



ANNUAL FINANCIAL REPORT

City of Whiteville

FOR YEAR ENDED
JUNE 30, 2019

**CITY OF WHITEVILLE
TABLE OF CONTENTS
June 30, 2019**

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION		
Independent Auditors' Report		1-3
Management's Discussion and Analysis		4-9
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	10
Statement of Activities	2	11
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	3	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	4	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual – General Fund	6	16
Statement of Fund Net Position – Proprietary Funds	7	17
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	8	18
Statement of Cash Flows – Proprietary Funds	9	19
Notes to the Financial Statements		20-42
Required Supplemental Financial Data:		
Schedule of the Proportionate Share of the Net Pension Asset – Local Government Employees' Retirement System	A-1	43
Schedule of Contributions – Local Government Employees' Retirement System	A-2	44
Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance	A-3	45
Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance	A-4	46
Schedule of Changes in the Total OPEB Liability and Related Ratios	A-5	47

**CITY OF WHITEVILLE
TABLE OF CONTENTS
June 30, 2019**

	<u>Exhibit</u>	<u>Page</u>
Individual Fund Statements and Schedules:		
Comparative Balance Sheets – General Fund	B-1	48
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	B-2	49-52
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Project Fund - City Hall Construction	B-3	53
Capital Project Fund - Hurricane Florence Recovery Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP)	B-4	54
Combining Balance Sheet – Non-Major Governmental Funds	C-1	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds	C-2	56
Special Revenue Fund – WDDC Tax District Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	C-3	57
Special Revenue Fund – Hurricane Matthew Recovery Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	C-4	58
Special Revenue Fund – Golden Leaf Grant Fund (Stormwater Study) Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	C-5	59
Special Revenue Fund – Firehouse Subs Grant Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP)	C-6	60
Special Revenue Fund – Golden Leaf Vehicle / Equipment Grant Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	C-7	61
Capital Projects Fund - Parks Construction Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP)	C-8	62
Capital Projects Fund - ABC Store Building Construction Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP)	C-9	63
Water Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non GAAP)	D-1	64
Sewer Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non GAAP)	D-2	65-66

**CITY OF WHITEVILLE
TABLE OF CONTENTS
June 30, 2019**

	<u>Exhibit</u>	<u>Page</u>
Capital Project Fund - Waste Water Asset Inventory & Assessment Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non GAAP)	D-2A	67
Capital Project Fund - Mollie Branch Sewer Construction Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non GAAP)	D-2B	68
Stormwater Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non GAAP)	D-3	69
Capital Project Fund - Stormwater Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non GAAP)	D-3A	70
Capital Project Fund - Downtown Stormwater Construction Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non GAAP)	D-3B	71
Sanitation Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non GAAP)	D-4	72
Other Schedules		
Schedule of Ad Valorem Taxes Receivable	E-1	73
Analysis of Current Tax Levy – City-Wide Levy	E-2	74
Compliance Section		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		75-76
Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act		77-78
Schedule of Findings and Questioned Costs		79-80
Corrective Action Plan		81
Summary Schedule of Prior Year Audit Findings		82
Schedule of Expenditures of Federal and State Awards		83



Financial Section

Independent Auditor's Report

Management's Discussion and Analysis

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements



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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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Whiteville ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Whiteville ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the City of Whiteville ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Whiteville, North Carolina as of June 30, 2019, 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 43 through 44, the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 45 and 46, and the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 47, 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 November 25, 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
November 25, 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, 2019. 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

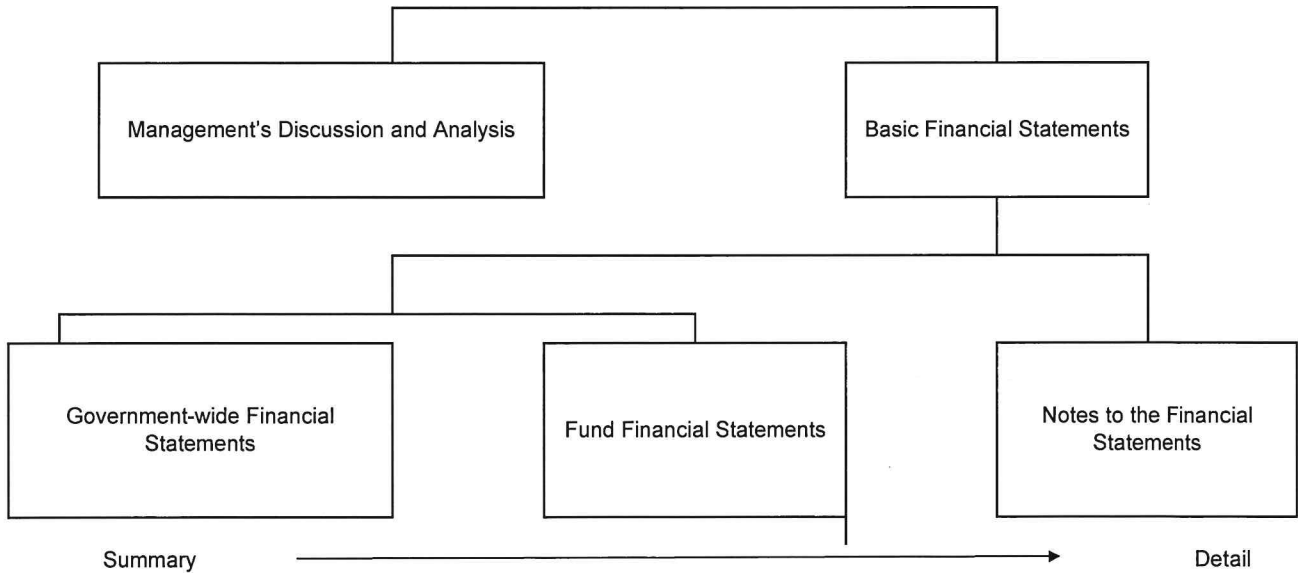
- The assets and deferred outflows of resources of the City of Whiteville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$22,503,124 (net position).
- The government's total net position increased by \$55,253. Governmental activities decreased net position by \$525,426, while business-type activities increased net position by \$580,679.
- As of the close of the current fiscal year, the City of Whiteville governmental funds reported combined ending fund balances of \$3,552,130, a decrease of \$2,836,823 in comparison with the prior year. Approximately 28 percent of this total amount, or \$990,027, is available for spending at the government's discretion.
- At the end of the current fiscal year, fund balance for the General Fund was \$3,865,318, or 73 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) a component unit. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. This includes the water, sewer, sanitation, and stormwater 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 kind of 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 enterprise fund to account for its water, sewer, sanitation, and stormwaer 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	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 4,013,057	\$ 7,085,686	\$ 3,748,396	\$ 3,142,052	\$ 7,761,453	\$ 10,227,738
Capital assets	7,908,601	5,880,044	15,219,254	15,372,432	23,127,855	21,252,476
Deferred outflows of resources	637,188	468,896	262,056	159,696	899,244	628,592
Total assets	12,558,846	13,434,626	19,229,706	18,674,180	31,788,552	10,227,738
Long-term liabilities outstanding	6,060,881	6,610,826	2,695,390	2,682,432	8,756,271	9,293,258
Other liabilities	803,316	1,051,922	754,582	612,633	1,557,898	1,664,555
Deferred inflows of resources	404,904	289,360	124,253	78,317	529,157	
Total liabilities & deferred inflows of resources	7,269,101	7,952,108	3,574,225	3,373,382	10,843,326	10,957,813
Net position:						
Net investments in capital assets	5,235,786	3,782,695	14,090,718	13,880,655	19,326,504	17,663,350
Restricted	1,895,500	1,433,617	-	-	1,895,500	1,433,617
Unrestricted	(1,038,225)	1,318,128	2,319,345	2,032,776	1,281,120	3,350,904
Total net position	\$ 6,093,061	\$ 6,534,440	\$ 16,410,063	\$ 15,913,431	\$ 22,503,124	\$ 22,447,871

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 \$22,503,124 as of June 30, 2019. The City's net position increased by \$55,253 for the fiscal year ended June 30, 2019. The largest portion (85.88%) 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, \$1,895,500 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,281,120 is unrestricted.

The unrestricted governmental net position reflects a decrease as a result of the increase in capital assets (building a new Town Hall) and increases in other restricted assets during the year.

City of Whiteville Changes in Net Position
Figure 3

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 85,821	\$ 1,272,513	\$ 4,054,955	\$ 2,790,584	\$ 4,140,776	\$ 4,063,097
Operating grants & contributions	325,711	993,419	50,123	23,000	375,834	1,016,419
Capital grants & contributions	332,000	-	109,823	-	441,823	-
General revenues:						
Property taxes	2,510,711	2,493,669	-	-	2,510,711	2,493,669
Other taxes	1,923,461	1,842,773	-	-	1,923,461	1,842,773
Other	602,575	171,464	186,509	2,473	789,084	173,937
Total revenues	5,780,279	6,773,838	4,401,410	2,816,057	10,181,689	9,589,895
Expenses:						
General Government	909,480	561,763	-	-	909,480	561,763
Public safety	3,497,858	3,195,207	-	-	3,497,858	3,195,207
Transportation	522,511	632,472	-	-	522,511	632,472
Environmental Protection	412,558	1,137,414	-	-	412,558	1,137,414
Cultural & Recreation	544,639	721,291	-	-	544,639	721,291
Economic & Physical Development	208,750	34,067	-	-	208,750	34,067
Interest on Long-term Debt	90,009	60,890	-	-	90,009	60,890
Water & Sewer	-	-	3,940,631	2,676,168	3,940,631	2,676,168
Total expenses	6,185,805	6,343,104	3,940,631	2,676,168	10,126,436	9,019,272
Increase (Decrease) in net position before transfers	(405,526)	430,734	460,779	139,889	55,253	570,623
Transfers	(119,900)	406,400	119,900	(406,400)	-	-
Increase (decrease) in net position	(525,426)	837,134	580,679	(266,511)	55,253	570,623
Net position, July 1	6,534,440	5,014,974	15,829,384	15,958,936	22,363,824	20,973,910
Restatement	84,047	682,332	-	221,006	84,047	903,338
Net position, June 30	\$ 6,093,061	\$ 6,534,440	\$ 16,410,063	\$ 15,913,431	\$ 22,503,124	\$ 22,447,871

Governmental activities. Governmental activities decreased the City's net position by \$525,426.

* Significant expenditures related to Hurricane Florence - reimbursements were not received until the subsequent year

Business-type activities: Business-type activities increased the City of Whiteville's net position by \$580,679. Key elements of this increase are as follows:

- * Transfer from the General Fund to establish funding for a new stormwater fund.
- * Separated Sanitation operations from the general fund and reflected as a business-type activity.
- * Grants received to finance various projects.

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 \$1,658,818 while total fund balance of the general fund was \$3,865,318. 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 31 percent of total General Fund expenditures, while total fund balance represents 73 percent of that same amount.

At June 30, 2019, the governmental funds of City of Whiteville reported a combined fund balance of \$3,552,130, a decrease of \$2,836,823 from 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 18-19 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 at the end of the fiscal year was \$641,722 in the Water Fund, \$1,578,555 in the Sewer Fund, a deficit of \$82,701 in the Sanitation Fund, and \$181,769 in the Stormwater Fund. The total change in net position was \$16,763 for the Water Fund, \$161,582 for the Sewer Fund, \$61,992 for the Sanitation Fund, and \$340,342 for the Stormwater Fund. 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, 2019, totals \$23,127,855 (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
- Equipment for Parks and Rec and Streets (including sweeper, excavator, and mowers)
- Construction of new City Hall
- Construction of new ABC Store

City of Whiteville Capital Assets

Figure 4

(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 286,102	\$ 385,419	\$ 206,018	\$ 206,018	\$ 492,120	\$ 591,437
Buildings and Distribution Systems	3,026,370	3,160,320	14,544,497	14,904,208	17,570,867	18,064,528
Equipment & Vehicles	1,192,820	1,252,524	267,966	262,208	1,460,786	1,514,732
Construction in Progress	3,403,309	1,081,781	200,773	-	3,604,082	1,081,781
Total	<u>\$ 7,908,601</u>	<u>\$ 5,880,044</u>	<u>\$ 15,219,254</u>	<u>\$ 15,372,434</u>	<u>\$ 23,127,855</u>	<u>\$ 21,252,478</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, 2019, the City had total debt of \$3,801,351 (excluding compensated absences, pension obligations, and OPEB). There was a net decrease in total debt of \$732,499.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Whiteville is \$34,428,345.

Economic Factors and Next Year's Budgets and Rates

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

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Tax revenues are expected to remain stable. Other revenues are not expected to vary greatly. There are expected increases in expenditures in the various departments to account for inflationary increases. Capital spending is expected to increase with the acquisition of a new fire truck and the completion of the City Hall construction project, as well as the construction of a new ABC store.

Business – type Activities: Business revenues are expected to increase with the introduction of the new Storm Water fee. Revenues are also expected to increase with installation of a new smart utility system. Expenditures are expected to increase slightly with the addition of a new Storm Water utility department. The loan repayments will continue on the Wastewater Treatment Plan and Well loans.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

City of Whiteville, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government			City of Whiteville ABC Board
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets:				
Cash and Investments	\$ 2,767,797	\$ 2,853,025	\$ 5,620,822	\$ 398,622
Taxes Receivable (Net)	31,042	-	31,042	-
Accrued Interest Receivable on Taxes	2,197	-	2,197	-
Accounts Receivable (Net)	86,694	753,513	840,207	-
Due From Other Governments	590,875	35,319	626,194	-
Due From Component Units	40,601	-	40,601	-
Inventories	-	-	-	76,127
Prepaid Expenses	-	-	-	-
Internal Balances	85,028	(85,028)	-	-
Restricted assets:				
Cash and cash equivalents	408,823	191,567	600,390	-
Total Current Assets	<u>4,013,057</u>	<u>3,748,396</u>	<u>7,761,453</u>	<u>474,749</u>
Non-current Assets:				
Capital Assets:				
Land, Non-depreciable Improvements, and Construction in Progress	3,689,411	406,791	4,096,202	-
Other Capital Assets, Net of Depreciation	4,219,190	14,812,463	19,031,653	-
Total Capital Assets	<u>7,908,601</u>	<u>15,219,254</u>	<u>23,127,855</u>	<u>-</u>
Total Assets	<u>11,921,658</u>	<u>18,967,650</u>	<u>30,889,308</u>	<u>474,749</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	604,013	249,070	853,083	30,646
OPEB deferrals	33,175	12,986	46,161	-
Total deferred outflows of resources	<u>637,188</u>	<u>262,056</u>	<u>899,244</u>	<u>30,646</u>
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	427,328	191,579	618,907	108,859
Unearned Revenue	-	-	-	-
Customer Deposits	-	191,567	191,567	-
Accrued Interest Payable	42,355	4,672	47,027	-
Current portion of long-term liabilities	333,633	366,764	700,397	-
Total current liabilities	<u>803,316</u>	<u>754,582</u>	<u>1,557,898</u>	<u>108,859</u>
Long-Term Liabilities:				
Net Pension Liability	740,687	316,666	1,057,353	44,156
Total Pension Liability	207,783	-	207,783	-
Total OPEB Liability	1,773,164	806,701	2,579,865	-
Due in more than one year	2,535,931	817,441	3,353,372	-
Total Liabilities	<u>6,060,881</u>	<u>2,695,390</u>	<u>8,756,271</u>	<u>153,015</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	182,815	23,376	206,191	3,910
OPEB deferrals	221,729	100,877	322,606	-
Prepaid licenses	360	-	360	-
Total deferred inflows of resources	<u>404,904</u>	<u>124,253</u>	<u>529,157</u>	<u>3,910</u>
Net Position				
Net investment in capital assets	5,235,786	14,090,718	19,326,504	-
Restricted for:				
Stabilization by State Statute	1,579,095	-	1,579,095	-
Other functions	316,405	-	316,405	42,226
Unrestricted	(1,038,225)	2,319,345	1,281,120	306,244
Total Net Position	<u>\$ 6,093,061</u>	<u>\$ 16,410,063</u>	<u>\$ 22,503,124</u>	<u>\$ 348,470</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, 2019

Functions/Programs	Net (Expense) Revenue and Changes in Net Position																			
	Program Revenues					Primary Government														
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	City of Whiteville ABC Board												
Primary government:																				
Governmental Activities:																				
General government	\$ 909,480	\$ 42,925	\$ -	\$ 332,000	\$ (534,555)	\$ -	\$ (534,555)	\$ -	\$ (3,362,903)											
Public safety	3,497,858	22,262	112,693	-	(3,362,903)	-	(3,362,903)	-	(363,187)											
Transportation	522,511	-	159,324	-	(363,187)	-	(363,187)	-	(158,750)											
Economic & physical	208,750	-	50,000	-	(158,750)	-	(158,750)	-	(408,864)											
Environmental protection	412,558	-	3,694	-	(408,864)	-	(408,864)	-	(524,005)											
Cultural and recreation	544,639	20,634	-	-	(524,005)	-	(524,005)	-	(90,009)											
Interest on Long-Term Debt	90,009	-	-	-	(90,009)	-	(90,009)	-	-											
Total governmental activities	6,185,805	85,821	325,711	332,000	(5,442,273)	-	(5,442,273)	-	(27,497)											
Business-type activities:																				
Water	940,321	912,824	-	-	-	(27,497)	(27,497)	-	149,433											
Sewer	1,811,058	1,910,368	50,123	-	-	149,433	149,433	-	90,342											
Stormwater	19,481	-	-	109,823	-	90,342	90,342	-	61,992											
Sanitation	1,169,771	1,231,763	-	-	-	61,992	61,992	-	274,270											
Total business-type activities	3,940,631	4,054,955	50,123	109,823	-	274,270	274,270	-	(5,168,003)											
Total primary government	\$ 10,126,436	\$ 4,140,776	\$ 375,834	\$ 441,823	\$ (5,442,273)	\$ 274,270	\$ (5,168,003)	\$ -	\$ -											
Component Unit:																				
City of Whiteville ABC Board	\$ 1,449,906	\$ 1,424,959	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -											
Total Component Unit	\$ 1,449,906	\$ 1,424,959	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -											
General revenues:																				
Taxes:																				
Property taxes, levied for general purpose					2,510,711		2,510,711													
Other taxes					6,506		6,506													
Grants and contributions not restricted to specific program					1,899,011		1,899,011													
Unrestricted investment earnings					17,944		17,944													
Miscellaneous					602,575		602,575													
Total general revenues not including transfers					5,036,747		5,036,747													
Transfers					(119,900)		(119,900)													
Total general revenues and transfers					4,916,847		4,916,847													
Change in net position					(525,426)		(525,426)													
Net position, beginning, previously reported					6,534,440		6,534,440													
Restatement (see Note 6)					84,047		84,047													
Net position, beginning, restated					6,618,487		6,618,487													
Net position, ending					6,093,061		6,093,061													
					\$ 16,410,063		\$ 16,410,063													
					\$ 22,503,124		\$ 22,503,124													
					\$ 348,470		\$ 348,470													

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

City of Whiteville, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

	Major Funds				Total Governmental Funds
	General Fund	City Hall Construction	Hurricane Florence Recovery	Non-Major Funds	
ASSETS					
Cash and cash equivalents	\$ 2,139,606	\$ 400,462	\$ -	\$ 227,729	\$ 2,767,797
Restricted Cash	408,823	-	-	-	408,823
Receivables, net:					
Taxes	30,296	-	-	746	31,042
Accounts	86,694	-	-	-	86,694
Prepaid Expense	-	-	-	-	-
Due from other governments	557,058	5,795	27,624	398	590,875
Due from component unit	40,601	-	-	-	40,601
Due from other funds	894,742	83	-	2,008	896,833
Total assets	<u>\$ 4,157,820</u>	<u>\$ 406,340</u>	<u>\$ 27,624</u>	<u>\$ 230,881</u>	<u>\$ 4,822,665</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 242,387	\$ 128,823	\$ 11,385	\$ 44,733	\$ 427,328
Due to other funds	19,459	-	780,224	12,122	811,805
Total liabilities	<u>261,846</u>	<u>128,823</u>	<u>791,609</u>	<u>56,855</u>	<u>1,239,133</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	30,296	-	-	746	31,042
Prepaid licenses	360	-	-	-	360
Total deferred inflows of resources	<u>30,656</u>	<u>-</u>	<u>-</u>	<u>746</u>	<u>31,402</u>
Fund balances:					
Restricted					
Stabilization by State Statute	1,579,095	-	-	-	1,579,095
Streets	299,113	-	-	-	299,113
Debt Reserve	17,292	-	-	-	17,292
Assigned					
Economic Development	-	-	-	14,604	14,604
Capital Outlay	-	277,517	-	48,002	325,519
Hurricane Recovery	-	-	-	14,603	14,603
Public Safety	-	-	-	877	877
Subsequent year's expenditures	311,000	-	-	-	311,000
Unassigned	1,658,818	-	(763,985)	95,194	990,027
Total fund balances	<u>3,865,318</u>	<u>277,517</u>	<u>(763,985)</u>	<u>173,280</u>	<u>3,552,130</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,157,820</u>	<u>\$ 406,340</u>	<u>\$ 27,624</u>	<u>\$ 230,881</u>	

(continued)

City of Whiteville, North Carolina
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 Governmental Funds
 June 30, 2019

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

Total Fund Balance, Governmental Funds	\$ 3,552,130
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,908,601
Deferred outflows of resources related to pensions are not reported in the funds	604,013
Deferred outflows of resources related to OPEB are not reported in the funds	33,175
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.	2,197
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	31,042
Pension related deferrals	(182,815)
OPEB related deferrals	(221,729)
Net pension asset (liability)	(740,687)
Total pension liability	(207,783)
Total OPEB liability	(1,773,164)
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.	(2,911,919)
Net position of governmental activities	<u>\$ 6,093,061</u>

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

City of Whiteville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	Major Fund			Non-Major Funds	Total Governmental Funds
	General Fund	City Hall Construction	Hurricane Florence Recovery		
REVENUES					
Ad valorem taxes	\$ 2,482,308	\$ -	\$ -	\$ 27,195	\$ 2,509,503
Other taxes and licenses	6,506	-	-	-	6,506
Unrestricted intergovernmental	1,899,011	-	-	-	1,899,011
Restricted intergovernmental	325,711	-	-	-	325,711
Permits and fees	36,229	-	-	-	36,229
Investment earnings	17,944	-	-	-	17,944
Sales and Service	49,592	-	-	-	49,592
Miscellaneous	152,686	97	447,182	2,610	602,575
Total revenues	<u>4,969,987</u>	<u>97</u>	<u>447,182</u>	<u>29,805</u>	<u>5,447,071</u>
EXPENDITURES					
Current:					
General government	350,930	-	398,293	-	749,223
Public safety	2,991,993	-	159,082	-	3,151,075
Transportation	677,167	-	9,478	-	686,645
Environmental protection	-	-	406,783	5,775	412,558
Cultural and recreational	442,084	-	53,149	-	495,233
Economic Development	-	-	184,382	49,450	233,832
Capital Outlay	-	2,010,616	-	289,511	2,300,127
Debt Service:					
Principal	369,258	-	-	-	369,258
Interest & Other Charges	98,043	-	-	-	98,043
Total expenditures	<u>4,929,475</u>	<u>2,010,616</u>	<u>1,211,167</u>	<u>344,736</u>	<u>8,495,994</u>
Excess (deficiency) of revenues over expenditures	<u>40,512</u>	<u>(2,010,519)</u>	<u>(763,985)</u>	<u>(314,931)</u>	<u>(3,048,923)</u>
OTHER FINANCING SOURCES (USES)					
Transfers (to) other funds	(380,425)	-	-	130,425	(250,000)
Transfers from other funds	130,100	-	-	-	130,100
NCDOT Reimbursement	-	-	-	332,000	332,000
Loan / Capital Lease Proceeds	-	-	-	-	-
Total other financing sources (uses)	<u>(250,325)</u>	<u>-</u>	<u>-</u>	<u>462,425</u>	<u>212,100</u>
Net change in fund balance	(209,813)	(2,010,519)	(763,985)	147,494	(2,836,823)
Fund balances, beginning	4,109,666	2,288,036	-	25,786	6,423,488
Restatement (see Note 6)	(34,535)	-	-	-	(34,535)
Fund balances, ending	<u>\$ 3,865,318</u>	<u>\$ 277,517</u>	<u>\$ (763,985)</u>	<u>\$ 173,280</u>	<u>\$ 3,552,130</u>

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

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, 2019

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

Net changes in fund balances - total governmental funds		\$ (2,836,823)
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	2,758,626	
Depreciation expense for governmental assets	(584,839)	
Gain (Loss) on Disposal	<u>(145,230)</u>	2,028,557
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		169,966
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		8,139
OPEB benefit payments paid and administrative costs made in the current year are not included on the Statement of Activities		31,134
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		1,208
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	-	
Principal payments on long-term debt	369,258	
Increase in accrued interest payable	<u>8,034</u>	377,292
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	(10,809)	
Pension expense - LGERS	(187,038)	
Pension expense - LEOSSA	4,872	
OPEB expense	<u>(111,924)</u>	(304,899)
Total changes in net position of governmental activities		<u>\$ (525,426)</u>

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

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, 2019

Exhibit 6

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 2,589,005	\$ 2,583,356	\$ 2,482,308	\$ (101,048)
Other taxes and licenses	-	6,000	6,506	506
Unrestricted intergovernmental revenues	1,876,294	1,853,781	1,899,011	45,230
Restricted intergovernmental revenues	231,000	282,413	325,711	43,298
Permits and fees	101,400	63,520	36,229	(27,291)
Investment Earnings	-	3,000	17,944	14,944
Sales and Services	-	42,360	49,592	7,232
Miscellaneous	32,230	163,550	152,686	(10,864)
Total revenues	<u>4,829,929</u>	<u>4,997,980</u>	<u>4,969,987</u>	<u>(27,993)</u>
Expenditures:				
Current:				
General government	503,206	574,140	350,930	223,210
Public safety	3,381,418	3,262,452	2,991,993	270,459
Transportation	950,940	945,951	677,167	268,784
Cultural and recreation	548,749	509,176	442,084	67,092
Debt Service:				
Principal retirement	-	335,054	369,258	(34,204)
Interest and fees	-	70,591	98,043	(27,452)
Total expenditures	<u>5,384,313</u>	<u>5,697,364</u>	<u>4,929,475</u>	<u>767,889</u>
Revenues over/(under) expenditures	<u>(554,384)</u>	<u>(699,384)</u>	<u>40,512</u>	<u>739,896</u>
Other financing sources (uses):				
Transfer from (to) other fund:				
Special Revenue	(35,720)	(35,720)	(35,425)	295
Capital Project Fund	-	(95,000)	(95,000)	-
Stormwater Fund	(150,000)	(250,000)	(250,000)	-
Sewer Fund	-	-	130,100	130,100
Capital Lease Proceeds	130,204	130,204	-	(130,204)
Appropriated Fund Balance	609,900	949,900	-	(949,900)
Total other financing sources (uses)	<u>554,384</u>	<u>699,384</u>	<u>(250,325)</u>	<u>(949,709)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(209,813)	<u>\$ (209,813)</u>
Fund balance, beginning of year			4,109,666	
Prior Period Adjustment			<u>(34,535)</u>	
Fund balance, end of year			<u>\$ 3,865,318</u>	

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

City of Whiteville, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2019

	Major			Non-Major	Total
	Water Fund	Sewer Fund	Sanitation Fund	Stormwater Fund	
Assets					
Current assets:					
Cash and cash equivalents	\$ 752,247	\$ 1,847,365	\$ 21,112	\$ 232,301	\$ 2,853,025
Accounts receivable (net) - billed	244,404	215,934	110,311	-	570,649
Accounts receivable (net) - unbilled	39,214	90,371	50,648	-	180,233
Miscellaneous Receivable	1,147	1,111	373	-	2,631
Due From Other Funds	19,927	33,933	8	-	53,868
Due From Other Governments	7,229	22,543	5,468	79	35,319
Restricted Assets:					
Cash and cash equivalents	191,567	-	-	-	191,567
Total current assets	<u>1,255,735</u>	<u>2,211,257</u>	<u>187,920</u>	<u>232,380</u>	<u>3,887,292</u>
Noncurrent assets:					
Capital assets:					
Land and other non-depreciable assets	34,131	214,087	-	158,573	406,791
Other capital assets, net of depreciation	2,150,550	12,601,267	60,646	-	14,812,463
Capital Assets (net)	<u>2,184,681</u>	<u>12,815,354</u>	<u>60,646</u>	<u>158,573</u>	<u>15,219,254</u>
Total noncurrent assets	<u>2,184,681</u>	<u>12,815,354</u>	<u>60,646</u>	<u>158,573</u>	<u>15,219,254</u>
Total Assets	<u>\$ 3,440,416</u>	<u>\$ 15,026,611</u>	<u>\$ 248,566</u>	<u>\$ 390,953</u>	<u>\$ 19,106,546</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension plan deferrals	\$ 94,710	\$ 124,615	\$ 29,745	\$ -	\$ 249,070
OPEB deferrals	6,602	6,266	118	-	12,986
Total deferred outflows of resources	<u>101,312</u>	<u>130,881</u>	<u>29,863</u>	<u>-</u>	<u>262,056</u>
Liabilities					
Current liabilities:					
Accounts Payable and Accrued Liabilities	20,112	41,305	128,301	1,861	191,579
Due to Other Funds	10,573	63,169	16,404	48,750	138,896
Customer Deposits	191,567	-	-	-	191,567
Accrued Interest Payable	315	4,357	-	-	4,672
Current Maturities of Long Term Debt	28,126	338,638	-	-	366,764
Total Current Liabilities	<u>250,693</u>	<u>447,469</u>	<u>144,705</u>	<u>50,611</u>	<u>893,478</u>
Noncurrent Liabilities					
Compensated Absences	8,097	47,572	-	-	55,669
Total OPEB Liability	315,860	388,473	102,368	-	806,701
Net Pension Liability	120,414	158,434	37,818	-	316,666
Long Term Debt	122,998	638,774	-	-	761,772
Total Noncurrent liabilities	<u>567,369</u>	<u>1,233,253</u>	<u>140,186</u>	<u>-</u>	<u>1,940,808</u>
Total Liabilities	<u>818,062</u>	<u>1,680,722</u>	<u>284,891</u>	<u>50,611</u>	<u>2,834,286</u>
DEFERRED INFLOWS OF RESOURCES					
Pension deferrals	8,889	11,695	2,792	-	23,376
OPEB deferrals	39,498	48,578	12,801	-	100,877
Total deferred inflows of resources	<u>48,387</u>	<u>60,273</u>	<u>15,593</u>	<u>-</u>	<u>124,253</u>
Net Position					
Net investment in capital assets	2,033,557	11,837,942	60,646	158,573	14,090,718
Unrestricted	641,722	1,578,555	(82,701)	181,769	2,319,345
Total Net Position of Business - Type Activities	<u>\$ 2,675,279</u>	<u>\$ 13,416,497</u>	<u>\$ (22,055)</u>	<u>\$ 340,342</u>	<u>\$ 16,410,063</u>

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

City of Whiteville, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

Exhibit 8

	Major			Non-Major	Total
	Water Fund	Sewer Fund	Sanitation Fund	Stormwater Fund	
Operating revenues:					
Charges for services	\$ 868,263	\$ 1,864,433	\$ 1,231,763	\$ -	\$ 3,964,459
Other operating revenues	44,561	45,935	-	-	90,496
Total operating revenues	<u>912,824</u>	<u>1,910,368</u>	<u>1,231,763</u>	<u>-</u>	<u>4,054,955</u>
Operating Expenses:					
Administration	18,166	192,897	-	-	211,063
Water Operations	855,823	-	-	-	855,823
Sewer Operations	-	532,104	-	-	532,104
Waste Water Treatment & Distribution Plant	-	645,069	-	-	645,069
Stormwater Operations	-	-	-	19,481	19,481
Environmental Protection (Sanitation)	-	-	1,163,032	-	1,163,032
Depreciation	67,536	409,281	6,739	-	483,556
Total operating expenses	<u>941,525</u>	<u>1,779,351</u>	<u>1,169,771</u>	<u>19,481</u>	<u>3,910,128</u>
Operating income (loss)	<u>(28,701)</u>	<u>131,017</u>	<u>61,992</u>	<u>(19,481)</u>	<u>144,827</u>
Nonoperating revenues (expenses):					
Investment earnings	-	-	-	-	-
Interest and fees	1,204	(31,707)	-	-	(30,503)
Water Tank Lease	42,608	-	-	-	42,608
Sewer Line Expansion Revenue	-	87,576	-	-	87,576
Miscellaneous income	1,652	54,673	-	-	56,325
Total nonoperating revenues (expenses)	<u>45,464</u>	<u>110,542</u>	<u>-</u>	<u>-</u>	<u>156,006</u>
Income (Loss) Before Contributions and	16,763	241,559	61,992	(19,481)	300,833
Capital contributions	-	50,123	-	109,823	159,946
Transfers from (to) other funds	-	(130,100)	-	250,000	119,900
Total Income (Loss) After Contributions	<u>16,763</u>	<u>161,582</u>	<u>61,992</u>	<u>340,342</u>	<u>580,679</u>
Change in Net Position	16,763	161,582	61,992	340,342	580,679
Total Net Position, Beginning (restated)	<u>2,658,516</u>	<u>13,254,915</u>	<u>(84,047)</u>	<u>-</u>	<u>15,829,384</u>
Total Net Position, Ending	<u>\$ 2,675,279</u>	<u>\$ 13,416,497</u>	<u>\$ (22,055)</u>	<u>\$ 340,342</u>	<u>\$ 16,410,063</u>

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

City of Whiteville, North Carolina
 Statement of Cash Flows
 Proprietary Funds
 For the Fiscal Year Ended June 30, 2019

Exhibit 9

	Major		Non-Major		Total
	Water Fund	Sewer Fund	Sanitation Fund	Stormwater Fund	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and users	\$ 886,318	\$ 1,882,687	\$ 1,222,610	\$ (79)	\$ 3,991,535
Cash paid for goods and services	(384,036)	(764,738)	(987,696)	(17,620)	(2,154,090)
Cash paid to employees for services	(464,453)	(569,997)	(162,829)	-	(1,197,279)
Customer deposits received / (returned)	4,716	-	-	-	4,716
Net cash provided by (used in) operating activities	<u>42,544</u>	<u>547,952</u>	<u>72,085</u>	<u>(17,699)</u>	<u>644,882</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	-	(104,417)	(67,385)	(158,573)	(330,375)
Principal paid on loans	(14,899)	(348,341)	-	-	(363,240)
Interest & fees paid on loans	(441)	(31,922)	-	-	(32,363)
Miscellaneous income	1,652	54,673	-	-	56,325
Capital Contributions & Miscellaneous Grants	-	50,123	-	109,823	159,946
Sewer line expansion revenue	-	87,576	-	-	87,576
Water tank lease	42,608	-	-	-	42,608
Net cash provided by (used in) capital and related financing activities	<u>28,920</u>	<u>(292,308)</u>	<u>(67,385)</u>	<u>(48,750)</u>	<u>(379,523)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Due to/from other funds & transfers	(8,347)	29,236	16,412	48,750	86,051
Transfers to / from other funds	-	(130,100)	-	250,000	119,900
Net cash provided by (used in) non-capital financing activities	<u>(8,347)</u>	<u>(100,864)</u>	<u>16,412</u>	<u>298,750</u>	<u>205,951</u>
Cash flows from investment activities:					
Interest on investments	-	-	-	-	-
Net increase (decrease) in cash and cash equivalents	63,118	154,780	21,112	232,301	471,310
Cash and cash equivalents, July 1	880,696	1,692,585	-	-	2,573,281
Cash and cash equivalents, June 30	<u>\$ 943,814</u>	<u>\$ 1,847,365</u>	<u>\$ 21,112</u>	<u>\$ 232,301</u>	<u>\$ 3,044,591</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (28,701)	\$ 131,017	\$ 61,992	\$ (19,481)	\$ 144,827
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	67,536	409,281	6,739	-	483,556
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(21,002)	(11,433)	(3,295)	-	(35,731)
(Increase) decrease in due from other governments	(1,022)	(8,059)	(5,468)	(79)	(14,628)
(Increase) decrease in miscellaneous receivable	(4,482)	(8,189)	(390)	-	(13,061)
(Increase) decrease in prepaid expense	-	-	-	-	-
(Increase) decrease in deferred outflows of resources - pension	(50,592)	(21,673)	(15,046)	-	(87,311)
(Increase) decrease in deferred outflows of resources for OPEB	(2,812)	2,578	1,218	-	984
Increase (decrease) in accounts payable and other liabilities	4,802	5,583	5,172	1,861	17,418
Increase (decrease) in accrued vacation pay	4,221	7,398	-	-	11,619
Increase (decrease) in deferred inflows of resources - pension	3,668	(487)	1,053	-	4,234
Increase (decrease) in deferred inflows of resources - OPEB	21,224	5,938	6,361	-	33,524
Increase (decrease) in OPEB liability	(4,712)	10,187	(1,117)	-	4,358
Increase (decrease) in net pension liability	49,700	25,810	14,866	-	90,376
Increase (decrease) in customer deposits	4,716	-	-	-	4,716
Total adjustments	<u>71,246</u>	<u>416,935</u>	<u>10,093</u>	<u>1,782</u>	<u>500,055</u>
Net cash provided by (used in) operating activities	<u>\$ 42,544</u>	<u>\$ 547,952</u>	<u>\$ 72,085</u>	<u>\$ (17,699)</u>	<u>\$ 644,882</u>

CITY OF WHITEVILLE, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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.

Hurricane Florence Recovery Fund. This fund accounts for expenditures associated with Hurricane Florence recovery.

The City reports the following non-major governmental 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.

Firehouse Subs Grant Fund. This fund is used to account for 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.

Parks Construction Fund. This fund is used to account for park construction projects.

ABC Store Building Construction Fund. This fund is used to account for the acquisition of land and construction expenses of the new ABC Store.

The City reports the following major enterprise funds:

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

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

Sanitation Fund. This fund is used to account for the City's sanitation operations.

The City reports the following non-major enterprise fund:

Stormwater Fund. This fund is used to account for the City's stormwater operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance 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 beer and wine 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, the Water Fund, the Sewer Fund, the Sanitation Fund, and the Stormwater Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the remaining Special Revenue Funds, Capital Project Funds, and the Enterprise Capital Project Funds, 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. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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	\$ 391,531
Reserve - USDA	17,292
City Hall Construction (unspent loan proceeds)	-
Total Governmental activities	<u>\$ 408,823</u>
Business-type Activities	
Water Fund	
Customer Deposits	\$ 191,567
Total business-type activities	<u>\$ 191,567</u>
Total Restricted Cash	<u>\$ 600,390</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. 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 LIFO. 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

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 meets 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 – 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 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 by creditors or imposed by law.

- **Restricted for Stabilization by State Statute - North Carolina G.S. 159-8** prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.
- **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.

- **Economic Development** – Portion of fund balance that is assigned to WDDC Development.
- **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 Hurricane Florence Recovery Fund (\$763,985) resulted from the City having to spend funds for disaster assistance prior to receiving reimbursements from FEMA.

Excess of Expenditures over Appropriations

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. Therefore, there is no violation to note.

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, 2019, the City's deposits had a carrying amount of \$3,607,878 and a bank balance of \$3,653,349. The carrying amount of deposits for the ABC Board was \$397,747 and the bank balance was \$436,269. 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, \$250,000 was covered by FDIC and the excess deposits were collateralized under the pooling method. Included in the carrying amount at June 30, 2019 was the City's petty cash fund which totaled \$200, and the ABC Board had petty cash which totaled \$875.

2. Investments

At June 30, 2019, the City of Whiteville had \$2,613,334 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	\$ 84,499	\$ 35,319
Charges for Services - Billed	-	570,648
Charges for Services - Unbilled	-	180,233
Motor Vehicle Tax Receivable	17,233	-
Ad Valorem Tax Receivable	21,887	-
ABC Board A/R	40,601	-
Returned Checks & Other Misc.Receivables	91,139	2,632
Franchise Tax Receivable	117,321	-
Local Option Sales Tax Receivable	344,490	-
NC Department of Transportation	1,000	-
Total	<u>\$ 718,170</u>	<u>\$ 788,832</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, 2019 are net of the following allowances for doubtful accounts.

Fund	6/30/19
General Fund:	
Taxes Receivable	<u>\$ 46,000</u>
Enterprise Funds:	
Water Fund	66,703
Sewer Fund	22,797
Sanitation Fund	34,172
Total - Enterprise Funds	<u>\$ 123,672</u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases and Adjustments	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 385,419	\$ 32,075	\$ 131,392	\$ 286,102
Construction in Progress	1,081,781	2,321,528	-	3,403,309
Total capital assets not being depreciated	<u>1,467,200</u>	<u>2,353,603</u>	<u>131,392</u>	<u>3,689,411</u>
Capital assets being depreciated				
Buildings	2,897,205	-	-	2,897,205
Infrastructure	3,225,060	-	-	3,225,060
Equipment & Furn. & Fixtures	1,138,043	300,151	-	1,438,194
Vehicles	3,487,194	104,872	132,238	3,459,828
Total capital assets being depreciated	<u>10,747,502</u>	<u>405,023</u>	<u>132,238</u>	<u>11,020,287</u>
Less accumulated depreciation for:				
Buildings	1,441,051	75,145	-	1,516,196
Infrastructure	1,520,894	58,805	-	1,579,699
Equipment & Furn. & Fixtures	974,760	189,887	-	1,164,647
Vehicles	2,397,953	261,002	118,400	2,540,555
Total accumulated depreciation	<u>6,334,658</u>	<u>\$ 584,839</u>	<u>\$ 118,400</u>	<u>6,801,097</u>
Total capital assets being depreciated, net	<u>4,412,844</u>			<u>4,219,190</u>
Governmental activity capital assets, net	<u>\$ 5,880,044</u>			<u>\$ 7,908,601</u>

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

General Government	\$ 18,658
Public Safety	305,879
Transportation	108,619
Cultural & Recreational	151,683
Total Depreciation Expense	<u>\$ 584,839</u>

Business-type activities:

Water Fund

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 34,131	\$ -	\$ -	\$ 34,131
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>34,131</u>	<u>-</u>	<u>-</u>	<u>34,131</u>
Capital assets being depreciated:				
Plant and distribution systems	5,733,210	-	-	5,733,210
Furniture, Maint Equip, & Vehicles	366,780	-	11,886	354,894
Total capital assets being depreciated	<u>6,099,990</u>	<u>-</u>	<u>11,886</u>	<u>6,088,104</u>
Less accumulated depreciation for:				
Plant and distribution systems	3,561,415	53,747	-	3,615,162
Furniture, Maint Equip, & Vehicles	320,490	13,788	11,886	322,392
Total accumulated depreciation	<u>3,881,905</u>	<u>\$ 67,535</u>	<u>\$ 11,886</u>	<u>3,937,554</u>
Total capital assets being depreciated, net	<u>2,218,085</u>			<u>2,150,550</u>

Sewer Fund

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 171,887	\$ -	\$ -	\$ 171,887
Construction in Progress	-	42,200	-	42,200
Total capital assets not being depreciated	<u>171,887</u>	<u>42,200</u>	<u>-</u>	<u>214,087</u>
Capital assets being depreciated:				
Plant and distribution systems	18,718,076	38,296	-	18,756,372
Furniture, Maint Equip, & Vehicles	1,174,838	23,921	22,034	1,176,725
Total capital assets being depreciated	<u>19,892,914</u>	<u>62,217</u>	<u>22,034</u>	<u>19,933,097</u>
Less accumulated depreciation for:				
Plant and distribution systems	5,985,663	344,260	-	6,329,923
Furniture, Maint Equip, & Vehicles	958,920	65,021	22,034	1,001,907
Total accumulated depreciation	<u>6,944,583</u>	<u>\$ 409,281</u>	<u>\$ 22,034</u>	<u>7,331,830</u>
Total capital assets being depreciated, net	<u>12,948,331</u>			<u>12,601,267</u>

Stormwater Fund

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Progress	-	158,573	-	158,573
Total capital assets not being depreciated	<u>-</u>	<u>158,573</u>	<u>-</u>	<u>158,573</u>
Capital assets being depreciated:				
Plant and distribution systems	-	-	-	-
Furniture, Maint Equip, & Vehicles	-	-	-	-
Total capital assets being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less accumulated depreciation for:				
Plant and distribution systems	-	-	-	-
Furniture, Maint Equip, & Vehicles	-	-	-	-
Total accumulated depreciation	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Total capital assets being depreciated, net	<u>-</u>			<u>-</u>

Sanitation Fund

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Plant and distribution systems	-	-	-	-
Furniture, Maint Equip, & Vehicles	13,500	67,385	-	80,885
Total capital assets being depreciated	13,500	67,385	-	80,885
Less accumulated depreciation for:				
Plant and distribution systems	-	-	-	-
Furniture, Maint Equip, & Vehicles	13,500	6,739	-	20,239
Total accumulated depreciation	13,500	\$ 6,739	\$ -	20,239
Total capital assets being depreciated, net	-			60,646
Business-type activities capital assets, net	\$ 15,372,434			\$ 15,219,254

Construction Commitments

The City has active construction projects as of June 30, 2019 as follows:

	Contract	Paid to Date	Remaining
Town Hall Project	\$ 2,539,418	\$ 2,404,466	\$ 134,952
Street Projects	320,000	83,764	236,236

Activity for the ABC Board for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Building	\$ 153,867	\$ -	\$ 153,867	\$ -
Office Furniture and Fixtures	26,632	-	26,632	-
Store Equipment	100,313	-	100,313	-
Total capital assets being depreciated	280,812	-	280,812	-
Less accumulated depreciation for:				
Building	122,760	10,815	133,575	-
Office Furniture and Fixtures	23,823	-	23,823	-
Store Equipment	91,212	-	91,212	-
Total Accumulated Depreciation	237,795	\$ 10,815	\$ -	-
ABC Capital Assets, Net	\$ 43,017			\$ -

B. - Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Whiteville employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Whiteville's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.82% 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 \$242,630 for the year ended June 30, 2019.

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, 2019, the City reported a liability of \$1,057,353 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the City's proportion was 0.0692%, which was an increase of .0187% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$267,001. 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	\$ 163,124	\$ 5,474
Changes of assumptions	280,581	-
Net difference between projected and actual earnings on pension plan investments	145,143	-
Changes in proportion and differences between City contributions and proportionate share of contributions	165	72,580
City contributions subsequent to the measurement date	242,630	-
Total	<u>\$ 831,643</u>	<u>\$ 78,054</u>

\$242,630 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 liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 257,227
2021	160,671
2022	20,407
2023	72,654
2024	-
Thereafter	-
	<u>\$ 510,959</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 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	7.00 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, 2017 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, 2018 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 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 7.00%. 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 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 2,539,853	\$ 1,057,353	\$ (181,448)

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, 2018, the Separation Allowance's membership consisted of:

Retirees Receiving Benefits	2
Terminated plan members entitled to but no yet receiving benefits	0
Active Plan Members	23
Total	25

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, 2017 valuation. The total pension liability in the December 31, 2017 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	3.64 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 \$16,320 as benefits came due for the reporting period.

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

At June 30, 2019, the City reported a total pension liability of \$207,783. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension revenue of \$4,872.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 115,533
Changes of assumptions	13,302	12,603
City benefit payments and plan administrative expense made subsequent to the measurement date	8,139	-
Total	<u>\$ 21,441</u>	<u>\$ 128,136</u>

\$8,139 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ (24,897)
2021	(24,897)
2022	(24,897)
2023	(24,462)
2024	(13,900)
Thereafter	(1,781)
	<u>\$ (114,834)</u>

\$8,139 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 3.64 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 (2.64 percent) or one percentage point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 226,794	\$ 207,783	\$ 190,712

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

Beginning Balance	\$ 273,960
Service Cost	19,766
Interest on the total pension liability	8,400
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(69,194)
Changes of assumptions or other inputs	(8,871)
Benefit payments	(16,278)
Other changes	-
Ending balance of the total pension liability	<u>\$ 207,783</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, 2018 valuation were based on the results of an actuarial experience study for the period ended December 31, 2017.

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 (Revenue)	\$ 267,001	\$ (4,872)	\$ 262,129
Pension Liability	1,057,353	207,783	1,265,136
Proportionate share of the net pension liability	0.06921%	n/a	
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	163,124	-	163,124
Changes of assumptions	280,581	13,302	293,883
Net difference between projected and actual earnings on plan investments	145,143	-	145,143
Changes in proportion and differences between contributions and proportionate share of contributions	165	-	165
Benefit payments and administrative costs paid subsequent to the measurement date	242,630	8,139	250,769
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	5,474	115,533	121,007
Changes of assumptions	-	12,603	12,603
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	72,580	-	72,580

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, 2019 were \$69,765, which consisted of \$53,778 from the City and \$15,987 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, 2019 were \$132,723, which consisted of \$86,740 from the City and \$45,983 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.

	2019
Retirees and dependents receiving benefits	19
Terminated plan members entitled to but not yet receiving benefits	-
Active Plan Members	83
Total	102

Total OPEB Liability

The City's total OPEB liability of \$2,579,864 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2018 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	3.89%
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

Balance at July 1, 2018	\$ 2,559,811
Changes for the year	
Service Cost	123,618
Interest	90,200
Changes in benefit terms	-
Difference between expected and actual experience	1,667
Changes of assumptions or other inputs	(142,771)
Benefit payments	(52,661)
Other	-
Net Changes	<u>20,053</u>
Total OPEB Liability at June 30, 2019	<u>\$ 2,579,864</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

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, 2018 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 (2.89%) and 1-percentage-point higher (4.89%) than the current discount rate:

	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB Liability	\$ 3,050,084	\$ 2,579,864	\$ 2,208,432

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	Discount Rate	1% Increase
Total OPEB Liability	\$ 2,154,520	\$ 2,579,864	\$ 3,138,488

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$162,844. At June 30, 2019, 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	\$ 2,969	\$ -
Changes of assumptions	-	322,607
Benefit payments and administrative costs made subsequent to the measurement date	43,191	-
Total	<u>\$ 368,767</u>	<u>\$ -</u>

\$43,191 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, 2020. Other amounts reported as deferred inflows of resources related to pension will be recognized as pension expense as follows:

Year ended June 30:

2020	\$ (42,894)
2021	(42,894)
2022	(42,894)
2023	(42,894)
2024	(42,894)
Thereafter	(105,168)

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:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 242,630
Benefit payments made and administrative expenses for LEOSSA	8,139
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	43,191
Differences between expected and actual experience	
LGERS	163,124
LEOSSA	-
OPEB	2,969
Changes of assumptions	
LGERS	280,581
LEOSSA	13,302
OPEB	-
Net difference between projected and actual	
LGERS	145,143
Changes in proportion and differences between employer contributions and proportionate share of contributions	
LGERS	165
Total	\$ 899,244

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

Prepaid taxes (General Fund)	\$ 360
Taxes Receivable, less penalties (General Fund)	31,042
Differences between expected and actual experience	
LGERS	5,474
LEOSSA	115,533
OPEB	-
Changes of assumptions	
LGERS	-
LEOSSA	12,603
OPEB	322,607
Changes in proportion and differences between employer contributions and proportionate share of contributions	
LGERS	72,580
Total	\$ 560,199

4. Risk Management

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

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

In accordance with G.S. 159-29, The City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. . The finance officer is bonded for \$100,000. The tax collector is bonded for \$10,000. The remaining employees are that have access to funds are bonded under a blanket bond for \$50,000.

5. Claims, Judgments and Contingent Liabilities

As of June 30, 2019, the City was not involved in any civil or legal actions which in the opinion of management and the City's attorney, would have an adverse or material effect on the City's financial position.

6. Long-Term Obligations

a. Capital Leases

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

There are three outstanding lease agreements. The first agreement was executed on December 14, 2016 to lease four vehicles and requires three annual payments of \$45,428 including interest of 5.99%. The second agreement was executed on June 24, 2017 to lease one vehicle and requires three annual payments of \$11,091, including interest of 6.0%. The third agreement was executed on January 11, 2018 to lease eight vehicles and requires three annual payments of \$100,039, including interest at 6%. Title passes to the City at the end of the lease term.

The following is an analysis of the assets recorded under capital leases at June 30, 2019:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Vehicles - Governmental	\$ 314,048	\$ 179,080	\$ 134,968
Vehicles - Enterprise	138,414	52,355	86,059
Total	<u>\$ 452,462</u>	<u>\$ 231,435</u>	<u>\$ 221,027</u>

The future minimum lease obligations and the net present value of these minimum lease payment as of June 30, 2019 were as follows:

	<u>Governmental</u>	<u>Enterprise</u>
2020	\$ 69,496	\$ 37,995
2021	-	-
2022	-	-
2023	-	-
Total Minimum Lease Payments	<u>69,496</u>	<u>37,995</u>
Less: Amount representing interest	<u>(3,657)</u>	<u>(1,802)</u>
Present value of the minimum lease payments	<u>\$ 65,839</u>	<u>\$ 36,193</u>

b. Installment Loans

Serviced by Governmental Activities:

Note Payable – BB&T

\$540,000 direct placement loan with BB&T issued for the purchase of a Rescue Pumper Fire Truck on August 14, 2013. Annual installments of \$47,320, including interest at 3.630% are due in 15 payments. Final payment is scheduled for August 2028. The equipment stands as collateral for the loan. In the event of default, the lender may: (a) declare the unpaid principal immediately due and payable; (b) proceed by appropriate court action to enforce the performance of the covenants of the agreement or to recover for the breach thereof; (c) require the lender to pay over any balance remaining in the project fund to be applied against outstanding Required Payments in any manner the lender may reasonably deem appropriate; and (d) avail itself of all available remedies under the agreement. \$ 390,976

Note Payable – BB&T

\$520,000 direct placement loan with BB&T issued for improvements to Nolan Park fitness center and recreation complex on July 13, 2015. Annual installments of \$34,667, including interest at 2.87% are due in 15 payments. Final payment is scheduled for July, 2031. The equipment stands as collateral for the loan. In the event of default, the lender may: (a) declare the unpaid principal immediately due and payable; (b) proceed by appropriate court action to enforce the performance of the covenants of the agreement or to recover for the breach thereof; (c) require the lender to pay over any balance remaining in the project fund to be applied against outstanding Required Payments in any manner the lender may reasonably deem appropriate; and (d) avail itself of all available remedies under the agreement. 416,000

Note Payable – BB&T

\$2,000,000 direct placement loan with BB&T issued for building the new Town Hall on March 13, 2018. Annual installments of \$200,000, plus interest at 3.01% are due in 10 annual payments. Final payment is scheduled for March 2028. The building stands as collateral for the loan. In the event of default, the lender may withdraw any balance remaining in the project fund and apply the balance against outstanding required payments. 1,800,000

Total Serviced by Governmental Activities \$ 2,606,976

Serviced by the Enterprise Funds:

Note Payable - North Carolina Water Pollution Control Revolving Loan Proceeds

\$2,200,000 direct borrowing agreement with NC Water Pollution Control Revolving Loan, issued for wastewater treatment plant improvements. Principal installments are due annually on May 1 with a semiannual interest payment due on May 1 and November 1, at an interest rate of 2.27%. This note is not secured by a pledge of the faith and credit of the State of North Carolina or of the City, but is payable solely from the revenues of the project or benefited systems, or other available funds. The City agrees that any other monies due to them from the State may be withheld by the State and applied to the payment of this obligation whenever the City fails to pay any amount of principal or interest on this note when due. \$ 471,429

Note Payable - North Carolina Water Pollution Control Revolving Loan Proceeds

\$2,250,000 direct borrowing agreement with NC Water Pollution Control Revolving Loan, issued for wastewater treatment plant improvements. Principal installments are due annually on May 1 with a semiannual interest payment due on May 1 and November 1, at an interest rate of 2.265%. This note is not secured by a pledge of the faith and credit of the State of North Carolina or of the City, but is payable solely from the revenues of the project or benefited systems, or other available funds. The City agrees that any other monies due to them from the State may be withheld by the State and applied to the payment of this obligation whenever the City fails to pay any amount of principal or interest on this note when due. 486,735

Note Payable – North Carolina Drinking Water State Revolving Loan Proceeds

\$462,104 direct borrowing agreement with NC Drinking Water Revolving Loan issued for a well replacement project. Principal installments in the amount of \$11,183 are due annually on May 1. In July 2013, the City was awarded ARRA funds to refinance the loan, which reduced the principal to \$201,288 and reduced the interest rate to 0%. This note is not secured by a pledge of the faith and credit of the State of North Carolina or of the City, but is payable solely from the revenues of the project or benefited systems, or other available funds. The City agrees that any other monies due to them from the State may be withheld by the State and applied to the payment of this obligation whenever the City fails to pay any amount of principal or interest on this note when due. 134,183

Total Serviced by Enterprise Funds \$ 1,092,347

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

Fiscal Year Ended	Governmental Activities		Business-Type Activities		Total Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 267,794	\$ 86,332	\$ 330,570	\$ 21,726	\$ 598,364	\$ 108,058
2021	268,997	78,114	330,570	14,484	599,567	92,598
2022	270,243	69,853	330,570	7,242	600,813	77,095
2023	271,534	61,547	11,183	-	282,717	61,547
2024	272,873	53,193	11,183	-	284,056	53,193
2025-2029	1,186,202	138,905	55,913	-	1,242,115	138,905
2030-2034	69,333	2,985	22,358	-	91,691	2,985
Total	\$ 2,606,976	\$ 490,929	\$ 1,092,347	\$ 43,452	\$ 3,699,323	\$ 534,381

c. Changes in Long – Term Liabilities

	Balance July 01, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion Balance
Governmental Activities:					
Direct placement and borrowing installment agreements	\$ 2,873,611	\$ -	\$ 266,635	\$ 2,606,976	\$ 267,794
Capital Leases	168,462	-	102,623	65,839	65,839
Total OPEB liability	1,860,953	-	87,789	1,773,164	-
Net pension liability (LGERs)	567,704	172,983	-	740,687	-
Net pension liability (LEOSSA)	273,960	-	66,177	207,783	-
Compensated Absences	185,940	10,809	-	196,749	-
Governmental activity long term liabilities	\$ 5,930,630	\$ 183,792	\$ 523,224	\$ 5,591,198	\$ 333,633
Business-type Activities:					
<u>Water Fund</u>					
Direct Borrowing Installment Agreement	\$ 145,364	\$ -	\$ 11,183	\$ 134,181	\$ 11,183
Capital Leases	20,659	-	3,716	16,943	16,943
Net pension liability (LGERs)	70,714	49,700	-	120,414	-
Total OPEB liability	320,572	-	4,712	315,860	-
Compensated Absences	3,876	4,221	-	8,097	-
<u>Sewer Fund</u>					
Direct Borrowing Installment Agreement	1,277,550	-	319,388	958,162	319,388
Capital Leases	48,204	-	28,954	19,250	19,250
Net pension liability (LGERs)	132,624	25,810	-	158,434	-
Total OPEB liability	378,286	10,187	-	388,473	-
Compensated Absences	40,174	7,398	-	47,572	-
<u>Sanitation Fund</u>					
Net pension liability (LGERs)	22,952	14,866	-	37,818	-
Total OPEB liability	103,485	-	1,117	102,368	-
Compensated Absences	-	-	-	-	-
Business-type activity long term liabilities	\$ 2,564,460	\$ 112,182	\$ 369,070	\$ 2,307,572	\$ 366,764

At June 30, 2019, the City had a legal debt margin of \$34,428,345.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2019 consist of the following:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Firehouse Subs	General Fund	\$ 877
General Fund	Mollie Branch Grant Fund	42,200
General Fund	Golden Leaf Vehicle Replacement Fund	195
General Fund	Sewer Study Grant Fund	12,453
General Fund	Storm Water Construction Fund	48,750
General Fund	Hurricane Florence Fund	780,224
General Fund	Municipal Tax District Fund	10,920
Hurricane Matthew	General Fund	1,131
City Hall Project	General Fund	83
Water Fund	Hurricane Matthew	1,007
Water Fund	General Fund	5,234
Water Fund	Sewer Fund	8,515
Sewer Fund	Water Fund	10,573
Sewer Fund	General Fund	12,126
Sewer Fund	Sanitation Fund	11,234
Water Fund	Sanitation Fund	5,170
Sanitation Fund	General Fund	8
		<u>\$ 950,701</u>

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

Transfers to/from other funds at June 30, 2019, consist of the following:

Transfer from General Fund to the Parks Construction Fund - to provide local funds	\$ 95,000
Transfer from General Fund to WDCC Fund - to provide local funds for salaries and benefits	35,425
Transfer from General Fund to the Stormwater Fund - to provide local funds	250,000
Transfer from Sewer Fund to the General Fund - to provide funds for debt service	130,100
Transfer from Stormwater Fund to Stormwater Project Fund to provide resources for project	200,000
Total Transfers	<u>\$ 710,525</u>

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

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 7,908,601	\$ 15,219,254
less: long-term debt	2,672,815	1,128,536
plus: unspent bond proceeds	-	-
Net investment in capital assets	<u>\$ 5,235,786</u>	<u>\$ 14,090,718</u>

E. Fund Balance

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

Total fund balance - General Fund	<u>\$ 3,865,318</u>
Less:	
Prepaid Expenses	-
Stabilization by State Statute	1,579,095
Street - Powell Bill	299,113
USDA Reserve	17,292
Appropriated Fund Balance in 2020 budget	311,000
Working Capital/Fund Balance Policy	-
Remaining Fund Balance	<u>\$ 1,658,818</u>

NOTE 4: Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

NOTE 5: SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through November 25, 2019, the date the financial statements were available to be issued. No items were noted for disclosure.

NOTE 6: RESTATEMENT OF FUND BALANCE

As of July 1, 2018, the City elected to separate their utility fund into two funds to separate activity for water and sewer. In addition, the City separated the Sanitation activities from the General Fund and established a separate fund for Sanitation. The City also created a new fund to report Stormwater activities. These changes resulted in restating fund balance between funds, but it did not change the fund balance in total. Adjustments were as follows:

General Fund to Sanitation Fund	\$	34,535
Government-wide to Sanitation Fund (GASB 68, OPEB)		(118,582)
Water and Sewer Fund to Water Fund		2,658,516
Water and Sewer Fund to Sewer Fund		13,254,915

REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payrol
- Schedule of Changes in the Total OPEB Liability and Related Ratios

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

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
City of Whiteville's proportion of the net pension liability (asset) (%)	0.06921%	0.05047%	0.04803%	0.05282%	0.04803%	0.04850%
City of Whiteville's proportion of the net pension liability (asset) (\$)	\$ 1,057,353	\$ 771,042	\$ 1,019,358	\$ 237,053	\$ (283,255)	\$ 584,611
City of Whiteville's covered payroll	\$ 2,770,507	\$ 2,747,989	\$ 2,567,451	\$ 2,431,308	\$ 2,387,209	\$ 2,298,610
City of Whiteville's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	38.16%	28.06%	39.70%	9.75%	-11.87%	25.43%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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