

**FOR THE YEAR ENDED  
JUNE 30, 2016**

**ANNUAL FINANCIAL REPORT**



**CITY OF WHITEVILLE**

**CITY OF WHITEVILLE  
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June 30, 2016**

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## **Financial Section**

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





**Thompson, Price, Scott, Adams & Co, P.A.**  
P.O Box 398  
1626 S. Madison Street  
Whiteville, NC 28472  
Telephone (910) 642-2109  
Fax (910) 642-5958

Alan W. Thompson, CPA  
R. Bryon Scott, CPA  
Gregory S. Adams, CPA

Independent Auditors' Report

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Whiteville, North Carolina, as of and for the year ended June 30, 2016, 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 of financial statements 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.

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 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, 2016, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### *Other Matters*

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 9, the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions on pages 36 and 37, and the Local Government Employees' Retirement Systems' Schedules of the Proportionate Share of the Net Pension Asset and Contributions on pages 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditor have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Whiteville, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purpose of additional analysis and are not a required part of the basic financial statements.

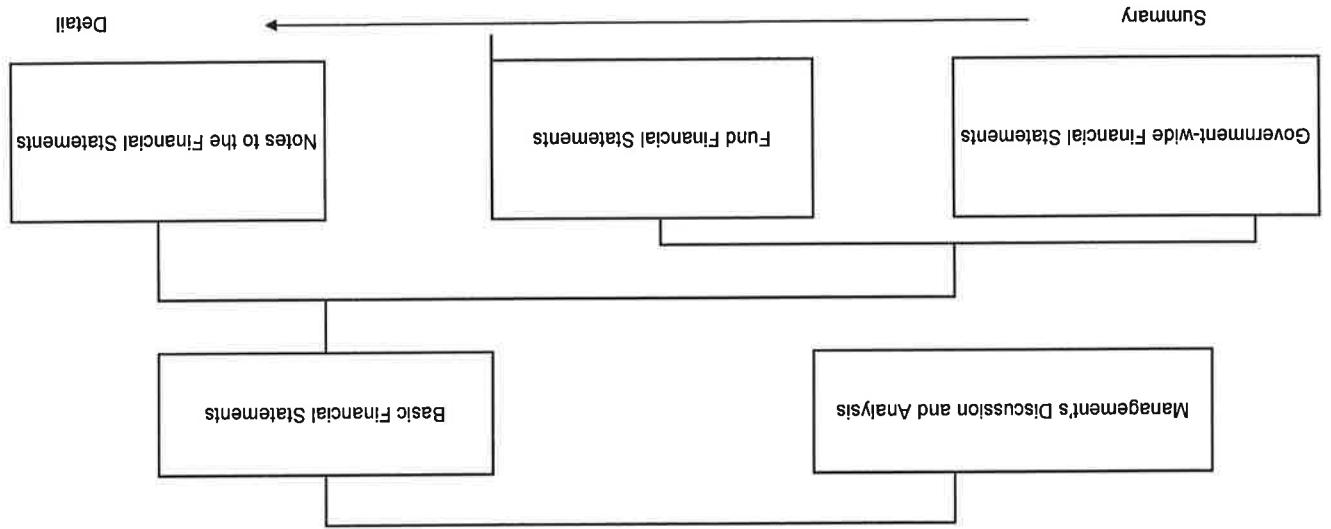
The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016 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  
December 13, 2016



**Required Components of Annual Financial Report**  
Figure 1

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.

**Overview of the Financial Statements**

- 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 \$19,470,617 (net position).
- The government's total net position decreased by \$32,352, due to a decrease in the governmental activities offset by an increase in the business type activities net position.
- As of the close of the current fiscal year, the City of Whiteville governmental funds reported combined ending fund balances of \$4,158,082, a decrease of \$42,624 in comparison with the prior year. Approximately 58 percent of this total amount, or \$2,405,532, is available for spending at the government's discretion.
- At the end of the current fiscal year, fund balance for the General Fund was \$4,038,612, or 68 percent of total general fund expenditures for the fiscal year.

**Financial Highlights**

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, 2016. 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.

**City of Whiteville  
Management's Discussion and Analysis**



**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 proprietary comparison statements; and 3) the proprietary fund statements.

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

**Government-Wide Financial Statements**

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

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

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

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

**Fund Financial Statements**

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

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

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

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow directly behind the basic financial statements.

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

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

**Government-Wide Financial Analysis**

**City of Whiteville Net Position**  
Figure 2

|   | 2016                    | 2015         | 2016                     | 2015          | 2016          | 2015          |
|---|-------------------------|--------------|--------------------------|---------------|---------------|---------------|
|   | Governmental Activities |              | Business-type Activities |               | Total         |               |
| Current and other assets                          | \$ 4,497,032            | \$ 4,912,318 | \$ 3,031,493             | \$ 2,748,303  | \$ 7,528,525  | \$ 7,660,621  |
| Capital assets                                    | 4,310,195               | 3,621,266    | 14,992,633               | 15,378,642    | 19,302,828    | 18,999,908    |
| Deferred outflows of resources                    | 133,096                 | 130,988      | 44,225                   | 43,475        | 177,321       | 174,463       |
| Total assets                                      | 8,940,323               | 8,664,572    | 18,068,351               | 18,170,420    | 27,008,674    | 27,660,621    |
| Long-term liabilities outstanding                 | 4,085,841               | 2,691,638    | 3,313,738                | 2,817,224     | 7,399,579     | 5,508,862     |
| Other liabilities                                 | 414,863                 | 480,206      | 629,554                  | 604,787       | 1,044,417     | 1,084,993     |
| Deferred inflows of resources                     | 104,031                 | 533,626      | 34,447                   | 176,991       | 138,478       |               |
| Total liabilities & deferred inflows of resources | 4,604,735               | 3,705,470    | 3,977,739                | 3,599,002     | 8,582,474     | 6,593,855     |
| Net investments in capital assets                 | 3,165,773               | 3,071,071    | 12,829,036               | 12,901,116    | 15,994,809    | 15,972,187    |
| Restricted  | 1,752,550               | 1,544,544    | -                        | -             | 1,752,550     | 1,544,544     |
| Unrestricted                                      | (167,872)               | 343,487      | 1,891,130                | 1,670,302     | 1,723,258     | 2,013,789     |
| Total net position                                | \$ 4,750,451            | \$ 4,959,102 | \$ 14,720,166            | \$ 14,571,418 | \$ 19,470,617 | \$ 19,530,520 |

|   | 2016                     | 2015         | 2016                     | 2015          | 2016                     | 2015          | 2016                     | 2015          |
|---|--------------------------|--------------|--------------------------|---------------|--------------------------|---------------|--------------------------|---------------|
|   | Business Type Activities |              | Business Type Activities |               | Business Type Activities |               | Business Type Activities |               |
|   | 2016                     | 2015         | 2016                     | 2015          | 2016                     | 2015          | 2016                     | 2015          |
| <b>Revenues:</b>  |                          |              |                          |               |                          |               |                          |               |
| Program revenues:   |                          |              |                          |               |                          |               |                          |               |
| Charges for services  | \$ 1,173,275             | \$ 1,188,174 | \$ 2,796,807             | \$ 2,772,955  | \$ 3,970,082             | \$ 3,961,129  | \$ 3,961,129             | \$ 3,961,129  |
| Operating grants & contributions                            | 599,249                  | 412,740      | -                        | -             | 599,249                  | 412,740       | -                        | -             |
| Capital grants & contributions                              | -                        | -            | -                        | -             | -                        | -             | -                        | -             |
| General revenues:   |                          |              |                          |               |                          |               |                          |               |
| Property taxes  | 2,424,420                | 2,430,192    | -                        | -             | 2,424,420                | 2,430,192     | 2,430,192                | 2,430,192     |
| Other taxes   | 1,612,340                | 1,596,334    | -                        | -             | 1,612,340                | 1,596,334     | 1,596,334                | 1,596,334     |
| Other   | 60,267                   | 64,602       | 3,812                    | 2,410         | 64,079                   | 67,012        | 67,012                   | 67,012        |
| Total revenues  | 5,869,551                | 5,692,042    | 2,800,619                | 2,775,365     | 8,670,170                | 8,467,407     | 8,467,407                | 8,467,407     |
| <b>Expenses:</b>  |                          |              |                          |               |                          |               |                          |               |
| General Government  | 517,541                  | 324,823      | -                        | -             | 517,541                  | 324,823       | 324,823                  | 324,823       |
| Public safety   | 3,187,772                | 2,928,038    | -                        | -             | 3,187,772                | 2,928,038     | 2,928,038                | 2,928,038     |
| Transportation  | 979,569                  | 538,669      | -                        | -             | 979,569                  | 538,669       | 538,669                  | 538,669       |
| Environmental Protection                                    | 975,460                  | 985,882      | -                        | -             | 975,460                  | 985,882       | 985,882                  | 985,882       |
| Cultural & Recreation                                       | 440,190                  | 461,228      | -                        | -             | 440,190                  | 461,228       | 461,228                  | 461,228       |
| Economic & Physical Development                             | 35,013                   | 81,863       | -                        | -             | 35,013                   | 81,863        | 81,863                   | 81,863        |
| Interest on Long-term Debt                                  | 31,873                   | 19,423       | -                        | -             | 31,873                   | 19,423        | 19,423                   | 19,423        |
| Water & Sewer   | -                        | -            | 2,535,104                | 2,254,485     | 2,535,104                | 2,254,485     | 2,254,485                | 2,254,485     |
| Total expenses  | 6,167,418                | 5,339,926    | 2,535,104                | 2,254,485     | 8,702,522                | 7,594,411     | 7,594,411                | 7,594,411     |
| <b>Increase (Decrease) in net position before transfers</b> | (297,867)                | 352,116      | 265,515                  | 520,880       | (32,352)                 | 872,996       | 872,996                  | 872,996       |
| <b>Transfers</b>  | 75,000                   | 92,279       | (75,000)                 | (92,279)      | -                        | -             | -                        | -             |
| <b>Increase (decrease) in net position</b>                  | (222,867)                | 444,395      | 190,515                  | 428,601       | (32,352)                 | 872,996       | 872,996                  | 872,996       |
| <b>Net position, July 1</b>                                 | 4,959,102                | 4,514,707    | 14,571,418               | 14,142,817    | 19,530,520               | 18,657,524    | 18,657,524               | 18,657,524    |
| <b>Prior Period Adjustment</b>                              | 14,216                   | -            | (41,767)                 | -             | (27,551)                 | -             | -                        | -             |
| <b>Net position, June 30</b>                                | \$ 4,750,451             | \$ 4,959,102 | \$ 14,720,166            | \$ 14,571,418 | \$ 19,470,617            | \$ 19,530,520 | \$ 19,530,520            | \$ 19,530,520 |

Figure 3  
City of Whiteville Changes in Net Position

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.42%. The statewide average in fiscal year 2015 was 98.87%.
- Increased sales tax revenues of approximately \$54,000 due to economic growth in the City.

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

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 \$19,470,617 as of June 30, 2016. The City's net position decreased by \$32,352 for the fiscal year ended June 30, 2016. The largest portion (82%) 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, \$1,752,550, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,723,258 is unrestricted.

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

|                                    | 2016                | 2015                | 2016                 | 2015                 | 2016                 | 2015                 | Total                |
|------------------------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Land                               | \$ 581,333          | \$ 490,102          | \$ 191,437           | \$ 191,437           | \$ 581,333           | \$ 490,102           | \$ 1,071,437         |
| Buildings and Distribution Systems | 1,646,282           | 1,765,336           | 14,684,085           | 15,028,626           | 16,330,367           | 16,793,962           | 33,124,329           |
| Equipment & Vehicles               | 1,283,900           | 1,254,130           | 117,111              | 158,579              | 1,401,011            | 1,412,709            | 2,813,720            |
| Construction in Progress           | 798,680             | 111,698             | -                    | -                    | 798,680              | 111,698              | 910,378              |
| <b>Total</b>                       | <b>\$ 4,310,195</b> | <b>\$ 3,621,266</b> | <b>\$ 14,992,633</b> | <b>\$ 15,378,642</b> | <b>\$ 19,302,828</b> | <b>\$ 18,999,908</b> | <b>\$ 38,302,736</b> |
|                                    | 2016                | 2015                | 2016                 | 2015                 | 2016                 | 2015                 | Total                |
| Governmental Activities            |                     |                     |                      |                      |                      |                      |                      |
| Business-type Activities           |                     |                     |                      |                      |                      |                      |                      |
| Total                              |                     |                     |                      |                      |                      |                      |                      |

(net of depreciation)

**Figure 4**  
**City of Whiteville Capital Assets**

- Police Vehicles
- Public Works Renovations
- PARTF Project

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

Capital Assets. The City of Whiteville investment in capital assets for its governmental and business-type activities as of June 30, 2016, totals \$19,302,828 (net of accumulated depreciation). These assets include buildings, land, construction in progress, machinery and equipment, and vehicles.

**Capital Assets and Debt Administration**

**Proprietary Funds.** The City of Whiteville proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,891,130. The total increase in net position was \$190,515. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Whiteville's business-type activities.

The budgetary amendments for FY 15-16 were due to necessary increases in appropriations in order to meet and maintain service needs of the City's departments.

**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.

At June 30, 2016, the governmental funds of City of Whiteville reported a combined fund balance of \$4,158,082, a decrease of \$42,624 from last year.

The general fund is the chief operating fund of the City of Whiteville. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,407,800 while total fund balance of the general fund was \$4,038,612. 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 40 percent of total General Fund expenditures, while total fund balance represents 68 percent of that same amount.

**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.

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

**Financial Analysis of the City's Funds**

\* Charges for services exceeded the expenditures for the year

**Business-type activities:** Business-type activities increased the City of Whiteville's net position by \$190,515, accounting for 100% of the total growth in the government's net position. Key elements of this increase are as follows:

\* Significant expenditures of reserved Powell Bill funds

**Governmental activities.** Governmental activities decreased the City's net position by \$222,867 thereby accounting for 100% of the total decline in the net position of the City of Whiteville.

**Long-Term Debt**  
As of June 30, 2016, the City had total debt of \$3,308,019 (excluding compensated absences and pension obligation). There was a net increase in total debt of \$257,084.

**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 7% and the primary elements of the local economy, textiles and agriculture, have experienced losses in the past years. Related information may be reviewed at [www.nccommerce.com/workforce](http://www.nccommerce.com/workforce), which addresses transitions in occupations and opportunities for displaced workers. The North Carolina Department of Commerce has designated Columbus County as Tier One. This category is reserved for the most economically distressed counties.

**Budget Highlights for the Fiscal Year Ending June 30, 2017**

**Governmental Activities:** Tax revenues are expected to remain relatively steady. Other revenues are not expected to vary greatly. There are expected increases in expenditures in the various departments, including increases in capital outlay and debt repayments. There will also be continued progress on the Park project and street paving projects. Fund balance has been appropriated in the Powell Bill for \$236,600.

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

**Requests for Information**

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

**BASIC FINANCIAL STATEMENTS**

City of Whiteville, North Carolina  
Statement of Net Position  
June 30, 2016

| Primary Government   |              |                          |                         |
|--|--------------|--------------------------|-------------------------|
| City of Whiteville ABC Board                                     | Total        | Business-type Activities | Governmental Activities |
| <b>Assets</b>  |              |                          |                         |
| <b>Current Assets:</b>   |              |                          |                         |
| Cash and Investments   | \$ 2,874,713 | \$ 2,751,874             | \$ 5,626,587            |
| Taxes Receivable (Net)   | 72,904       | -                        | 72,904                  |
| Accrued Interest Receivable on Taxes                             | 12,553       | -                        | 12,553                  |
| Accounts Receivable (Net)  | 152,354      | 533,822                  | 686,176                 |
| Due From Other Governments                                       | 441,191      | 12,046                   | 453,237                 |
| Due From Component Units   | -            | -                        | -                       |
| Inventories  | -            | -                        | -                       |
| Prepaid Expenses   | -            | -                        | -                       |
| Internal Balances  | 473,543      | (473,543)                | -                       |
| Restricted assets:   | -            | -                        | -                       |
| Cash and cash equivalents  | 469,774      | 207,294                  | 677,068                 |
| Total Current Assets   | 4,497,032    | 3,031,493                | 7,528,525               |
| <b>Non-current Assets:</b>                                       |              |                          |                         |
| Capital Assets:  |              |                          |                         |
| Land, Non-depreciable Improvements, and Construction in Progress | 1,380,013    | 191,437                  | 1,571,450               |
| Other Capital Assets, Net of Depreciation                        | 2,930,182    | 14,801,196               | 17,731,378              |
| Total Capital Assets   | 4,310,195    | 14,992,633               | 19,302,828              |
| Total Assets   | 8,807,227    | 18,024,126               | 26,831,353              |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                            |              |                          |                         |
| Pension deferrals  | 133,096      | 44,225                   | 177,321                 |
| Total deferred outflows of resources                             | 133,096      | 44,225                   | 177,321                 |
| <b>Liabilities</b>   |              |                          |                         |
| Current Liabilities:   |              |                          |                         |
| Accounts Payable and Accrued Liabilities                         | 253,133      | 55,035                   | 308,168                 |
| Customer Deposits  | -            | 207,294                  | 207,294                 |
| Accrued Interest Payable   | 28,575       | 8,433                    | 37,008                  |
| Current portion of long-term liabilities                         | 133,155      | 358,792                  | 491,947                 |
| Total current liabilities  | 414,863      | 629,554                  | 1,044,417               |
| Long-Term Liabilities:   |              |                          |                         |
| Net Pension Liability  | 177,931      | 59,122                   | 237,053                 |
| Due in more than one year  | 3,493,047    | 2,625,062                | 6,118,109               |
| Total Liabilities  | 4,085,841    | 3,313,738                | 7,399,579               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                             |              |                          |                         |
| Pension deferrals  | 103,671      | 34,447                   | 138,118                 |
| Prepaid licenses   | 360          | -                        | 360                     |
| Total deferred inflows of resources                              | 104,031      | 34,447                   | 138,478                 |
| <b>Net Position</b>  |              |                          |                         |
| Net investment in capital assets                                 | 3,165,773    | 12,829,036               | 15,994,809              |
| Restricted for:  |              |                          |                         |
| Stabilization by State Statute                                   | 1,161,038    | -                        | 1,161,038               |
| Other functions  | 591,512      | -                        | 591,512                 |
| Unrestricted   | (167,872)    | 1,891,130                | 1,723,258               |
| Total Net Position   | \$ 4,750,451 | \$ 14,720,166            | \$ 19,470,617           |
|  |              |                          | \$ 365,281              |

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, 2016

Exhibit 2

| Functions/Programs                         | Program Revenues |                         |                                       |                                     |                            | Net (Expense) Revenue and Changes in Net Position |                | City of<br>Whiteville ABC<br>Board |
|--|------------------|-------------------------|---------------------------------------|-------------------------------------|----------------------------|---|----------------|------------------------------------|
|  | Expenses         | Charges for<br>Services | Operating Grants<br>and Contributions | Capital Grants and<br>Contributions | Governmental<br>Activities | Primary Government                                | Total          |                                    |
| <b>Primary government:</b>                 |                  |                         |                                       |                                     |                            |   |                |                                    |
| General government                         | \$ 517,541       | \$ 56,368               | \$ -                                  | \$ -                                | \$ (461,173)               | \$ -  | \$ (461,173)   | \$ -                               |
| Public safety                              | 3,187,772        | 281                     | 83,809                                | -                                   | (3,103,682)                | -   | (3,103,682)    | -                                  |
| Transportation                             | 979,569          | -                       | 168,393                               | -                                   | (811,176)                  | -   | (811,176)      | -                                  |
| Economic & physical                        | 35,013           | -                       | 343,602                               | -                                   | 308,589                    | -   | 308,589        | -                                  |
| Environmental protection                   | 975,460          | 1,091,782               | 3,445                                 | -                                   | 119,767                    | -   | 119,767        | -                                  |
| Cultural and recreation                    | 440,190          | 24,844                  | -                                     | -                                   | (415,346)                  | -   | (415,346)      | -                                  |
| Interest on Long-Term Debt                 | 31,873           | -                       | -                                     | -                                   | (31,873)                   | -   | (31,873)       | -                                  |
| Total governmental activities              | 6,167,418        | 1,173,275               | 599,249                               | -                                   | (4,394,894)                | -   | (4,394,894)    | -                                  |
| Business-type activities:                  |                  |                         |                                       |                                     |                            |   |                |                                    |
| Water & Sewer                              | 2,535,104        | 2,796,807               | -                                     | -                                   | -                          | 261,703   | 261,703        | -                                  |
| Total business-type activities             | 2,535,104        | 2,796,807               | -                                     | -                                   | -                          | 261,703   | 261,703        | -                                  |
| Total primary government                   | \$ 8,702,522     | \$ 3,970,082            | \$ 599,249                            | \$ -                                | \$ (4,394,894)             | \$ 261,703  | \$ (4,133,191) | \$ -                               |
| Component Unit:                            |                  |                         |                                       |                                     |                            |   |                |                                    |
| City of Whiteville ABC Board               | \$ 1,140,730     | \$ 1,154,928            | \$ -                                  | \$ -                                | \$ -                       | \$ -  | \$ -           | \$ 14,198                          |
| Total Component Unit                       | \$ 1,140,730     | \$ 1,154,928            | \$ -                                  | \$ -                                | \$ -                       | \$ -  | \$ -           | \$ 14,198                          |
| General revenues:                          |                  |                         |                                       |                                     |                            |   |                |                                    |
| Taxes:                                     |                  |                         |                                       |                                     |                            |   |                |                                    |
| Property taxes, levied for general purpose |                  |                         |                                       |                                     |                            |   |                |                                    |
|  |                  |                         |                                       |                                     | 2,424,420                  |   |                | -                                  |
|  |                  |                         |                                       |                                     | 12,085                     |   |                | -                                  |
|  |                  |                         |                                       |                                     | 1,599,158                  |   |                | -                                  |
|  |                  |                         |                                       |                                     | 1,097                      |   |                | 848                                |
|  |                  |                         |                                       |                                     | 60,267                     |   |                | -                                  |
|  |                  |                         |                                       |                                     | 4,097,027                  |   |                | 848                                |
|  |                  |                         |                                       |                                     | 75,000                     |   |                | -                                  |
|  |                  |                         |                                       |                                     | 4,172,027                  |   |                | 848                                |
|  |                  |                         |                                       |                                     | (222,867)                  |   |                | 15,046                             |
|  |                  |                         |                                       |                                     | 4,959,102                  |   |                | 350,235                            |
|  |                  |                         |                                       |                                     | 14,216                     |   |                | -                                  |
|  |                  |                         |                                       |                                     | 4,973,318                  |   |                | 350,235                            |
|  |                  |                         |                                       |                                     | 4,750,451                  |   |                | 365,281                            |
|  |                  |                         |                                       |                                     | 3,667                      |   |                | -                                  |
|  |                  |                         |                                       |                                     | 3,812                      |   |                | -                                  |
|  |                  |                         |                                       |                                     | (75,000)                   |   |                | -                                  |
|  |                  |                         |                                       |                                     | 4,100,839                  |   |                | 848                                |
|  |                  |                         |                                       |                                     | (71,188)                   |   |                | -                                  |
|  |                  |                         |                                       |                                     | 190,515                    |   |                | -                                  |
|  |                  |                         |                                       |                                     | 4,571,418                  |   |                | 848                                |
|  |                  |                         |                                       |                                     | (41,767)                   |   |                | -                                  |
|  |                  |                         |                                       |                                     | 14,529,651                 |   |                | 848                                |
|  |                  |                         |                                       |                                     | 19,502,969                 |   |                | 848                                |
|  |                  |                         |                                       |                                     | 19,470,617                 |   |                | 848                                |
|  |                  |                         |                                       |                                     | 14,720,166                 |   |                | 848                                |

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



City of Whiteville, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2016

|  | Major Funds  |                 | Total Governmental Funds |
|--|--------------|-----------------|--------------------------|
|  | General Fund | Non-Major Funds | Funds                    |
| <b>ASSETS</b>  |              |                 |                          |
| Cash and cash equivalents  | \$ 2,661,293 | \$ 213,420      | \$ 2,874,713             |
| Restricted Cash  | 469,774      | -               | 469,774                  |
| Receivables, net:  |              |                 |                          |
| Taxes  | 72,366       | 538             | 72,904                   |
| Accounts   | 152,354      | -               | 152,354                  |
| Prepaid Expense  | -            | -               | -                        |
| Due from other governments   | 441,175      | 16              | 441,191                  |
| Due from component unit  | -            | -               | -                        |
| Advance to other funds   | -            | -               | -                        |
| Due from other funds   | 567,509      | -               | 567,509                  |
| Total assets   | \$ 4,364,471 | \$ 213,974      | \$ 4,578,445             |
| <b>LIABILITIES AND FUND BALANCES</b>                               |              |                 |                          |
| Liabilities:   |              |                 |                          |
| Accounts payable and accrued liabilities                           | \$ 253,133   | \$ -            | \$ 253,133               |
| Due to other funds   | -            | 93,966          | 93,966                   |
| Grant funds refundable   | -            | -               | -                        |
| Total liabilities  | 253,133      | 93,966          | 347,099                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                               |              |                 |                          |
| Property taxes receivable  | 72,366       | 538             | 72,904                   |
| Prepaid licenses   | 360          | -               | 360                      |
| Total deferred inflows of resources                                | 72,726       | 538             | 73,264                   |
| <b>Fund balances:</b>  |              |                 |                          |
| Non Spendable  | -            | -               | -                        |
| Inventories  | -            | -               | -                        |
| Prepaid Expenses   | -            | -               | -                        |
| Restricted   | 1,161,038    | -               | 1,161,038                |
| Stabilization by State Statute                                     | 452,482      | -               | 452,482                  |
| Streets  | -            | 121,738         | 121,738                  |
| Economic Development   | 17,292       | -               | 17,292                   |
| Debt Reserve   | -            | -               | -                        |
| Assigned   | -            | -               | -                        |
| Subsequent year's expenditures                                     | -            | -               | -                        |
| Unassigned   | 2,407,800    | (2,268)         | 2,405,532                |
| Total fund balances  | 4,038,612    | 119,470         | 4,158,082                |
| Total liabilities, deferred inflows of resources and fund balances | \$ 4,364,471 | \$ 213,974      | \$ 4,578,445             |

City of Whiteville, North Carolina  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 Governmental Funds  
 June 30, 2016

|              |   |
|--------------|---|
|              | Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:  |
|              | Total Fund Balance, Governmental Funds  |
| \$ 4,158,082 |   |
|              | Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.   |
| 4,310,195    | Deferred outflows of resources related to pensions are not reported in the funds  |
| 133,096      | 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. |
| 12,553       | Liabilities for earned revenues considered deferred inflows of resources in fund statements.  |
| 72,904       | Pension related deferrals   |
| (103,671)    | Net pension asset (liability)   |
| (177,931)    | Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.                    |
| (3,654,777)  | Net position of governmental activities   |
| \$ 4,750,451 |   |

City of Whiteville, North Carolina  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2016

|   | Major Fund   |                 | Governmental Funds |
|---|--------------|-----------------|--------------------|
|   | General Fund | Non-Major Funds | Funds              |
| <b>REVENUES</b>                                   |              |                 |                    |
| Ad valorem taxes                                  | \$ 2,399,981 | \$ 28,632       | \$ 2,428,613       |
| Other taxes and licenses                          | 12,085       | -               | 12,085             |
| Unrestricted intergovernmental                    | 1,599,158    | -               | 1,599,158          |
| Restricted intergovernmental                      | 255,647      | 343,602         | 599,249            |
| Permits and fees                                  | 46,324       | -               | 46,324             |
| Investment earnings                               | 1,097        | -               | 1,097              |
| Sales and Service                                 | 1,126,951    | -               | 1,126,951          |
| Miscellaneous                                     | 60,267       | -               | 60,267             |
| Total revenues                                    | 5,501,510    | 372,234         | 5,873,744          |
| <b>EXPENDITURES</b>                               |              |                 |                    |
| Current:  |              |                 |                    |
| General government                                | 550,226      | -               | 550,226            |
| Public safety                                     | 3,003,230    | -               | 3,003,230          |
| Transportation                                    | 897,092      | -               | 897,092            |
| Environmental protection                          | 962,015      | -               | 962,015            |
| Cultural and recreational                         | 431,846      | 686,982         | 1,118,828          |
| Economic Development                              | 6,720        | 28,293          | 35,013             |
| Debt Service:                                     |              |                 |                    |
| Principal   | 103,884      | -               | 103,884            |
| Interest & Other Charges                          | 19,191       | -               | 19,191             |
| Total expenditures                                | 5,974,204    | 715,275         | 6,689,479          |
| Excess (deficiency) of revenues over expenditures | (472,694)    | (343,041)       | (815,735)          |
| <b>OTHER FINANCING SOURCES (USES)</b>             |              |                 |                    |
| Transfers from (to) other funds                   | 42,396       | 32,604          | 75,000             |
| Loan / Capital Lease Proceeds                     | 178,111      | 520,000         | 698,111            |
| Total other financing sources (uses)              | 220,507      | 552,604         | 773,111            |
| Net change in fund balance                        | (252,187)    | 209,563         | (42,624)           |
| Fund balances, beginning                          | 4,276,583    | (90,093)        | 4,186,490          |
| Prior Period Adjustment                           | 14,216       | -               | 14,216             |
| Fund balances, ending                             | \$ 4,038,612 | \$ 119,470      | \$ 4,158,082       |

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, 2016

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

|  |    |           |           |
|--|----|-----------|-----------|
|  |    |           |           |
| Net changes in fund balances - total governmental funds  | \$ | (42,624)  |           |
| 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.   |    | 1,032,146 |           |
| Capital outlay expenditures which were capitalized   |    | (343,217) |           |
| Depreciation expense for governmental assets   |    | 688,929   |           |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities   |    | 132,568   |           |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   |    | (4,193)   |           |
| Change in unavailable revenue for tax revenues   |    | (4,193)   |           |
| 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. |    | (698,111) | (698,111) |
| New long-term debt issued  |    | 103,884   |           |
| Principal payments on long-term debt   |    | (12,682)  |           |
| Increase in accrued interest payable   |    | (606,909) |           |
| 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.  |    | (34,179)  | (34,179)  |
| Compensated absences & related liabilities   |    | (91,466)  |           |
| Pension expense  |    | (264,993) |           |
| Other postemployment benefits  |    | (390,638) |           |
| Total changes in net position of governmental activities   | \$ | (222,867) |           |

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, 2016

| General Fund                           |              | Original     | Final        | Actual       | Variance with<br>Final Budget -<br>Positive (Negative) |
|--|--------------|--------------|--------------|--------------|--|
| <b>Revenues:</b>                       |              |              |              |              |  |
| Ad valorem taxes                       | \$ 2,072,331 | \$ 2,324,831 | \$ 2,399,981 | \$ 2,399,981 | \$ 75,150  |
| Other taxes and licenses               | -            | -            | 12,085       | 12,085       | 12,085   |
| Restricted intergovernmental revenues  | 1,539,630    | 1,530,415    | 1,599,158    | 1,599,158    | 68,743   |
| Restricted intergovernmental revenues  | 489,360      | 247,516      | 255,647      | 255,647      | 8,131  |
| Permits and fees                       | 82,850       | 42,300       | 46,324       | 46,324       | 4,024  |
| Investment Earnings                    | -            | 500          | 1,097        | 1,097        | 597  |
| Sales and Services                     | 1,198,000    | 1,233,150    | 1,126,951    | 1,126,951    | (106,199)  |
| Miscellaneous                          | 7,220        | 63,398       | 60,267       | 60,267       | (3,131)  |
| Total revenues                         | 5,389,391    | 5,442,110    | 5,501,510    | 5,501,510    | 59,400   |
| <b>Expenditures:</b>                   |              |              |              |              |  |
| Current:                               |              |              |              |              |  |
| General government                     | 313,186      | 539,692      | 550,226      | 550,226      | (10,534)   |
| Public safety                          | 3,057,104    | 3,107,365    | 3,003,230    | 3,003,230    | 104,135  |
| Transportation                         | 1,112,010    | 1,112,009    | 897,092      | 897,092      | 214,917  |
| Economic and physical development      | 21,570       | 6,720        | 6,720        | 6,720        | -  |
| Environmental protection               | 998,417      | 1,000,870    | 962,015      | 962,015      | 38,855   |
| Cultural and recreation                | 415,954      | 441,344      | 431,846      | 431,846      | 9,498  |
| Debt Service:                          |              |              |              |              |  |
| Principal retirement                   | 55,086       | 90,086       | 103,884      | 103,884      | (13,798)   |
| Interest and fees                      | 54,864       | 19,864       | 19,191       | 19,191       | 673  |
| Total expenditures                     | 6,028,191    | 6,317,950    | 5,974,204    | 5,974,204    | 343,746  |
| Revenues over/(under) expenditures     | (638,800)    | (875,840)    | (472,694)    | (472,694)    | 403,146  |
| <b>Other financing sources (uses):</b> |              |              |              |              |  |
| Transfer from (to) other fund:         |              |              |              |              |  |
| Special Revenue                        | -            | (32,500)     | (32,604)     | (32,604)     | (104)  |
| General Fund                           | -            | 75,000       | 75,000       | 75,000       | -  |
| Capital Lease Proceeds                 | -            | -            | 178,111      | 178,111      | -  |
| Appropriated Fund Balance              | 638,800      | 833,340      | -            | -            | (833,340)  |
| Total other financing sources (uses)   | 638,800      | 875,840      | 220,507      | 220,507      | (655,333)  |
| Net change in fund balance             | \$ -         | \$ -         | (252,187)    | (252,187)    | \$ (252,187)   |
| Fund balance, beginning of year        |              |              | 4,276,583    | 4,276,583    |  |
| Prior Period Adjustment                |              |              | 14,216       | 14,216       |  |
| Fund balance, end of year              |              |              | \$ 4,038,612 | \$ 4,038,612 |  |



City of Whiteville, North Carolina  
 Statement of Revenues, Expenses, and Changes in Fund Net Position  
 Proprietary Funds  
 For the Year Ended June 30, 2016

| Major Enterprise Fund                                 | Water and Sewer Fund |               |
|---|----------------------|---------------|
| 2,569,149   | 129,459              | \$ 2,698,608  |
| Operating revenues:                                   |                      |               |
| Charges for services                                  |                      |               |
| Other operating revenues                              |                      |               |
| Total operating revenues                              |                      |               |
| Operating Expenses:                                   |                      |               |
| Administration  |                      |               |
| Water Operations                                      |                      |               |
| Sewer Operations                                      |                      |               |
| Waste Water Treatment & Distribution Plant            |                      |               |
| Depreciation  |                      |               |
| Total operating expenses                              |                      |               |
| Operating income (loss)                               |                      |               |
| Nonoperating revenues (expenses):                     |                      |               |
| Investment earnings                                   |                      |               |
| Interest and fees                                     |                      |               |
| Water Tank Lease                                      |                      |               |
| Sewer Line Expansion Revenue                          |                      |               |
| Miscellaneous income                                  |                      |               |
| Total nonoperating revenues (expenses)                |                      |               |
| Income (Loss) Before Contributions and Transfers      |                      |               |
| Capital contributions                                 |                      |               |
| Transfers from (to) other funds                       |                      |               |
| Total Income (Loss) After Contributions and Transfers |                      |               |
| Change in Net Position                                |                      |               |
| Total Net Position, Beginning                         |                      |               |
| Prior Period Adjustment                               |                      |               |
| Total Net Position, Ending                            |                      |               |
|   |                      | \$ 14,720,166 |

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, 2016

| Major Enterprise Fund   |  | Water and Sewer Fund |           |
|---|--|----------------------|-----------|
|   |  | \$                   | 823,504   |
|   |  | 2,656,252            | (797,183) |
|   |  | (1,045,815)          | 10,250    |
|   |  | 823,504              | 823,504   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |  |                      |           |
| Cash received from customers and users  |  |                      |           |
| Cash paid for goods and services  |  |                      |           |
| Cash paid to employees for services   |  |                      |           |
| Customer deposits received / (returned)   |  |                      |           |
| Net cash provided by (used in) operating activities                                     |  |                      |           |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                         |  |                      |           |
| Acquisition and construction of capital assets  |  |                      |           |
| Capital Lease Proceeds  |  |                      |           |
| Principal paid on loans   |  |                      |           |
| Interest & fees paid on loans   |  |                      |           |
| Miscellaneous income  |  |                      |           |
| Capital Contributions & Miscellaneous Grants  |  |                      |           |
| Sewer line expansion revenue  |  |                      |           |
| Water tank lease  |  |                      |           |
| Net cash provided by (used in) capital and related financing activities                 |  |                      |           |
| (399,119)   |  |                      |           |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                  |  |                      |           |
| Due to/from other funds & transfers   |  |                      |           |
| Transfers to / from other funds   |  |                      |           |
| Increase in advances from other funds   |  |                      |           |
| Net cash provided by (used in) non-capital financing activities                         |  |                      |           |
| 615,115   |  |                      |           |
| Cash flows from investment activities:  |  |                      |           |
| Interest on investments   |  |                      |           |
| 145   |  |                      |           |
| Net increase (decrease) in cash and cash equivalents                                    |  |                      |           |
| 1,039,645   |  |                      |           |
| Cash and cash equivalents, July 1   |  |                      |           |
| 1,919,523   |  |                      |           |
| Cash and cash equivalents, June 30  |  |                      |           |
| 2,959,168   |  |                      |           |
| <b>Reconciliation of operating income to net cash provided by operating activities:</b> |  |                      |           |
| Operating income (loss)   |  |                      |           |
| Adjustments to reconcile operating income to net cash provided by operating activities: |  |                      |           |
| Depreciation  |  |                      |           |
| Changes in assets and liabilities:  |  |                      |           |
| (Increase) decrease in accounts receivable  |  |                      |           |
| (Increase) decrease in due from other governments                                       |  |                      |           |
| (Increase) decrease in miscellaneous receivable   |  |                      |           |
| (Increase) decrease in prepaid expense  |  |                      |           |
| (Increase) decrease in net pension asset  |  |                      |           |
| (Increase) decrease in net pension for pensions   |  |                      |           |
| (Increase) decrease in deferred outflows of resources for pensions                      |  |                      |           |
| Increase (decrease) in accrued vacation pay   |  |                      |           |
| Increase (decrease) in deferred inflows of resources - pension                          |  |                      |           |
| Increase (decrease) in other post employment benefits                                   |  |                      |           |
| Increase (decrease) in net pension liability  |  |                      |           |
| Increase (decrease) in customer deposits  |  |                      |           |
| Total adjustments   |  |                      |           |
| 606,095   |  |                      |           |
| Net cash provided by (used in) operating activities                                     |  |                      |           |
| \$  |  |                      |           |
| 823,504   |  |                      |           |

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



**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-separated 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 programs and (b) grants and contributions that are restricted to 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 nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies result from nonexchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The City reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for general government, public safety, transportation, and environmental protection services.

The City reports the following non-major governmental funds:

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

**IT Hardware ERP Software Special Project Fund.** This fund is used to account for hardware and software improvements paid for the City.

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

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

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

The City reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Budgetary Data

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

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

1. Deposits and Investments

All deposits of the City and of the ABC Board are made in board designated official depositories and are secured as required by State law [G.S. 159-31]. The City and ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City and ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers acceptances; and the North Carolina Capital Management Trust (NCCMT).

The City's and the ABC Board's investments are carried at fair value. Non-participating interest earning contracts are accounted for at cost (if any). The NC Capital Management Trust Cash Portfolio, a SEC-registered 2a-7 external investment pool, is measured at amortized cost, which is the NCCMT's share price. The City of Whiteville did not have any investments at June 30, 2016.

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.

| City of Whiteville Restricted Cash |                   |
|------------------------------------|-------------------|
| Governmental Activities            |                   |
| General Fund                       |                   |
| Powell Bill Funds - Streets        | \$ 452,482        |
| Reserve - USDA                     | 17,292            |
| Total Governmental activities      | <u>\$ 469,774</u> |
| Business-type Activities           |                   |
| Water and Sewer Fund               |                   |
| Customer Deposits                  | \$ 207,294        |
| Total business-type activities     | <u>\$ 207,294</u> |
| Total Restricted Cash              | <u>\$ 677,068</u> |

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2015. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventory and Prepaid Items

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

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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:

| Asset Class            | Estimated Useful Lives |
|------------------------|------------------------|
| Buildings              | 45 Years               |
| Infrastructure         | 30 Years               |
| Equipment              | 5-10 Years             |
| Furniture and Fixtures | 5 Years                |
| Computers              | 5 Years                |
| Vehicles               | 5-15 Years             |

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the state of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption or contribution that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category – prepaid taxes, property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance cost, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the City allows for the maximum accumulation of up to twenty-four (24) days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a last-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The City's sick leave policy provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the City nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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

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

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents constraints 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 government fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because either they are (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

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

• Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

• Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

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

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

• Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

12. Pensions

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

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit in Fund Balance or Net Position of Individual Funds

The deficit fund balances of the nonmajor governmental funds: Pedestrian Planning Grant Fund and the WDC Fund are due to reimbursements that have not been applied for as of the year end. This will be corrected in the coming year as the reimbursements are applied for and received.

Excess of Expenditures over Appropriations

The City did not appropriately budget or record the capital lease and the associated equipment purchased through the lease or the initial lease payments, resulting in an overexpenditure in the budget for debt service. Capital leases should be budgeted and properly recorded on the general ledger. In addition, the expenditures made by the City's General Fund exceeded the authorized appropriations made by the governing board for general government activities by \$10,534. This was because of year end accruals that were not appropriately budgeted for.

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. Depositors 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, 2016, the City's deposits had a carrying amount of \$6,000,765 and a bank balance of \$6,053,872. The carrying amount of deposits for the ABC Board was \$241,346 and the bank balance was \$277,323. The bank balance of the ABC Board was fully covered by federal depository insurance. Of the City's bank balance, \$500,000 was covered by FDIC and the excess deposits were collateralized under the pooling method. Included in the carrying amount at June 30, 2016 was the City's petty cash fund which totaled \$200.

2. Investments

At June 30, 2016, the City of Whiteville had \$302,890 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AA- 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                              | Business-type |
|---|---------------|
| Activities                                | Activities    |
| \$ 25,423                                 | \$ 12,046     |
| 104,770                                   | 409,938       |
| 45,276                                    | 122,108       |
| 18,062                                    | -             |
| -   | -             |
| -   | -             |
| -   | -             |
| 8,107                                     | 1,776         |
| Returned Checks & Other Misc. Receivables |               |
| Franchise Tax Receivable                  |               |
| Local Option Sales Tax Receivable         |               |
| Total                                     |               |
| \$ 593,545                                | \$ 545,868    |

Receivables - Allowance for Doubtful Accounts

The amount presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2016 are net of the following allowances for doubtful accounts:

| Fund                | 6/30/16   |
|---------------------|-----------|
| General Fund:       |           |
| Taxes Receivable    | \$ 24,000 |
| Enterprise Fund:    |           |
| Accounts Receivable | \$ 70,800 |

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2016, was as follows:

| Governmental Activities:                    | Beginning Balances | Increases and Adjustments | Decreases | Ending Balances |
|---|--------------------|---------------------------|-----------|-----------------|
| Land  | \$ 490,102         | \$ 91,231                 | \$ -      | \$ 581,333      |
| Construction in Progress                    | 111,698            | 686,982                   | -         | 798,680         |
| Total capital assets not being depreciated  | 601,800            | 778,213                   | -         | 1,380,013       |
| Buildings                                   | 2,313,923          | 16,585                    | -         | 2,330,508       |
| Infrastructure                              | 2,652,426          | -                         | -         | 2,652,426       |
| Equipment & Furn. & Fixtures                | 1,214,848          | 22,397                    | -         | 1,237,245       |
| Vehicles                                    | 2,592,910          | 214,951                   | -         | 2,807,861       |
| Total capital assets being depreciated      | 8,774,107          | 253,933                   | -         | 9,028,040       |
| Less accumulated depreciation for:          |                    |                           |           |                 |
| Buildings                                   | 1,005,821          | 72,832                    | -         | 1,078,653       |
| Infrastructure                              | 2,195,192          | 62,807                    | -         | 2,257,999       |
| Equipment & Furn. & Fixtures                | 780,840            | 76,320                    | -         | 857,160         |
| Vehicles                                    | 1,772,788          | 131,258                   | -         | 1,904,046       |
| Total accumulated depreciation              | 5,754,641          | 343,217                   | -         | 6,097,858       |
| Governmental activity capital assets, net   | 3,019,466          | 343,217                   | -         | 2,930,182       |
| Total capital assets being depreciated, net | \$ 3,621,266       | \$ 343,217                | \$ -      | \$ 4,310,195    |

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

|                            |            |
|----------------------------|------------|
| General Government         | \$ 42,767  |
| Public Safety              | 168,076    |
| Transportation             | 94,256     |
| Environmental Protection   | 2,700      |
| Cultural & Recreational    | 35,418     |
| Total Depreciation Expense | \$ 343,217 |

Business-type activities:

Water and Sewer Fund

| Capital assets not being depreciated:        | Beginning Balances | Increases  | Decreases | Ending Balances |
|--|--------------------|------------|-----------|-----------------|
| Land   | \$ 191,437         | \$ -       | \$ -      | \$ 191,437      |
| Construction in Progress                     | -                  | -          | -         | -               |
| Total capital assets not being depreciated   | 191,437            | -          | -         | 191,437         |
| Capital assets being depreciated:            |                    |            |           |                 |
| Plant and distribution systems               | 23,103,213         | 79,693     | -         | 23,182,906      |
| Furniture, Maint Equip, & Vehicles           | 1,280,414          | 28,745     | -         | 1,309,159       |
| Total capital assets being depreciated       | 24,383,627         | 108,438    | -         | 24,492,065      |
| Less accumulated depreciation for:           |                    |            |           |                 |
| Plant and distribution systems               | 8,074,587          | 424,234    | -         | 8,498,821       |
| Furniture, Maint Equip, & Vehicles           | 1,121,835          | 70,213     | -         | 1,192,048       |
| Total accumulated depreciation               | 9,196,422          | 494,447    | -         | 9,690,869       |
| Total capital assets being depreciated, net  | 15,187,205         | 494,447    | -         | 14,801,196      |
| Business-type activities capital assets, net | \$ 15,378,642      | \$ 494,447 | \$ -      | \$ 14,992,633   |

The City has active construction projects as of June 30, 2016. At year-end, the government's commitments with contractors are as follows:

Project

| Spent-to-date | Remaining Commitment |
|---------------|----------------------|
| \$ 647,926    | \$ 212,479           |

**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.

**Contributions.** Contribution provisions are established by General State 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, 2016, was 7.15% of compensation for law enforcement officers and 6.76% 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 \$176,546 for the year ended June 30, 2016.

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 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.

**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 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.

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

a. Local Governmental Employees' Retirement System

1. Pension Plan and Postemployment Obligations

B - Liabilities

|  | Beginning  | Increases | Decreases | Ending     |
|--|------------|-----------|-----------|------------|
| Capital assets being depreciated:      |            |           |           |            |
| Building                               | \$ 153,867 | \$ -      | \$ -      | \$ 153,867 |
| Office Furniture and Fixtures          | 26,632     | -         | -         | 26,632     |
| Store Equipment                        | 89,503     | 10,810    | -         | 100,313    |
| Total capital assets being depreciated | 270,002    | 10,810    | -         | 280,812    |
| Less accumulated depreciation for:     |            |           |           |            |
| Building                               | 102,371    | 7,105     | -         | 109,476    |
| Office Furniture and Fixtures          | 19,563     | 1,474     | -         | 21,037     |
| Store Equipment                        | 77,955     | 3,757     | -         | 81,712     |
| Total Accumulated Depreciation         | 199,889    | 12,336    | -         | 212,225    |
| ABC Capital Assets, Net                | \$ 70,113  | \$ -      | \$ -      | \$ 68,587  |

Activity for the ABC Board for the year ended June 30, 2016, was as follows:



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

At June 30, 2016, the City reported a liability of \$237,053 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGEFS employers, actuarially determined. At June 30, 2015, the City's proportion was 0.05282%, which was an increase of .00479% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$121,558. At June 30, 2016, 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  | \$ -                           | \$ 55,721                     |
| Changes in assumption   | -                              | -                             |
| Net difference between projected and actual earnings on pension plan investments                          | -                              | 67,488                        |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 775                            | 14,909                        |
| City contributions subsequent to the measurement date   | 176,546                        | -                             |
| Total   | \$ 177,321                     | \$ 138,118                    |

\$176,546 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

|            |              |
|------------|--------------|
| 2017       | \$ (83,419)  |
| 2018       | (83,419)     |
| 2019       | (83,284)     |
| 2020       | 112,779      |
| 2021       | -            |
| Thereafter | \$ (137,343) |

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

|                           |   |
|---------------------------|---|
| Inflation                 | 3.0 percent   |
| Salary increases          | 4.25 to 8.55 percent, including inflation and productivity factor         |
| Investment rate of return | 7.25 percent, net of pension plan investment expense, including inflation |

The plan currently uses mortality tables that vary by age, gender, employer, 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, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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, 2015 are summarized in the following table:

| Asset Class          | Target Allocation | Long-term Expected Real Rate of Return |
|----------------------|-------------------|--|
| Fixed Income         | 29.0%             | 2.2%                                   |
| Global Equity        | 42.0%             | 5.8%                                   |
| Real Estate          | 8%                | 5.2%                                   |
| Alternatives         | 8.0%              | 9.8%                                   |
| Credit               | 7.0%              | 6.8%                                   |
| Inflation Protection | 6.0%              | 3.4%                                   |
|                      | 100.0%            |  |

The City of Whiteville has chosen not to have an actuarial study performed because the liability is considered to be immaterial. 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. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

3. Contributions:

*Method Used to Value Investments:* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. Pension plan assets are dedicated to providing benefits to plan members. Contributions to the pension plan and earnings on those contributions are irrevocable. Pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members. The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

*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.

2. Summary of Significant Accounting Policies:

A separate report was not issued for the plan.

|   |           |
|---|-----------|
| Retirees Receiving Benefits                                       | 2         |
| Terminated plan members entitled to but no yet receiving benefits | 0         |
| Active Plan Members   | 23        |
| <b>Total</b>  | <b>25</b> |

The Separation Allowance covers all full-time law enforcement officers of the City. At December 31, 2015, the Separation Allowance's membership consisted of: 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. 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.

1. Plan Description:

b. Law Enforcement Officers Special Separation Allowance

*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.

|   |              |               |              |
|---|--------------|---------------|--------------|
| City's proportionate share of the net pension liability (asset) | \$ 1,653,004 | \$ 237,053    | \$ (955,854) |
|   | 1%           | Discount Rate | 1%           |
|   | Decrease     | Rate          | Increase     |
|   | (6.25%)      | (7.25%)       | (8.25%)      |

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

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGEERS. 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.

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

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

For the year ended June 30, 2016, the City recognized pension expense of \$1,214 and revenue of \$5,801 for support provided by the State. At June 30, 2016, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

At June 30, 2016, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSVPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$15,173. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2015 and at June 30, 2014 was 0%.

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

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

*Contributions.* Plan members are required to contribute \$10 per month to the fund. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the fund. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ended June 30, 2015, the State contributed \$13,900,000 to the plan. The City of Whiteville's proportionate share of the State's contribution is \$2,160.

*Benefits Provided.* FRSVPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

*Plan Description.* The State of North Carolina contributes, on behalf of the City of Whiteville, to the Fireman's and Rescue Squad Workers' Pension Fund, a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGFR 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 Fireman's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

***d. Fireman's and Rescue Squad Worker's Pension Fund***

*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, 2016 were \$58,896, which consisted of \$41,470 from the City and \$17,426 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, 2016 were \$106,651, which consisted of \$82,608 from the City and \$24,043 from general employees.

*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.

***c. Supplemental Retirement Income Plan for Law Enforcement Officers***

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

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

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

**e Other Postemployment Benefits**

**Healthcare Benefits**

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

|  | General Employees | Law Enforcement Officers |
|--|-------------------|--------------------------|
| Retirees and dependents receiving benefits                         | 11                | 1                        |
| Terminated plan members entitled to but not yet receiving benefits | -                 | -                        |
| Active Plan Members  | 43                | 29                       |
| Total  | 54                | 30                       |

*Funding Policy.* By City resolution, the City pays the full cost of coverage for the healthcare benefits paid to qualified retirees. The City's members pay the full cost of any dependent coverage. The City has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the General Fund, which is maintained on the full accrual basis. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. The City's contributions totaled \$53,189 in fiscal year 2016.

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

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

|  | 2016         | 2015 | 2014 |
|--|--------------|------|------|
| Annual required contributions              | \$ 174,283   |      |      |
| Interest on net OPEB obligation            | 16,734       |      |      |
| Adjustment to annual required contribution | 244,071      |      |      |
| Annual OPEB cost (expense)                 | 435,088      |      |      |
| Contributions made                         | (53,189)     |      |      |
| Increase (decrease) in net OPEB obligation | 381,899      |      |      |
| Net OPEB obligation, beginning of year     | 2,721,409    |      |      |
| Net OPEB obligation, end of year           | \$ 3,103,308 |      |      |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 were as follows:

| For Year Ended | 3 Year Trend Information |                  |                     |
|----------------|--------------------------|------------------|---------------------|
|                | Percentage of Annual     | Annual OPEB Cost | Net OPEB Obligation |
| June 30        |                          | Cost Contributed | Obligation          |
| 2016           | 12.22%                   | 435,088          | 3,103,308           |
| 2015           | 17.08%                   | 485,417          | 2,721,409           |
| 2014           | 17.95%                   | 502,554          | 2,318,915           |

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 \$75,000. The remaining employees are that have access to funds are bonded under a blanket bond for \$50,000.

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.

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.

4. Risk Management

| Source  |    | Amount            |
|---|----|-------------------|
| Contributions to pension plan in current fiscal year  | \$ | 176,546           |
| Changes in proportion and differences between employer contributions and proportionate share of contributions |    | 775               |
| <b>Total</b>  |    | <b>\$ 177,321</b> |
| Deferred inflows of resources at year-end is comprised of the following:                                      |    |                   |
| Prepaid taxes (General Fund)  | \$ | 360               |
| Taxes Receivable, less penalties (General Fund)   |    | 72,904            |
| Differences between expected and actual experience  |    | 55,721            |
| Net difference between projected and actual earnings on pension plan investments                              |    | 67,488            |
| Changes in proportion and differences between employer contributions and proportionate share of contributions |    | 14,909            |
|   |    | <b>\$ 211,382</b> |

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

3. Deferred Outflows and Inflows of Resources

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.

2. Other Employment Benefit

In the December 31, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 12.00 to 6.00 percent annually. The investment rate included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using the techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015 was 30 years.

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

*Funded Status and Funding Progress.* As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$4,071,993. The covered payroll (annual payroll of active employees covered by the plan) was \$2,665,206, and the ratio of the UAAL to the covered payroll was 141.75 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note Payable – BB&T  
 \$106,500 BB&T Loan issued for the renovations to the Water Tower on August 14, 2013. Annual installments of \$22,720, including interest at 2.190% are due in 5 payments. Final payment is scheduled for August 2018. The amount due at June 30, 2016 was \$65,279.

Note Payable – North Carolina Drinking Water State Revolving Loan Proceeds  
 \$462,104 NC Drinking Water Revolving Loan issued for a well replacement project. Principal installments in the amount of \$11,183 are due annually on May 1. In July 2013, the City was awarded ARFA funds to refinance the loan, which reduced the principal to \$201,288 and reduced the interest rate to 0%. The amount due at June 30, 2016 was \$167,731.

Note Payable - North Carolina Water Pollution Control Revolving Loan Proceeds  
 \$2,250,000 NC Water Pollution Control Revolving Loan, issued for wastewater treatment plant improvements. Principal installments are due annually on May 1 with a semiannual interest payment due on May 1 and November 1, at an interest rate of 2.265%. The amount due at June 30, 2016 was \$973,469.

Note Payable - North Carolina Water Pollution Control Revolving Loan Proceeds  
 \$2,200,000 NC Water Pollution Control Revolving Loan, issued for wastewater treatment plant improvements. Principal installments are due annually on May 1 with a semiannual interest payment due on May 1 and November 1, at an interest rate of 2.27%. The amount due at June 30, 2016 was \$942,857.

Note Payable - North Carolina Water Pollution Control Revolving Loan Proceeds  
 \$520,000 BB&T Loan issued for improvements to Nolan Park fitness center and recreation complex on July 13, 2015. Annual installments of \$34,667, including interest at 2.87% are due in 15 payments. Final payment is scheduled for July, 20130. The amount due at June 30, 2016 was \$520,000.

Note Payable – BB&T  
 \$540,000 BB&T Loan issued for the purchase of a Rescue Pumper Fire Truck on August 14, 2013. Annual installments of \$47,320, including interest at 3.630% are due in 15 payments. Final payment is scheduled for August 2028. The amount due at June 30, 2016 was \$483,558.

Note Payable – BB&T  
 \$62,222 BB&T Loan issued for the purchase of police vehicles on October 5, 2012. Annual installments of \$13,037, including interest at 1.570% are due in 5 payments. Final payment is scheduled for October 5, 2017. The amount due at June 30, 2016 was \$25,472.

Note Payable – BB&T  
 \$540,000 BB&T Loan issued for the purchase of police vehicles on October 5, 2012. Annual installments of \$13,037, including interest at 1.570% are due in 5 payments. Final payment is scheduled for October 5, 2017. The amount due at June 30, 2016 was \$25,472.

**Serviced by Governmental Activities:**

b. Installment Loans

| Year  | Governmental | Enterprise |
|---|--------------|------------|
| 2017  | \$ 62,719    | \$ 7,752   |
| 2018  | 69,206       | 7,751      |
| 2019  | -            | -          |
| 2020  | -            | -          |
| Total Minimum Lease Payments                | 131,925      | 15,503     |
| Less: Amount representing interest          | (16,533)     | (1,241)    |
| Present value of the minimum lease payments | \$ 115,392   | \$ 14,262  |

The future minimum lease obligations and the net present value of these minimum lease payment as of June 30, 2016 were as follows:

| Classes of Property     | Cost       | Accumulated Depreciation | Net Book Value |
|-------------------------|------------|--------------------------|----------------|
| Vehicles - Governmental | \$ 178,111 | \$ 10,494                | \$ 167,617     |
| Vehicles - Enterprise   | 22,014     | 1,038                    | 20,976         |
| Total                   | \$ 200,125 | \$ 11,532                | \$ 188,593     |

The following is an analysis of the assets recorded under capital leases at June 30, 2016:

5. **Claims, Judgments and Contingent Liabilities**  
 As of June 30, 2016, 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 into an agreement to lease seven vehicles. The lease agreement qualifies 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.

This agreement was executed on February 22, 2016 to lease vehicles and requires three annual payments of \$70,470, including interest of 5.75%. Title passes to the City at the end of the lease term.

a. **Capital Leases**

**6. Long-Term Obligations**

As of June 30, 2016, 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.

**5. Claims, Judgments and Contingent Liabilities**

The LGRS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the end of the fiscal year.

| Governmental Activities:                     | July 01, 2015 | Increases    | Decreases  | Balance June 30, 2016 | Current Portion |
|--|---------------|--------------|------------|-----------------------|-----------------|
| Loans  | \$ 550,195    | \$ 520,000   | \$ 41,165  | \$ 1,029,030          | \$ 77,071       |
| Capital Leases                               | -             | 178,111      | 62,719     | 115,392               | 56,084          |
| Other Postemployment benefits (LGRS)         | 2,063,806     | 264,993      | -          | 2,328,799             | -               |
| Compensated Absences                         | 118,802       | 34,179       | -          | 152,981               | -               |
| Governmental activity long term liabilities  | \$ 2,732,803  | \$ 1,175,214 | \$ 103,884 | \$ 3,804,133          | \$ 133,155      |
| Business-type Activities:                    | \$ 2,235,714  | \$ -         | \$ 319,388 | \$ 1,916,326          | \$ 319,388      |
| NC Water Pollution Control                   | 178,913       | -            | 11,183     | 167,730               | 11,182          |
| Revolving Loan                               | 86,113        | -            | 20,834     | 65,279                | 21,290          |
| Revolving Loan/ARRA Loan                     | -             | -            | -          | -                     | -               |
| Capital Leases                               | 22,014        | 7,752        | -          | 14,262                | 6,932           |
| Net pension liability (LGRS)                 | 59,122        | 59,122       | -          | 59,122                | -               |
| Other Postemployment benefits                | 657,603       | 116,905      | -          | 774,508               | -               |
| Compensated Absences                         | 30,184        | 15,564       | -          | 45,748                | -               |
| Business-type activity long term liabilities | \$ 3,188,527  | \$ 213,605   | \$ 359,157 | \$ 3,042,975          | \$ 358,792      |

c. Changes in Long-Term Liabilities

| Fiscal Year Ended                         | 2017       | 2018       | 2019       | 2020       | 2021       | 2022-2026  | 2027-2031 | 2032-2036 | Total        |
|---|------------|------------|------------|------------|------------|------------|-----------|-----------|--------------|
| NC Water Pollution Control Revolving Loan | \$ 21,403  | \$ 157,143 | \$ 14,269  | \$ 10,701  | \$ 7,134   | \$ 3,567   | \$ -      | \$ -      | \$ 942,857   |
| NC Water Pollution Control Revolving Loan | \$ 162,245 | \$ 162,245 | \$ 162,245 | \$ 17,025  | \$ 7,350   | \$ 3,675   | \$ -      | \$ -      | \$ 973,470   |
| ARRA Loan                                 | \$ 11,182  | \$ 11,182  | \$ 11,182  | \$ 11,182  | \$ 11,182  | \$ 55,911  | \$ -      | \$ -      | \$ 167,731   |
| BB&T                                      | \$ 21,290  | \$ 21,568  | \$ 22,233  | \$ 487     | \$ -       | \$ -       | \$ -      | \$ -      | \$ 65,279    |
| Total Debt                                | \$ 351,660 | \$ 352,326 | \$ 352,803 | \$ 330,570 | \$ 330,570 | \$ 330,569 | \$ 55,911 | \$ 55,910 | \$ 1,876,055 |

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

| Fiscal Year Ended         | 2017      | 2018      | 2019      | 2020      | 2021      | 2022-2026  | 2027-2031  | Total        |
|---------------------------|-----------|-----------|-----------|-----------|-----------|------------|------------|--------------|
| BB&T Loan Fire Truck      | \$ 17,553 | \$ 16,473 | \$ 15,353 | \$ 14,192 | \$ 12,990 | \$ 45,327  | \$ 9,715   | \$ 483,557   |
| BB&T Loan Police Vehicles | \$ 12,637 | \$ 12,835 | \$ 12,835 | \$ 12,835 | \$ 12,835 | \$ 12,835  | \$ 12,835  | \$ 25,472    |
| BB&T Parks & Rec          | \$ 34,667 | \$ 34,667 | \$ 34,667 | \$ 34,667 | \$ 34,667 | \$ 34,667  | \$ 173,332 | \$ 520,000   |
| Total Debt                | \$ 77,071 | \$ 78,349 | \$ 66,634 | \$ 67,795 | \$ 68,997 | \$ 364,606 | \$ 305,577 | \$ 1,029,029 |

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

| Fiscal Year Ended                         | 2017       | 2018       | 2019       | 2020       | 2021       | 2022-2026  | 2027-2031 | Total        |
|---|------------|------------|------------|------------|------------|------------|-----------|--------------|
| NC Water Pollution Control Revolving Loan | \$ 21,403  | \$ 157,143 | \$ 14,269  | \$ 10,701  | \$ 7,134   | \$ 3,567   | \$ -      | \$ 942,857   |
| NC Water Pollution Control Revolving Loan | \$ 162,245 | \$ 162,245 | \$ 162,245 | \$ 17,025  | \$ 7,350   | \$ 3,675   | \$ -      | \$ 973,470   |
| ARRA Loan                                 | \$ 11,182  | \$ 11,182  | \$ 11,182  | \$ 11,182  | \$ 11,182  | \$ 55,911  | \$ -      | \$ 167,731   |
| BB&T                                      | \$ 21,290  | \$ 21,568  | \$ 22,233  | \$ 487     | \$ -       | \$ -       | \$ -      | \$ 65,279    |
| Total Debt                                | \$ 351,660 | \$ 352,326 | \$ 352,803 | \$ 330,570 | \$ 330,570 | \$ 330,569 | \$ 55,911 | \$ 1,876,055 |

Prior period adjustments were made in both the General Fund and Water Sewer Fund to correct beginning balances for receivable and payable accounts. There were several items recorded on the City's balance sheet that had not changed for several years and would not be collected or paid, so these items were adjusted. In addition, the total debt owed on the DENR loans were adjusted on the confirmation; the beginning balance had to be revised to agree to DENR records. The adjustments resulted in an increase of \$14,216 in the General Fund and a decrease of \$41,767 in the Water and Sewer Fund.

**NOTE 6: PRIOR PERIOD ADJUSTMENTS**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 13, 2016, the date the financial statements were available to be issued. No items were noted for disclosure.

**NOTE 5: SUBSEQUENT EVENTS**

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.

**Federal and State Assisted Programs**

**NOTE 4: Summary Disclosure of Significant Contingencies**

|  |                     |
|--|---------------------|
| Total fund balance - General Fund        | \$ 4,038,612        |
| Less:                                    |                     |
| Prepaid Expenses                         | -                   |
| Stabilization by State Statute           | 1,161,038           |
| Street - Powell Bill                     | 469,774             |
| Appropriated Fund Balance in 2017 budget | -                   |
| Working Capital/Fund Balance Policy      | -                   |
| Remaining Fund Balance                   | <u>\$ 2,407,800</u> |

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

**E. Fund Balance**

|                                  |                      |
|----------------------------------|----------------------|
| Capital Assets                   | \$ 4,310,195         |
| less: long-term debt             | 1,144,422            |
| Net investment in capital assets | <u>\$ 3,165,773</u>  |
| Business-type                    | \$ 14,992,633        |
|                                  | 2,163,597            |
| Fund Balance                     | <u>\$ 12,829,036</u> |

**D. Net Investment in Capital Assets**

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.

|  |                   |
|--|-------------------|
| Transfer from General Fund to NCPARTF Grant Fund | \$ 32,500         |
| Transfer from General Fund to IT Fund            | 104               |
| Transfer from Water & Sewer Fund to General Fund | 75,000            |
|  | <u>\$ 107,604</u> |

Transfers to/from other funds at June 30, 2016, consist of the following:

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

|                   |                  |                          |
|-------------------|------------------|--------------------------|
| Receivable Fund   | General Fund     | Utility Fund             |
| General Fund      | General Fund     | General Fund             |
| WDDC Tax District | PARTF Grant Fund | Pedestrian Planning Fund |
| Payable Fund      | General Fund     | General Fund             |
| Amount            | \$ 2,176         | 90,698                   |
|                   | 90,698           | 1,092                    |
|                   | 473,543          | <u>\$ 567,509</u>        |

Due to/from other funds:

Balances due to/from other funds at June 30, 2016 consist of the following:

**C. Interfund Balances and Activity**



## REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

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- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits
- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Proportionate Share of Net Pension Liability for Firefighters' and Rescue Squad Workers' Pension Plan

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

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial Accrued<br>Liability (AAL) -<br>Projected Unit<br>Credit<br>(b) | Unfunded<br>AAL<br>(UAAAL)<br>(b - a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAAL as a<br>% of Covered<br>Payroll<br>(b - a) / (c) |
|--------------------------------|--|---|---------------------------------------|--------------------------|---------------------------|--|
| 6/30/2014                      | \$ -                                   | \$ 4,071,993  | \$ 4,071,993                          | 0.00%                    | \$ 3,959,381              | 102.84%  |
| 6/30/2015                      | \$ -                                   | \$ 4,033,129  | \$ 4,033,129                          | 0.00%                    | \$ 2,499,505              | 161.36%  |
| 6/30/2016                      | \$ -                                   | \$ 3,777,952  | \$ 3,777,952                          | 0.00%                    | \$ 2,665,208              | 141.75%  |

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

| <b>Year Ended<br/>June 30</b> | <b>Annual Required<br/>Contribution</b> | <b>Percentage<br/>Contributed</b> |
|-------------------------------|---|-----------------------------------|
| 2016                          | 435,088                                 | 12.22%                            |
| 2015                          | 485,417                                 | 17.08%                            |
| 2014                          | 502,554                                 | 17.95%                            |

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

**Local Government Employees' Retirement System**

|   | 2016         | 2015         | 2014         |
|---|--------------|--------------|--------------|
| City of Whiteville's proportion of the net pension liability (asset) (%)  | 0.05282%     | 0.04803%     | 0.04850%     |
| City of Whiteville's proportion of the net pension liability (asset) (\$)   | \$ 237,053   | \$ (283,255) | \$ 584,611   |
| City of Whiteville's covered-employee payroll   | \$ 2,431,308 | \$ 2,387,209 | \$ 2,298,610 |
| City of Whiteville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 9.75%        | -11.87%      | 25.43%       |
| Plan fiduciary net position as a percentage of the total pension liability**  | 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.

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

**Local Government Employees' Retirement System**

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

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

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

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.  
 \*\* This will be the same percentage for all participant employers in the LGERS plan.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

City of Whiteville, North Carolina  
 General Fund  
 Comparative Balance Sheets  
 June 30, 2016 and June 30, 2015

|  | June 30, 2016       | June 30, 2015       |
|--|---------------------|---------------------|
| <b>Assets</b>  |                     |                     |
| Cash and cash equivalents  | \$ 2,661,293        | \$ 3,339,123        |
| Restricted Cash  | 469,774             | 890,586             |
| Receivables, net:  |                     |                     |
| Taxes  | 72,366              | 83,556              |
| Accounts   | 152,354             | 146,826             |
| Due from other governments   | 441,175             | 408,333             |
| Due from other funds   | 567,509             | 93,966              |
| Due from component unit  | -                   | 5,925               |
| Prepaid Expense  | -                   | 29,334              |
| Total assets   | <u>\$ 4,364,471</u> | <u>\$ 4,997,649</u> |
| <b>Liabilities and fund balances</b>                               |                     |                     |
| Liabilities:   |                     |                     |
| Accounts payable and accrued liabilities                           | \$ 253,133          | \$ 420,578          |
| Due to other funds   | -                   | 216,572             |
| Unearned revenue   | -                   | -                   |
| Total liabilities  | <u>253,133</u>      | <u>637,150</u>      |
| Deferred Inflows of Resources                                      |                     |                     |
| Property taxes   | 72,366              | 83,556              |
| Prepaid Licenses   | 360                 | 360                 |
| Total deferred inflows of resources                                | <u>72,726</u>       | <u>83,916</u>       |
| Fund balances:   |                     |                     |
| Nonspendable:  |                     |                     |
| Prepaid Expenses   | -                   | 29,334              |
| Restricted:  |                     |                     |
| Stabilization by State Statute                                     | 1,161,038           | 655,050             |
| Streets  | 452,482             | 890,586             |
| Debt Reserve   | 17,292              | -                   |
| Assigned   |                     |                     |
| Subsequent year's expenditures                                     | -                   | -                   |
| Unassigned   | 2,407,800           | 2,701,613           |
| Total fund balances  | <u>4,038,612</u>    | <u>4,276,583</u>    |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 4,364,471</u> | <u>\$ 4,997,649</u> |



City of Whiteville, North Carolina  
 General Fund  
 Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual  
 For the Fiscal Year Ended June 30, 2016  
 (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

|   | 2016         |              | 2015         |
|---|--------------|--------------|--------------|
|   | Budget       | Final        | Actual       |
|   |              | Variance     |              |
|   |              | (Negative)   |              |
|   |              | Positive     |              |
|   |              |              | Actual       |
| <b>Revenues</b>                                   |              |              |              |
| Ad Valorem taxes:                                 | \$ 2,314,831 | \$ 2,386,298 | \$ 2,401,015 |
| Taxes   | 10,000       | 13,683       | 15,341       |
| Penalties and interest                            | -            | -            | -            |
| Total   | \$ 2,324,831 | \$ 2,399,981 | \$ 2,416,356 |
| Other taxes and licenses:                         |              |              |              |
| Assessments                                       | -            | 11,085       | -            |
| In Lieu of Taxes                                  | -            | 1,000        | -            |
| Privilege license                                 | -            | 1,000        | 71,665       |
| Total   | \$ -         | \$ 12,085    | \$ 71,740    |
| Unrestricted intergovernmental:                   |              |              |              |
| Beer and Wine Tax                                 | \$ 22,681    | \$ 23,864    | \$ 1,183     |
| Court Cost and Fees                               | 2,000        | 1,652        | 2,439        |
| Hold Harmless                                     | 220,000      | 241,466      | 226,696      |
| Local Option Sales Tax                            | 751,883      | 753,455      | 699,066      |
| Sales Tax Refund                                  | -            | -            | -            |
| ABC Profit Distribution                           | 25,000       | 25,884       | 26,386       |
| Telecommunications Tax                            | 87,606       | 72,104       | (15,502)     |
| Video Franchise Fee                               | 52,560       | 51,005       | 53,713       |
| Utilities Sales Tax & Piped Natural Gas Sales Tax | 368,685      | 429,728      | 404,671      |
| Total   | \$ 1,530,415 | \$ 1,599,158 | \$ 1,524,594 |
| Restricted intergovernmental revenues:            |              |              |              |
| ABC Revenue - Law Enforcement                     | \$ 6,000     | \$ 6,000     | \$ 6,000     |
| ABC Revenue - Fire                                | 1,700        | 2,588        | 2,639        |
| Controlled Substance Tax                          | -            | 2,232        | 89           |
| Christmas Cops                                    | 1,940        | 3,290        | 1,170        |
| Waste Disposal Tax                                | 3,516        | 3,445        | 3,486        |
| Reimbursement Whiteville City Schools             | 69,360       | 69,699       | 68,026       |
| Powell Bill allocation                            | 165,000      | 168,393      | 169,016      |
| Total   | \$ 247,516   | \$ 255,647   | \$ 250,426   |
| Permits and fees:                                 |              |              |              |
| Building Permits                                  | \$ 21,000    | \$ 13,151    | \$ 11,088    |
| Inspection Fees                                   | 21,300       | 33,173       | 22,416       |
| Total   | \$ 42,300    | \$ 46,324    | \$ 33,504    |
| Sales and Services:                               |              |              |              |
| Refuse Collection Fees                            | \$ 1,126,000 | \$ 1,091,782 | \$ 1,122,253 |
| Rent  | 13,700       | 10,044       | 12,859       |
| Cablevision                                       | 450          | 855          | 332          |
| Concessions                                       | 72,000       | 281          | -            |
| Emergency Services                                | -            | -            | -            |
| Fire Protection Fees                              | 21,000       | 23,989       | 19,226       |
| Recreation Department Fees & Insurance Pymts.     | \$ 1,233,150 | \$ 1,126,951 | \$ 1,154,670 |
| Total   | \$ 1,233,150 | \$ 1,126,951 | \$ 1,154,670 |

City of Whiteville, North Carolina  
 General Fund  
 Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual  
 For the Fiscal Year Ended June 30, 2016  
 (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

|                                | 2016         |              | 2015        |              |
|--------------------------------|--------------|--------------|-------------|--------------|
|                                | Budget       | Actual       | Actual      | Actual       |
|                                | Final        |              |             |              |
|                                |              |              | Variance    |              |
|                                |              |              | Positive    |              |
|                                |              |              | (Negative)  |              |
| Other Revenue                  | \$ 51,878    | \$ 40,004    | \$ (11,874) | \$ 5,119     |
| Insurance recovery             | 500          | 1,097        | 597         | 511          |
| Investment earnings            | -            | -            | -           | -            |
| Sale of Fixed Assets           | 11,520       | 20,263       | 8,743       | 23,272       |
| Miscellaneous                  | 63,898       | 61,364       | (2,534)     | 28,902       |
| Total                          | \$ 5,442,110 | \$ 5,501,510 | \$ 59,400   | \$ 5,480,192 |
| <b>Expenditures</b>            |              |              |             |              |
| General Government:            |              |              |             |              |
| Governing body:                |              |              |             |              |
| Salaries and employee benefits | \$ -         | \$ 4,683     | \$ (4,683)  | \$ -         |
| Professional services          | -            | -            | -           | -            |
| Operating expenditures         | 23,368       | 20,321       | 3,047       | 13,079       |
| Total                          | \$ 23,368    | \$ 25,004    | \$ (1,636)  | \$ 13,079    |
| Administration:                |              |              |             |              |
| Salaries and employee benefits | \$ 172,953   | \$ 183,340   | \$ (10,387) | \$ 152,879   |
| Professional services          | 28,846       | 23,188       | 5,658       | 21,942       |
| Operating expenditures         | 107,925      | 112,155      | (4,230)     | 98,758       |
| Capital outlay                 | -            | -            | -           | -            |
| Total                          | \$ 309,724   | \$ 318,683   | \$ (8,959)  | \$ 273,579   |
| Public Buildings:              |              |              |             |              |
| Operating expenditures         | \$ 116,600   | \$ 115,308   | \$ 1,292    | \$ 18,237    |
| Capital outlay                 | 90,000       | 91,231       | (1,231)     | -            |
| Total                          | \$ 206,600   | \$ 206,539   | \$ 61       | \$ 18,237    |
| Total general government       | \$ 539,692   | \$ 550,226   | \$ (10,534) | \$ 304,895   |
| Public safety:                 |              |              |             |              |
| Police department:             |              |              |             |              |
| Salaries and employee benefits | \$ 1,571,926 | \$ 1,437,045 | \$ 134,881  | \$ 1,398,318 |
| Professional services          | 24,632       | 35,172       | (10,540)    | 3,818        |
| Operating expenditures         | 256,213      | 283,144      | (26,931)    | 264,222      |
| Capital outlay                 | 92,627       | 165,212      | (72,585)    | 147,063      |
| Total                          | \$ 1,945,398 | \$ 1,920,573 | \$ 24,825   | \$ 1,813,421 |
| Fire and rescue:               |              |              |             |              |
| Salaries and employee benefits | \$ 626,458   | \$ 557,416   | \$ 69,042   | \$ 563,800   |
| Professional services          | 21,168       | 17,103       | 4,065       | 7,484        |
| Operating expenditures         | 169,230      | 143,191      | 26,039      | 160,140      |
| Capital outlay                 | 24,400       | 51,362       | (26,962)    | 21,201       |
| Total                          | \$ 841,256   | \$ 769,072   | \$ 72,184   | \$ 752,625   |

City of Whiteville, North Carolina  
 General Fund  
 Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual  
 For the Fiscal Year Ended June 30, 2016  
 (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

|                                       | 2016                |                     | 2015              |                        |
|---------------------------------------|---------------------|---------------------|-------------------|------------------------|
|                                       | Budget              | Actual              | Actual            | Variance               |
|                                       | Final               |                     |                   | Positive<br>(Negative) |
|                                       |                     |                     |                   | Actual                 |
| <b>Planning:</b>                      |                     |                     |                   |                        |
| Salaries and employee benefits        | \$ 62,932           | \$ 70,621           | \$ (7,689)        | \$ 183,005             |
| Professional services                 | 13,410              | 14,420              | (1,010)           | 5,017                  |
| Operating expenditures                | 16,459              | 12,037              | 4,422             | 31,273                 |
| Capital outlay                        | -                   | -                   | -                 | 8,026                  |
| <b>Total</b>                          | <b>\$ 92,801</b>    | <b>\$ 97,078</b>    | <b>\$ (4,277)</b> | <b>\$ 227,321</b>      |
| <b>Safety</b>                         |                     |                     |                   |                        |
| Salaries and employee benefits        | \$ 72,483           | \$ 70,649           | \$ 1,834          | -                      |
| Professional services                 | 10,199              | 9,557               | 642               | -                      |
| Operating expenditures                | 3,410               | 3,891               | (481)             | -                      |
| Capital outlay                        | -                   | -                   | -                 | -                      |
| <b>Total</b>                          | <b>\$ 86,092</b>    | <b>\$ 84,097</b>    | <b>\$ 1,995</b>   | <b>\$ -</b>            |
| <b>Inspections</b>                    |                     |                     |                   |                        |
| Salaries and employee benefits        | \$ 118,648          | \$ 118,260          | \$ 388            | -                      |
| Professional services                 | 5,911               | 4,141               | 1,770             | -                      |
| Operating expenditures                | 17,259              | 10,009              | 7,250             | -                      |
| Capital outlay                        | -                   | -                   | -                 | -                      |
| <b>Total</b>                          | <b>\$ 141,818</b>   | <b>\$ 132,410</b>   | <b>\$ 9,408</b>   | <b>\$ -</b>            |
| <b>Total public safety</b>            | <b>\$ 3,107,365</b> | <b>\$ 3,003,230</b> | <b>\$ 104,135</b> | <b>\$ 2,793,367</b>    |
| <b>Transportation:</b>                |                     |                     |                   |                        |
| Streets and highways:                 |                     |                     |                   |                        |
| Salaries and employee benefits        | \$ 101,437          | \$ 100,337          | \$ 1,100          | \$ 104,458             |
| Operating expenditures                | 153,590             | 140,998             | 12,592            | 161,651                |
| Professional services                 | 5,350               | 3,264               | 2,086             | 4,330                  |
| Maintenance - sidewalks               | 30,000              | 19,829              | 10,171            | 9,400                  |
| Maintenance - streets                 | 750,000             | 566,527             | 183,473           | 105,088                |
| Capital outlay                        | 30,133              | 26,276              | 3,857             | 70,651                 |
| <b>Total</b>                          | <b>\$ 1,070,510</b> | <b>\$ 857,231</b>   | <b>\$ 213,279</b> | <b>\$ 455,578</b>      |
| <b>Garage:</b>                        |                     |                     |                   |                        |
| Salaries and employee benefits        | \$ 1,411            | \$ -                | \$ 1,411          | -                      |
| Professional services                 | 8,946               | 8,747               | 199               | 3,604                  |
| Operating expenditures                | 31,142              | 31,114              | 28                | 28,766                 |
| Capital outlay                        | -                   | -                   | -                 | -                      |
| <b>Total</b>                          | <b>\$ 41,499</b>    | <b>\$ 39,861</b>    | <b>\$ 1,638</b>   | <b>\$ 32,370</b>       |
| <b>Total transportation</b>           | <b>\$ 1,112,009</b> | <b>\$ 897,092</b>   | <b>\$ 214,917</b> | <b>\$ 487,948</b>      |
| <b>Environmental protection:</b>      |                     |                     |                   |                        |
| Sanitation:                           |                     |                     |                   |                        |
| Salaries and employee benefits        | \$ 115,242          | \$ 103,745          | \$ 11,497         | \$ 103,517             |
| Operating expenditures                | 38,072              | 33,390              | 4,682             | 30,248                 |
| Capital outlay                        | -                   | -                   | -                 | -                      |
| Garbage service contract              | 847,556             | 824,880             | 22,676            | 844,446                |
| <b>Total</b>                          | <b>\$ 1,000,870</b> | <b>\$ 962,015</b>   | <b>\$ 38,855</b>  | <b>\$ 978,211</b>      |
| <b>Total environmental protection</b> | <b>\$ 1,000,870</b> | <b>\$ 962,015</b>   | <b>\$ 38,855</b>  | <b>\$ 978,211</b>      |
| <b>Economic development:</b>          |                     |                     |                   |                        |
| Whiteville Downtown development       | \$ 6,720            | \$ 6,720            | \$ -              | \$ 6,720               |
| Total economic development            | \$ 6,720            | \$ 6,720            | \$ -              | \$ 6,720               |

City of Whiteville, North Carolina  
 General Fund  
 Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual  
 For the Fiscal Year Ended June 30, 2016  
 (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

|                                     | 2016         |              | 2015                   |              |
|-------------------------------------|--------------|--------------|------------------------|--------------|
|                                     | Final        | Actual       | Variance               | Actual       |
|                                     | Budget       | Actual       | Positive<br>(Negative) | Actual       |
| <b>Cultural &amp; Recreational:</b> |              |              |                        |              |
| Parks and recreation:               |              |              |                        |              |
| Salaries and employee benefits      | \$ 247,736   | \$ 234,270   | \$ 13,466              | \$ 210,644   |
| Professional services               | 24,252       | 18,775       | 5,477                  | 33,975       |
| Operating expenditures              | 134,866      | 134,695      | 171                    | 145,362      |
| Depot restoration                   | 10,000       | -            | 10,000                 | 16,406       |
| Chamber of Commerce donation        | 4,000        | 4,000        | -                      | 4,000        |
| Columbus County Arts Council        | 350          | 350          | -                      | 350          |
| Dream Center donation               | 500          | 500          | -                      | 500          |
| NC Natural Sciences Museum          | -            | -            | -                      | 5,000        |
| Capital Outlay                      | 19,640       | 39,256       | (19,616)               | 12,657       |
| Total cultural and recreation       | 441,344      | 431,846      | 9,498                  | 428,894      |
| <b>Debt Service:</b>                |              |              |                        |              |
| Principal retirement                | \$ 90,086    | \$ 103,884   | \$ (13,798)            | \$ 39,968    |
| Interest and fees                   | 19,864       | 19,191       | 673                    | 20,389       |
| Total debt service                  | \$ 109,950   | \$ 123,075   | \$ (13,125)            | \$ 60,357    |
| Total expenditures                  | \$ 6,317,950 | \$ 5,974,204 | \$ 343,746             | \$ 5,060,392 |
| Revenues over (under) expenditures  | \$ (875,840) | \$ (472,694) | \$ 403,146             | \$ 419,800   |
| Other financing sources (uses):     |              |              |                        |              |
| Transfer (to) Special Revenue Funds | \$ (32,500)  | \$ (32,604)  | \$ (104)               | \$ (148,875) |
| Transfer from Water Sewer Fund      | 75,000       | 75,000       | -                      | 31,232       |
| Capital Lease Proceeds              | -            | 178,111      | 178,111                | -            |
| Appropriated Fund Balance           | 833,340      | -            | (833,340)              | -            |
| Total                               | \$ 875,840   | \$ 220,507   | \$ (655,333)           | \$ (117,643) |
| Net change in fund balance          | \$ -         | \$ (252,187) | \$ (252,187)           | \$ 302,157   |
| Fund balance:                       |              |              |                        |              |
| Beginning of year, July 1           | 4,276,583    | 4,276,583    |                        | 3,974,426    |
| Prior Period Adjustment             | 14,216       | 14,216       |                        | -            |
| End of year, June 30                | \$ 4,038,612 | \$ 4,038,612 |                        | \$ 4,276,583 |

City of Whiteville, North Carolina  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2016

Exhibit B-3

|  | Pedestrian Planning Grant | IT Hardware ERP Software Special Project Fund | NCPARTF Grant Project Fund | FY11 CDBG Catalyst Grant | WDDC Tax Fund | Total Nonmajor Governmental Funds |
|--|---------------------------|---|----------------------------|--------------------------|---------------|-----------------------------------|
| <b>Assets</b>                            |                           |   |                            |                          |               |                                   |
| Cash and cash equivalents                | \$ -                      | \$ -  | \$ 209,104                 | \$ 3,316                 | \$ 1,000      | \$ 213,420                        |
| Taxes Receivable                         | -                         | -   | -                          | -                        | 538           | 538                               |
| Due from other governments               | -                         | -   | 16                         | -                        | -             | 16                                |
| Due from other funds                     | -                         | -   | -                          | -                        | -             | -                                 |
| Total assets                             | \$ -                      | \$ -  | \$ 209,120                 | \$ 3,316                 | \$ 1,538      | \$ 213,974                        |
| <b>Liabilities and fund balances</b>     |                           |   |                            |                          |               |                                   |
| <b>Liabilities:</b>                      |                           |   |                            |                          |               |                                   |
| Due to other funds                       | \$ 1,092                  | \$ -  | \$ 90,698                  | \$ -                     | \$ 2,176      | \$ 93,966                         |
| Accounts payable and accrued liabilities | -                         | -   | -                          | -                        | -             | -                                 |
| Total liabilities                        | 1,092                     | -   | 90,698                     | -                        | 2,176         | 93,966                            |
| Deferred inflows of resources            | -                         | -   | -                          | -                        | 538           | 538                               |
| <b>Fund balances:</b>                    |                           |   |                            |                          |               |                                   |
| Restricted                               | -                         | -   | -                          | -                        | -             | -                                 |
| Economic Development                     | -                         | -   | 118,422                    | 3,316                    | -             | 121,738                           |
| Assigned                                 | -                         | -   | -                          | -                        | -             | -                                 |
| WDDC Tax Fund                            | -                         | -   | -                          | -                        | -             | -                                 |
| Unassigned                               | (1,092)                   | -   | -                          | -                        | (1,176)       | (2,268)                           |
| Total fund balances                      | (1,092)                   | -   | 118,422                    | 3,316                    | (1,176)       | 119,470                           |
| Total liabilities and fund balances      | \$ -                      | \$ -  | \$ 209,120                 | \$ 3,316                 | \$ 1,538      | \$ 213,974                        |

City of Whiteville, North Carolina  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
 For the Fiscal Year Ended June 30, 2016

Exhibit B-4

|                                       | Pedestrian<br>Planning<br>Grant | IT Hardware<br>ERP Software<br>Special Project Fund | NCPARTF<br>Grant Project<br>Fund | FY11 CDBG<br>Catalyst<br>Grant | WDDC<br>Tax<br>Fund | Total Nonmajor<br>Governmental<br>Funds |
|---------------------------------------|---------------------------------|---|----------------------------------|--------------------------------|---------------------|---|
| <b>Revenues:</b>                      |                                 |   |                                  |                                |                     |   |
| Ad Valorem taxes                      | \$ -                            | \$ -  | \$ -                             | \$ -                           | \$ 28,632           | \$ 28,632                               |
| Restricted intergovernmental          | -                               | -   | 343,602                          | -                              | -                   | 343,602                                 |
| Investment earnings                   | -                               | -   | -                                | -                              | -                   | -                                       |
| Total Revenues                        | -                               | -   | 343,602                          | -                              | 28,632              | 372,234                                 |
| <b>Expenditures:</b>                  |                                 |   |                                  |                                |                     |   |
| General government                    | -                               | -   | -                                | -                              | -                   | -                                       |
| Public safety                         | -                               | -   | -                                | -                              | -                   | -                                       |
| Environmental protection              | -                               | -   | -                                | -                              | -                   | -                                       |
| Cultural and recreation               | -                               | -   | 686,982                          | -                              | -                   | 686,982                                 |
| Economic and physical development     | -                               | -   | -                                | -                              | 28,293              | 28,293                                  |
| Total Expenditures                    | -                               | -   | 686,982                          | -                              | 28,293              | 715,275                                 |
| <b>Revenues over expenditures</b>     | -                               | -   | (343,380)                        | -                              | 339                 | (343,041)                               |
| <b>Other Financing Sources (Uses)</b> |                                 |   |                                  |                                |                     |   |
| Transfer (to) from General Fund       | -                               | 104   | 32,500                           | -                              | -                   | 32,604                                  |
| Transfer (to) from Enterprise Fund    | -                               | -   | -                                | -                              | -                   | -                                       |
| Loan Proceeds                         | -                               | -   | 520,000                          | -                              | -                   | 520,000                                 |
| Total Other Financing Sources (Uses)  | -                               | 104   | 552,500                          | -                              | -                   | 552,604                                 |
| <b>Net Change in Fund Balance</b>     | -                               | 104   | 209,120                          | -                              | 339                 | 209,563                                 |
| Fund balance, beginning               | (1,092)                         | (104)   | (90,698)                         | 3,316                          | (1,515)             | (90,093)                                |
| Fund balance, ending                  | \$ (1,092)                      | \$ -  | \$ 118,422                       | \$ 3,316                       | \$ (1,176)          | \$ 119,470                              |

City of Whiteville, North Carolina  
 Special Revenue Fund - Pedestrian Planning Grant  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual  
 From Inception and for the Fiscal Year Ended June 30, 2016

| Pedestrian Planning Grant Fund                | Actual                     |                  | Budget and Actual |                          | Variance<br>Positive<br>(Negative) |
|---|----------------------------|------------------|-------------------|--------------------------|------------------------------------|
|   | Actual<br>Years<br>Current | Total<br>to Date | Prior<br>Years    | Project<br>Authorization |                                    |
| Revenues:                                     |                            |                  |                   |                          |                                    |
| North Carolina Department of Transportation   |                            |                  |                   |                          |                                    |
| Total revenues                                | \$ -                       | \$ 23,691        | \$ 23,691         | \$ 24,800                | \$ (1,109)                         |
| Expenditures:                                 |                            |                  |                   |                          |                                    |
| Professional Consultant Services              |                            |                  |                   |                          |                                    |
| Admin./Planning/Legal                         | -                          | 10,000           | 10,000            | 10,000                   | -                                  |
| Total expenditures                            | -                          | 30,983           | 30,983            | 31,000                   | 17                                 |
| Revenues Over (Under) Expenditures            |                            |                  |                   |                          |                                    |
| Transfer from General Fund (Local Commitment) |                            |                  |                   |                          |                                    |
| Total Other Financing Uses                    | -                          | 6,200            | 6,200             | 6,200                    | -                                  |
| Revenues and Other Sources                    |                            |                  |                   |                          |                                    |
| Over (Under) Expenditures                     | \$ -                       | \$ (1,092)       | \$ (1,092)        | \$ -                     | \$ (1,092)                         |
| Fund balances:                                |                            |                  |                   |                          |                                    |
| Beginning of year, July 1                     | (1,092)                    |                  |                   |                          |                                    |
| End of year, June 30                          |                            | \$ (1,092)       |                   |                          |                                    |

City of Whiteville, North Carolina  
 Capital Project Fund - NC PARTF Grant Project  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual  
 From Inception and for the Fiscal Year Ended June 30, 2016

| NC PARTF Grant Project Fund                          | Project Authorization |                | Actual           |                  | Total      | Variance<br>Positive<br>(Negative) |
|--|-----------------------|----------------|------------------|------------------|------------|------------------------------------|
|  | Project               | Prior<br>Years | Current<br>Years | Total<br>to Date |            |                                    |
| Revenues:  |                       |                |                  |                  |            |                                    |
| North Carolina Parks & Recreation Trust Fund         | \$ 412,950            | \$ -           | \$ 343,602       | \$ 343,602       | \$ 343,602 | \$ (69,348)                        |
| Total revenues                                       | 412,950               | -              | 343,602          | 343,602          | 343,602    | (69,348)                           |
| Expenditures:  |                       |                |                  |                  |            |                                    |
| Greenway, Fitness, Wildlife Trail                    | 145,000               | -              | 140,170          | 140,170          | 140,170    | 4,830                              |
| Dog Park   | 21,000                | -              | -                | -                | -          | 21,000                             |
| Frisbee Golf Driving Range                           | 10,000                | -              | 1,000            | 1,000            | 1,000      | 9,000                              |
| Drainage & Culvert Network                           | 75,000                | -              | 71,725           | 71,725           | 71,725     | 3,275                              |
| Irrigation System                                    | 25,000                | -              | 17,790           | 17,790           | 17,790     | 7,210                              |
| Multipurpose Ball Fields                             | 462,050               | -              | 383,291          | 383,291          | 383,291    | 78,759                             |
| Parking  | 56,000                | -              | 25,483           | 25,483           | 25,483     | 30,517                             |
| Contingency  | 34,146                | -              | -                | -                | -          | 34,146                             |
| Admin./Planning/Legal                                | 158,254               | 111,698        | 47,523           | 159,221          | 159,221    | (967)                              |
| Total expenditures                                   | 986,450               | 111,698        | 686,982          | 798,680          | 798,680    | 187,770                            |
| Revenues Over (Under) Expenditures                   | (573,500)             | (111,698)      | (343,380)        | (455,078)        | (455,078)  | 118,422                            |
| Transfer from General Fund (Local Commitment)        | 53,500                | 21,000         | 32,500           | 53,500           | 53,500     | -                                  |
| Loan Proceeds  | 520,000               | -              | 520,000          | 520,000          | 520,000    | -                                  |
| Total Other Financing Uses                           | 573,500               | 21,000         | 552,500          | 573,500          | 573,500    | -                                  |
| Revenues and Other Sources Over (Under) Expenditures | \$ -                  | \$ (90,698)    | 209,120          | \$ 118,422       | \$ 118,422 | \$ 118,422                         |
| Fund balances:                                       |                       |                |                  |                  |            |                                    |
| Beginning of year, July 1                            |                       |                | (90,698)         |                  |            |                                    |
| End of year, June 30                                 |                       |                |                  |                  |            | \$ 118,422                         |



City of Whiteville, North Carolina  
 Special Revenue Fund - WDDC Tax District Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual (Non-GAAP)  
 For the Fiscal Year Ended June 30, 2016

|                                    |              | 2016       |                                    | 2015      |
|------------------------------------|--------------|------------|------------------------------------|-----------|
|                                    | Final Budget | Actual     | Variance<br>Positive<br>(Negative) | Actual    |
| <b>Revenues:</b>                   |              |            |                                    |           |
| Ad Valorem Taxes - Current Year    | \$ 28,000    | \$ 26,656  | \$ (1,344)                         | \$ 27,364 |
| Ad Valorem Taxes - Prior Year      | 3,000        | 1,976      | (1,024)                            | 464       |
| Total revenues                     | 31,000       | 28,632     | (2,368)                            | 27,828    |
| <b>Expenditures:</b>               |              |            |                                    |           |
| Economic and Physical Development  | 31,000       | 28,293     | 2,707                              | 27,859    |
| Total expenditures                 | 31,000       | 28,293     | 2,707                              | 27,859    |
| Revenues Over (Under) Expenditures | \$ -         | 339        | \$ 339                             | \$ (31)   |
| <b>Fund balances:</b>              |              |            |                                    |           |
| Beginning of year, July 1          |              | (1,515)    |                                    |           |
| End of year, June 30               |              | \$ (1,176) |                                    |           |

City of Whiteville, North Carolina  
 Special Revenue Fund - IT Hardware ERP Software Special Project Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual (Non-GAAP)  
 For the Fiscal Year Ended June 30, 2016

|                                    | Actual    | Prior     | Current | Total     | Variance   |
|------------------------------------|-----------|-----------|---------|-----------|------------|
|                                    | Years     | Years     | Years   | to Date   | (Negative) |
|                                    | Actual    | Prior     | Current | Total     | Positive   |
|                                    | Years     | Years     | Years   | to Date   | (Negative) |
|                                    | Actual    | Prior     | Current | Total     | Variance   |
|                                    | Years     | Years     | Years   | to Date   | (Negative) |
| Revenues:                          |           |           |         |           |            |
| Miscellaneous                      |           |           |         |           |            |
| Total revenues                     | \$ -      | \$ -      | \$ -    | \$ -      | \$ -       |
| Expenditures:                      |           |           |         |           |            |
| Writing Hardware                   | 18,900    | 18,851    | -       | 18,851    | 49         |
| Phone System - Hardware            | 12,119    | 12,339    | -       | 12,339    | (220)      |
| Network Hardware                   | 40,405    | 40,397    | -       | 40,397    | 8          |
| ERP Software                       | 63,930    | 62,990    | -       | 62,990    | 940        |
| Transition Cost                    | 22,500    | 23,403    | -       | 23,403    | (903)      |
| IT Implementation                  | 11,100    | 11,078    | -       | 11,078    | 22         |
| Total expenditures                 | 168,954   | 169,058   | -       | 169,058   | (104)      |
| Revenues Over (Under) Expenditures | (168,954) | (169,058) | -       | (169,058) | (104)      |
| Transfer (to) from General Fund    | 76,675    | 76,675    | 104     | 76,779    | (104)      |
| Transfer (to) from Enterprise Fund | 92,279    | 92,279    | -       | 92,279    | -          |
| Total Other Financing Uses         | 168,954   | 168,954   | 104     | 169,058   | (104)      |
| Revenues and Other Sources         | \$ -      | \$ (104)  | 104     | \$ -      | \$ (208)   |
| Over (Under) Expenditures          | \$ -      | \$ (104)  | 104     | \$ -      | \$ (208)   |
| Fund balances:                     |           |           |         |           |            |
| Beginning of year, July 1          |           |           |         | (104)     |            |
| End of year, June 30               |           |           |         | \$ -      |            |

City of Whiteville, North Carolina  
 Special Revenue Fund - FY11 CDBG Catalyst Grant  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual (Non-GAAP)  
 From Inception and for the Fiscal Year Ended June 30, 2016

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

City of Whiteville, North Carolina  
 Water and Sewer Fund  
 Schedule of Revenues and Expenditures  
 Budget & Actual (Non-GAAP)  
 For the Fiscal Year Ended June 30, 2016  
 (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

|                                | 2016                | 2016                | 2015              |
|--------------------------------|---------------------|---------------------|-------------------|
|                                | Budget              | Actual              | Actual            |
|                                | Final               |                     | Variance          |
|                                | Favorable           | (Unfavorable)       |                   |
| <b>Revenues:</b>               |                     |                     |                   |
| Operating Revenues:            |                     |                     |                   |
| Water Sales                    | \$ 661,120          | \$ 664,507          | \$ 3,387          |
| Sewer Charges                  | 1,900,214           | 1,904,642           | 4,428             |
| Water Connections              | 500                 | 1,734               | 1,234             |
| Sewer Connections              | 1,000               | 300                 | (700)             |
| Reconnection Fees              | 74,180              | 127,425             | 53,245            |
| Total Operating Revenues       | 2,637,014           | 2,698,608           | 61,594            |
| Nonoperating Revenues:         |                     |                     |                   |
| Interest on Investments        | 70                  | 145                 | 75                |
| Water Tank Lease               | 25,600              | 26,677              | 1,077             |
| Sewer Line Expansion Revenue   | 75,600              | 71,522              | (4,078)           |
| Miscellaneous                  | 2,900               | 3,667               | 767               |
| Total Nonoperating Revenues    | 104,170             | 102,011             | (2,159)           |
| Total Revenues                 | 2,741,184           | 2,800,619           | 59,435            |
| <b>Expenditures:</b>           |                     |                     |                   |
| Water Operations:              |                     |                     |                   |
| Salaries and Employee Benefits | 409,739             | 395,938             | 13,801            |
| Utilities                      | 58,000              | 58,082              | (82)              |
| Supplies                       | 42,500              | 38,391              | 4,109             |
| Other Departmental Expenses    | 187,976             | 177,391             | 10,585            |
| Capital Outlay                 | 17,033              | 31,126              | (14,093)          |
| Total Water Operations         | 715,248             | 700,928             | 14,320            |
| Sewer Operations:              |                     |                     |                   |
| Salaries and Employee Benefits | 367,760             | 325,902             | 41,858            |
| Utilities                      | 19,000              | 19,728              | (728)             |
| Supplies                       | 22,300              | 22,529              | (229)             |
| Other Departmental Expenses    | 122,970             | 111,061             | 11,909            |
| Capital Outlay                 | 108,933             | 92,458              | 16,475            |
| Total Sewer Operations         | 640,963             | 571,678             | 69,285            |
| Wastewater Treatment:          |                     |                     |                   |
| Salaries and Employee Benefits | 363,619             | 339,539             | 24,080            |
| Utilities                      | 100,000             | 129,619             | (29,619)          |
| Supplies                       | 65,200              | 60,391              | 4,809             |
| Other Departmental Expenses    | 183,367             | 154,843             | 28,524            |
| Capital Outlay                 | 35,000              | 34,872              | 128               |
| Total Wastewater Treatment     | 747,186             | 719,264             | 27,922            |
| <b>Revenues:</b>               |                     |                     |                   |
| Operating Revenues:            | \$ 661,120          | \$ 664,507          | \$ 3,387          |
| Nonoperating Revenues:         | 104,170             | 102,011             | (2,159)           |
| Total Revenues                 | 2,741,184           | 2,800,619           | 59,435            |
| <b>Expenditures:</b>           |                     |                     |                   |
| Water Operations:              | 409,739             | 395,938             | 13,801            |
| Sewer Operations:              | 367,760             | 325,902             | 41,858            |
| Wastewater Treatment:          | 363,619             | 339,539             | 24,080            |
| Total Expenditures             | 740,118             | 661,379             | 78,739            |
| <b>Surplus (Deficit)</b>       | <b>\$ 2,001,066</b> | <b>\$ 2,139,240</b> | <b>\$ 138,174</b> |

City of Whiteville, North Carolina  
 Water and Sewer Fund  
 Schedule of Revenues and Expenditures  
 Budget & Actual (Non-GAAP)  
 For the Fiscal Year Ended June 30, 2016  
 (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

|  | 2016       | 2015       |
|--|------------|------------|
|  | Final      | Actual     |
| Debt service:  |            |            |
| Principal Retirement   | 360,960    | 359,156    |
| Interest and other charges   | 75,187     | 53,905     |
| Total Debt Service   | 436,147    | 413,061    |
| Total Expenditures   | 2,539,544  | 2,404,931  |
| Other Financing Sources (Uses):  |            |            |
| Transfer from (to) General Fund  | (75,000)   | (75,000)   |
| Transfer from (to) IT Hardware ERP Software Fund   | -          | -          |
| Transfer from (to) Capital Reserve   | (290,621)  | 22,014     |
| Contribution to Capital Reserve  | 163,981    | 290,621    |
| Appropriated From (Transfer to) Fund Balance   | (201,640)  | (163,981)  |
| Total Other Sources (Uses)   | (102,239)  | 148,654    |
| Revenues and Other Sources over Expenditures and Other Financing Uses                        | -          | 342,702    |
| Reconciliation from budgetary basis (modified accrual) to full accrual:                      |            |            |
| Reconciling Items:   |            |            |
| Principal retirement   | 359,156    | 359,156    |
| Capital outlay   | 108,438    | 108,438    |
| Deferred outflows of resources for contributions made to pension plan in current fiscal year | 43,978     | 43,978     |
| Pension expense  | (30,392)   | (30,392)   |
| OPFB   | (116,906)  | (116,906)  |
| Loan Proceeds  | (22,014)   | (22,014)   |
| Depreciation   | (494,447)  | (494,447)  |
| Total Reconciling Items  | (152,187)  | (152,187)  |
| Change in net position   | \$ 190,515 | \$ 428,601 |
|  | Final      | Actual     |
| Revenues and Other Sources over Expenditures and Other Financing Uses                        | -          | 342,702    |
| Total Other Sources (Uses)   | (92,279)   | 148,654    |
| Contribution to Capital Reserve  | -          | 290,621    |
| Transfer from (to) General Fund  | (75,000)   | -          |
| Transfer from (to) IT Hardware ERP Software Fund   | -          | -          |
| Transfer from (to) Capital Reserve   | (290,621)  | 22,014     |
| Appropriated From (Transfer to) Fund Balance   | (201,640)  | (163,981)  |
| Total Other Sources (Uses)   | (201,640)  | 148,654    |
| Revenues and Other Sources over Expenditures and Other Financing Uses                        | -          | 342,702    |
| Reconciliation from budgetary basis (modified accrual) to full accrual:                      |            |            |
| Reconciling Items:   |            |            |
| Principal retirement   | 359,156    | 359,156    |
| Capital outlay   | 108,438    | 108,438    |
| Deferred outflows of resources for contributions made to pension plan in current fiscal year | 43,978     | 43,978     |
| Pension expense  | (30,392)   | (30,392)   |
| OPFB   | (116,906)  | (116,906)  |
| Loan Proceeds  | (22,014)   | (22,014)   |
| Depreciation   | (494,447)  | (494,447)  |
| Total Reconciling Items  | (152,187)  | (152,187)  |
| Change in net position   | \$ 190,515 | \$ 428,601 |

## OTHER SCHEDULES

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This section contains additional information on property taxes.

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

City of Whiteville, North Carolina  
 General Fund  
 Schedule of Ad Valorem Taxes Receivable  
 June 30, 2016

| Fiscal Year   | Uncollected Balance June 30, 2015 | Additions           | Collections And Credits | Uncollected Balance June 30, 2016 | Totals |
|---|-----------------------------------|---------------------|-------------------------|-----------------------------------|--------|
| 2015-2016   | \$ -                              | \$ 2,356,858        | \$ 2,319,545            | \$ 37,313                         |        |
| 2014-2015   | 37,050                            |                     | 29,107                  | 7,943                             |        |
| 2013-2014   | 19,155                            |                     | 9,817                   | 9,338                             |        |
| 2012-2013   | 14,706                            |                     | 1,169                   | 13,537                            |        |
| 2011-2012   | 9,043                             |                     | 259                     | 8,784                             |        |
| 2010-2011   | 9,758                             |                     | -                       | 9,758                             |        |
| 2009-2010   | 3,086                             |                     | 310                     | 2,776                             |        |
| 2008-2009   | 3,116                             |                     | 64                      | 3,052                             |        |
| 2007-2008   | 1,800                             |                     | 60                      | 1,740                             |        |
| 2006-2007   | 2,185                             |                     | 60                      | 2,125                             |        |
| 2005-2006   | 1,657                             |                     | 1,657                   | -                                 |        |
|   | <u>\$ 101,556</u>                 | <u>\$ 2,356,858</u> | <u>\$ 2,362,048</u>     | <u>\$ 96,366</u>                  |        |
| Less: Allowance for Uncollectible Accounts:<br>General Fund<br>24,000 |                                   |                     |                         |                                   |        |
| Ad valorem taxes receivable - net<br>\$ 72,366                        |                                   |                     |                         |                                   |        |
| Reconciliation with revenues:   |                                   |                     |                         |                                   |        |
| Ad valorem taxes - General Fund<br>\$ 2,399,981                       |                                   |                     |                         |                                   |        |
| Reconciling items:  |                                   |                     |                         |                                   |        |
| Interest & Penalties Collected<br>(13,683)                            |                                   |                     |                         |                                   |        |
| Tax releases, written off & adjustments<br>(24,250)                   |                                   |                     |                         |                                   |        |
| Subtotal<br>(37,933)  |                                   |                     |                         |                                   |        |
| Total collections and credits<br>\$ 2,362,048                         |                                   |                     |                         |                                   |        |

City of Whiteville, North Carolina  
 Analysis of Current Tax Levy  
 City - Wide Levy  
 For the Fiscal Year Ended June 30, 2016

| Property excluding Registered Motor Vehicles   |        | Registered Motor Vehicles          |      | Total Levy                     |      |
|--|--------|------------------------------------|------|--------------------------------|------|
| Valuation                                      | Rate   | Valuation                          | Rate | Valuation                      | Rate |
| \$ 459,874,732                                 | 0.5125 | \$ 2,356,858                       |      | \$ 2,356,858                   |      |
| Net Levy Property taxed at current year's rate |        | Total Property Valuation           |      | Net Levy                       |      |
|  |        | 2,356,858                          |      | 2,356,858                      |      |
|  |        | 2,149,927                          |      | 2,149,927                      |      |
|  |        | 206,931                            |      | 206,931                        |      |
|  |        | Uncollected taxes at June 30, 2016 |      | Current year's taxes collected |      |
|  |        | 37,112                             |      | 37,112                         |      |
|  |        | 2,319,545                          |      | \$ 2,112,815                   |      |
|  |        | 98.42%                             |      | 98.27%                         |      |
|  |        |                                    |      | 201                            |      |
|  |        |                                    |      | \$ 206,730                     |      |
|  |        |                                    |      | 99.90%                         |      |





## Compliance Section

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses [16-01, 16-02].

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

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

**Internal Control Over Financial Reporting**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Whiteville, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprises the City of Whiteville's basic financial statements, and have issued our report thereon dated December 13, 2016. Our report includes a reference to other auditors who audited the financial statements of the Whiteville ABC Board, as described in our report on the City of Whiteville's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Whiteville ABC Board were not audited in accordance with Government Auditing Standards.

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

**Independent Auditors' Report**

**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**

REGULATORS PUBLIC TAX ADVISORS



Alan W. Thompson, CPA  
R. Bryon Scott, CPA  
Gregory S. Adams, CPA

Thompson, Price, Scott, Adams & Co, P.A.  
P.O. Box 398  
1626 S. Madison Street  
Whiteville, NC 28472  
Telephone (910) 642-2109  
Fax (910) 642-5958

A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We considered the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies [16-03].

Compliance and Other Matters

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

City of Whiteville's Response to Findings

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

Purpose of this Report

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

Thompson, Brier, Scott, Adams & Co., P.A.  
Whiteville, NC  
December 13, 2016



**Thompson, Price, Adams & Co., P.A.**  
P.O. Box 398  
1626 S. Madison Street  
Whiteville, NC 28472  
Telephone (910) 642-2109  
Fax (910) 642-5958

Alan W. Thompson, CPA  
R. Bryon Scott, CPA  
Gregory S. Adams, CPA

**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**

**Independent Auditors' Report**

To the Board of Directors  
City of Whiteville  
Whiteville, North Carolina

**Report on Compliance for Each Major State Program**

We have audited the City of Whiteville's compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Whiteville's major state programs for the year ended June 30, 2016. The City of Whiteville's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**Auditors' Responsibility**

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

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

**Opinion on Each Major State Program**

In our opinion, City of Whiteville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

**Report on Internal Control Over Compliance**

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

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

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

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

*Thompson, Brier, Scott, Adams & Co., P.A.*

Whiteville, NC

December 13, 2016

**Section I. Summary of Auditors' Results**

Financial Statements

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

Internal control over financial reporting:

Material Weakness (es) identified?  Yes  No

Significant Deficiency(s)

Yes  None Reported

Noncompliance material to financial statements noted

Yes  No

State Awards

Internal control over major State programs:

Material weaknesses identified?  Yes  No

Significant Deficiency(s) identified

Yes  None Reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?

Yes  No

Identification of major State programs:

Program Name  
 Powell Bill

**Section II. Financial Statement Findings**

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

**MATERIAL WEAKNESSES**

\*FINDING: 16-1

Internal Controls

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

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

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

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

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

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

\*FINDING: 16-2

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

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

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

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

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

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

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

**Section II. Financial Statement Findings (continued)**

**SIGNIFICANT DEFICIENCY**

**FINDING: 16-3**

**Prior Period Adjustment**

**Criteria:** SAS 114 requires communication of certain matters related to internal control over financial reporting.

**Condition:** The Board recorded prior period adjustments in both the General Fund and Water and Sewer Funds to correct beginning balances for receivables and payable accounts. There were several items recorded on the City's balance sheet that had not changed for several years and would not be collected or paid, so these items were adjusted. In addition, the total debt owed on the DENR loans were adjusted to match the amount confirmed by the State. The General Fund adjustment was an increase of \$14,216, and the Water and Sewer Fund adjustment was a decrease of \$41,767.

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

**Cause:** There were several items on the balance sheet that had not changed for several years. Adjustments were recorded to remove any uncollectible balances or balances that were not owed by the City.

**Recommendation:** The Board should implement internal control procedures that will maintain fixed asset listing to ensure that they are complete and accurate.

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



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**Section II. Financial Statement Findings**

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**MATERIAL WEAKNESS**

16-1 Name of contact person: Colburn Brown, Finance Director  
Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.

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

16-2 Name of contact person: Colburn Brown, Finance Director

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

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

**SIGNIFICANT DEFICIENCY**

16-3 Name of contact person: Colburn Brown, Finance Director

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

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

CITY OF WHITEVILLE, NORTH CAROLINA  
Summary of Prior Year Audit Findings  
For the Fiscal Year Ended June 30, 2016  
Section II. Financial Statement Findings

Finding Status: 15-1, 15-2 - Financial Statement Findings - repeated in current year.  
Finding Status: 15-3 - Corrected.

**City of Whiteville, North Carolina  
Schedule of Expenditures of Federal and State Awards  
For The Fiscal Year Ended June 30, 2016**

| Grantor/Program Title                                | Federal | State/<br>Pass-through | Fed (Direct &<br>Pass-through<br>Grantor's<br>Number | Expenditures | State<br>Expenditures | Local<br>Expenditures |
|--|---------|------------------------|--|--------------|-----------------------|-----------------------|
| Federal Awards:                                      |         |                        |  |              |                       |                       |
| N.C. Dept. of Transportation                         |         |                        |  |              |                       |                       |
| Powell Bill  | \$ -    | \$ -                   |  | \$ 605,657   |                       |                       |
| N.C. Dept. of Environment and Natural Resources      |         |                        |  |              |                       |                       |
| North Carolina Parks and Recreation Trust Fund Grant | \$ -    | \$ -                   |  | \$ 343,602   |                       |                       |
| Total Assistance - State Programs                    | \$ -    | \$ -                   |  | \$ 949,259   |                       |                       |
| State Awards:  |         |                        |  |              |                       |                       |
| Total Assistance                                     | \$ -    | \$ -                   |  | \$ 949,259   |                       |                       |

Notes to the Schedule of Expenditures of State Financial Awards

**1. Basis of Presentation**

The accompanying schedule of expenditures of State awards includes the State grant activity of the City of Whiteville under the programs of the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Whiteville, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Dogwood.

**2. Summary of Significant Accounting Policies**

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

The City of Whiteville has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.