	<u>\$ 2,379,000</u>	<u>\$ 2,415,013</u>	<u>\$ 36,013</u>	<u>\$ 2,399,981</u>
Other taxes and licenses:				
Assessments	\$ -	\$ 25	\$ 25	\$ -
In Lieu of Taxes	5,000	4,841	(159)	11,085
Privilege license	-	625	625	1,000
Total	<u>\$ 5,000</u>	<u>\$ 5,491</u>	<u>\$ 491</u>	<u>\$ 12,085</u>
Unrestricted intergovernmental:				
Beer and Wine Tax	\$ 25,000	\$ 24,224	\$ (776)	\$ 23,864
Court Cost and Fees	2,000	2,224	224	1,652
Hold Harmless	259,000	249,604	(9,396)	241,466
Local Option Sales Tax	780,000	928,579	148,579	753,455
Sales Tax Refund	-	-	-	-
ABC Profit Distribution	26,000	31,852	5,852	25,884
Telecommunications Tax	74,000	71,664	(2,336)	72,104
Video Franchise Fee	50,000	50,283	283	51,005
Utilities Sales Tax & Piped Natural Gas Sales Tax	451,500	414,292	(37,208)	429,728
Total	<u>\$ 1,667,500</u>	<u>\$ 1,772,722</u>	<u>\$ 105,222</u>	<u>\$ 1,599,158</u>
Restricted intergovernmental revenues:				
ABC Revenue - Law Enforcement	\$ 6,000	\$ 6,000	\$ -	\$ 6,000
ABC Revenue - Fire	2,600	2,883	283	2,588
Controlled Substance Tax	-	478	478	2,232
Christmas Cops	2,500	1,215	(1,285)	3,290
Waste Disposal Tax	2,600	3,607	1,007	3,445
Reimbursement Whiteville City Schools	70,000	67,836	(2,164)	69,699
Powell Bill allocation	170,000	164,500	(5,500)	168,393
Total	<u>\$ 253,700</u>	<u>\$ 246,519</u>	<u>\$ (7,181)</u>	<u>\$ 255,647</u>
Permits and fees:				
Building Permits	\$ 22,000	\$ 16,552	\$ (5,448)	\$ 13,151
Inspection Fees	22,000	46,524	24,524	33,173
Total	<u>\$ 44,000</u>	<u>\$ 63,076</u>	<u>\$ 19,076</u>	<u>\$ 46,324</u>
Sales and Services:				
Refuse Collection Fees	\$ 1,126,000	\$ 1,087,508	\$ (38,492)	\$ 1,091,782
Rent	13,700	10,104	(3,596)	10,044
Cablevision	-	-	-	-
Concessions	500	-	(500)	855
Emergency Services	10,000	9,861	(139)	281
Fire Protection Fees	-	-	-	-
Recreation Department Fees & Insurance Pymts.	21,500	22,785	1,285	23,989
Total	<u>\$ 1,171,700</u>	<u>\$ 1,130,258</u>	<u>\$ (41,442)</u>	<u>\$ 1,126,951</u>

City of Whiteville, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2017

Exhibit B-2

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
Other Revenue				
Insurance recovery	\$ 22,100	\$ 25,068	\$ 2,968	\$ 40,004
Investment earnings	800	1,730	930	1,097
Sale of Fixed Assets	-	15,000	15,000	-
Miscellaneous	12,861	41,188	28,327	20,263
Total	\$ 35,761	\$ 82,986	\$ 47,225	\$ 61,364
Total Revenues	\$ 5,556,661	\$ 5,716,065	\$ 159,404	\$ 5,501,510
Expenditures				
General Government:				
Governing body:				
Salaries and employee benefits	\$ 14,205	\$ 15,226	\$ (1,021)	\$ 4,683
Professional services	-	-	-	-
Operating expenditures	13,963	11,375	2,588	20,321
Total	\$ 28,168	\$ 26,601	\$ 1,567	\$ 25,004
Administration:				
Salaries and employee benefits	\$ 226,111	\$ 236,471	\$ (10,360)	\$ 183,340
Professional services	28,222	14,751	13,471	23,188
Operating expenditures	82,677	116,411	(33,734)	112,155
Capital outlay	-	-	-	-
Total	\$ 337,010	\$ 367,633	\$ (30,623)	\$ 318,683
Public Buildings:				
Operating expenditures	\$ 96,078	\$ 62,536	\$ 33,542	\$ 115,308
Capital outlay	-	-	-	91,231
Total	\$ 96,078	\$ 62,536	\$ 33,542	\$ 206,539
Total general government	\$ 461,256	\$ 456,770	\$ 4,486	\$ 550,226
Public safety:				
Police department:				
Salaries and employee benefits	\$ 1,549,761	\$ 1,430,263	\$ 119,498	\$ 1,437,045
Professional services	62,426	65,503	(3,077)	35,172
Operating expenditures	249,335	251,344	(2,009)	283,144
Capital outlay	77,850	163,428	(85,578)	165,212
Total	\$ 1,939,372	\$ 1,910,538	\$ 28,834	\$ 1,920,573
Fire and rescue:				
Salaries and employee benefits	\$ 564,561	\$ 572,595	\$ (8,034)	\$ 557,416
Professional services	12,864	13,238	(374)	17,103
Operating expenditures	183,415	150,172	33,243	143,191
Capital outlay	13,500	10,886	2,614	51,362
Total	\$ 774,340	\$ 746,891	\$ 27,449	\$ 769,072

City of Whiteville, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2017

Exhibit B-2

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
Planning:				
Salaries and employee benefits	\$ 74,833	\$ 58,059	\$ 16,774	\$ 70,621
Professional services	9,366	12,627	(3,261)	14,420
Operating expenditures	19,996	9,791	10,205	12,037
Capital outlay	-	-	-	-
Total	\$ 104,195	\$ 80,477	\$ 23,718	\$ 97,078
Safety				
Salaries and employee benefits	\$ 86,426	\$ 86,496	\$ (70)	\$ 70,649
Professional services	16,068	10,315	5,753	9,557
Operating expenditures	4,857	5,216	(359)	3,891
Capital outlay	10,400	37,150	(26,750)	-
Total	\$ 117,751	\$ 139,177	\$ (21,426)	\$ 84,097
Inspections				
Salaries and employee benefits	\$ 98,589	\$ 94,974	\$ 3,615	\$ 118,260
Professional services	15,652	12,076	3,576	4,141
Operating expenditures	17,417	7,588	9,829	10,009
Capital outlay	-	-	-	-
Total	\$ 131,658	\$ 114,638	\$ 17,020	\$ 132,410
Total public safety	\$ 3,067,316	\$ 2,991,721	\$ 75,595	\$ 3,003,230
Transportation:				
Streets and highways:				
Salaries and employee benefits	\$ 94,753	\$ 97,129	\$ (2,376)	\$ 100,337
Operating expenditures	179,484	151,114	28,370	140,998
Professional services	5,975	5,042	933	3,264
Maintenance - sidewalks	60,000	23,500	36,500	19,829
Maintenance - streets	300,000	26,274	273,726	566,527
Capital outlay	45,000	43,387	1,613	26,276
Total	\$ 685,212	\$ 346,446	\$ 338,766	\$ 857,231
Garage:				
Salaries and employee benefits	\$ 10,357	\$ -	\$ 10,357	\$ -
Professional services	12,957	12,709	248	8,747
Operating expenditures	39,063	38,208	855	31,114
Capital outlay	-	-	-	-
Total	\$ 62,377	\$ 50,917	\$ 11,460	\$ 39,861
Total transportation	\$ 747,589	\$ 397,363	\$ 350,226	\$ 897,092
Environmental protection:				
Sanitation:				
Salaries and employee benefits	\$ 36,092	\$ 17,877	\$ 18,215	\$ 103,745
Operating expenditures	35,296	25,843	9,453	33,390
Capital outlay	-	-	-	-
Garbage service contract	886,000	863,739	22,261	824,880
Total	\$ 957,388	\$ 907,459	\$ 49,929	\$ 962,015
Total environmental protection	\$ 957,388	\$ 907,459	\$ 49,929	\$ 962,015
Economic development:				
Whiteville Downtown development	\$ 6,720	\$ 6,720	\$ -	\$ 6,720
Total economic development	\$ 6,720	\$ 6,720	\$ -	\$ 6,720

City of Whiteville, North Carolina
 General Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2017
 (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

Exhibit B-2

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
Cultural & Recreational:				
Parks and recreation:				
Salaries and employee benefits	\$ 221,745	\$ 186,945	\$ 34,800	\$ 234,270
Professional services	17,872	21,325	(3,453)	18,775
Operating expenditures	196,529	137,079	59,450	134,695
Depot restoration	1,250	-	1,250	-
Chamber of Commerce donation	4,000	4,000	-	4,000
Columbus County Arts Council	350	350	-	350
Dream Center donation	750	750	-	500
NC Natural Sciences Museum	-	-	-	-
Capital Outlay	6,000	5,835	165	39,256
Total cultural and recreation	<u>448,496</u>	<u>356,284</u>	<u>92,212</u>	<u>431,846</u>
Debt Service:				
Principal retirement	\$ 170,930	\$ 193,878	\$ (22,948)	\$ 103,884
Interest and fees	6,153	39,842	(33,689)	19,191
Total debt service	<u>\$ 177,083</u>	<u>\$ 233,720</u>	<u>\$ (56,637)</u>	<u>\$ 123,075</u>
Total expenditures	<u>\$ 5,865,848</u>	<u>\$ 5,350,037</u>	<u>\$ 515,811</u>	<u>\$ 5,974,204</u>
Revenues over (under) expenditures	<u>\$ (309,187)</u>	<u>\$ 366,028</u>	<u>\$ 675,215</u>	<u>\$ (472,694)</u>
Other financing sources (uses):				
Transfer (to) Special Revenue Funds	\$ -	\$ (9,774)	\$ (9,774)	\$ (32,604)
Transfer from Water Sewer Fund	-	-	-	75,000
Capital Lease Proceeds	-	135,696	135,696	178,111
Appropriated Fund Balance	309,187	-	(309,187)	-
Total	<u>\$ 309,187</u>	<u>\$ 125,922</u>	<u>\$ (183,265)</u>	<u>\$ 220,507</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 491,950</u>	<u>\$ 491,950</u>	<u>\$ (252,187)</u>
Fund balance:				
Beginning of year, July 1		4,038,612		4,276,583
Prior Period Adjustment		<u>96,626</u>		<u>14,216</u>
End of year, June 30		<u>\$ 4,627,188</u>		<u>\$ 4,038,612</u>

City of Whiteville, North Carolina
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2017

Exhibit B-3

	Pedestrian Planning Grant	NCPARTF Grant Project Fund	FY11 CDBG Catalyst Grant	WDDC Tax Fund	Hurricane Matthew Recovery	Total Nonmajor Governmental Funds
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ 3,316	\$ 1,000	\$ -	\$ 4,316
Taxes Receivable	-	-	-	625	-	625
Due from other governments	-	-	-	-	1,085	1,085
Due from other funds	-	-	-	-	-	-
Total assets	\$ -	\$ -	\$ 3,316	\$ 1,625	\$ 1,085	\$ 6,026
Liabilities and fund balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 18,000	\$ 18,000
Due to other funds	-	-	-	2,176	99,982	102,158
Total liabilities	-	-	-	2,176	117,982	120,158
Deferred inflows of resources	-	-	-	625	-	625
Fund balances:						
Restricted	-	-	-	-	-	-
Economic Development	-	-	3,316	-	-	3,316
Assigned	-	-	-	-	-	-
WDDC Tax Fund	-	-	-	(1,176)	(116,897)	(118,073)
Unassigned	-	-	-	(1,176)	(116,897)	(114,757)
Total fund balances	-	-	3,316	\$ 1,625	\$ 1,085	\$ 6,026
Total liabilities and fund balances	\$ -	\$ -	\$ 3,316	\$ 1,625	\$ 1,085	\$ 6,026

City of Whiteville, North Carolina
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2017

	Pedestrian Planning Grant	NCPARTF Grant Project Fund	FY11 CDBG Catalyst Grant	WDDC Tax Fund	Hurricane Matthew Recovery	Total Nonmajor Governmental Funds
Revenues:						
Ad Valorem taxes	\$ -	\$ -	\$ -	\$ 27,203	\$ -	\$ 27,203
Restricted intergovernmental	1,095	69,325	-	-	12,199	82,619
Investment earnings	-	-	-	-	-	-
Insurance Proceeds	-	-	-	-	60,664	60,664
Total Revenues	1,095	69,325	-	27,203	72,863	170,486
Expenditures:						
General government	-	-	-	-	117,534	117,534
Public safety	-	-	-	-	44,278	44,278
Environmental protection	-	-	-	-	22,229	22,229
Cultural and recreation	-	197,524	-	-	5,719	203,243
Economic and physical development	-	-	-	27,203	-	27,203
Total Expenditures	-	197,524	-	27,203	189,760	414,487
Revenues over expenditures	1,095	(128,199)	-	-	(116,897)	(244,001)
Other Financing Sources (Uses)						
Transfer (to) from General Fund	(3)	9,777	-	-	-	9,774
Transfer (to) from Enterprise Fund	-	-	-	-	-	-
Loan Proceeds	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(3)	9,777	-	-	-	9,774
Net Change in Fund Balance	1,092	(118,422)	-	-	(116,897)	(234,227)
Fund balance, beginning	(1,092)	118,422	3,316	(1,176)	-	119,470
Fund balance, ending	-	\$ -	\$ 3,316	\$ (1,176)	\$ (116,897)	\$ (114,757)

City of Whiteville, North Carolina
Special Revenue Fund - Pedestrian Planning Grant
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2017

Exhibit B-5

Pedestrian Planning Grant Fund	Project Authorization	Prior Years	Actual Current Years	Total to Date	Variance Positive (Negative)
Revenues:					
North Carolina Department of Transportation	\$ 24,800	\$ 23,691	\$ 1,095	\$ 24,786	\$ (14)
Total revenues	<u>24,800</u>	<u>23,691</u>	<u>1,095</u>	<u>24,786</u>	<u>(14)</u>
Expenditures:					
Professional Consultant Services	21,000	20,983	-	20,983	17
Admin./Planning/Legal	10,000	10,000	-	10,000	-
Total expenditures	<u>31,000</u>	<u>30,983</u>	<u>-</u>	<u>30,983</u>	<u>17</u>
Revenues Over (Under) Expenditures	<u>(6,200)</u>	<u>(7,292)</u>	<u>1,095</u>	<u>(6,197)</u>	<u>3</u>
Transfer from General Fund (Local Commitment)	6,200	6,200	(3)	6,197	(3)
Total Other Financing Uses	<u>6,200</u>	<u>6,200</u>	<u>(3)</u>	<u>6,197</u>	<u>(3)</u>
Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (1,092)</u>	<u>1,092</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Beginning of year, July 1			<u>(1,092)</u>		
End of year, June 30			<u>\$ -</u>		

City of Whiteville, North Carolina
 Capital Project Fund - NC PARTF Grant Project
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2017

Exhibit B-6

NC PARTF Grant Project Fund	Project Authorization	Prior Years	Actual Current Years	Total to Date	Variance Positive (Negative)
Revenues:					
North Carolina Parks & Recreation Trust Fund	\$ 412,927	\$ 343,602	\$ 69,325	\$ 412,927	\$ -
Total revenues	<u>412,927</u>	<u>343,602</u>	<u>69,325</u>	<u>412,927</u>	<u>-</u>
Expenditures:					
Greenway, Fitness, Wildlife Trail	149,323	140,170	9,153	149,323	-
Dog Park	20,900	-	20,900	20,900	-
Frisbee Golf Driving Range	10,248	1,000	9,248	10,248	-
Drainage & Culvert Network	75,145	71,725	3,420	75,145	-
Irrigation System	25,770	17,790	7,980	25,770	-
Multipurpose Ball Fields	447,073	383,291	63,782	447,073	-
Parking	59,579	25,483	34,096	59,579	-
Contingency	47,980	-	47,980	47,980	-
Admin./Planning/Legal	160,288	159,221	965	160,186	102
Total expenditures	<u>996,306</u>	<u>798,680</u>	<u>197,524</u>	<u>996,204</u>	<u>102</u>
Revenues Over (Under) Expenditures	<u>(583,379)</u>	<u>(455,078)</u>	<u>(128,199)</u>	<u>(583,277)</u>	<u>102</u>
Transfer from General Fund (Local Commitment)	63,281	53,500	9,777	63,277	(4)
Loan Proceeds	520,098	520,000	-	520,000	(98)
Total Other Financing Uses	<u>583,379</u>	<u>573,500</u>	<u>9,777</u>	<u>583,277</u>	<u>(102)</u>
Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 118,422</u>	<u>(118,422)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Beginning of year, July 1			<u>118,422</u>		
End of year, June 30			<u>\$ -</u>		

City of Whiteville, North Carolina
Special Revenue Fund - WDDC Tax District Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2017

Exhibit B-7

WDDC Tax District Fund	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
Revenues:				
Ad Valorem Taxes - Current Year	\$ -	\$ 26,673	\$ 26,673	\$ 27,364
Ad Valorem Taxes - Prior Year	-	530	530	464
Total revenues	-	27,203	27,203	27,828
Expenditures:				
Economic and Physical Development	31,200	27,203	3,997	27,859
Total expenditures	31,200	27,203	3,997	27,859
Revenues Over (Under) Expenditures	\$ (31,200)	-	\$ 31,200	\$ (31)
Fund balances:				
Beginning of year, July 1		(1,176)		
End of year, June 30		\$ (1,176)		

City of Whiteville, North Carolina
Special Revenue Fund - FY11 CDBG Catalyst Grant
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2017

FY11 CDBG Catalyst Grant	Project Authorization	Prior Years	Actual Current Years	Total to Date	Variance Positive (Negative)
Revenues:					
CDBG Grant	\$ 500,000	\$ 487,754	\$ -	\$ 487,754	\$ (12,246)
Total revenues	<u>500,000</u>	<u>487,754</u>	<u>-</u>	<u>487,754</u>	<u>(12,246)</u>
Expenditures:					
Acquisition	1,000	1,000	-	1,000	-
Clearance	35,000	25,424	-	25,424	9,576
Rehabilitation	419,100	415,807	-	415,807	3,293
Administration	44,900	42,207	-	42,207	2,693
Local Expenditure	45,000	45,000	-	45,000	-
Total expenditures	<u>545,000</u>	<u>529,438</u>	<u>-</u>	<u>529,438</u>	<u>15,562</u>
Revenues Over (Under) Expenditures	<u>(45,000)</u>	<u>(41,684)</u>	<u>-</u>	<u>(41,684)</u>	<u>3,316</u>
Other Financing Sources (Uses)					
Transfer from General Fund (Local Commitment)	45,000	-	-	-	(45,000)
Total Other Sources (Uses)	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,000)</u>
Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (41,684)</u>	<u>-</u>	<u>\$ (41,684)</u>	<u>\$ (41,684)</u>
Fund balances:					
Beginning of year, July 1			<u>3,316</u>		
End of year, June 30			<u>\$ 3,316</u>		

City of Whiteville, North Carolina
Special Revenue Fund - Hurricane Matthew Recovery
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authorization	Prior Years	Actual Current Years	Total to Date	Variance Positive (Negative)
Revenues:					
FEMA Proceeds	\$ 356,250	\$ -	12,199	\$ 12,199	\$ (344,051)
State of NC Proceeds	118,750	-	-	-	(118,750)
Insurance Proceeds	70,000	-	60,664	60,664	(9,336)
Total revenues	<u>545,000</u>	<u>-</u>	<u>72,863</u>	<u>72,863</u>	<u>(472,137)</u>
Expenditures:					
Administration	15,000	-	124	124	14,876
Police Hurricane Expenditures	50,000	-	4,176	4,176	45,824
Fire Hurricane Expenditures	40,000	-	40,102	40,102	(102)
Public Works Hurricane Expenditures	150,000	-	117,410	117,410	32,590
Parks and Recreation Hurricane Expenditures	165,000	-	5,719	5,719	159,281
WWTP Hurricane Expenditures	35,000	-	22,229	22,229	12,771
Contribution to Fund Balance	90,000	-	-	-	90,000
Total expenditures	<u>545,000</u>	<u>-</u>	<u>189,760</u>	<u>189,760</u>	<u>355,240</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(116,897)</u>	<u>(116,897)</u>	<u>(116,897)</u>
Other Financing Sources (Uses)					
Transfer from General Fund (Local Commitment)	-	-	-	-	-
Total Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(116,897)</u>	<u>\$ (116,897)</u>	<u>\$ (116,897)</u>
Fund balances:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ (116,897)</u>		

City of Whiteville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget & Actual (Non-GAAP)

Exhibit C-1

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017		Variance Favorable (Unfavorable)	2016
	Final Budget	Actual		Actual
Revenues:				
Operating Revenues:				
Water Sales	\$ 661,000	\$ 663,925	\$ 2,925	\$ 664,507
Sewer Charges	1,900,000	1,902,668	2,668	1,904,642
Water Connections	2,000	2,410	410	1,734
Sewer Connections	1,000	600	(400)	300
Reconnection Fees	110,000	120,456	10,456	127,425
Total Operating Revenues	2,674,000	2,690,059	16,059	2,698,608
Nonoperating Revenues:				
Interest on Investments	70	67	(3)	145
Water Tank Lease	26,000	27,744	1,744	26,677
Sewer Line Expansion Revenue	76,000	88,465	12,465	71,522
DENR Grant	150,000	-	(150,000)	-
Miscellaneous	4,913	31,577	26,664	3,667
Total Nonoperating Revenues	256,983	147,853	(109,130)	102,011
Total Revenues	2,930,983	2,837,912	(93,071)	2,800,619
Expenditures:				
Water & Sewer Administration:				
Salaries and Employee Benefits	310,850	308,517	2,333	-
Postage and Telephone	4,800	3,375	1,425	-
Supplies	-	-	-	-
Other Departmental Expenses	77,877	65,595	12,282	-
Professional Fees	150,000	-	-	-
Capital Outlay	-	-	-	-
Governing Body				
Salaries and Employee Benefits	9,470	9,373	97	-
Other Expenses	9,306	4,444	4,862	-
Total Administration	562,303	391,304	20,999	-
Water Operations:				
Salaries and Employee Benefits	294,218	348,271	(54,053)	395,938
Utilities	58,000	60,787	(2,787)	58,082
Supplies	42,400	43,773	(1,373)	38,391
Other Departmental Expenses	182,833	112,586	70,247	177,391
Capital Outlay	45,000	20,000	25,000	31,126
Total Water Operations	622,451	585,417	37,034	700,928
Sewer Operations:				
Salaries and Employee Benefits	257,854	278,980	(21,126)	325,902
Utilities	19,000	19,640	(640)	19,728
Supplies	20,000	17,758	2,242	22,529
Other Departmental Expenses	120,228	103,324	16,904	111,061
Capital Outlay	71,662	1,599,638	(1,527,976)	92,458
Total Sewer Operations	488,744	2,019,340	(1,530,596)	571,678

City of Whiteville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget & Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2017

Exhibit C-1

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017		Variance Favorable (Unfavorable)	2016
	Final Budget	Actual		Actual
Wastewater Treatment:				
Salaries and Employee Benefits	282,584	288,153	(5,569)	339,539
Utilities	100,000	118,833	(18,833)	129,619
Supplies	55,300	56,579	(1,279)	60,391
Other Departmental Expenses	194,157	164,774	29,383	154,843
Capital Outlay	10,000	25,194	(15,194)	34,872
Total Wastewater Treatment	<u>642,041</u>	<u>653,533</u>	<u>(11,492)</u>	<u>719,264</u>
Debt service:				
Principal Retirement	382,427	411,413	(28,986)	359,156
Interest and other charges	74,110	44,707	29,403	53,905
Total Debt Service	<u>456,537</u>	<u>456,120</u>	<u>417</u>	<u>413,061</u>
Total Expenditures	<u>2,772,076</u>	<u>4,105,714</u>	<u>(1,483,638)</u>	<u>2,404,931</u>
Other Financing Sources (Uses):				
Transfer from (to) General Fund	(202,896)	-	202,896	(75,000)
Transfer from (to) IT Hardware ERP Software Fund	-	-	-	-
Transfer from Bolton - Sewer Lift Station	-	1,500,000	1,500,000	-
Loan Proceeds	-	24,458	24,458	22,014
Contribution to Capital Reserve	-	-	-	-
Appropriated From (Transfer to) Fund Balance	43,989	-	(43,989)	-
Total Other Sources (Uses)	<u>(158,907)</u>	<u>1,524,458</u>	<u>1,683,365</u>	<u>(52,986)</u>
Revenues and Other Sources over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>256,656</u>	<u>\$ 106,656</u>	<u>342,702</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Reconciling Items:				
Principal retirement		411,413		359,156
Capital outlay		1,564,320		108,438
Deferred outflows of resources for contributions made to pension plan in current fiscal year		59,557		43,978
Pension expense		(82,159)		(30,392)
OPEB		(153,785)		(116,906)
Loan Proceeds		(24,458)		(22,014)
Depreciation		(461,059)		(494,447)
Total Reconciling items		<u>1,313,829</u>		<u>(152,187)</u>
Change in net position		<u>\$ 1,570,485</u>		<u>\$ 190,515</u>

OTHER SCHEDULES

This section contains additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

City of Whiteville, North Carolina
 Analysis of Current Tax Levy
 City - Wide Levy
 For the Fiscal Year Ended June 30, 2017

Exhibit D-2

	City - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Net levy					
Property taxed at current year's rate	\$ 461,745,366	0.5125	\$ 2,366,445	\$ 2,154,592	\$ 211,853
Total Property Valuation			2,366,445	2,154,592	211,853
Net levy			2,366,445	2,154,592	211,853
Uncollected taxes at June 30, 2017			26,015	25,712	303
Current year's taxes collected			\$ 2,340,430	\$ 2,128,880	\$ 211,550
Current levy collection percentage			98.90%	98.81%	99.86%



Compliance Section

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R. Bryon Scott, CPA
Gregory S. Adams, CPA

**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 Auditors' Report

To the Honorable Mayor and
Members of the City Council
City of Whiteville, North Carolina

We have audited, in accordance with the 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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Whiteville, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises the City of Whiteville's basic financial statements, and have issued our report thereon dated October 27, 2017. Our report includes a reference to other auditors who audited the financial statements of the Whiteville ABC Board, as described in our report on the City of Whiteville's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Whiteville ABC Board were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Whiteville's internal control over financial reporting (internal control) 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 Whiteville's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses [17-01, 17-02].

Members

American Institute of CPAs - N.C. Association of CPAs - AICPA Division of firms

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. We considered the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies [17-03].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Whiteville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Whiteville's Response to Findings

The City of Whiteville's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 City'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.

Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC

October 27, 2017

CITY OF WHITEVILLE, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section I. Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

Material Weakness (es) identified? X Yes ___ No

Significant Deficiency(s) X Yes ___ None Reported

Noncompliance material to financial statements noted ___ Yes X No

CITY OF WHITEVILLE, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section II. Financial Statement Findings

Prior year findings repeated in the current year are indicated by an asterisk (*).

MATERIAL WEAKNESSES

***FINDING: 17-1**

Internal Controls

Criteria: Internal controls are enhanced when the responsibilities for executing a transaction, recording the transaction, and maintaining custody of the assets resulting from the transaction are assigned to different individuals.

Condition: In reviewing internal control procedures within the Finance Department, we noticed a lack of segregation of duties due to the small number of employees. Internal controls are enhanced when responsibilities for executing a transaction, recording the transaction, and maintaining custody of the assets resulting from the transaction are assigned to different individuals.

Effect: While it may be convenient to have one person authorized to handle multiple phases of a transaction, it does not provide the ideal internal control structure.

Cause: The small number of employees within the Finance Department makes it difficult to achieve an adequate segregation of duties.

Recommendation: The duties should be separated as much as possible and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The City agrees with this finding.

***FINDING: 17-2**

Inadequate Design of Internal Controls over the Preparation of the Financial Statements

Criteria: City should have someone who is familiar with governmental accounting principles that can review its financial statements each year and determine if they had been prepared accurately.

Condition: There is no one on staff that has such detailed knowledge.

Effect: The City's auditor must prepare the financial statements of the City.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The City should designate an individual responsible for the review of the financial statements.

Views of responsible officials and planned corrective actions: The City agrees with this finding.

CITY OF WHITEVILLE, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section II. Financial Statement Findings (continued)

SIGNIFICANT DEFICIENCY

FINDING: 17-3

Prior Period Adjustment

Criteria: AU-C 260 requires communication of certain matters related to internal control over financial reporting.

Condition: The Board recorded prior period adjustments in both the Government-wide Statements, the General Fund, and Water and Sewer Funds to correct accrued payroll from previous years and adjust accumulated depreciation for both the governmental activities and the Water and Sewer Funds. These adjustments increased net position \$96,626 and \$22,614 for the general fund and water fund, respectively. In addition, beginning accumulated depreciation was adjusted on the governmental activities statements that increased net position by \$399,858, and on the utility fund that decreased net position by \$354,330.

Effect: This is an indicator of a control deficiency that is regarded as a significant deficiency.

Cause: The City does not have an adequate fixed asset system. Adjustments were made to correct beginning accumulated depreciation. Adjustments were not posted to reverse accrued wages from several years ago.

Recommendation: The Board should implement internal control procedures that will require timely reviews of the financial statements to ensure that balances are properly recorded.

Views of responsible officials and planned corrective actions: The City agrees with this finding.

CITY OF WHITEVILLE, NORTH CAROLINA
Corrective Action Plan
For the Fiscal Year Ended June 30, 2017

Section II. Financial Statement Findings

MATERIAL WEAKNESS

17-1 Name of contact person: Colburn Brown, Finance Director

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.

Proposed Completion Date: The City Council will implement procedures as soon as possible.

17-2 Name of contact person: Colburn Brown, Finance Director

Corrective Action: The City will evaluate steps to take in the future on this issue.

Proposed Completion Date: The Board will implement procedures as soon as possible.

SIGNIFICANT DEFICIENCY

17-3 Name of contact person: Colburn Brown, Finance Director

Corrective Action: The City will review the financial statements and make adjustments as necessary throughout the year to reconcile the accounts.

Proposed Completion Date: The Board will implement the above procedure immediately.

CITY OF WHITEVILLE, NORTH CAROLINA
Summary of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2017

Section II. Financial Statement Findings

Finding Status: 16-1, 16-2, 16-3 - Financial Statement Findings - repeated in current year.