

**CITY OF WHITEVILLE  
WHITEVILLE, NORTH CAROLINA  
FINANCIAL STATEMENTS  
June 30, 2018**

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June 30, 2018**

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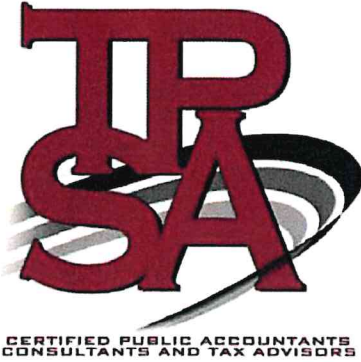
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## **Financial Section**

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



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Alan W. Thompson, CPA  
R. Bryon Scott, CPA  
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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation 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.

*Members*

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit

### ***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, 2018, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in 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 Local Government Employees' Retirement Systems' Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 45 through 46, 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 47 and 48, and the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 49, 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, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal and State Single Audit Implementation Act, 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, other schedules, and Schedule of Expenditures of Federal and State Awards 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, Schedule of Expenditures of Federal and State Awards, 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 February 18, 2019 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  
February 18, 2019

**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, 2018. 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.

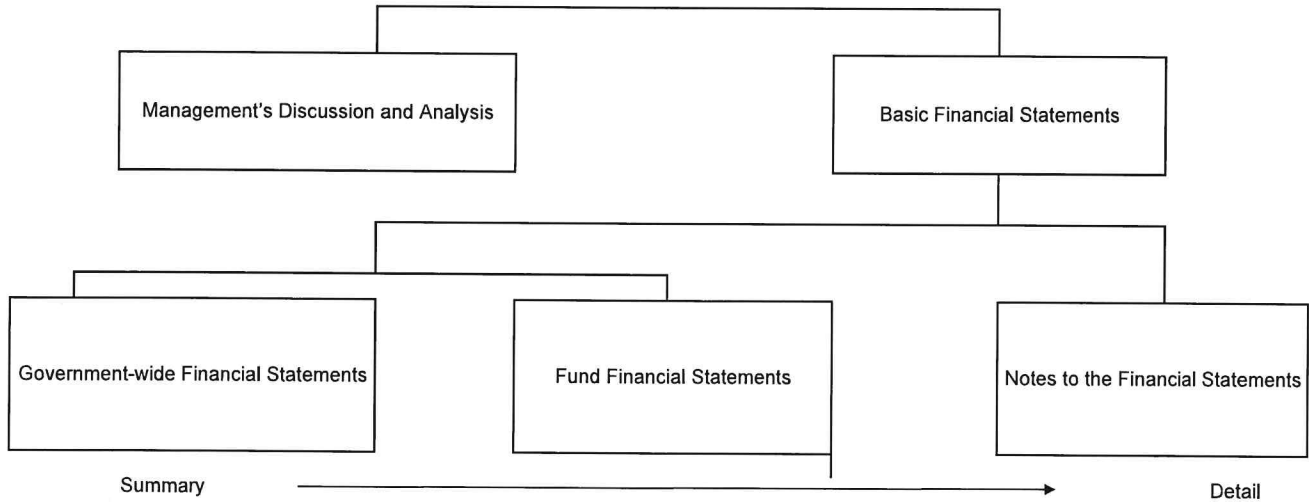
**Financial Highlights**

- 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 \$22,447,871 (net position).
- The government's total net position increased by \$1,473,961. Of this total change, \$570,623 was from current year operations, and \$903,338 was a restatement of the beginning net position as a result of the implementation of GASB 75.
- As of the close of the current fiscal year, the City of Whiteville governmental funds reported combined ending fund balances of \$6,423,488, an increase of \$1,911,057 in comparison with the prior year. Approximately 32 percent of this total amount, or \$2,070,680, is available for spending at the government's discretion.
- At the end of the current fiscal year, fund balance for the General Fund was \$4,109,666, or 64 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 gage 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 7,085,686	\$ 4,817,325	\$ 3,142,052	\$ 3,315,353	\$ 10,227,738	\$ 8,132,678
Capital assets	5,880,044	4,817,195	15,372,432	15,741,564	21,252,476	20,558,759
Deferred outflows of resources	468,896	612,340	159,696	247,614	628,592	859,954
Total assets	<u>13,434,626</u>	<u>10,246,860</u>	<u>18,674,180</u>	<u>19,304,531</u>	<u>32,108,806</u>	<u>8,132,678</u>
Long-term liabilities outstanding	6,610,826	5,159,123	2,682,432	3,319,547	9,293,258	8,478,670
Other liabilities	1,051,922	410,037	612,633	612,635	1,664,555	1,022,672
Deferred inflows of resources	289,360	72,763	78,317	26,048	367,677	
Total liabilities & deferred inflows of resources	<u>7,952,108</u>	<u>5,641,923</u>	<u>3,373,382</u>	<u>3,958,230</u>	<u>11,325,490</u>	<u>9,501,342</u>
Net position:						
Net investments in capital assets	3,782,695	3,730,954	13,880,655	13,964,922	17,663,350	17,695,876
Restricted	1,433,617	1,321,441	-	-	1,433,617	1,321,441
Unrestricted	1,318,128	(37,421)	2,032,776	1,994,014	3,350,904	1,956,593
Total net position	<u>\$ 6,534,440</u>	<u>\$ 5,014,974</u>	<u>\$ 15,913,431</u>	<u>\$ 15,958,936</u>	<u>\$ 22,447,871</u>	<u>\$ 20,973,910</u>

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 \$22,447,871 as of June 30, 2018. The City's net position increased by \$547,623 for the fiscal year ended June 30, 2018. The largest portion (78.69%) 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, \$1,433,617 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,350,904 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 98.86%. The statewide average in fiscal year 2017 was 99.08%.
- 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	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,272,513	\$ 1,193,334	\$ 2,790,584	\$ 2,806,268	\$ 4,063,097	\$ 3,999,602
Operating grants & contributions	993,419	329,138	23,000	-	1,016,419	329,138
Capital grants & contributions	-	100,000	-	1,500,000	-	1,600,000
General revenues:						
Property taxes	2,493,669	2,399,349	-	-	2,493,669	2,399,349
Other taxes	1,842,773	1,779,943	-	-	1,842,773	1,779,943
Other	171,464	141,920	2,473	31,644	173,937	173,564
Total revenues	<u>6,773,838</u>	<u>5,943,684</u>	<u>2,816,057</u>	<u>4,337,912</u>	<u>9,589,895</u>	<u>10,281,596</u>
<b>Expenses:</b>						
General Government	561,763	612,790	-	-	561,763	612,790
Public safety	3,195,207	3,320,741	-	-	3,195,207	3,320,741
Transportation	632,472	471,655	-	-	632,472	471,655
Environmental Protection	1,137,414	435,669	-	-	1,137,414	435,669
Cultural & Recreation	721,291	33,923	-	-	721,291	33,923
Economic & Physical Development	34,067	934,399	-	-	34,067	934,399
Interest on Long-term Debt	60,890	37,762	-	-	60,890	37,762
Water & Sewer	-	-	2,676,168	2,767,426	2,676,168	2,767,426
Total expenses	<u>6,343,104</u>	<u>5,846,939</u>	<u>2,676,168</u>	<u>2,767,426</u>	<u>9,019,272</u>	<u>8,614,365</u>
Increase (Decrease) in net position before transfers	430,734	96,745	139,889	1,570,486	570,623	1,667,231
Transfers	406,400	-	(406,400)	-	-	-
Increase (decrease) in net position	837,134	96,745	(266,511)	1,570,486	570,623	1,667,231
Net position, July 1	5,014,974	4,750,451	15,958,936	14,720,166	20,973,910	19,470,617
Prior Period Adjustment	-	496,484	-	(331,716)	-	164,768
Restatement	682,332	(328,706)	221,006	-	903,338	(328,706)
Net position, June 30	<u>\$ 6,534,440</u>	<u>\$ 5,014,974</u>	<u>\$ 15,913,431</u>	<u>\$ 15,958,936</u>	<u>\$ 22,447,871</u>	<u>\$ 21,302,616</u>



**Governmental activities.** Governmental activities increased the City's net position by \$837,134 thereby accounting for all of the growth in the net position of the City of Whiteville.

- \* Significant increase in local option sales tax funding and ad valorem tax collections
- \* Funding from Golden Leaf grants to purchase new equipment

**Business-type activities:** Business-type activities decreased the City of Whiteville's net position by \$289,511. Key elements of this decrease are as follows:

- \* Transfer of \$406,400 to the City Hall construction fund to provide funding to build the new City hall

### 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 \$2,066,149 while total fund balance of the general fund was \$4,109,666. 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 32 percent of total General Fund expenditures, while total fund balance represents 64 percent of that same amount.

At June 30, 2018, the governmental funds of City of Whiteville reported a combined fund balance of \$6,423,488, an increase of \$1,911,057 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 17-18 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 \$2,032,776. The total decrease in net position was \$266,511, which was primarily a result of transferring funds to cover expenses for building the new City Hall. 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, 2018, totals \$21,252,476 (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:

- Vehicles for various departments
- Construction of new City Hall

**City of Whiteville Capital Assets**  
**Figure 4**  
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 385,419	\$ 385,419	\$ 206,018	\$ 206,018	\$ 591,437	\$ 591,437
Buildings and Distribution Systems	3,160,320	3,299,237	14,904,210	15,301,419	18,064,530	18,600,656
Equipment & Vehicles	1,252,524	1,106,035	262,204	234,127	1,514,728	1,340,162
Construction in Progress	1,081,781	26,504	-	-	1,081,781	26,504
Total	<u>\$ 5,880,044</u>	<u>\$ 4,817,195</u>	<u>\$ 15,372,432</u>	<u>\$ 15,741,564</u>	<u>\$ 21,252,476</u>	<u>\$ 20,558,759</u>

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, 2018, the City had total debt of \$4,533,850 (excluding compensated absences, pension obligations, and OPEB). There was a net increase in total debt of \$1,670,967.

**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 4.6% 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](http://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, 2019**

**Governmental Activities:** Tax revenues are expected to remain relatively stable. 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 completing a new city hall by the end of the 2019 fiscal year.

**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](http://www.whitevillecity.com) or send an email to [cbrown@ci.whiteville.nc.us](mailto:cbrown@ci.whiteville.nc.us) for more information.

## BASIC FINANCIAL STATEMENTS

City of Whiteville, North Carolina  
Statement of Net Position  
June 30, 2018

	Primary Government			City of Whiteville ABC Board
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and Investments	\$ 4,579,754	\$ 2,386,431	\$ 6,966,185	\$ 334,718
Taxes Receivable (Net)	29,742	-	29,742	-
Accrued Interest Receivable on Taxes	2,289	-	2,289	-
Accounts Receivable (Net)	158,857	547,072	705,929	-
Due From Other Governments	774,750	20,691	795,441	-
Due From Component Units	39,805	-	39,805	-
Inventories	-	-	-	112,978
Prepaid Expenses	-	-	-	4,516
Internal Balances	(1,007)	1,007	-	-
<b>Restricted assets:</b>				
Cash and cash equivalents	1,501,496	186,851	1,688,347	-
<b>Total Current Assets</b>	<u>7,085,686</u>	<u>3,142,052</u>	<u>10,227,738</u>	<u>452,212</u>
<b>Non-current Assets:</b>				
<b>Capital Assets:</b>				
Land, Non-depreciable Improvements, and Construction in Progress	1,467,200	206,018	1,673,218	-
Other Capital Assets, Net of Depreciation	4,412,844	15,166,414	19,579,258	43,017
<b>Total Capital Assets</b>	<u>5,880,044</u>	<u>15,372,432</u>	<u>21,252,476</u>	<u>43,017</u>
<b>Total Assets</b>	<u>12,965,730</u>	<u>18,514,484</u>	<u>31,480,214</u>	<u>495,229</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	435,255	147,062	582,317	18,941
OPEB deferrals	33,641	12,634	46,275	-
<b>Total deferred outflows of resources</b>	<u>468,896</u>	<u>159,696</u>	<u>628,592</u>	<u>18,941</u>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts Payable and Accrued Liabilities	629,807	51,027	680,834	111,625
Unearned Revenue	-	-	-	-
Customer Deposits	-	186,851	186,851	-
Accrued Interest Payable	50,389	6,532	56,921	-
Current portion of long-term liabilities	371,726	368,223	739,949	-
<b>Total current liabilities</b>	<u>1,051,922</u>	<u>612,633</u>	<u>1,664,555</u>	<u>111,625</u>
<b>Long-Term Liabilities:</b>				
Net Pension Liability	567,704	203,337	771,041	27,957
Total Pension Liability	273,960	-	273,960	-
Total OPEB Liability	1,860,953	698,858	2,559,811	-
Due in more than one year	2,856,287	1,167,604	4,023,891	-
<b>Total Liabilities</b>	<u>6,610,826</u>	<u>2,682,432</u>	<u>9,293,258</u>	<u>139,582</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferrals	126,793	17,402	144,195	3,517
OPEB deferrals	162,207	60,915	223,122	-
Prepaid licenses	360	-	360	-
<b>Total deferred inflows of resources</b>	<u>289,360</u>	<u>78,317</u>	<u>367,677</u>	<u>3,517</u>
<b>Net Position</b>				
Net investment in capital assets	3,782,695	13,880,655	17,663,350	43,017
<b>Restricted for:</b>				
Stabilization by State Statute	901,553	-	901,553	-
Other functions	532,064	-	532,064	38,778
Unrestricted	1,318,128	2,032,776	3,350,904	289,276
<b>Total Net Position</b>	<u>\$ 6,534,440</u>	<u>\$ 15,913,431</u>	<u>\$ 22,447,871</u>	<u>\$ 371,071</u>

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

City of Whiteville, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Position			City of Whiteville ABC Board
	Primary Government						Governmental Activities	Business-type Activities	Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities				
<b>Primary government:</b>										
Governmental Activities:										
General government	\$ 561,763	\$ 45,453	\$ -	\$ -	\$ (516,310)	\$ -	\$ -	\$ (516,310)	\$ -	
Public safety	3,195,207	5,918	80,881	-	(3,108,408)	-	-	(3,108,408)	-	
Transportation	632,472	-	163,280	-	(469,192)	-	-	(469,192)	-	
Economic & physical	34,067	-	745,608	-	711,541	-	-	711,541	-	
Environmental protection	1,137,414	1,196,911	3,650	-	63,147	-	-	63,147	-	
Cultural and recreation	721,291	24,231	-	-	(697,060)	-	-	(697,060)	-	
Interest on Long-Term Debt	60,890	-	-	-	(60,890)	-	-	(60,890)	-	
<b>Total governmental activities</b>	<b>6,343,104</b>	<b>1,272,513</b>	<b>993,419</b>	<b>-</b>	<b>(4,077,172)</b>	<b>-</b>	<b>-</b>	<b>(4,077,172)</b>	<b>-</b>	
<b>Business-type activities:</b>										
Water & Sewer	2,676,168	2,790,584	23,000	-	-	137,416	-	137,416	-	
Total business-type activities	2,676,168	2,790,584	23,000	-	-	137,416	-	137,416	-	
<b>Total primary government</b>	<b>\$ 9,019,272</b>	<b>\$ 4,063,097</b>	<b>\$ 1,016,419</b>	<b>\$ -</b>	<b>(4,077,172)</b>	<b>137,416</b>	<b>-</b>	<b>(3,939,756)</b>	<b>-</b>	
<b>Component Unit:</b>										
City of Whiteville ABC Board	\$ 1,304,947	\$ 1,307,565	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,618	
<b>Total Component Unit</b>	<b>\$ 1,304,947</b>	<b>\$ 1,307,565</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,618</b>	
<b>General revenues:</b>										
Taxes:										
Property taxes, levied for general purpose						2,493,669	-	2,493,669	-	
Other taxes						6,660	-	6,660	-	
Grants and contributions not restricted to specific program						1,831,938	-	1,831,938	-	
Unrestricted investment earnings						4,175	-	4,175	1,799	
Miscellaneous						171,464	2,473	173,937	-	
Total general revenues not including transfers						4,507,906	2,473	4,510,379	1,799	
Transfers						406,400	(406,400)	-	-	
Total general revenues and transfers						4,914,306	(403,927)	4,510,379	1,799	
Change in net position						837,134	(266,511)	570,623	4,417	
Net position, beginning, previously reported						5,014,974	15,958,936	20,973,910	366,654	
Restatement (see Note 6)						682,332	221,006	903,338	-	
Net position, beginning, restated						5,697,306	16,179,942	21,877,248	366,654	
Net position, ending						6,534,440	15,913,431	22,447,871	371,071	

City of Whiteville, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2018

	Major Funds			Total Governmental Funds
	General Fund	City Hall Construction	Non-Major Funds	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,089,554	\$ 1,475,166	\$ 15,034	\$ 4,579,754
Restricted Cash	556,772	944,724	-	1,501,496
Receivables, net:				
Taxes	28,894	-	848	29,742
Accounts	158,857	-	-	158,857
Prepaid Expense	-	-	-	-
Due from other governments	497,179	83	277,488	774,750
Due from component unit	39,805	-	-	39,805
Advance to other funds	-	-	-	-
Due from other funds	205,712	-	1,085	206,797
Total assets	<u>\$ 4,576,773</u>	<u>\$ 2,419,973</u>	<u>\$ 294,455</u>	<u>\$ 7,291,201</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 436,768	\$ 131,937	\$ 61,102	\$ 629,807
Due to other funds	1,085	-	206,719	207,804
Total liabilities	<u>437,853</u>	<u>131,937</u>	<u>267,821</u>	<u>837,611</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes receivable	28,894	-	848	29,742
Prepaid licenses	360	-	-	360
Total deferred inflows of resources	<u>29,254</u>	<u>-</u>	<u>848</u>	<u>30,102</u>
Fund balances:				
Restricted				
Stabilization by State Statute	901,553	-	-	901,553
Streets	514,772	-	-	514,772
Economic Development	-	-	-	-
Debt Reserve	17,292	-	-	17,292
Assigned				
Capital Outlay	-	2,288,036	-	2,288,036
Hurricane Recovery	-	-	20,378	20,378
Public Safety	-	-	877	877
Subsequent year's expenditures	609,900	-	-	609,900
Unassigned	2,066,149	-	4,531	2,070,680
Total fund balances	<u>4,109,666</u>	<u>2,288,036</u>	<u>25,786</u>	<u>6,423,488</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,576,773</u>	<u>\$ 2,419,973</u>	<u>\$ 294,455</u>	

(continued)

City of Whiteville, North Carolina  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 Governmental Funds  
 June 30, 2018

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

Total Fund Balance, Governmental Funds	\$ 6,423,488
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,880,044
Deferred outflows of resources related to pensions are not reported in the funds	435,255
Deferred outflows of resources related to OPEB are not reported in the funds	33,641
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.	2,289
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	29,742
Pension related deferrals	(126,793)
OPEB related deferrals	(162,207)
Net pension asset (liability)	(567,704)
Total pension liability	(273,960)
Total OPEB liability	(1,860,953)
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.	(3,278,402)
Net position of governmental activities	<u>\$ 6,534,440</u>

City of Whiteville, North Carolina  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2018

	Major Fund			Total Governmental Funds
	General Fund	City Hall Construction	Non-Major Funds	
<b>REVENUES</b>				
Ad valorem taxes	\$ 2,476,884	\$ -	\$ 27,347	\$ 2,504,231
Other taxes and licenses	6,660	-	-	6,660
Unrestricted intergovernmental	1,831,938	-	-	1,831,938
Restricted intergovernmental	247,811	-	745,608	993,419
Permits and fees	35,409	-	-	35,409
Investment earnings	4,175	-	-	4,175
Sales and Service	1,237,104	-	-	1,237,104
Miscellaneous	66,346	60	105,058	171,464
Total revenues	<u>5,906,327</u>	<u>60</u>	<u>878,013</u>	<u>6,784,400</u>
<b>EXPENDITURES</b>				
Current:				
General government	468,276	-	28,674	496,950
Public safety	2,960,132	-	41,905	3,002,037
Transportation	538,954	-	-	538,954
Environmental protection	981,917	-	153,674	1,135,591
Cultural and recreational	449,793	-	171,674	621,467
Economic Development	6,720	-	27,347	34,067
Capital Outlay	-	1,055,276	314,237	1,369,513
Debt Service:				
Principal	234,475	-	-	234,475
Interest & Other Charges	36,996	-	-	36,996
Total expenditures	<u>5,677,263</u>	<u>1,055,276</u>	<u>737,511</u>	<u>7,470,050</u>
Excess (deficiency) of revenues over expenditures	229,064	(1,055,216)	140,502	(685,650)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (to) other funds	(940,209)	-	41	(940,168)
Transfers from other funds	3,316	1,343,252	-	1,346,568
Loan / Capital Lease Proceeds	190,307	2,000,000	-	2,190,307
Total other financing sources (uses)	<u>(746,586)</u>	<u>3,343,252</u>	<u>41</u>	<u>2,596,707</u>
Net change in fund balance	(517,522)	2,288,036	140,543	1,911,057
Fund balances, beginning	<u>4,627,188</u>	<u>-</u>	<u>(114,757)</u>	<u>4,512,431</u>
Fund balances, ending	<u>\$ 4,109,666</u>	<u>\$ 2,288,036</u>	<u>\$ 25,786</u>	<u>\$ 6,423,488</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, 2018

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

Net changes in fund balances - total governmental funds		\$ 1,911,057
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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	1,575,533	
Depreciation expense for governmental assets	<u>(512,684)</u>	1,062,849

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		158,690
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		8,137
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OPEB benefit payments paid and administrative costs made in the current year are not included on the Statement of Activities		31,929
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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		(10,562)
--	--	----------

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	(2,190,307)	
Principal payments on long-term debt	234,475	
Increase in accrued interest payable	<u>(23,894)</u>	(1,979,726)

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	(23,413)	
Pension expense - LGERS	(186,475)	
Pension expense - LEOSSA	2,699	
OPEB expense	<u>(138,051)</u>	<u>(345,240)</u>

Total changes in net position of governmental activities		<u>\$ 837,134</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, 2018

Exhibit 6

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	\$ 2,457,900	\$ 2,451,500	\$ 2,476,884	\$ 25,384
Other taxes and licenses	-	4,900	6,660	1,760
Unrestricted intergovernmental revenues	1,778,319	1,769,169	1,831,938	62,769
Restricted intergovernmental revenues	71,000	242,951	247,811	4,860
Permits and fees	63,500	58,000	35,409	(22,591)
Investment Earnings	-	1,500	4,175	2,675
Sales and Services	1,271,685	1,271,685	1,237,104	(34,581)
Miscellaneous	3,800	6,505	66,346	59,841
Total revenues	<u>5,646,204</u>	<u>5,806,210</u>	<u>5,906,327</u>	<u>100,117</u>
<b>Expenditures:</b>				
Current:				
General government	420,869	484,113	468,276	15,837
Public safety	3,475,198	3,232,610	2,960,132	272,478
Transportation	373,947	765,547	538,954	226,593
Economic and physical development	-	6,720	6,720	-
Environmental protection	933,790	933,790	981,917	(48,127)
Cultural and recreation	548,750	485,682	449,793	35,889
Debt Service:				
Principal retirement	-	230,570	234,475	(3,905)
Interest and fees	-	5,128	36,996	(31,868)
Total expenditures	<u>5,752,554</u>	<u>6,144,160</u>	<u>5,677,263</u>	<u>466,897</u>
Revenues over/(under) expenditures	<u>(106,350)</u>	<u>(337,950)</u>	<u>229,064</u>	<u>567,014</u>
Other financing sources (uses):				
Transfer from (to) other fund:				
Special Revenue	(343,650)	(940,209)	(940,209)	-
Capital Lease Proceeds	200,000	200,000	190,307	(9,693)
Appropriated Fund Balance	250,000	1,078,159	-	(1,078,159)
Total other financing sources (uses)	<u>106,350</u>	<u>337,950</u>	<u>(746,586)</u>	<u>(1,084,536)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(517,522)</u>	<u>\$ (517,522)</u>
Fund balance, beginning of year			4,627,188	
Prior Period Adjustment			-	
Fund balance, end of year			<u>\$ 4,109,666</u>	

City of Whiteville, North Carolina  
Statement of Fund Net Position  
Proprietary Funds  
June 30, 2018

		Major Enterprise Fund Water and Sewer Fund
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$	2,386,431
Accounts receivable (net) - billed		428,142
Accounts receivable (net) - unbilled		118,659
Miscellaneous Receivable		271
Due From Other Funds		1,007
Due From Other Governments		20,691
Restricted Assets:		
Cash and cash equivalents		186,851
Total current assets		3,142,052
Noncurrent assets:		
Capital assets:		
Land and other non-depreciable assets		206,018
Other capital assets, net of depreciation		15,166,414
Capital Assets (net)		15,372,432
Total noncurrent assets		15,372,432
Total Assets	\$	18,514,484
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Contributions to pension plan	\$	147,062
OPEB deferrals		12,634
Total deferred outflows of resources	\$	159,696
<b>Liabilities</b>		
Current liabilities:		
Accounts Payable and Accrued Liabilities	\$	51,027
Due to Other Funds		-
Customer Deposits		186,851
Accrued Interest Payable		6,532
Current Maturities of Long Term Debt		368,223
Total Current Liabilities		612,633
Noncurrent Liabilities		
Compensated Absences		44,049
Total OPEB Liability		698,858
Net Pension Liability		203,337
Long Term Debt		1,123,555
Total Noncurrent liabilities		2,069,799
Total Liabilities	\$	2,682,432
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferrals	\$	17,402
OPEB deferrals		60,915
Total deferred inflows of resources	\$	78,317
<b>Net Position</b>		
Net investment in capital assets	\$	13,880,655
Unrestricted		2,032,776
Total Net Position of Business - Type Activities	\$	15,913,431

City of Whiteville, North Carolina  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended June 30, 2018

Exhibit 8

	Major Enterprise Fund
	Water and Sewer Fund
Operating revenues:	
Charges for services	\$ 2,583,599
Other operating revenues	100,900
Total operating revenues	2,684,499
Operating Expenses:	
Administration	441,017
Water Operations	597,388
Sewer Operations	458,499
Waste Water Treatment & Distribution Plant	660,415
Depreciation	480,918
Total operating expenses	2,638,237
Operating income (loss)	46,262
Nonoperating revenues (expenses):	
Investment earnings	-
Interest and fees	(37,931)
Water Tank Lease	28,854
NCDENR Grant	23,000
Sewer Line Expansion Revenue	77,231
Miscellaneous income	2,473
Total nonoperating revenues (expenses)	93,627
Income (Loss) Before Contributions and Transfers	139,889
Capital contributions	-
Transfers from (to) other funds	(406,400)
Total Income (Loss) After Contributions and Transfers	(266,511)
Change in Net Position	(266,511)
Total Net Position, Beginning	15,958,936
Restatement (see Note 6)	221,006
Total Net Position, Ending	\$ 15,913,431

City of Whiteville, North Carolina  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2018

Exhibit 9

	Major Enterprise Fund Water and Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers and users	\$ 2,709,610
Cash paid for goods and services	(932,198)
Cash paid to employees for services	(1,190,505)
Customer deposits received / (returned)	(23,768)
Net cash provided by (used in) operating activities	563,139
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(111,786)
Capital Lease Proceeds	93,733
Principal paid on loans	(378,597)
Interest & fees paid on loans	(37,434)
Miscellaneous income	2,473
Capital Contributions & Miscellaneous Grants	23,000
Sewer line expansion revenue	77,231
Water tank lease	28,854
Net cash provided by (used in) capital and related financing activities	(302,526)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Due to/from other funds & transfers	(1,007)
Transfers to / from other funds	(406,400)
Net cash provided by (used in) non-capital financing activities	(407,407)
Cash flows from investment activities:	
Interest on investments	-
Net increase (decrease) in cash and cash equivalents	(146,794)
Cash and cash equivalents, July 1	2,720,076
Cash and cash equivalents, June 30	\$ 2,573,282
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ 46,262
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	480,918
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	28,849
(Increase) decrease in due from other governments	(2,436)
(Increase) decrease in miscellaneous receivable	1,101
(Increase) decrease in prepaid expense	-
(Increase) decrease in deferred outflows of resources for pensions	100,552
(Increase) decrease in deferred outflows of resources for OPEB	(12,634)
Increase (decrease) in accounts payable and other liabilities	(5,050)
Increase (decrease) in accrued vacation pay	(1,919)
Increase (decrease) in deferred inflows of resources - pension	(8,646)
Increase (decrease) in deferred inflows of resources - OPEB	60,915
Increase (decrease) in OPEB liability	(8,429)
Increase (decrease) in net pension liability	(90,174)
Increase (decrease) in unearned revenue	(2,402)
Increase (decrease) in customer deposits	(23,768)
Total adjustments	516,877
Net cash provided by (used in) operating activities	\$ 563,139

CITY OF WHITEVILLE, NORTH CAROLINA  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2018

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.

**City Hall Construction Fund.** This fund accounts for capital expenditures associated with the building of the new City Hall.

The City reports the following non-major governmental funds:

**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.

**Golden Leaf Grant Fund.** This fund is used to account for professional expenditures associated with a Storm Water study.

**FEMA Firefighters Grant Fund.** This fund is used to account for grant proceeds and related expenditures associated with the FEMA Firefighters Grant received by the City.

**Firehouse Subs Grant Fund.** This fund is used to account for nonprofit grant proceeds and related expenditures associated with the Firehouse Subs Grant received by the City.

**Golden Leaf Vehicle / Equipment Grant.** This fund is used to account for Golden Leaf Grant proceeds and related expenditures for the replacement of vehicles and equipment.

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



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	\$ 539,480
Reserve - USDA	17,292
City Hall Construction (unspent loan proceeds)	<u>944,724</u>
Total Governmental activities	<u>\$ 1,501,496</u>
Business-type Activities	
Water and Sewer Fund	
Customer Deposits	\$ 186,851
Total business-type activities	<u>\$ 186,851</u>
Total Restricted Cash	<u>\$ 1,688,347</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 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2017. 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 two items that meet this criterion, pension deferrals and OPEB deferrals. 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, pension deferrals, and OPEB deferrals.

## 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.

**Restricted Fund Balance** – This classification includes amounts that are restricted to specific purposes externally imposed

- 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.
- Restricted for Debt Reserve – Portion of fund balance that is restricted by debt agreements for future debt service payments.

**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.

- Capital Outlay – Portion of fund balance that is assigned to the building of the new City Hall.
- Hurricane Recovery – Portion of fund balance that is assigned for Hurricane Recovery.
- Public Safety – Portion of fund balance that was remaining from firefighters grants received and not yet spent.
- 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 WDDC Fund has carried forward for a few years, as the fund is used to collect and remit taxes associated with the Development Commission is the City. The amount (\$1,176) is considered immaterial.

#### Excess of Expenditures over Appropriations

The City did not appropriately budget the capital lease payments, resulting in what appears to be an overexpenditure in the budget for debt service. Actual expenditures exceeded the budget in the environmental protection function. 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 \$35,773 and environmental protection by \$48,127. 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. The City adopts the budget by department, and the debt service payments are only shown separate for financial statement purposes, so it appears that the City exceeded the budget for debt service, but the funds were available in the respective departments to cover the expenditures. However, expenditures did exceed the budget for environmental protection, as an amendment was not prepared at year end to account for all expenditures that were recorded as accounts payable. The City will ensure that appropriate budget amendments are made in the future.

### 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, 2018, the City's deposits had a carrying amount of \$8,351,642 and a bank balance of \$8,585,588. The carrying amount of deposits for the ABC Board was \$333,843 and the bank balance was \$368,618. 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, 2018 was the City's petty cash fund which totaled \$200.

2. Investments

At June 30, 2018, 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:

	Governmental Activities	Business-type Activities
Sales Tax Refund Receivable	\$ 37,093	\$ 20,691
Charges for Services - Billed	106,132	427,903
Charges for Services - Unbilled	51,532	118,659
Motor Vehicle Tax Receivable	15,865	-
Ad Valorem Tax Receivable	12,774	-
ABC Board A/R	39,805	-
Town of Brunswick A/R	-	-
Returned Checks & Other Misc.Receivables	5,766	510
Franchise Tax Receivable	117,176	-
Local Option Sales Tax Receivable	320,794	-
Golden Leaf Grant	266,475	-
Total	<u>\$ 973,412</u>	<u>\$ 567,763</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, 2018 are net of the following allowances for doubtful accounts.

Fund	6/30/18
General Fund:	
Taxes Receivable	<u>\$ 52,000</u>
Enterprise Fund:	
Accounts Receivable	<u>\$ 78,100</u>

#### 4. Capital Assets

##### Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases and Adjustments	Decreases	Ending Balances
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated</b>				
Land	\$ 385,419	\$ -	\$ -	\$ 385,419
Construction in Progress	26,504	1,055,277	-	1,081,781
Total capital assets not being depreciated	411,923	1,055,277	-	1,467,200
<b>Capital assets being depreciated</b>				
Buildings	2,897,205	-	-	2,897,205
Infrastructure	3,225,060	-	-	3,225,060
Equipment & Furn. & Fixtures	982,853	161,783	6,593	1,138,043
Vehicles	3,412,034	358,473	269,813	3,500,694
Total capital assets being depreciated	10,517,152	520,256	276,406	10,761,002
<b>Less accumulated depreciation for:</b>				
Buildings	1,360,939	80,112	-	1,441,051
Infrastructure	1,462,089	58,805	-	1,520,894
Equipment & Furn. & Fixtures	813,049	168,304	6,593	974,760
Vehicles	2,475,803	205,463	269,813	2,411,453
Total accumulated depreciation	6,111,880	\$ 512,684	\$ 276,406	6,348,158
Total capital assets being depreciated, net	4,405,272			4,412,844
<b>Governmental activity capital assets, net</b>	<b>\$ 4,817,195</b>			<b>\$ 5,880,044</b>

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

General Government	\$ 61,695
Public Safety	210,180
Transportation	97,970
Environmental Protection	902
Cultural & Recreational	141,937
Total Depreciation Expense	<u>\$ 512,684</u>

##### Business-type activities:

##### Water and Sewer Fund

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 206,018	\$ -	\$ -	\$ 206,018
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	206,018	-	-	206,018
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	24,451,287	-	-	24,451,287
Furniture, Maint Equip, & Vehicles	1,474,446	111,786	44,614	1,541,618
Total capital assets being depreciated	25,925,733	111,786	44,614	25,992,905
<b>Less accumulated depreciation for:</b>				
Plant and distribution systems	9,149,868	397,209	-	9,547,077
Furniture, Maint Equip, & Vehicles	1,240,319	83,709	44,614	1,279,414
Total accumulated depreciation	10,390,187	\$ 480,918	\$ 44,614	10,826,491
Total capital assets being depreciated, net	15,535,546			15,166,414
<b>Business-type activities capital assets, net</b>	<b>\$ 15,741,564</b>			<b>\$ 15,372,432</b>

Construction Commitments

The City has active construction projects as of June 30, 2018 as follows:

	<u>Contract</u>	<u>Paid to Date</u>	<u>Remaining</u>
Town Hall Project	\$ 2,457,150	\$ 550,007	\$ 1,907,143

Activity for the ABC Board for the year ended June 30, 2018, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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	116,181	6,579	-	122,760
Office Furniture and Fixtures	22,484	1,339	-	23,823
Store Equipment	86,549	4,663	-	91,212
Total Accumulated Depreciation	225,214	\$ 12,581	\$ -	237,795
ABC Capital Assets, Net	<u>\$ 55,598</u>			<u>\$ 43,017</u>

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](http://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, 2018, was 8.25% of compensation for law enforcement officers and 7.57% 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 \$215,529 for the year ended June 30, 2018.

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

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

At June 30, 2018, the City reported a liability of \$771,042 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the City's proportion was 0.05047%, which was an increase of .0024% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$245,047. At June 30, 2019, 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	\$ 44,419	\$ 21,826
Changes of assumptions	110,115	-
Net difference between projected and actual earnings on pension plan investments	187,210	-
Changes in proportion and differences between City contributions and proportionate share of contributions	369	44,165
City contributions subsequent to the measurement date	215,529	-
Total	<u>\$ 557,642</u>	<u>\$ 65,991</u>

\$215,529 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2019	\$	23,169
2020		210,724
2021		101,193
2022		(58,964)
2023		-
Thereafter		-
	\$	<u>276,122</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*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 7.20 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability (asset)	\$ 2,314,685	\$ 771,042	\$ (517,413)

*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, 2017, the Separation Allowance's membership consisted of:

Retirees Receiving Benefits	3
Terminated plan members entitled to but no yet receiving benefits	0
Active Plan Members	23
Total	<u>26</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, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 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 \$19,226 as benefits came due for the reporting period.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources***

At June 30, 2018, the City reported a total pension liability of \$273,960. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the City recognized pension expense of \$19,203.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 71,624
Changes of assumptions	16,538	6,580
City benefit payments and plan administrative expense made subsequent to the measurement date	<u>8,137</u>	<u>-</u>
Total	<u>\$ 24,675</u>	<u>\$ 78,204</u>

\$8,137 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ (12,183)
2020	(12,183)
2021	(12,183)
2022	(12,183)
2023	(11,748)
Therafter	<u>(1,186)</u>
	<u>\$ (61,666)</u>

\$8,137 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 3.16 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 (2.16 percent) or one percentage point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 303,274	\$ 273,960	\$ 247,768

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

Beginning Balance	\$ 330,342
Service Cost	19,188
Interest on the total pension liability	12,326
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(85,640)
Changes of assumptions or other inputs	19,774
Benefit payments	(22,030)
Other changes	-
Ending balance of the total pension liability	<u>\$ 273,960</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, 2017 valuation were based on the results of an actuarial experience study for the period ended December 31, 2016.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 245,047	\$ 19,203	\$ 264,250
Pension Liability	771,042	273,960	1,045,002
Proportionate share of the net pension liability	0.05047%	n/a	

**Deferred Outflows of Resources**

Differences between expected and actual experience	44,419	-	44,419
Changes of assumptions	110,115	6,580	116,695
Net difference between projected and actual earnings on plan investments	187,210	-	187,210
Changes in proportion and differences between contributions and proportionate share of contributions	369	-	369
Benefit payments and administrative costs paid subsequent to the measurement date	215,529	8,137	223,666

**Deferred Inflows of Resources**

Differences between expected and actual experience	21,826	71,624	93,450
Changes of assumptions	-	6,580	6,580
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	44,165	-	44,165



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, 2018 were \$57,921, which consisted of \$44,722 from the City and \$13,199 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, 2018 were \$116,977, which consisted of \$83,682 from the City and \$33,295 from general employees.

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.

	<u>2018</u>
Retirees and dependents receiving benefits	19
Terminated plan members entitled to but not yet receiving benefits	-
Active Plan Members	<u>83</u>
Total	<u>102</u>



**Total OPEB Liability**

The City's total OPEB liability of \$2,559,811 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

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

Inflation	2.50%
Salary increases	
General Employees	3.50% - 7.75%
Firefighters	3.50 % -7.75%
Law Enforcement Officers	3.50% - 7.35%
Discount rate	3.56%
Healthcare cost trend rates	
Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023
Medicare	5.50% for 2017 decreasing to an ultimate rate of 5.00% by 2020

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

**Changes in the Total OPEB Liability**

<b>Balance at July 1, 2017</b>	<b>\$ 2,640,358</b>
<b>Changes for the year</b>	
Service Cost	139,194
Interest	78,733
Changes in benefit terms	-
Difference between expected and actual experience	1,903
Changes of assumptions or other inputs	(250,702)
Benefit payments	(49,675)
Other	-
<b>Net Changes</b>	<u>(80,547)</u>
<b>Total OPEB Liability at June 30, 2018</b>	<u><u>\$ 2,559,811</u></u>

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

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

The actuarial assumptions used in the June 30, 2017 were based on the results of an actuarial experience study for the period January 2010 through December 2014.

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

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB Liability	\$ 3,042,719	\$ 2,559,811	\$ 2,180,320

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower and 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (Pre-Medicare - 6.50%, Medicare 4.50%)	Discount Rate (Pre-Medicare - 7.50%, Medicare 5.50%)	1% Increase (Pre-Medicare - 8.50%, Medicare 6.50%)
Total OPEB Liability	\$ 2,145,401	\$ 2,559,811	\$ 3,104,518

**OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the City recognized OPEB expense of \$190,556. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,694	\$ -
Changes of assumptions	-	223,122
Benefit payments and administrative costs made subsequent to the measurement date	44,581	-
<b>Total</b>	<b>\$ 269,397</b>	<b>\$ -</b>

\$44,581 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 OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pension will be recognized as pension expense as follows:

**Year ended June 30:**

2019	\$ (27,371)
2020	(27,371)
2021	(27,371)
2022	(27,371)
2023	(27,371)
Thereafter	(84,573)

**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	\$ 215,529
Benefit payments made and administrative expenses for LEOSSA	8,137
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	44,581
Differences between expected and actual experience	
LGERS	44,419
LEOSSA	-
OPEB	1,694
Changes of assumptions	
LGERS	110,115
LEOSSA	16,538
OPEB	-
Net difference between projected and actual	
LGERS	187,210
Changes in proportion and differences between employer contributions and proportionate share of contributions	
LGERS	369
<b>Total</b>	<b>\$ 628,592</b>

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

Prepaid taxes (General Fund)	\$ 360
Taxes Receivable, less penalties (General Fund)	29,742
Differences between expected and actual experience	
LGERS	21,826
LEOSSA	71,624
OPEB	-
Changes of assumptions	
LGERS	-
LEOSSA	6,580
OPEB	223,122
Changes in proportion and differences between employer contributions and proportionate share of contributions	
LGERS	44,165
<b>Total</b>	<b>\$ 397,419</b>

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.