

Town of
WINTERVILLE
North Carolina



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**Comprehensive Annual
Financial Report**

For the Fiscal Year Ending June 30, 2014



Comprehensive Annual Financial Report
of the
Town of Winterville, North Carolina
For the Fiscal Year Ended June 30, 2014

Anthony Bowers
Finance Director



Town of Winterville, North Carolina
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June 30, 2014

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INTRODUCTORY SECTION





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Winterville
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO



Town of Winterville, North Carolina

List of Principal Officials

Town Council

Mayor

Douglas A. Jackson

Council Members

Mark Smith – Mayor Pro-Tem

Ronald Cooper

Johnny L. Moyer

Veronica W. Roberson

Tony P. Moore

Town Manager

Terri L. Parker

Finance Director

Anthony Bowers

Town Clerk

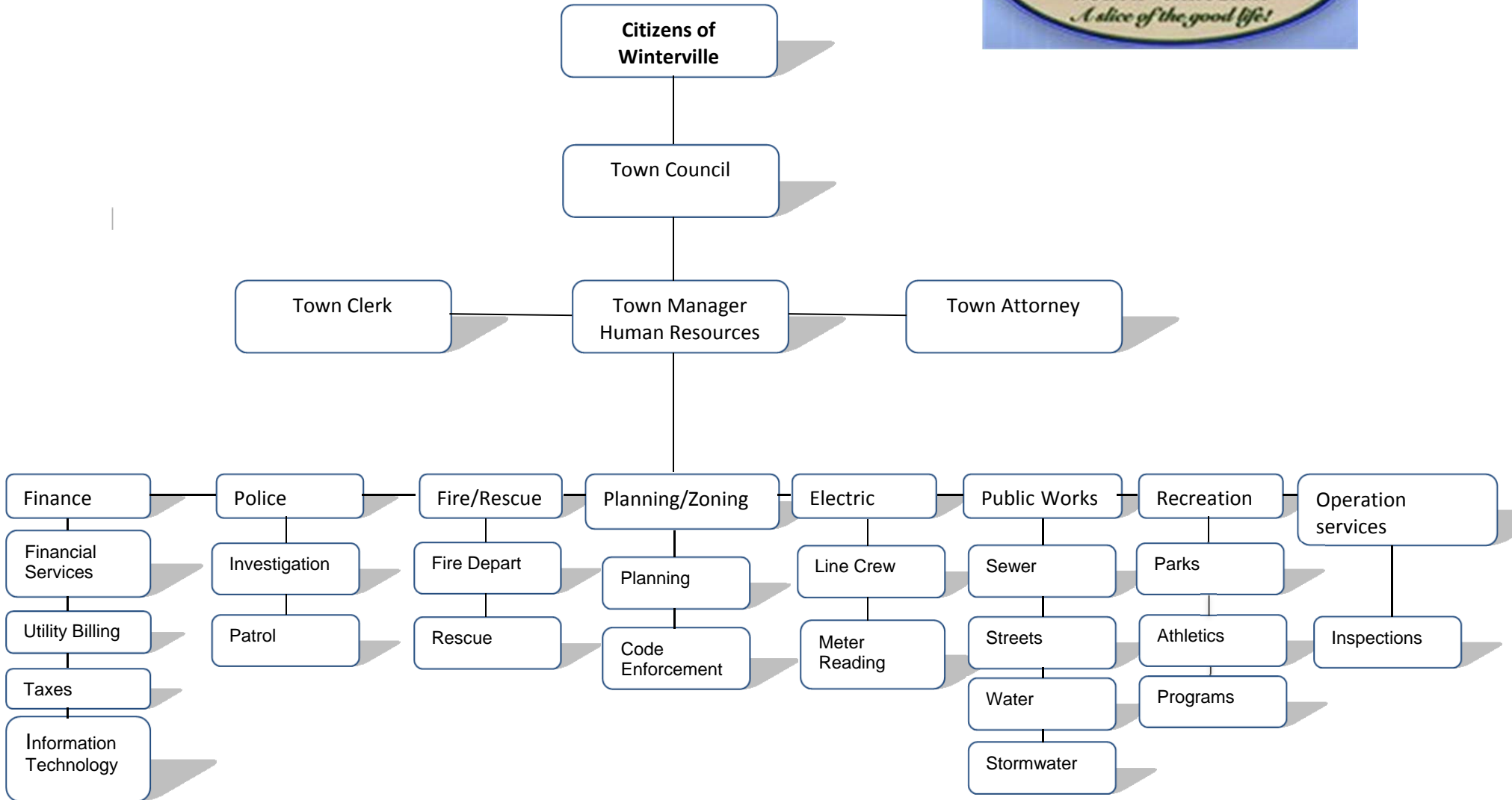
Jasman Smith

Town Attorney

E. Keen Lassiter



**Town of Winterville,
North Carolina
Organizational Chart**







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PO Box 1459
Winterville, NC 28590

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December 30, 2014

To the Honorable Mayor, the Town Council,
and the Citizens of the Town of Winterville:

It is my pleasure to submit to you the Town of Winterville's fifth Comprehensive Annual Financial Report. This report is for the fiscal year ending June 30th, 2014. The Comprehensive Annual Financial Report (C.A.F.R.) is a document that includes the annual financial statements; as well as, a considerable amount of additional information. This includes historical data, the Management Discussion and Analysis, and commentary about the Town. Specifically the C.A.F.R. includes an introduction, a financial section, a statistical section and the compliance section.

This C.A.F.R. will benefit the citizens of Winterville by providing information that is easy to read and will provide additional information in comparison to the standard audit report. This C.A.F.R. provides historical trends and presents it in an easier to read format. Finally, the C.A.F.R. will give citizens insight into future goals and objectives, fiscal responsibilities, and capital planning.

The Town of Winterville has engaged the audit firm of Carr, Riggs, & Ingram, LLC to audit the Town's financial statements. Carr, Riggs, and Ingram, LLC has issued an unqualified opinion of the Town of Winterville's financial statements for the year ended June 30th, 2014.

Management of the Town is responsible for establishing and maintaining a system of internal controls. The controls are designed to provide reasonable assurance that: (1) assets are safeguarded against loss, theft or unauthorized use; and, (2) the financial records are reliable, and allow for the preparation of the financial statements in conformity with generally accepted accounting principles, and demonstrate compliance with applicable legal requirements. Reasonable assurance recognizes that the cost of a control should not exceed its benefit and evaluation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the Town must ensure that an adequate internal control system is in place to comply with the various laws and regulations of those financial assistance programs. As part of the Town's *Government Auditing Standards* audit, the internal control system is tested and evaluated to determine compliance with the applicable legal requirements. The Town did not receive enough grant funding to qualify for a single audit this fiscal year.

The Management Discussion and Analysis (MD&A) immediately follows the independent auditor's report, and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A compliments this letter of transmittal and should be read in conjunction with it. The information contained in this C.A.F.R is the responsibility of the Town's management.

Profile of the Town of Winterville

The Town of Winterville was established in 1897. Located in Pitt County, Winterville is the second largest municipality in the county. The Town is geographically located in the center of the Coastal Plains of Eastern North Carolina. The Town's northern boundary is shared with the southern boundary of the City of Greenville. Winterville is conveniently located one hour east of Raleigh, and one hour west of the coast. The Town consists of 4.5 square miles, and has a population of 9,530 as of June 30th, 2014.

The Town operates in the Council-Manager form of Government. The council consists of six members, all of which are elected at-large. The Town Council holds policy making and legislative authority. They are responsible for passing ordinances, adopting the annual budget, appointing board members and hiring the Town Manager. The Town Manager is appointed by the Council, and serves as the Chief Executive Officer. The Manager is responsible for administering the policies and ordinances of the Council.

The Town is a full service community offering our citizens police and fire protection, sanitation, recreation, planning and zoning, cemetery, public works, electric, water, sewer, and stormwater services. The financial report includes all of these various functions and activities that are related to the operations of the Town.

The Town continues to maintain a system of budgetary controls as required by state statutes that promotes sound financial management and fiscal accountability. The Town Manager annually submits to the Town Council a proposed budget for the upcoming fiscal year. The Town's Department Heads submit recommendations to the Town Manager for consideration. The manager then considers the budgetary constraints and develops the budget that is presented to the Town Council. A public hearing is then held in order to give citizens an opportunity to review the document and communicate questions, concerns, or support of the recommendation. The budget is then adopted and takes effect beginning July 1st of each year.

Local Economy

The local economy is based mostly on retail facilities that are located in close proximity to NC Highway 11. According to official NCDOT traffic counts NC 11 carries 40,000 vehicles through our town every day. Major retailers such as Sam's Club, Advance Auto, Walgreens, Chick-Fil-A, and others, have become a part of the community. We have large amounts of available property in the same area, and we are positioned to have continued growth. We currently have 382 acres available adjacent to the Highway 11 corridor that are zoned for commercial development.

The close proximity to the City of Greenville and having Pitt Community College in the Town limits, brings thousands of people to Winterville to participate in commerce. Pitt Community College has over 11,000 curriculum students and 13,000 continuing education students, and 450 staff and faculty members.

Industries such as Robert's Welding and Winterville Machine Works have been an asset to the Winterville community for decades. Large service companies such as Online Collections and Regional Finance processing facilities are also located in Winterville and provide many jobs.

One of the many popular events that take place annually is the Winterville Watermelon Festival. This festival brings in over 25,000 people to participate in concerts, parades, and rides. The Watermelon Festival has been an important part of the Town for 28 years and is the largest festival in the region. The Town works in conjunction with the nonprofit Winterville Watermelon Festival Committee to produce a spectacular event.

Pitt County has seen stable growth in the past 5 years due to several economic drivers. Examples include, East Carolina University, University Health Care Systems, DSM Pharmaceuticals/Patheon, Mayne Pharma USA, Attends Health Care Products, NACCO Material Handling and many others. The unemployment rate for Pitt County is 6.9 percent. The population for Pitt County is 174,263 according to their web site.

Long Term Financial Planning

In April 2008, the Town Council adopted the Town's first Capital Improvements Program. This program identified long term needs for improvements and infrastructure. The total values of these improvements were estimated to be \$81,479,500. Of that, \$65,391,904 is associated with the Town's Electric, Water, Sewer, and Stormwater operations. The General Fund accounted for \$12,404,000 worth of improvements. To date, the Town has completed several of the projects that were on the Capital Improvements Program. Recent projects include \$2,626,200 for the construction of a new operation center, and an addition to the Town Hall, the Winterville Recreation Park in the amount of \$2,215,273, and the addition of a new Heavy Rescue Truck in the amount of \$500,433. All of these items were financed with installment purchase agreements.

With respect to the Enterprise Funds, the Town has completed projects for the construction of two new substations and the construction of a new 34Kv transmission line. This project has completed a loop that will provide the Town with multiple delivery points for electricity. This addition is constructed in a manner that will give the Town flexibility and room for future growth.

The largest portion of our long-range plan addresses the development of infrastructure for Sewer treatment. The Town currently has a relationship with the Contentnea Metropolitan Sewage District, (CMSD). This district consists of three municipalities, the Town of Winterville, the Town of Ayden, and the Town of Grifton. Plant development and construction for CMSD were estimated at \$16,926,000 according to their 2003 Capital Improvements Program. CMSD has been able to acquire funding from USDA, North Carolina Rural Center, and the North Carolina Clean Water Management Trust Fund.

Major Initiatives

The Town has been working on several major initiatives that hope to bring continued growth and quality of life for our citizens. They include Economic Development, becoming a Certified Retirement Community, addressing infrastructure needs for our enterprise funds, and recreational opportunities.

The Town has positioned itself to focus on economic development in several different ways. We have recently hired our first Economic Development Planner and have been declared as a Certified Retirement Community by the North Carolina Department of Commerce. The Town has also been working with developers, supporting the local Chamber of Commerce, and developing land use plans that foster growth. The Town has also focused on working with the NC Department of Transportation to ensure proper infrastructure is in place.

Cost associated with the development and improvements at CMSD are partly the responsibility of the Town of Winterville. As the CMSD facilities improve, the Town will be responsible for their portion of the increased debt service. The improvements will allow the Town to continue to grow without limitations that could arise if proper infrastructure is not in place.

“Walkable Winterville” is a pedestrian program that is a joint effort between the Town of Winterville, the North Carolina Department of Transportation, and the Division of Bicycle and Pedestrian Transportation. The program will allow the Town to preserve its small town character while promoting economic development, and providing residents with a better quality of life, as well as a safer community.

Relevant Financial Policies

The Town utilizes the pooled cash and investment concept in investing temporarily idle cash. The criteria for selecting investments are safety, liquidity and yield. The investment guidelines that the Town uses are based on state statute; as a result, investments are in Certificates of Deposits, NOW accounts, and the North Carolina Capital Management Trust, a SEC registered mutual fund. All deposits are either insured by Federal Depository Insurance or collateralized by pledged securities. The Town has adopted Cash Management, Debt Service, and Fund Balance policies.

Risk Management

The Town of Winterville emphasizes risk control and work place safety. The Town is implementing a loss control program that provides staff with training in safety procedures and protocol. Employees are covered by workers compensation as required by state statute.

All full-time employees are provided with health care coverage for hospitalization and major medical expenses with specified limits. The policies are purchased from commercial carriers. The Town is not self-insured.

In accordance with G.S. 159-29, the Finance Officer and Tax Collector are bonded.

Pension Plans

The permanent full-time employees of the Town participate in the statewide North Carolina Local Government Employees' Retirement System (NCLGERS), a cost-sharing multi-employer public employee defined benefit plan administered by the State of North Carolina. The NCLGERS plan is funded by contributions from the Town that equal to 7.07% of earnings for employees not engaged in law enforcement and 7.28% for law enforcement officers for the fiscal year ending June 30th, 2014. All employees contribute 6.0% of their earnings to the state retirement system.

The Town is required by state statute to contribute an amount equal to 5% of participant earnings to a supplemental retirement plan (401k) for law enforcement officers. No contribution is required of the participants in this plan, but voluntary contributions are permitted up to the legally allowed maximum under tax deferral law. The Town has no fiduciary responsibility for this plan. The Town provides this pension plan to all full-time employees.

The State of North Carolina contributes on behalf of the Town an amount to the Firefighter's and Rescue Squad Workers' Pension Fund. The Town has no liability for the funding of this pension fund.

Acknowledgement

Preparation of this report could not have been accomplished without the efficient and dedicated efforts of the Finance Department staff, the various employees who assisted in obtaining information, and our independent Certified Public Accountants Carr Riggs & Ingram, LLC. We would also like to thank the Mayor and Town Council for their interest and support in planning and conducting the financial operations of the Town in a responsible and professional manner.

Respectfully submitted,



Anthony Bowers
Finance Director



FINANCIAL SECTION





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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
of the Town Council
Town of Winterville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Winterville, North Carolina as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

To the Honorable Mayor and Members
of the Town Council
Town of Winterville, North Carolina
Page 2

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Winterville, North Carolina as of June 30, 2014, and the respective changes in financial position and where applicable cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Law Enforcement Officers' Special Separation Allowance's Schedule of Funding Progress and Schedule of Employer Contributions, and Other Post-employment Benefits – Retiree Health Care Schedule of Funding Progress and Schedule of Employer Contributions on pages 17 through 30 and 76 through 80, respectively, 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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Winterville, North Carolina's basic financial statements. The introductory section, individual fund statements, budgetary schedules, and other financial information and statistical tables, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Honorable Mayor and Members
of the Town Council
Town of Winterville, North Carolina
Page 3

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014 on our consideration of Town of Winterville, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that 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 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 Town of Winterville, North Carolina's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Williamston, North Carolina
December 30, 2014



MANAGEMENT'S DISCUSSION AND ANALYSIS



Town of Winterville, North Carolina Management Discussion and Analysis

As management of the Town of Winterville, we offer readers of the Town of Winterville's financial statements this narrative overview and analysis of the financial activities of the Town of Winterville for the fiscal year ended June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets of the Town of Winterville exceeded its liabilities at the close of the fiscal year by \$36,602,825.
- The government's total net position increased by \$549,313, primarily due to increases in the governmental activities.
- At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$6,266,010 an increase of \$938,547 in fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,236,207, or 64% percent of total General Fund expenditures for the fiscal year.
- Capital asset purchases for the Town totaled \$1,213,533.
- The Town had an additional \$540,800 in long-term debt for the fiscal year.
- Long-term debt was reduced in the net amount of \$484,670 in the Governmental Activities.
- Business-type activities saw a net debt reduction in the amount of \$294,912.

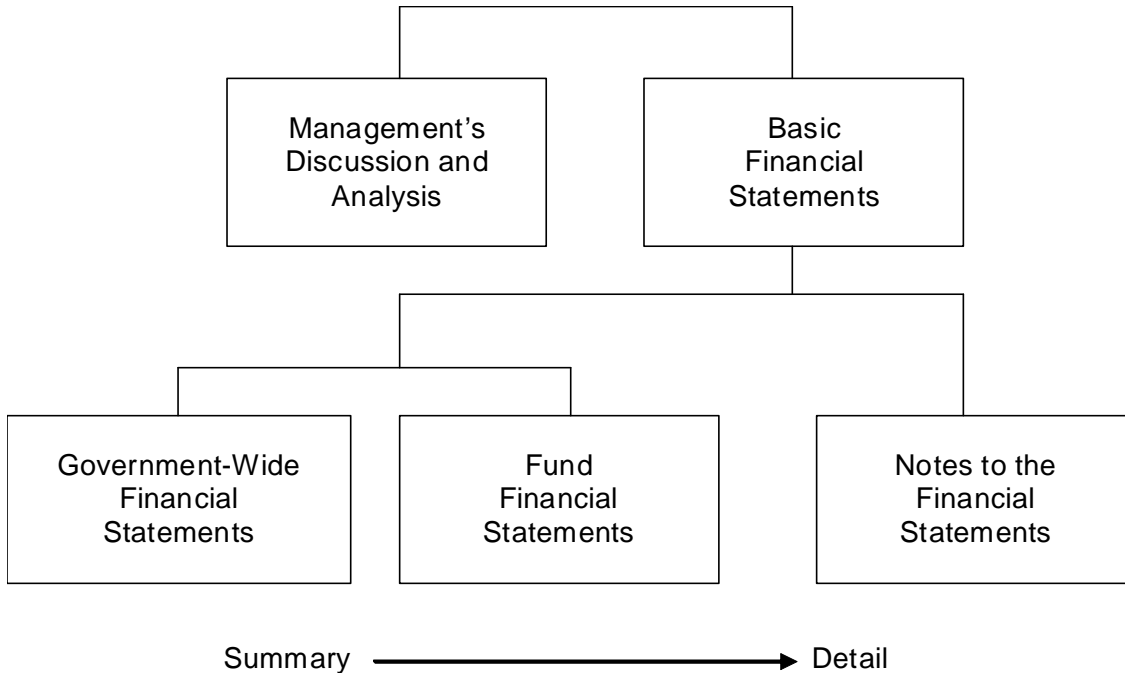
Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Winterville's basic financial statements. The Town'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 Town of Winterville 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 Town of Winterville.

Town of Winterville, North Carolina Management Discussion and Analysis

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the fund financial statements: (1) the governmental funds statements; (2) the budgetary comparison statements; and (3) the proprietary fund statements.

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

Town of Winterville, North Carolina Management Discussion and Analysis

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: (1) governmental activities and (2) business-type activities. The governmental activities include most of the Town'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 activities that the Town charges customers to provide. These include the water, sewer, electric and stormwater services offered by the Town of Winterville.

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town'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 Town of Winterville, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds 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 Town'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 them determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental 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 Town of Winterville 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

Town of Winterville, North Carolina Management Discussion and Analysis

Town, the management of the Town, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town 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 Council; (2) the final budget as amended by the Council; (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 - The Town of Winterville only has one kind of proprietary fund – enterprise funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Winterville uses enterprise funds to account for its water, sewer, electric, and stormwater operations. These funds are the same as those 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 begin on page 44 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Winterville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 76 of this report.

Interdependence with Other Entities - The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

Town of Winterville, North Carolina Management Discussion and Analysis

Government-Wide Financial Analysis

The Town of Winterville's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 6,851,152	\$ 6,164,568	\$ 7,242,120	\$ 7,049,330	\$ 14,093,272	\$ 13,213,898
Capital assets	<u>23,915,492</u>	<u>24,212,366</u>	<u>9,165,162</u>	<u>9,544,611</u>	<u>33,080,654</u>	<u>33,756,977</u>
Total assets	<u>30,766,644</u>	<u>30,376,934</u>	<u>16,407,282</u>	<u>16,593,941</u>	<u>47,173,926</u>	<u>46,970,875</u>
Long-term liabilities outstanding	5,133,697	4,940,511	3,799,734	4,011,646	8,933,431	8,952,157
Other liabilities	1,067,810	1,339,147	569,860	602,251	1,637,670	1,941,398
Deferred inflows of resources	-	23,808	-	-	-	23,808
Total liabilities	<u>6,201,507</u>	<u>6,303,466</u>	<u>4,369,594</u>	<u>4,613,897</u>	<u>10,571,101</u>	<u>10,917,363</u>
Net Positon:						
Net investment in						
capital assets	18,961,526	19,314,530	5,253,486	5,338,023	24,215,012	24,652,553
Restricted	2,029,730	2,063,859	-	-	2,029,730	2,063,859
Unrestricted	<u>3,573,881</u>	<u>2,695,079</u>	<u>6,784,202</u>	<u>6,642,021</u>	<u>10,358,083</u>	<u>9,337,100</u>
Total net position	<u>\$ 24,565,137</u>	<u>\$ 24,073,468</u>	<u>\$ 12,037,688</u>	<u>\$ 11,980,044</u>	<u>\$ 36,602,825</u>	<u>\$ 36,053,512</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Winterville exceeded liabilities and deferred inflows of resources by \$36,602,825 as of June 30, 2014. The Town's net position increased by \$549,313 for the fiscal year ended June 30, 2014. However, the largest portion of net assets (67%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in its capital assets are 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 Town of Winterville's net position, which totals \$2,029,730, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,358,083 is unrestricted.

Town of Winterville, North Carolina Management Discussion and Analysis

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

- The Town's continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.37% on real property and 97.89% on motor vehicle tax, respectively. The combined real and motor vehicle tax collection rate is 98.30%, which is a slight increase from the previous year's collection percentage of 97.21%.
- Current year property tax collections and credits increased to \$3,533,265 which is up from \$3,290,981 in 2013.
- The Town of Winterville had a tax base of \$756,681,473 as of June 30, 2014.

Town of Winterville, North Carolina Management Discussion and Analysis

The Town of Winterville's Changes in Net Position

Figure 3

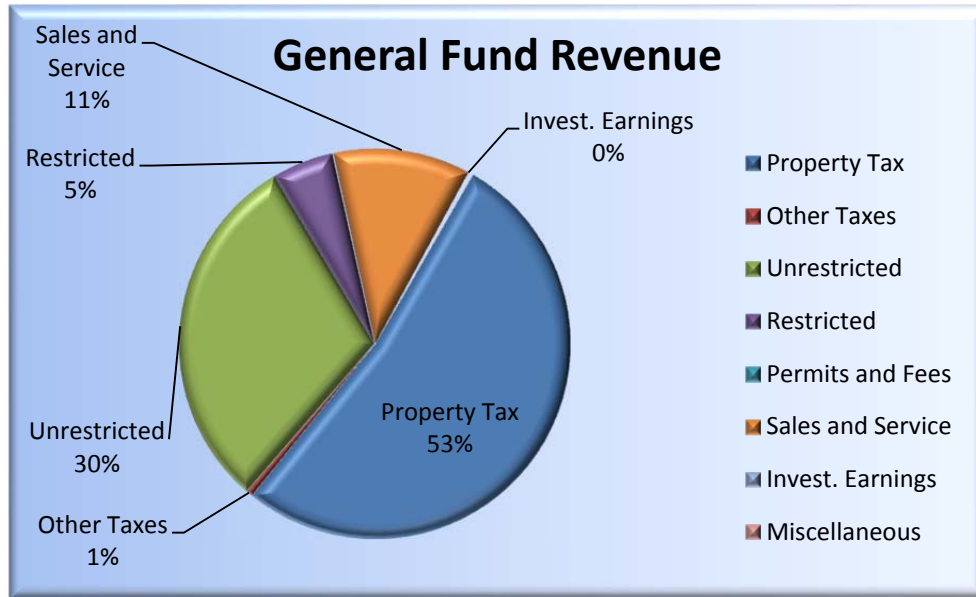
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for services	\$ 809,482	\$ 737,392	\$ 8,949,589	\$ 8,827,626	\$ 9,759,071	\$ 9,565,018
Operating grants and contributions	344,062	331,047	37,878	1,089	381,940	332,136
Capital grants and contribution	-	-	-	-	-	-
General Revenues:						
Property taxes	3,618,847	3,402,034	-	-	3,618,847	3,402,034
Other taxes and licenses	35,859	32,517	-	-	35,859	32,517
Unrestricted intergovernmental	1,927,399	1,941,183	-	-	1,927,399	1,941,183
Investment earnings	6,869	8,580	11,891	11,412	18,760	19,992
Other	268,351	196,763	-	-	268,351	196,763
Total revenues	<u>7,010,869</u>	<u>6,649,516</u>	<u>8,999,358</u>	<u>8,840,127</u>	<u>16,010,227</u>	<u>15,489,643</u>
Expenses:						
General government	2,143,361	2,158,348	-	-	2,143,361	2,158,348
Public safety	2,020,494	1,942,715	-	-	2,020,494	1,942,715
Transportation	1,332,381	1,395,028	-	-	1,332,381	1,395,028
Environmental protection	423,582	420,736	-	-	423,582	420,736
Cultural and recreation	774,390	705,296	-	-	774,390	705,296
Interest expense	206,866	219,296	-	-	206,866	219,296
Reimbursements	(151,682)	(202,708)	-	-	(151,682)	(202,708)
Electric	-	-	5,982,471	5,506,810	5,982,471	5,506,810
Water	-	-	804,903	677,370	804,903	677,370
Sewer	-	-	1,780,834	1,714,303	1,780,834	1,714,303
Stormwater	-	-	143,314	84,597	143,314	84,597
Total expenses	<u>6,749,392</u>	<u>6,638,711</u>	<u>8,711,522</u>	<u>7,983,080</u>	<u>15,460,914</u>	<u>14,621,791</u>
Increase (decrease) in net position before transfers	261,477	10,805	287,836	857,047	549,313	867,852
Transfers	<u>230,192</u>	<u>135,000</u>	<u>(230,192)</u>	<u>(135,000)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	491,669	145,805	57,644	722,047	549,313	867,852
Net position, July 1	<u>24,073,468</u>	<u>23,927,663</u>	<u>11,980,044</u>	<u>11,257,997</u>	<u>36,053,512</u>	<u>35,185,660</u>
Net position, June 30	<u>\$ 24,565,137</u>	<u>\$ 24,073,468</u>	<u>\$ 12,037,688</u>	<u>\$ 11,980,044</u>	<u>\$ 36,602,825</u>	<u>\$ 36,053,512</u>

Governmental Activities: Governmental activities increased the Town's net position by \$491,669 thereby accounting for 89.5% of the total growth in the net assets of the Town of Winterville. The key

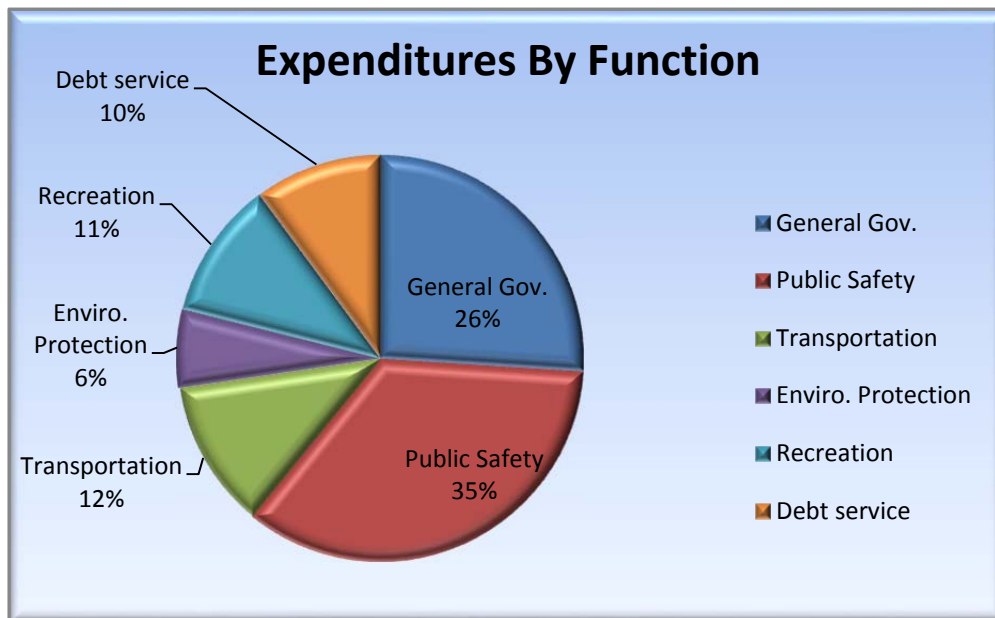
Town of Winterville, North Carolina Management Discussion and Analysis

elements of this increase are contributed to reimbursements from the enterprise funds and a reduction in spending.

General Fund Revenue by Source:

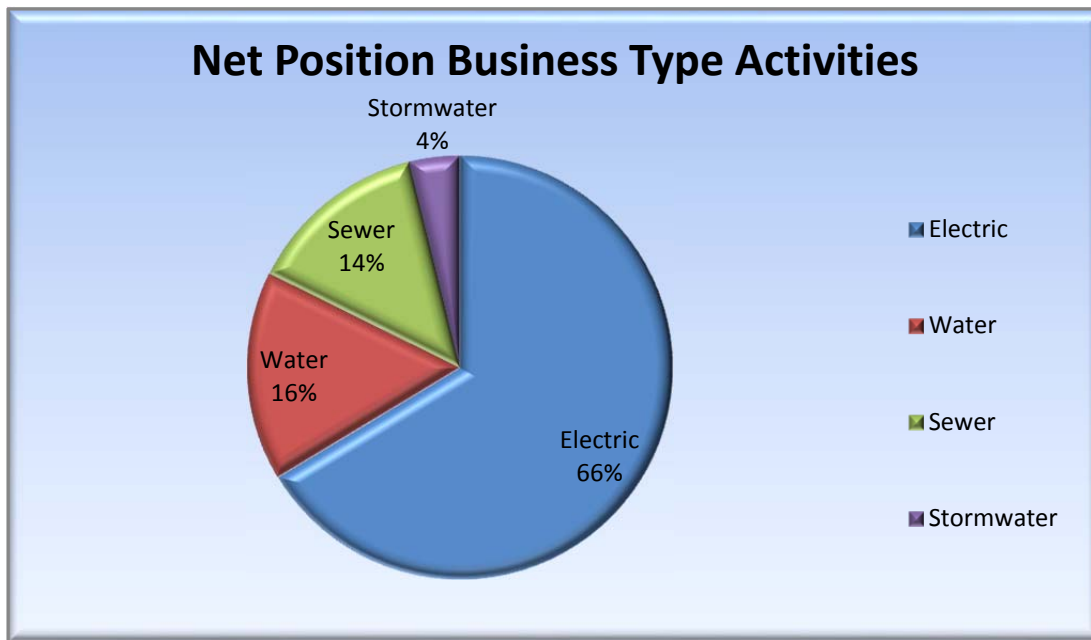


General Fund Expenditures By Function:



Town of Winterville, North Carolina Management Discussion and Analysis

Business-Type Activities: Business-type activities increased the Town's net assets by \$57,644 accounting for 10.5% of the total growth in the government's net assets. Key elements of this increase are due to sales for service and a reduction in spending.



Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the governmental funds is on providing information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Winterville's financing requirements.

The General Fund is the chief operating fund of the Town of Winterville. At the end of the current fiscal year, Town of Winterville's unassigned fund balance available in the General Fund was \$4,236,207, while total fund balance reached \$6,266,010. The Governing Body of the Town of Winterville has determined that the Town should maintain a minimum available fund balance of 25% of general fund expenditures. This policy will allow for the Town to position itself for unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 64% of general fund expenditures, while total fund balance represents 95% of the same amount. This change in Fund Balance is due to the fact that revenues were higher than anticipated, and spending was reduced and limited to cover operational needs. Throughout the organization capital purchases were limited.

Town of Winterville, North Carolina Management Discussion and Analysis

General Fund Budgetary Highlights: During the fiscal year, the Town of Winterville revised the budget. 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.

Budgeted expenditure appropriations rose during the year by \$537,734 to \$7,627,320. The largest budget amendment was for \$351,374. The increase was the result of a contract for a large paving project. The funds were allocated from fund balance for the project. Budgeted revenues in the General Fund increased by \$109,000 during the fiscal year. Other changes to the budget were limited to using Fund Balance to cover prior year commitments. The Town of Winterville had budgeted expenditures in excess of revenues before other financing sources (uses) in the amount of (\$1,209,664), an increase of \$856,734 from the 2013 fiscal year. Total operating refunds from the proprietary funds totaled \$1,298,205.

The General Fund had three items of significant variance related to budget to actual. The three significant items were Ad valorem Taxes, General Government, and Transportation. Regarding Ad Valorem Taxes, the Town determines the budget on calculations from the tax assessor's office. These estimates are typically very conservative and create a situation where actual revenue is typically higher than the budgeted estimate. General Government did not spend all of the allocation budgeted by \$343,810. This was caused by several factors which including vacant positions, and the postponement of projects. Transportation funds remaining at year end were \$407,889. This was the result of funds that were not fully spent as a result of projects being postponed.

Proprietary Funds Budgetary Highlights: The Town of Winterville's proprietary funds also had revisions to the original budget during the fiscal year.

The Electric Fund exceeded estimates in sales in the amount of \$178,883. This was the result of conservative budgeting for the 2014 fiscal year. Budgeted appropriations, in the Electric Fund increased by \$198,809 in 2014. Revenues exceeded expenditures by \$483,890. Net income of the Electric Fund for 2014 was \$572,109 down from \$722,601 in 2013. This is a net decrease of \$150,492.

Revenues in the Water Fund fell short of expenditures by \$58,480. The Town's changes in net position decreased from \$42,318 in 2013 to negative \$25,129 in 2014.

Sewer Fund sales increased \$18,525 from last year to generate sales totaling \$1,682,865. The Fund had a negative change in net position for the fourth straight year in the amount of (\$93,946) in 2014.

Stormwater Fund had revenues in the amount of \$169,378, and expenditures in the amount of \$143,314. The Stormwater Fee was reinstated after being suspended for several years. The Town

Town of Winterville, North Carolina Management Discussion and Analysis

saw revenues for a full 12 months of the year. Last year the Town only recognized 6 months of revenues and it was implemented mid-year.

Capital Asset and Debt Administration

Capital Assets. The Town of Winterville's investment in capital assets for its governmental and business-type activities as of June 30, 2014 totaled \$33,080,654 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

The Town had major capital purchases which included the purchase of a fire truck costing \$395,862, and a new loader that cost \$138,982. The Town also received a donated piece of land valued at \$220,000 during the 2014 fiscal year.

The Town of Winterville's Capital Assets (net of accumulated depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land and construction						
in progress	\$ 3,782,635	\$ 3,650,731	\$ 260,360	\$ 213,204	\$ 4,042,995	\$ 3,863,935
Distribution and						
treatment systems	-	-	8,719,997	9,104,620	8,719,997	9,104,620
Buildings	4,315,981	4,538,829	117,052	140,702	4,433,033	4,679,531
Infrastructure	13,940,196	14,588,878	-	-	13,940,196	14,588,878
Software	127,401	180,837	-	-	127,401	180,837
Equipment and vehicles	1,749,279	1,253,091	67,753	86,085	1,817,032	1,339,176
Total	\$ 23,915,492	\$ 24,212,366	\$ 9,165,162	\$ 9,544,611	\$ 33,080,654	\$ 33,756,977

Additional information on the capital assets can be found in Note 3 D of the basic financial statements.

Long-Term Debt. As of June 30, 2014, the Town of Winterville had bonded or secured debt outstanding of \$8,865,642. Of this, \$916,500 is debt backed by the full faith, credit and taxing power of the Town of Winterville. The remainder of the debt represents installment purchase agreements secured by the equipment and vehicles purchased.

Town of Winterville, North Carolina Management Discussion and Analysis

The Town of Winterville's Outstanding Debt General Obligation Bonds and Installment Purchases

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ -	\$ -	\$ 916,500	\$ 936,500	\$ 916,500	\$ 936,500
Installment purchases	<u>4,953,966</u>	<u>4,897,836</u>	<u>2,995,176</u>	<u>3,270,088</u>	<u>7,949,142</u>	<u>8,167,924</u>
Total	<u>\$ 4,953,966</u>	<u>\$ 4,897,836</u>	<u>\$ 3,911,676</u>	<u>\$ 4,206,588</u>	<u>\$ 8,865,642</u>	<u>\$ 9,104,424</u>

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Winterville is \$51,668,876.

Additional information regarding the Town of Winterville's long-term debt can be found in Note 6 of the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect a continued reduction in the rate of growth and prosperity for the Town of Winterville:

- The tax levy for the Town of Winterville increased 1.4% in 2013 to 2014 which is a result of the small amount of growth in the prior year.
- The population growth increase was 6% in 2013-2014.
- The total number of utility customers has remained constant reflecting the lack of current growth.

The utilities are anticipating a combined increase in revenues from current revenues in the amount of \$919,942 as a result of estimated growth, and rate increases for our Water and Sewer funds.

- Next year's budget will have to address the following issues:
 - The General Fund will have capital purchases of a three patrol cars and a truck for Public Works. These pieces of equipment will be financed.
 - The General Fund will be subsidized with \$188,552 from the Electric Fund, and reimbursements from the enterprise funds in the amount of 1,302,985.
 - The Water Fund will have to increase the purchases for resale by \$147,000 a 70% increase.
 - The Town will add an Assistant Town Manager and a Part-time employee to the Finance Department.
 - Town staff will see salary increases or cost of living raises in the amount of 2%.
 - There is no new significant funding for Capital Projects.

Town of Winterville, North Carolina Management Discussion and Analysis

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities – The annual budget for the General Fund is \$7,775,188 for the 2014-2015 fiscal year. The taxable property value of \$647,264,028 an increase from \$635,616,169. The tax rate will remain the same at 47.5 cents per 100 dollars of valuation. Major appropriations include contributions to the Recreation Fund in the amount of \$565,703. We also appropriated for \$102,000 for new police cars.

Business-Type Activities - The total Electric Fund budget for the 2014-2015 fiscal year is \$6,543,865. The purchase of power from Progress Energy is budgeted in the amount of \$3,840,000. Also, the Electric Department will include an appropriation of \$324,411 for services provided by the General Fund and \$188,552 as a straight contribution to the General Fund.

The Water Fund has a budget of \$728,416 that is up from the 2013-2014 budget, which was \$689,182 a difference of \$39,234. The Water Fund is void of any capital appropriations. The Town anticipates purchasing \$357,000 of water from G.U.C, a \$157,000 increase of water for resale to residential customers.

The Sewer Fund budget of \$1,845,988 represents an increase in the amount of \$119,809 over the 2013-2014 budget. The budget does not include contributions from the sewer acreage fee account. Appropriations include \$1,071,517 for CMSD operating and debt service expenses, and no appropriations for capital improvements.

The 2014-2015 Stormwater budget will have an increase in the amount of \$2,276. The total budget for the 2014-2015 fiscal year is \$171,256. Appropriations address two expenses; which are contributions to the General Fund for services provided by General Fund operations and contracted services for ditch maintenance.

Requests for Information

This report is designed to provide an overview of the Town of Winterville'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 Finance Director, Anthony Bowers, P. O. Box 1459, Winterville, NC 28590. You can also call (252) 215-2348, visit our website www.wintervillenc.com or by email at anthony.bowers@wintervillenc.com for more information.



BASIC FINANCIAL STATEMENTS



Town of Winterville, North Carolina
Statement of Net Position
June 30, 2014
Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,053,291	\$ 3,554,799	\$ 6,608,090
Short-term cash investments	1,907,466	2,275,000	4,182,466
Restricted cash and cash equivalents	1,110,649	150,359	1,261,008
Taxes receivables (net)	129,634	-	129,634
Accounts receivable (net)	74,632	1,261,962	1,336,594
Other receivables	42,551	-	42,551
Due from other governments	532,856	-	532,856
Prepaid items	73	-	73
Total current assets	6,851,152	7,242,120	14,093,272
Non-current assets:			
Capital assets (Note 3):			
Land, non-depreciable improvements, and construction in progress	3,782,635	260,360	4,042,995
Other capital assets, net of depreciation	20,132,857	8,904,802	29,037,659
Total capital assets	23,915,492	9,165,162	33,080,654
TOTAL ASSETS	30,766,644	16,407,282	47,173,926
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	368,092	153,217	521,309
Accrued interest payable	30,645	-	30,645
Current portion of long-term liabilities	649,450	316,905	966,355
Liabilities payable from restricted assets:			
Accounts payable	19,623	-	19,623
Customer deposits	-	99,738	99,738
Total current liabilities	1,067,810	569,860	1,637,670
Long-term liabilities:			
Due in more than one year	5,133,697	3,799,734	8,933,431
TOTAL LIABILITIES	6,201,507	4,369,594	10,571,101
NET POSITION			
Net investment in capital assets	18,961,526	5,253,486	24,215,012
Restricted for:			
Stabilization by State Statute	938,704	-	938,704
Streets	920,251	-	920,251
Public safety	23,741	-	23,741
Debt covenants	139,634	-	139,634
Recreation	7,400	-	7,400
Unrestricted	3,573,881	6,784,202	10,358,083
TOTAL NET POSITION	\$ 24,565,137	\$ 12,037,688	\$ 36,602,825

The accompanying footnotes are an integral part of these financial statements.

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental Activities:				
General government	\$ 2,143,361	\$ 165,982	\$ 44,786	\$ -
Public safety	2,020,494	13,106	21,464	-
Transportation	1,332,381	-	272,530	-
Environmental protection	423,582	484,688	5,282	-
Cultural and recreation	774,390	145,706	-	-
Reimbursement - business-type activities	(151,682)	-	-	-
Interest on long-term debt	206,866	-	-	-
Total governmental activities (See Note 1)	6,749,392	809,482	344,062	-
Business-type activities:				
Electric	5,982,471	6,353,946	-	-
Water	804,903	743,400	35,000	-
Sewer	1,780,834	1,682,865	2,878	-
Stormwater	143,314	169,378	-	-
Total business-type activities	8,711,522	8,949,589	37,878	-
Total primary government	\$15,460,914	\$ 9,759,071	\$ 381,940	\$ -

General revenues:

Taxes:

Property taxes, levied for general purpose

Other taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Miscellaneous

Total general revenues not including transfers

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

The accompanying footnotes are an integral part of these financial statements.

Town of Winterville, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2014
Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,932,593)	\$ -	\$ (1,932,593)
(1,985,924)	-	(1,985,924)
(1,059,851)	-	(1,059,851)
66,388	-	66,388
(628,684)	-	(628,684)
151,682	-	151,682
(206,866)	-	(206,866)
(5,595,848)	-	(5,595,848)
-	371,475	371,475
-	(26,503)	(26,503)
-	(95,091)	(95,091)
-	26,064	26,064
-	275,945	275,945
(5,595,848)	275,945	(5,319,903)
3,618,847	-	3,618,847
35,859	-	35,859
1,927,399	-	1,927,399
6,869	11,891	18,760
268,351	-	268,351
5,857,325	11,891	5,869,216
230,192	(230,192)	-
6,087,517	(218,301)	5,869,216
491,669	57,644	549,313
24,073,468	11,980,044	36,053,512
<u>\$ 24,565,137</u>	<u>\$ 12,037,688</u>	<u>\$ 36,602,825</u>

The accompanying footnotes are an integral part of these financial statements.

Town of Winterville, North Carolina
Balance Sheet – Governmental Funds
June 30, 2014
Exhibit 3

	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 3,053,291	\$ 3,053,291
Short term cash investments	1,907,466	1,907,466
Restricted cash and cash equivalents	1,110,649	1,110,649
Receivables, net:		
Taxes	129,634	129,634
Accounts	74,632	74,632
Other receivables	42,551	42,551
Due from other governments	532,856	532,856
Prepaid items	73	73
Total assets	\$ 6,851,152	\$ 6,851,152
LIABILITIES		
Accounts payable and accrued liabilities	\$ 368,092	\$ 368,092
Liabilities payable from restricted assets:		
Accounts payable	19,623	19,623
Total liabilities	387,715	387,715
DEFERRED INFLOWS OF RESOURCES		
Accounts receivable, net (garbage)	67,793	67,793
Property taxes receivable	129,634	129,634
Total deferred inflows of resources	197,427	197,427
FUND BALANCES		
Nonspendable		
Prepaid items	73	73
Restricted		
Stabilization by State Statute	938,704	938,704
Streets	920,251	920,251
Public Safety	23,741	23,741
Debt Covenants	139,634	139,634
Recreation	7,400	7,400
Unassigned, General Fund	4,236,207	4,236,207
Total fund balances	6,266,010	6,266,010
Total liabilities, deferred inflows of resources and fund balances	\$ 6,851,152	\$ 6,851,152

The accompanying footnotes are an integral part of these financial statements.

Town of Winterville, North Carolina
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2014
Exhibit 3

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds		\$ 6,266,010
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 40,023,484	
Accumulated depreciation	<u>(16,107,992)</u>	23,915,492
Liabilities for earned revenues considered deferred inflows of resources in fund statements		
		197,427
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in fund statements.		
Installment purchases	\$ (4,953,966)	
Compensated absences	(218,885)	
Net pension obligation	(210,217)	
Unfunded OPEB obligation	<u>(400,079)</u>	(5,783,147)
Other long term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		
		<u>(30,645)</u>
Net position of governmental activities		<u>\$ 24,565,137</u>

The accompanying footnotes are an integral part of these financial statements.

Town of Winterville, North Carolina
Statement of Revenues, Expenditures, and Changes
in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2014
Exhibit 4

	General Fund	Total Governmental Funds
Revenues:		
Ad valorem taxes	\$ 3,640,484	\$ 3,640,484
Other taxes and licenses	35,859	35,859
Unrestricted intergovernmental	1,927,399	1,927,399
Restricted intergovernmental	339,925	339,925
Permits and fees	5,915	5,915
Sales and services	807,598	807,598
Investment earnings	11,006	11,006
Miscellaneous	48,351	48,351
Total revenues	6,816,537	6,816,537
Expenditures:		
Current:		
General government	1,769,098	1,769,098
Public safety	2,372,543	2,372,543
Transportation	801,119	801,119
Environmental protection	423,582	423,582
Cultural and recreation	745,503	745,503
Debt service:		
Principal retirement	484,670	484,670
Interest	204,149	204,149
Reimbursement - proprietary funds	(151,682)	(151,682)
Total expenditures	6,648,982	6,648,982
Excess (deficiency) of revenues over expenditures	167,555	167,555
Other financing sources (uses):		
Loan proceeds - installment purchases	540,800	540,800
Transfers from other funds	230,192	230,192
Total other financing sources (uses)	770,992	770,992
Net change in fund balance	938,547	938,547
Fund balances, beginning as previously reported	5,353,514	5,353,514
Prior period adjustment	(26,051)	(26,051)
Fund balances, beginning as restated	5,327,463	5,327,463
Fund balances, ending	\$ 6,266,010	\$ 6,266,010

The accompanying footnotes are an integral part of these financial statements.

Town of Winterville, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014
Exhibit 4

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

Net changes in fund balances - total governmental funds	\$	938,547
<p>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 depreciation exceeded capital outlays in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 1,000,397	
Depreciation expense for governmental assets	<u>(1,517,271)</u>	(516,874)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Amount of donated assets	220,000	
Change in unavailable revenue for tax revenues	(21,637)	
Change in unavailable revenue for garbage revenues	<u>(4,031)</u>	194,332
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	(540,800)	
Principal payments on long-term debt	484,670	
Change in accrued interest payable	<u>(2,717)</u>	(58,847)
<p>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.</p>		
Compensated absences	17,480	
Net pension obligation	(20,379)	
Unfunded OPEB obligation	<u>(62,590)</u>	<u>(65,489)</u>
Total changes in net position of governmental activities	\$	<u><u>491,669</u></u>

The accompanying footnotes are an integral part of these financial statements.

Town of Winterville, North Carolina
Statement of Revenues, Expenditures, and Changes
in Fund Balances – Annual Budget to Actual – General Fund
For the Fiscal Year Ended June 30, 2014
Exhibit 5

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 3,288,368	\$ 3,342,068	\$ 3,640,484	\$ 298,416
Other taxes and licenses	16,000	16,000	35,859	19,859
Unrestricted intergovernmental	1,896,202	1,896,202	1,927,399	31,197
Restricted intergovernmental	255,629	264,629	339,925	75,296
Permits and fees	4,550	4,550	5,915	1,365
Sales and services	834,530	823,624	807,598	(16,026)
Investment earnings	7,416	7,416	11,006	3,590
Miscellaneous	17,001	63,167	48,351	(14,816)
Total revenues	<u>6,319,696</u>	<u>6,417,656</u>	<u>6,816,537</u>	<u>398,881</u>
Expenditures:				
Current:				
General government	1,997,034	2,112,908	1,769,098	343,810
Public safety	2,407,693	2,467,455	2,372,543	94,912
Transportation	851,594	1,209,018	801,119	407,899
Environment protection	433,350	427,500	423,582	3,918
Cultural and recreation	843,062	853,284	745,503	107,781
Economic development	20,000	20,000	-	20,000
Debt service:				
Principal retirement	484,653	484,670	484,670	-
Interest	204,184	204,167	204,149	18
Reimbursements - proprietary funds	(151,682)	(151,682)	(151,682)	-
Total expenditures	<u>7,089,888</u>	<u>7,627,320</u>	<u>6,648,982</u>	<u>978,338</u>
Revenues over (under) expenditures	(770,192)	(1,209,664)	167,555	1,377,219
Other financing sources (uses):				
Loan proceeds - installment purchases	540,000	540,800	540,800	-
Transfer from other funds	230,192	238,192	230,192	(8,000)
Total other financing sources (uses)	<u>770,192</u>	<u>778,992</u>	<u>770,992</u>	<u>(8,000)</u>
Fund balance appropriated	-	430,672	-	(430,672)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	938,547	<u>\$ 938,547</u>
Fund balances, beginning as previously reported			5,353,514	
Prior period adjustment			(26,051)	
Fund balances, beginning as restated			<u>5,327,463</u>	
Fund balances, ending			<u>\$ 6,266,010</u>	

The accompanying footnotes are an integral part of these financial statements.

Town of Winterville, North Carolina
Statement of Fund Net Position – Proprietary Funds
June 30, 2014
Exhibit 6

	Major Enterprise Funds				Total
	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	
Assets					
Current Assets:					
Cash and cash equivalents	\$2,505,443	\$ 542,133	\$ 438,107	\$ 69,116	\$ 3,554,799
Short-term cash investments	1,400,000	460,000	355,000	60,000	2,275,000
Accounts receivable (net) - billed	609,619	60,475	137,052	11,658	818,804
Accounts receivable (net) - unbilled	308,550	51,595	75,745	7,268	443,158
Restricted cash and cash equivalents	101,243	6,935	42,181	-	150,359
Total current assets	4,924,855	1,121,138	1,048,085	148,042	7,242,120
Noncurrent assets:					
Capital assets:					
Land and construction in progress	146,013	114,347	-	-	260,360
Other capital assets, net of depreciation	5,806,297	901,593	1,875,896	321,016	8,904,802
Capital assets	5,952,310	1,015,940	1,875,896	321,016	9,165,162
Total noncurrent assets	5,952,310	1,015,940	1,875,896	321,016	9,165,162
Total assets	10,877,165	2,137,078	2,923,981	469,058	16,407,282
Liabilities					
Current Liabilities:					
Accounts payable and accrued liabilities	64,883	59,043	29,291	-	153,217
Compensated absences - current	7,470	1,101	2,262	-	10,833
Installment purchase payable - current	227,501	37,785	19,786	-	285,072
General obligation bonds payable - current	-	-	21,000	-	21,000
Liabilities payable from restricted assets:					
Customer deposits	82,993	6,935	9,810	-	99,738
Total current liabilities	382,847	104,864	82,149	-	569,860
Noncurrent liabilities:					
Unfunded OPEB obligation	71,023	22,481	20,558	4,565	118,627
Compensated absences	59,434	9,742	6,327	-	75,503
Installment purchase payable	2,375,753	77,831	256,520	-	2,710,104
General obligation bonds payable	-	-	895,500	-	895,500
Total noncurrent liabilities	2,506,210	110,054	1,178,905	4,565	3,799,734
Total liabilities	2,889,057	214,918	1,261,054	4,565	4,369,594
Net Position					
Net investment in capital assets	3,349,056	900,324	683,090	321,016	5,253,486
Unrestricted	4,639,052	1,021,836	979,837	143,477	6,784,202
Total net position	\$7,988,108	\$1,922,160	\$1,662,927	\$ 464,493	\$12,037,688

The accompanying footnotes are an integral part of these financial statements.

Town of Winterville, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position –
Proprietary Funds
For the Fiscal Year Ended June 30, 2014
Exhibit 7

	Major Enterprise Funds				Total
	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	
Operating revenues:					
Charges for services	\$6,109,507	\$ 742,897	\$1,682,865	\$169,378	\$ 8,704,647
Other operating revenues	244,439	503	-	-	244,942
Total operating revenues	6,353,946	743,400	1,682,865	169,378	8,949,589
Operating expenses:					
Operations	1,391,143	722,049	-	121,554	2,234,746
Electrical power purchases	4,144,379	-	-	-	4,144,379
Waste collection and treatment	-	-	1,564,934	-	1,564,934
Depreciation	334,534	79,831	156,460	21,760	592,585
Total operating expenses	5,870,056	801,880	1,721,394	143,314	8,536,644
Operating income (loss)	483,890	(58,480)	(38,529)	26,064	412,945
Non-operating revenues (expenses):					
Development fees	-	35,000	2,878	-	37,878
Investment earnings	9,209	1,374	1,145	163	11,891
Interest expense	(112,415)	(3,023)	(59,440)	-	(174,878)
Total non-operating revenues (expenses)	(103,206)	33,351	(55,417)	163	(125,109)
Income (loss) before transfers	380,684	(25,129)	(93,946)	26,227	287,836
Transfers to other funds	(230,192)	-	-	-	(230,192)
	(230,192)	-	-	-	(230,192)
Change in net position	150,492	(25,129)	(93,946)	26,227	57,644
Total net position, beginning	7,837,616	1,947,289	1,756,873	438,266	11,980,044
Total net position, ending	\$7,988,108	\$1,922,160	\$1,662,927	\$464,493	\$12,037,688

The accompanying footnotes are an integral part of these financial statements.

Town of Winterville, North Carolina
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2014
Exhibit 8

	Major Enterprise Funds				Totals
	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	
Cash flows from operating activities:					
Cash received from customers	\$6,367,150	\$ 723,591	\$ 1,674,822	\$ 170,696	\$ 8,936,259
Cash paid for goods and services	(4,965,015)	(666,357)	(1,591,497)	(121,554)	(7,344,423)
Cash paid to or on behalf of employees for services	(552,147)	-	-	-	(552,147)
Cash received (paid) for customer deposits - net	2,850	120	150	-	3,120
Net cash provided (used) by operating activities	852,838	57,354	83,475	49,142	1,042,809
Cash flows from non-capital financing activities:					
Transfers to other funds	(230,192)	-	-	-	(230,192)
Net cash provided (used) by non-capital financing activities	(230,192)	-	-	-	(230,192)
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(66,849)	(82,946)	(23,401)	(39,940)	(213,136)
Principal payments on long term debt	(218,957)	(37,052)	(38,903)	-	(294,912)
Interest paid on debt	(112,415)	(3,023)	(59,440)	-	(174,878)
Developers fee	-	35,000	2,878	-	37,878
Net cash provided (used) by capital and related financing activities	(398,221)	(88,021)	(118,866)	(39,940)	(645,048)
Cash flows from investing activities:					
Interest income	9,209	1,374	1,145	163	11,891
Net cash provided (used) by investing activities	9,209	1,374	1,145	163	11,891
Net increase (decrease) in cash & cash equivalents	233,634	(29,293)	(34,246)	9,365	179,460
Balances, beginning	2,373,052	578,361	514,534	59,751	3,525,698
Balances, ending	<u>\$2,606,686</u>	<u>\$ 549,068</u>	<u>\$ 480,288</u>	<u>\$ 69,116</u>	<u>\$ 3,705,158</u>

The accompanying footnotes are an integral part of these financial statements.

Town of Winterville, North Carolina
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2014
Exhibit 8

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

	Major Enterprise Funds				
	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Totals
Operating income (loss)	\$ 483,890	\$ (58,480)	\$ (38,529)	\$ 26,064	\$ 412,945
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	334,534	79,831	156,460	21,760	592,585
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	13,204	(19,809)	(8,043)	1,318	(13,330)
Increase (decrease) in accounts payable and accrued liabilities	15,130	50,138	(30,289)	-	34,979
Increase (decrease) in customer deposits	2,850	120	150	-	3,120
Increase (decrease) in accrued vacation pay	(8,963)	3,115	(338)	-	(6,186)
Increase (decrease) in accrued OPEB liability	12,193	2,439	4,064	-	18,696
Total adjustments	<u>368,948</u>	<u>115,834</u>	<u>122,004</u>	<u>23,078</u>	<u>629,864</u>
Net cash provided (used) by operating activities	<u>\$ 852,838</u>	<u>\$ 57,354</u>	<u>\$ 83,475</u>	<u>\$ 49,142</u>	<u>\$1,042,809</u>

The accompanying footnotes are an integral part of these financial statements.

Town of Winterville, North Carolina Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Winterville 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 Town of Winterville is a municipal corporation which is governed by an elected mayor and a five-member Council.

B. Basis of Presentation

Government-Wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government. 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 Town. 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 Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town'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. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

Town of Winterville, North Carolina Notes to Financial Statements

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those 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 administration, public safety, street maintenance and construction, and sanitation services.

The Town reports the following major enterprise funds:

Electric Fund - The Electric Fund accounts for the Town's electric operations.

Water Fund - The Water Fund accounts for the Town's water operations.

Sewer Fund - The Sewer Fund accounts for the Town's sewer operations.

Stormwater Fund - The Stormwater Fund accounts for the Town's stormwater operations.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town 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 and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town 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 non-operating revenues and expenses.

Town of Winterville, North Carolina

Notes to Financial Statements

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 Town 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 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 Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Town of Winterville, North Carolina
Notes to Financial Statements

D. Budgetary Data

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General and Enterprise Funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the special revenue funds and the enterprise capital projects funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. N.C. General Statutes requires governmental entities to budget appropriations by department, function or project. The Town's budget ordinance is approved at the departmental level for all annually budgeted funds. The original budget ordinance gives the Town Manager (Budget Officer) authority to amend line item appropriations within any fund as long as the total appropriation of that fund is not changed. Any amounts that alter total expenditures between the funds must be approved by the governing board through an amendment to the budget ordinance. 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

Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G. S. 159-31]. The Town may designate as an official depository any bank or savings association whose principal office is located in North Carolina. Also, the Town 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 Town 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 securities of the NCCMT – Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

Cash and Cash Equivalents

The Town pools monies from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments with an original maturity date of three months or less are considered cash and cash equivalents.

Short-Term Cash Investments

Short-term cash investments include certificates of deposit purchased with an original maturity of more than three months.

Town of Winterville, North Carolina
Notes to Financial Statements

Restricted Assets

Restricted assets include the portion of cash and cash equivalents required to be held in reserve due to loan covenants on USDA debt and the portion of cash and cash equivalents related to funds received through the North Carolina Department of Justice required to be spent for local law enforcement purposes. Customer deposits held by the Town 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 it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. Also included in restricted cash are rental payments from the Winterville Rescue & EMS, Inc. which is reserved for the support of future Rescue & EMS operations. Other amounts in restricted cash are development fees collected for future expenditures on parks and recreation, electric and sewer projects.

Town of Winterville Restricted Cash

Governmental Activities

General Fund

Streets	\$ 939,874
Public Safety	23,741
Debt Covenants	139,634
Recreation	<u>7,400</u>
Total Governmental Activities	<u>\$ 1,110,649</u>

Business-type Activities

Electric Fund

Customer deposits	\$ 82,993
Development fees	18,250

Water Fund

Customer deposits	6,935
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Sewer Fund

Customer deposits	9,810
Development fees	<u>32,371</u>

Total Business-type Activities	<u>\$ 150,359</u>
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Total Restricted Cash	<u>\$ 1,261,008</u>
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Town of Winterville, North Carolina
Notes to Financial Statements

Ad Valorem Taxes Receivable

In accordance with State law [G. S. 105-347 and G. S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2013.

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 written off in prior years.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, buildings, improvements, substations, lines, and other plant and distribution systems, infrastructure, furniture and equipment, and vehicles, \$5,000. 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 are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	25-30
Buildings	25-30
Vehicles	5-7
Equipment	5-10
Software	5

Town of Winterville, North Carolina

Notes to Financial Statements

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town does not have any items that meet this criterion. 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 Revenues*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only two items that meet the criterion for this category – property taxes receivable and garbage receivables.

Long-Term Obligations

In the government-wide financial statements and the 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.

Compensated Absences

The vacation policy of the Town provides for the accumulation of earned vacation leave up to one hundred twenty hours (120) for general employees and one hundred twenty-seven hours (127) for law enforcement employees, with such leave being fully vested when earned. For the Town'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 Town has assumed a first-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 Town's sick leave policies 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 the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Town of Winterville, North Carolina Notes to Financial Statements

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

Prepays – The portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending prepaids, which are not expendable, available 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)]. North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as “restricted by State Statute”. Therefore, from guidance established by the North Carolina Department of the State Treasurer, the Town has classified a portion of their fund balance within this category.

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

Restricted for Public Safety – The portion of fund balance that is restricted by revenue source for certain police, EMS and rescue service expenditures.

Restricted for Debt Covenants – The portion of fund balance that is restricted for USDA loan covenants.

Restricted for Recreation – The portion of fund balance that is restricted by revenue source for certain recreation expenditures.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Winterville’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Town of Winterville, North Carolina

Notes to Financial Statements

Assigned Fund Balance – portion of fund balance that Town of Winterville intends to use for specific purposes. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify line item appropriations as long as the total for the fund does not change.

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.

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

The Town of Winterville has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local funds, Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

The Town board has also adopted a fund balance reserve policy in order to maintain general fund unrestricted fund balance at a level sufficient to provide the required resources to meet operating cost needs, to allow for unforeseen needs of an emergency nature and to permit orderly adjustments as a result of unanticipated revenue shortfalls. The Town will define these amounts as "available fund balance". The Town will strive to maintain a minimum unrestricted fund balance of 25% of the current year's expenditures. The Town Board may appropriate fund balance that will reduce the unrestricted fund balance below 25% on a limited basis which should occur for the purpose of a declared fiscal emergency. If this occurs, the Town Board will develop a plan to restore the unrestricted fund balance within three years from the date of the appropriation.

Subsequent Events – Date of Management's Evaluation

Management has evaluated subsequent events through December 30, 2014, the date which the financial statements were available to be issued.

2. Stewardship, Compliance, and Accountability

Significant Violations of Finance-Related Legal and Contractual Provisions Noncompliance with North Carolina General Statutes

Per the Local Governmental Employees' Retirement System, compensation for longevity pay should be subjected to employee and employer contributions and reported in NC ORBIT system. During the year ended December 31, 2013, the Town did not subject longevity pay of \$26,070.52 to employee and employer contributions nor report in ORBIT. For any longevity payments made after this finding, the Town will begin withholding employee contributions and calculating the Town's contribution and properly reporting in ORBIT. The Town has contacted ORBIT regarding the correction of prior year missed contributions and reporting in ORBIT. Based on the Town's discussion with ORBIT personnel, the Town should correct for future longevity payments and no action is necessary concerning past contributions and reporting.

Town of Winterville, North Carolina
Notes to Financial Statements

3. Detail Notes on all Funds

A. Assets

Deposits

All of the Town's deposits 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 Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town does not have a 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 Town complies with the provisions of G. S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2014, the Town's deposits had a carrying amount of \$11,328,600 and a bank balance of \$11,865,482. Of the bank balance, \$863,271 was covered by federal depository insurance and \$11,002,211 was covered by collateral held under the Pooling Method.

B. Investments

At June 30, 2014, the Town had \$722,964 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk of its investments.

Town of Winterville, North Carolina
Notes to Financial Statements

C. Receivables - Allowance for Doubtful Accounts

The receivables presented in the balance sheet and statement of net position are presented net of the following allowance for doubtful accounts:

	Accounts	Taxes	Due from other		Total
			Governments	Other	
Governmental Activities:					
General	\$ 74,632	\$ 168,971	\$ 532,856	\$ 42,551	\$ 819,010
Allowance for doubtful accounts	-	(39,337)	-	-	(39,337)
Total governmental activities	<u>\$ 74,632</u>	<u>\$ 129,634</u>	<u>\$ 532,856</u>	<u>\$ 42,551</u>	<u>\$ 779,673</u>
Business-Type Activities:					
Electric	\$ 1,183,268	\$ -	\$ -	\$ -	\$ 1,183,268
Water	139,029	-	-	-	139,029
Sewer	273,455	-	-	-	273,455
Stormwater	24,167	-	-	-	24,167
Allowance for doubtful accounts	(357,957)	-	-	-	(357,957)
Total business-type activities	<u>\$ 1,261,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,261,962</u>

Due from other governments consists of the following:

Local option sales tax	\$ 376,195
Sales tax refund receivable	75,012
County - property taxes	81,649
	<u>\$ 532,856</u>

Town of Winterville, North Carolina
Notes to Financial Statements

D. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,562,635	\$ 220,000	\$ -	\$ 3,782,635
Construction in progress	88,096	-	(88,096)	-
Total capital assets not being depreciated	3,650,731	220,000	(88,096)	3,782,635
Capital assets being depreciated:				
Buildings	6,676,944	-	-	6,676,944
Infrastructure	24,380,075	313,991	-	24,694,066
Equipment	1,848,184	109,964	-	1,958,148
Software	539,360	21,472	-	560,832
Vehicles	1,707,793	643,066	-	2,350,859
Total capital assets being depreciated	35,152,356	1,088,493	-	36,240,849
Less accumulated depreciation for:				
Buildings	2,138,115	222,848	-	2,360,963
Infrastructure	9,791,197	962,673	-	10,753,870
Equipment	1,227,143	141,955	-	1,369,098
Software	358,523	74,908	-	433,431
Vehicles	1,075,743	114,887	-	1,190,630
Total accumulated depreciation	14,590,721	\$ 1,517,271	\$ -	16,107,992
Total capital assets being depreciated, net	20,561,635			20,132,857
Governmental activity capital assets, net	<u>\$ 24,212,366</u>			<u>\$ 23,915,492</u>

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

General government	\$ 412,971
Public safety	142,395
Transportation	876,934
Cultural and recreation	84,971
Total	<u>\$ 1,517,271</u>

Town of Winterville, North Carolina
Notes to Financial Statements

	Beginning Balances	Increases	Decreases	Ending Balances
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Business-type Activities:				
<i>Electric Fund</i>				
Capital assets not being depreciated:				
Land	\$ 146,013	\$ -	\$ -	\$ 146,013
Total capital assets not being depreciated	<u>146,013</u>	<u>-</u>	<u>-</u>	<u>146,013</u>
Capital assets being depreciated:				
Distribution system	8,117,242	66,849	-	8,184,091
Buildings	315,415	-	-	315,415
Equipment	615,010	-	-	615,010
Vehicles	301,210	-	-	301,210
Total capital assets being depreciated	<u>9,348,877</u>	<u>66,849</u>	<u>-</u>	<u>9,415,726</u>
Less accumulated depreciation for:				
Distribution system	2,233,724	298,094	-	2,531,818
Buildings	174,713	23,650	-	198,363
Equipment	586,413	9,238	-	595,651
Vehicles	280,045	3,552	-	283,597
Total accumulated depreciation	<u>3,274,895</u>	<u>334,534</u>	<u>-</u>	<u>3,609,429</u>
Total capital assets being depreciated, net	<u>6,073,982</u>			<u>5,806,297</u>
Electric Fund capital assets, net	<u>6,219,995</u>			<u>5,952,310</u>

Town of Winterville, North Carolina
Notes to Financial Statements

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Water Fund				
Capital assets not being depreciated:				
Land	8,000	-	-	8,000
Construction in progress	59,191	47,156	-	106,347
Total capital assets not being depreciated	<u>67,191</u>	<u>47,156</u>	<u>-</u>	<u>114,347</u>
Capital assets being depreciated:				
Water system, well, tank and distribution system	2,476,216	35,790	-	2,512,006
Equipment and vehicles	228,213	-	-	228,213
Total capital assets being depreciated	2,704,429	35,790	-	2,740,219
Less accumulated depreciation for:				
Water system, well, tank and distribution system	1,545,652	74,687	-	1,620,339
Equipment and vehicles	213,143	5,144	-	218,287
Total accumulated depreciation	<u>1,758,795</u>	<u>79,831</u>	<u>-</u>	<u>1,838,626</u>
Total capital assets being depreciated, net	<u>945,634</u>			<u>901,593</u>
Water Fund capital assets, net	<u>1,012,825</u>			<u>1,015,940</u>

Town of Winterville, North Carolina
Notes to Financial Statements

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
<i>Sewer Fund</i>				
Capital assets being depreciated:				
Equipment and vehicles	159,390	5,801	-	165,191
Sewer system	3,628,635	17,600	-	3,646,235
Sewer treatment facility	<u>233,000</u>	<u>-</u>	<u>-</u>	<u>233,000</u>
Total capital assets being depreciated	4,021,025	23,401	-	4,044,426
Less accumulated depreciation for:				
Equipment and vehicles	150,053	3,715	-	153,768
Sewer system	1,636,007	148,085	-	1,784,092
Sewer treatment facility	<u>226,010</u>	<u>4,660</u>	<u>-</u>	<u>230,670</u>
Total accumulated depreciation	<u>2,012,070</u>	<u>156,460</u>	<u>-</u>	<u>2,168,530</u>
Total capital assets being depreciated, net	<u>2,008,955</u>			<u>1,875,896</u>
Sewer Fund capital assets, net	<u>2,008,955</u>			<u>1,875,896</u>

Town of Winterville, North Carolina
Notes to Financial Statements

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Stormwater Fund				
Capital assets being depreciated:				
Distribution	393,439	39,940	-	433,379
Equipment	17,388	-	-	17,388
Total capital assets being depreciated	410,827	39,940	-	450,767
Less accumulated depreciation for:				
Distribution	102,519	19,276	-	121,795
Equipment	5,472	2,484	-	7,956
Total accumulated depreciation	107,991	21,760	-	129,751
Total capital assets being depreciated, net	<u>302,836</u>			<u>321,016</u>
Stormwater Fund capital assets, net	<u>302,836</u>			<u>321,016</u>
Business-type activities capital assets, net	<u>\$ 9,544,611</u>			<u>\$ 9,165,162</u>

E. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description

The Town of Winterville contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G. S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, or by calling (919) 981-5454.

Town of Winterville, North Carolina
Notes to Financial Statements

Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Winterville are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$201,060, \$182,779, and \$188,940, respectively. See Note 2 regarding the required contributions made by the Town.

b. Law Enforcement Officers' Special Separation Allowance

Plan Description

The Town of Winterville administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town'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.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>18</u>
Total	<u><u>19</u></u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies:

Basis of Accounting. The Town 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.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Town of Winterville, North Carolina
Notes to Financial Statements

Contributions

The Town 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 Town'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.

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) a 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2013 was 17 years.

Annual Pension Cost and Net Pension Obligation

The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$	36,043
Interest on net pension obligation		9,492
Adjustment to annual required contribution		<u>(15,467)</u>
Annual pension cost		30,068
Contributions made		<u>(9,689)</u>
Increase in net pension obligation		20,379
Net pension obligation, beginning of year		<u>189,838</u>
Net pension obligation, end of year	\$	<u><u>210,217</u></u>

Three Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 31,015	0.00%	\$ 158,563
2013	32,890	4.91%	189,838
2014	30,068	32.22%	210,217

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$231,602. The covered payroll (annual payroll of active employees covered by the plan) was \$793,525, and the ratio of the UAAL to the covered payroll was 29.19 percent.

Town of Winterville, North Carolina Notes to Financial Statements

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 are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan

Plan Description

The Town 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 Town. Article 5 of G. S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy

Article 12E of G. S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each law enforcement 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, 2014 were \$53,084, which consisted of \$42,412 from the Town and \$10,672 from the law enforcement officers.

The Town has elected to contribute to the Supplemental Retirement Income Plan for general employees. Contributions for the year ended June 30, 2014 were \$140,851, which consisted of \$98,575 from the Town and \$42,276 from the general employees.

d. Firefighter's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town of Winterville, to the Firefighter's and Rescue Squad Workers' Pension Fund (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. The Firefighter'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 Firefighter's and Rescue Squad Workers' Pension 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.

Town of Winterville, North Carolina
Notes to Financial Statements

Funding Policy. Plan members are required to contribute \$10 per month to the Fund. The Town is not required to make contributions to the Fund; however, the Town is paying the required contributions for its plan members. The State, a non-employer contributor, funds the plan through appropriations. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

As disclosed in Note G below, the Town has recognized on-behalf payments for pension contributions made by the State of North Carolina for its plan members.

e. Other Post-Employment Benefits – Healthcare Benefits

Plan Description

In addition to providing pension benefits, the Town administers a single-employer defined benefit healthcare benefits plan for retirees of the Town who have at least thirty years service with the North Carolina Local Governmental Employees’ Retirement System (System) or the North Carolina Law Enforcement Officers’ Local Governmental Employees’ Retirement System (LE System); and have twenty years of total service with the Town and their five most recent years of continuous service were with the Town, at the time of retirement. Retired employees meeting the criteria discussed herein will be provided hospitalization in the same manner as the active Town employees until the retiree is eligible for Medicare. The Town pays the full cost of coverage for these benefits. Retirees can purchase coverage for their dependents at the Town’s group rates until the retiree reaches age sixty-five. Currently, four retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2014, the Town paid healthcare premiums for retirees of \$49,565. The Town purchases healthcare coverage through private insurers. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the plan consisted of the following at December 31, 2011, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	4	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>44</u>	<u>21</u>
Total	<u><u>48</u></u>	<u><u>21</u></u>

Funding Policy

The Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a Town resolution that can be amended by the Town Council. The Town’s members pay the current active employee rate for dependent coverage, if the retiree elects to purchase the coverage. The Town has chosen to fund the healthcare benefits on a pay-as-you-go basis.

Town of Winterville, North Carolina
Notes to Financial Statements

The current ARC rate is 4.72% of annual covered payroll. For the current year, the Town contributed \$49,565 or 1.74% of annual covered payroll. The Town purchases healthcare coverage through private insurers.

There were no contributions made by employees, except for dependent coverage in the amount of \$500. The Town's obligation to contribute to the Plan is established and may be amended by the Town Council.

Summary of Significant Accounting Policies

Post-employment 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 Town's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (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 Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 130,069
Interest on net OPEB obligation	17,497
Adjustment to annual required contribution	<u>(16,715)</u>
Annual OPEB cost	130,851
Contributions made	<u>(49,565)</u>
Increase (decrease) in net OPEB obligation	81,286
Net OPEB obligation, beginning of year	<u>437,420</u>
Net OPEB obligation, end of year	<u><u>\$ 518,706</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2013, and 2012 were as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 128,070	27.5%	\$ 358,435
2013	126,921	37.8%	437,420
2014	130,851	37.9%	518,706

Town of Winterville, North Carolina

Notes to Financial Statements

Funded Status and Funding Progress

As of December 31, 2011, 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 \$1,535,586. The covered payroll (annual payroll of active employees covered by the plan) was \$2,756,955, and the ratio of the UAAL to the covered payroll was 55.7 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the December 31, 2011, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 9.50 to 5.00 percent annually. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using 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, 2011, was 30 years.

f. Other Employee Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the

Town of Winterville, North Carolina
Notes to Financial Statements

payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

For the fiscal year ended June 30, 2014, the Town made contributions to the State for death benefits of \$0. The Town's required contributions for employees not engagement in law enforcement and for law enforcement officers represented 0% and 0% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

No. Years Contributing	Years Relief	FY Contributions Resume
less than 10	1	2014
10 to 20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. The Town will have a three year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

2. Payables

Payables at the government-wide level at June 30, 2014 were as follows:

Governmental Activities:	<u>Total</u>
Vendors	\$ 159,665
Accrued salaries and related items	<u>228,050</u>
Total governmental activities	<u><u>\$ 387,715</u></u>

Business-Type Activities:	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Total</u>
Vendors	\$ 39,286	\$ 59,043	\$ 29,291	\$ -	\$ 127,620
Accrued salaries and related items	<u>25,597</u>	-	-	-	<u>25,597</u>
Total business-type activities	<u><u>\$ 64,883</u></u>	<u><u>\$ 59,043</u></u>	<u><u>\$ 29,291</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 153,217</u></u>

Town of Winterville, North Carolina
Notes to Financial Statements

3. Deferred Outflows and Inflows of Resources

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

	Unavailable Revenue	Unearned Revenue
General Fund:		
Taxes receivable, net	\$ 129,634	\$ -
Accounts receivable, net (garbage)	67,793	-
Total	\$ 197,427	\$ -

4. Risk Management

The Town 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 Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$3 million per occurrence, property coverage up to the total insured 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. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss 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 Town upon request.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town does not carry flood insurance through the NFIP.

In accordance with G.S 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$225,000 and the tax collector is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

5. Commitments

The Town has entered into agreements with other governmental entities and commercial companies to purchase electricity, water, sewer and garbage services.

6. Claims, Judgments and Contingent Liabilities

At June 30, 2014, the Town was a defendant in a lawsuit. In the opinion of the Town's management and the Town attorney, the ultimate effect of the legal matter will not have a material adverse effect on the Town's financial position.

Town of Winterville, North Carolina
Notes to Financial Statements

7. Long-Term Obligations

a. Governmental Activities

Installment Purchases

4.375% note, payable in annual installments of \$139,634, including interest; final payment due June 2034; secured by real estate	\$1,835,298
3.62% note, payable in annual installments of \$136,645 plus interest; final payment due June 2023; secured by real estate	1,229,790
2.80% note, payable in annual installments of \$99,826, plus interest; final payment due December 2014; secured by vehicles and equipment	99,826
4.77% note, payable in annual installments of \$99,132, plus interest; final payment due February 2025; secured by real estate	1,090,452
4.67% note, payable in annual installments of \$11,400, plus interest; final payment due June 2025; secured by real estate	125,400
2.64% note, payable in annual installments of \$33,255, including interest; final payment due June 2015; secured by vehicles and equipment	32,400
1.97% note, payable in annual installments of \$29,845, including interest; final payment due March 2019; secured by vehicle	140,800
1.97% note, payable in annual installments of \$84,789, including interest; final payment due March 2019; secured by vehicle	<u>400,000</u>
Total installment purchases	<u><u>\$4,953,966</u></u>

Town of Winterville, North Carolina
Notes to Financial Statements

Annual debt service payments of the installment purchases as of June 30, 2014, including interest of \$1,561,948, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 542,725	\$ 197,014	\$ 739,739
2016	415,143	178,513	593,656
2017	419,942	163,508	583,450
2018	424,900	148,344	573,244
2019	430,024	133,014	563,038
2020-2024	1,500,356	451,899	1,952,255
2025-2029	607,433	206,749	814,182
2030-2034	613,443	82,907	696,350
Total	<u>\$ 4,953,966</u>	<u>\$ 1,561,948</u>	<u>\$ 6,515,914</u>

b. Business-Type Activities

General Obligation Bonds - Enterprise Funds

The general obligation bonds issued to finance the construction of facilities utilized in the operations of the electric, water, and sewer system and which are being retired by its resources, are reported as long-term debt in the Enterprise Funds. All general obligation bonds are collateralized by the full faith, credit and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2014 are comprised of the following individual issues:

Serviced by the Sewer Fund:

\$1,113,000 June 2000 Sanitary Sewer bonds due in annual installments of \$11,500 to \$46,000 plus interest at 4.75% to 5.00%, final installment due June 2040 \$ 916,500

Total general obligation bonds \$ 916,500

Town of Winterville, North Carolina
Notes to Financial Statements

Annual debt service requirements to maturity on general obligation bonds are as follows:

Year Ending			
June 30,	Principal	Interest	Total
2015	\$ 21,000	\$ 44,679	\$ 65,679
2016	22,000	43,656	65,656
2017	22,000	42,583	64,583
2018	23,000	41,511	64,511
2019	24,000	40,389	64,389
2020-2024	139,500	183,203	322,703
2025-2029	177,000	145,665	322,665
2030-2034	212,000	99,109	311,109
2035-2039	230,000	44,850	274,850
2040	46,000	2,243	48,243
Total	<u>\$ 916,500</u>	<u>\$ 687,888</u>	<u>\$ 1,604,388</u>

Installment Purchases - Enterprise Funds

Electric

3.62% note, payable in annual installments of \$222,847 including interest;
final payment due June 2023; secured by equipment \$ 1,685,975

4.67% note, payable in annual installments of \$108,524, including interest;
final payment due June 2025; secured by real estate 917,279

Water

1.98% note, payable in annual installments of \$40,075, including interest;
final payment due September 2016; secured by equipment 115,616

Sewer

4.67% note, payable in annual installments of \$32,689, including interest;
final payment due June 2025; secured by real estate 276,306

Total installment purchases \$ 2,995,176

Annual debt service requirements to maturity on installment purchases are as follows:

Year Ending			
June 30,	Principal	Interest	Total
2015	\$ 285,072	\$ 119,062	\$ 404,134
2016	295,670	108,465	404,135
2017	306,681	97,454	404,135
2018	278,047	86,014	364,061
2019	289,141	74,920	364,061
2020-2024	1,405,640	191,777	1,597,417
2025	134,925	6,300	141,225
Total	<u>\$ 2,995,176</u>	<u>\$ 683,992</u>	<u>\$ 3,679,168</u>

Town of Winterville, North Carolina
Notes to Financial Statements

c. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Activities:					
Installment purchases	\$ 4,897,836	\$ 540,800	\$ (484,670)	\$ 4,953,966	\$ 542,725
Compensated absences	236,365	218,885	(236,365)	218,885	106,725
Unfunded OPEB obligation	337,489	62,590	-	400,079	-
Net pension obligation	189,838	30,068	(9,689)	210,217	-
Total Governmental Activities	\$ 5,661,528	\$ 852,343	\$ (730,724)	\$ 5,783,147	\$ 649,450
Business-type Activities:					
Electric Fund					
Installment purchases	\$ 2,822,211	\$ -	\$ (218,957)	\$ 2,603,254	\$ 227,501
Unfunded OPEB obligation	58,830	12,193	-	71,023	-
Compensated absences	75,867	66,904	(75,867)	66,904	7,470
Electric Fund long-term liabilities	\$ 2,956,908	\$ 79,097	\$ (294,824)	\$ 2,741,181	\$ 234,971
Water Fund					
Installment purchases	\$ 152,668	\$ -	\$ (37,052)	\$ 115,616	\$ 37,785
Unfunded OPEB obligation	20,042	2,439	-	22,481	-
Compensated absences	7,728	10,843	(7,728)	10,843	1,101
Water Fund long-term liabilities	\$ 180,438	\$ 13,282	\$ (44,780)	\$ 148,940	\$ 38,886
Sewer Fund					
Installment purchases	\$ 295,209	\$ -	\$ (18,903)	\$ 276,306	\$ 19,786
Bonds payable	936,500	-	(20,000)	916,500	21,000
Unfunded OPEB obligation	16,494	4,064	-	20,558	-
Compensated absences	8,927	8,589	(8,927)	8,589	2,262
Sewer Fund long-term liabilities	\$ 1,257,130	\$ 12,653	\$ (47,830)	\$ 1,221,953	\$ 43,048
Stormwater Fund					
Unfunded OPEB obligation	\$ 4,565	\$ -	\$ -	\$ 4,565	\$ -
Stormwater Fund long-term liabilities	\$ 4,565	\$ -	\$ -	\$ 4,565	\$ -
Total Business-type Activities	\$ 4,399,041	\$ 105,032	\$ (387,434)	\$ 4,116,639	\$ 316,905

Compensated absences, unfunded OPEB obligation and net pension obligation liabilities have typically been liquidated in the General Fund.

The Town's legal debt margin at June 30, 2014 was \$51,668,876.

Town of Winterville, North Carolina
Notes to Financial Statements

d. Operating Leases

The Town leases copiers under a noncancellable operating lease expiring in the June 30, 2017 fiscal year. The minimum rental commitments with initial or remaining terms in excess of one year under operating leases are as follows.

2015	\$ 9,576
2016	9,576
2017	<u>9,576</u>
Total minimum payments:	<u><u>\$ 28,728</u></u>

Total rent expense for the June 30, 2014 fiscal year on the copier lease was \$34,720.

F. Interfund Balances and Transfers

Transfers to/from other funds at June 30, 2014, consist of the following:

Fund	From	To	Purpose
Electric Fund	230,192		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.
General Fund		230,192	
	<u>\$ 230,192</u>	<u>\$ 230,192</u>	

G. On-Behalf Payments for Fringe Benefits

For the fiscal year ended June 30, 2014, the Town of Winterville has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$21,464 for the fifty-four volunteer fireman and six employed fireman who perform firefighting duties for the Town's fire department. The volunteers and the employees elected to be members of the Firefighter's and Rescue Workers' Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by the Town, investment income, and a State appropriation.

Town of Winterville, North Carolina
Notes to Financial Statements

H. Net Investment in Capital Assets

	Governmental	Business
Capital assets	\$ 23,915,492	\$ 9,165,162
Less: long-term debt	<u>(4,953,966)</u>	<u>(3,911,676)</u>
Net investment in capital assets	<u>\$ 18,961,526</u>	<u>\$ 5,253,486</u>

I. Fund Balance

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

Total fund balance - General Fund:	\$ 6,266,010
Less:	
Prepaid items	73
Stabilization by State Statute	938,704
Streets - Powell Bill	920,251
Public Safety	23,741
Debt covenants	139,634
Recreation	7,400
Working Capital/Fund Balance Policy	<u>1,662,246</u>
Remaining Fund Balance:	<u>\$ 2,573,961</u>

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

Encumbrances	General Fund	Non-Major Funds
	\$ 356,458	\$ -

J. Prior Period Adjustment

Based on errors made by a non-profit entity in Pitt County in filing its refund claims for the periods of January 2007 to June 2009, Pitt County and its various municipalities were overpaid sales tax amounts during this period and are required to payback these sales tax amounts. The North Carolina Department of Revenue decided upon a 30 month repayment period, beginning with July 2012 collections, which were distributed in September 2012. All sales tax distribution amounts during this 30 month period will be reduced by the amount of the repayment. The Town's total repayment is \$97,692, or \$3,256, monthly.

Town of Winterville, North Carolina

Notes to Financial Statements

For the accrual basis of accounting (Exhibit 2), the entire \$97,692 was shown as a deduction from net assets and an increase in accounts payable for the June 30, 2012 fiscal year. On Exhibit 4 of the accompanying financial statements which is prepared on the modified accrual basis of accounting, \$32,564, \$39,077 and \$26,051 was or will be shown as a deduction from fund balance and an increase in accounts payable as of June 30, 2012, 2013 and 2014, respectively.

4. Jointly Governed Organizations

The Town is a member of the Contentnea Metropolitan Sewerage District (District). The participating governments established the District to provide sewer service to each member's citizens. Each participating government appoints one member to the District's governing board.

The Town's purchases of sewer services for the fiscal year ended June 30, 2014 amounted to \$929,588.

The Town is a member of the Mid-East Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Commission's governing board. The Town paid membership fees of \$2,665 to the Commission during the fiscal year ended June 30, 2014.

5. Joint Ventures

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these funds to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. During the fiscal year ended June 30, 2014, the Town reported no payments made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2014. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. That report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

Town of Winterville, North Carolina
Notes to Financial Statements

6. Summary Disclosures of Significant Contingencies

Federal and State Assisted Programs

The Town 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 moneys 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.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Funding Progress for the Other Postemployment Benefits.
- Schedule of Employer Contributions for the Other Postemployment Benefits.
- Notes to the Required Schedules for the Other Postemployment Benefits.



**Town of Winterville, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2014**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b) - (a)) / (c)
12/31/2004	\$ -	\$ 38,688	\$ 38,688	0.00%	\$ 431,302	8.97%
12/31/2005	-	52,623	52,623	0.00%	548,109	9.60%
12/31/2006	-	65,425	65,425	0.00%	639,784	10.23%
12/31/2007	-	102,020	102,020	0.00%	796,882	12.80%
12/31/2008	-	143,903	143,903	0.00%	804,614	17.88%
12/31/2009	-	230,568	230,568	0.00%	770,457	29.93%
12/31/2010	-	249,110	249,110	0.00%	778,252	32.01%
12/31/2011	-	265,193	265,193	0.00%	818,302	32.41%
12/31/2012	-	282,449	282,449	0.00%	739,129	38.21%
12/31/2013	-	231,602	231,602	0.00%	793,525	29.19%

**Town of Winterville, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions
For the Fiscal Year Ended June 30, 2014**

<u>Schedule of Employer Contributions</u>		
<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Annual Percentage Contributed</u>
2005	\$ 5,875	0.00%
2006	8,217	0.00%
2007	9,777	0.00%
2008	10,243	0.00%
2009	12,411	0.00%
2010	21,241	0.00%
2011	31,391	0.00%
2012	32,247	0.00%
2013	34,830	4.64%
2014	36,043	26.88%

Notes to the Required Schedules

The information presented in the required supplementary information schedule was determined the actuarial valuation at the date indicated. Additional information as of the latest valuation follows:

Valuation date	December 31, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial Assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% - 7.85%
*Includes inflation at	3.0%
Cost of living adjustments	N/A

Town of Winterville, North Carolina
Other Post-Employment Benefits – Retiree Health Care
Required Supplementary Information
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b) - (a)) / (c)
12/31/07	\$ -	\$ 889,417	\$ 889,417	0.00%	\$2,287,567	38.9%
12/31/08	-	1,145,215	1,145,215	0.00%	2,756,229	41.6%
12/31/11	-	1,535,586	1,535,586	0.00%	2,756,955	55.7%

Town of Winterville, North Carolina
Other Post-Employment Benefits – Retiree Health Care
Required Supplementary Information
Schedule of Employer Contributions
For the Fiscal Year Ended June 30, 2014

Schedule of Employer Contributions		
Year Ended June 30,	Annual Required Contribution	Annual Percentage Contributed
2009	\$ 82,339	9.35%
2010	117,625	15.75%
2011	117,625	22.24%
2012	126,612	27.76%
2013	126,281	37.96%
2014	130,069	38.11%

Notes to the Required Schedules

The information presented in the required supplementary information schedule was determined as part of actuarial valuation at the date indicated. Additional information as of the latest valuation follows:

Valuation date	December 31, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial Assumptions:	
Investment rate of return *	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	9.50% - 5.00%
Post-Medicare trend rate	7.00% - 5.00%
Year of ultimate trend rate	2018
*Includes inflation at	3.00%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES



MAJOR GOVERNMENTAL FUND

General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.



**Town of Winterville, North Carolina
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual – General Fund
For the Fiscal Year Ended June 30, 2014**

	Budget	Actual	Variable Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes		\$ 3,612,768	
Interest		27,716	
Total	\$ 3,342,068	3,640,484	\$ 298,416
Other taxes and licenses:			
Privilege licenses		14,778	
Heavy equipment tax		21,081	
Total	16,000	35,859	19,859
Unrestricted Intergovernmental:			
Local option sales tax		1,630,305	
Payment in lieu of taxes - outside sources		1,355	
Utility franchise tax/Telecommunications sales tax		254,607	
Beer and wine tax		41,132	
Total	1,896,202	1,927,399	31,197
Restricted Intergovernmental:			
Powell Bill allocation		264,733	
DOT reimbursement		3,660	
FEMA grant revenue		39,786	
Miscellaneous grant revenue		5,000	
On-behalf of payments - Fire		21,464	
Solid waste disposal tax		5,282	
Total	264,629	339,925	75,296
Permits and fees:			
Subdivision recreation fees		2,765	
Planning and zoning		3,150	
Total	4,550	5,915	1,365
Sales and services:			
Solid waste fees		488,719	
Community building/Rescue rent		17,765	
Fire inspections		13,106	
Building inspections		114,122	
User access fee		6,680	
Utility service charges		3,000	
Recreation		145,706	
Cemetery		18,500	
Total	823,624	807,598	(16,026)
Investment earnings	7,416	11,006	3,590
Miscellaneous:			
Other		48,351	
Total	63,167	48,351	(14,816)
Total revenues	6,417,656	6,816,537	398,881

continued

**Town of Winterville, North Carolina
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual – General Fund
For the Fiscal Year Ended June 30, 2014**

	Budget	Actual	Variable Positive (Negative)
Expenditures:			
General government:			
Governing body:			
Salaries and benefits		43,108	
Other operating expenditures		24,018	
Total	73,245	67,126	6,119
Administration:			
Salaries and employee benefits		947,284	
Maintenance and repairs		(60)	
Other operating expenditures		810,551	
Reimbursement - proprietary funds		(435,716)	
Total	1,528,627	1,322,059	206,568
Information Technology:			
Salaries and employee benefits		103,508	
Maintenance and repairs		5,719	
Other operating expenditures		203,527	
Noncapitalized equipment < \$5,000 (computer)		37,801	
Capital outlay		39,763	
Reimbursement - proprietary funds		(128,318)	
Total	384,457	262,000	122,457
Planning:			
Salaries and employee benefits		93,729	
Maintenance and repairs		228	
Other operating expenditures		23,956	
Total	126,579	117,913	8,666
Total general government	2,112,908	1,769,098	343,810
Public Safety:			
Police:			
Salaries and employee benefits		1,258,774	
Maintenance and repairs		47,376	
Other operating expenditures		106,842	
Noncapitalized equipment < \$5,000		18,761	
Capital outlay		104,161	
Total	1,561,683	1,535,914	25,769
			continued

**Town of Winterville, North Carolina
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual – General Fund
For the Fiscal Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variable Positive (Negative)</u>
Public Safety (continued):			
Animal Control:			
Other operating expenditures		5,395	
Total	<u>13,350</u>	<u>5,395</u>	<u>7,955</u>
Fire:			
Salaries and employee benefits		195,305	
Maintenance and repairs		21,188	
Other operating expenditures		148,604	
Capital outlay		435,537	
Total	<u>810,156</u>	<u>800,634</u>	<u>9,522</u>
Rescue:			
Other operating expenditures		30,600	
Total	<u>82,266</u>	<u>30,600</u>	<u>51,666</u>
Total public safety	2,467,455	2,372,543	94,912
Transportation:			
Salaries and employee benefits		798,280	
Maintenance and repairs		30,344	
Other operating expenditures		69,601	
Other operating expenditures - Powell Bill		45,357	
Capital outlay - Powell Bill		211,214	
Capital outlay		150,508	
Reimbursement - proprietary funds		(518,185)	
Reimbursement to water capital project fund		14,000	
Total transportation	1,209,018	801,119	407,899
Environmental Protection:			
Sanitation:			
Other operating expenditures		423,582	
Total	<u>427,500</u>	<u>423,582</u>	<u>3,918</u>

continued

Town of Winterville, North Carolina
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual – General Fund
For the Fiscal Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variable Positive (Negative)</u>
Cultural and Recreation:			
Parks and Recreation:			
Salaries and employee benefits		250,897	
Maintenance and repairs		26,293	
Other operating expenditures		191,141	
Noncapitalized equipment <\$5,000		6,145	
Capital outlay		44,533	
Total parks and recreation	<u>611,538</u>	<u>519,009</u>	<u>92,529</u>
Public Buildings:			
Maintenance and repairs		8,809	
Capital outlay		14,681	
Other operating expenditures		267,308	
Reimbursement - proprietary funds		(64,304)	
Total public buildings	<u>241,746</u>	<u>226,494</u>	<u>15,252</u>
Total Cultural and Recreation	853,284	745,503	107,781
Economic Development:			
Contracted Services		-	
Total Economic Development	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Debt service:			
Principal retirement	484,670	484,670	-
Interest	204,167	204,149	18
Total debt service	<u>688,837</u>	<u>688,819</u>	<u>18</u>
Reimbursements - proprietary funds	<u>(151,682)</u>	<u>(151,682)</u>	-
Total expenditures	<u>7,627,320</u>	<u>6,648,982</u>	<u>978,338</u>
Revenues over (under) expenditures	(1,209,664)	167,555	1,377,219
Other financing sources (uses):			
Loan proceeds - installment purchases	540,800	540,800	-
Transfers from other funds:			
Enterprise funds	238,192	230,192	(8,000)
Total other financing sources (uses)	778,992	770,992	(8,000)
Fund balance appropriated	430,672	-	(430,672)
Net change in fund balance	<u>\$ -</u>	938,547	<u>\$ 938,547</u>
Fund balances, beginning as previously reported		5,353,514	
Prior period adjustment		(26,051)	
Fund balances, beginning as restated		<u>5,327,463</u>	
Fund balances, ending		<u>\$ 6,266,010</u>	

ENTERPRISE FUNDS

The Enterprise Funds are established to account for services provided to the general public and the related costs of such services. Although General Statutes and generally accepted accounting principles do not require an annual balanced budget for Enterprise Funds, the Town does adopt a balanced budget for these funds.

Electric Fund – The Electric Fund accounts for the Town’s electric operations.

Water Fund – The Water Fund accounts for the Town’s water operations.

Sewer Fund – The Sewer Fund accounts for the Town’s sewer operations.

Stormwater Fund – The Stormwater Fund accounts for the Town’s stormwater operations.



Town of Winterville, North Carolina
Electric Fund Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Sale of electricity		\$ 6,109,507	
Connection fees		17,095	
Service charges		43,213	
Miscellaneous revenue		184,131	
Total operating revenues	<u>\$ 6,249,622</u>	<u>6,353,946</u>	<u>\$ 104,324</u>
Non-operating revenues:			
Interest earned		9,209	9,209
Total revenues	6,249,622	6,363,155	113,533
Expenditures:			
Operating:			
Electrical power purchases		4,144,379	
Salaries and employee benefits		552,147	
Supplies		86,968	
Repairs and maintenance		42,607	
Contracted services		118,231	
Other departmental expenses		195,330	
Expense reimbursement to general fund		383,378	
Expense reimbursement from water and sewer fund		(24,000)	
Total operating expenditures	<u>5,687,557</u>	<u>5,499,040</u>	<u>188,517</u>
Debt service:			
Principal retirement	218,957	218,957	-
Interest	112,416	112,415	1
Total debt service	<u>331,373</u>	<u>331,372</u>	<u>1</u>
Capital outlay:			
Noncapitalized equipment < \$5,000		33,252	
Capital outlay		66,849	
Total capital outlay	<u>114,000</u>	<u>100,101</u>	<u>13,899</u>
Total expenditures	<u>6,132,930</u>	<u>5,930,513</u>	<u>202,417</u>

Town of Winterville, North Carolina
Electric Fund Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues over (under) expenditures	116,692	432,642	315,950
Other financing sources (uses):			
Transfers to other funds:			
General Fund	(230,192)	(230,192)	-
Total other financing sources (uses)	(230,192)	(230,192)	-
Fund balance appropriated	113,500	-	(113,500)
Revenues, other sources and appropriated balance over (under) expenditures and other uses	\$ -	202,450	\$ 202,450
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		218,957	
Capital outlay		66,849	
Depreciation		(334,534)	
Decrease in accrued vacation pay		8,963	
Increase in accrued OPEB liability		(12,193)	
Total		(51,958)	
Change in net position		\$ 150,492	

Town of Winterville, North Carolina
Water Fund Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales		\$ 742,897	
Other operating revenues		503	
Total operating revenues	\$ 719,659	743,400	\$ 23,741
Non-operating revenues:			
Investment earnings		1,374	
Total non-operating revenues	39,500	1,374	(38,126)
Total revenues	759,159	744,774	(14,385)
Expenditures:			
Operating:			
Purchases for resale		187,035	
Supplies		19,302	
Repairs and maintenance		5,547	
Contracted services		20,393	
Other departmental expenses		79,002	
Expense reimbursement to general fund		443,216	
Expense reimbursement to electric fund		12,000	
Expense reimbursement from sewer fund		(50,000)	
Total operating expenditures	764,835	716,495	48,340
Debt service:			
Principal retirement	37,052	37,052	-
Interest	3,023	3,023	-
Total debt service	40,075	40,075	-
Capital outlay:			
Capital outlay		35,790	
Total capital outlay	35,790	35,790	-
Total expenditures	840,700	792,360	48,340
Revenues over (under) expenditures	(81,541)	(47,586)	33,955

Town of Winterville, North Carolina
Water Fund Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfers to other funds:			
Water Capital Projects Fund	(67,202)	(22,055)	45,147
	(67,202)	(22,055)	45,147
 Fund balance appropriated	 148,743	 -	 (148,743)
 Revenues, other sources and appropriated fund balance over (under) expenditures and other uses	 \$ -	 (69,641)	 \$ (69,641)
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		37,052	
Capital outlay		35,790	
Increase in accrued vacation pay		(3,115)	
Increase in accrued OPEB liability		(2,439)	
Depreciation		(79,831)	
Transfer to Water Capital Projects Fund		22,055	
Developers fee		35,000	
Total		44,512	
Change in net position		\$ (25,129)	

Town of Winterville, North Carolina
Water Capital Projects Fund Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Developer Contribution	\$ 35,000	\$ -	\$ 35,000	\$ 35,000	\$ -
Expenditures:					
Capital outlay:					
Construction	837,933	-	-	-	837,933
Engineering	163,500	-	47,156	47,156	116,344
Contingency	123,355	-	-	-	123,355
Total capital outlay	<u>1,124,788</u>	<u>-</u>	<u>47,156</u>	<u>47,156</u>	<u>1,077,632</u>
Revenues under expenditures	(1,089,788)	-	(12,156)	(12,156)	1,077,632
Other financing sources:					
Transfers from other funds:					
Water Fund	22,055	-	22,055	22,055	-
NCDENR Drinking Water State Revolving Fund	<u>1,067,733</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,067,733)</u>
Total other financing sources	<u>1,089,788</u>	<u>-</u>	<u>22,055</u>	<u>22,055</u>	<u>(1,067,733)</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,899</u>	<u>\$ 9,899</u>	<u>\$ 9,899</u>

Town of Winterville, North Carolina
Sewer Fund Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Sewer charges		\$ 1,682,415	
Tapping fees		450	
Total operating revenues	<u>\$ 1,666,179</u>	<u>1,682,865</u>	<u>\$ 16,686</u>
Non-operating revenues:			
Investment earnings		1,145	
Development fees		2,878	
Total non-operating revenues	<u>-</u>	<u>4,023</u>	<u>4,023</u>
 Total revenues	 1,666,179	 1,686,888	 20,709
Expenditures:			
Operating:			
Supplies		18,933	
Repairs and maintenance		35,860	
Contracted services		17,138	
CMSD expense		929,588	
Other departmental expenses		101,585	
Expense reimbursement to general fund		368,928	
Expense reimbursement to water fund		50,000	
Expense reimbursement to electric fund		12,000	
Total operating expenditures	<u>1,577,258</u>	<u>1,534,032</u>	<u>43,226</u>
Debt service:			
Principal retirement	38,903	38,903	-
Interest	59,441	59,440	1
Total debt service	<u>98,344</u>	<u>98,343</u>	<u>1</u>
Capital outlay:			
Noncapitalized equipment <\$5,000		27,176	
Capital outlay		23,401	
Total capital outlay	<u>50,577</u>	<u>50,577</u>	<u>-</u>
 Total expenditures	 <u>1,726,179</u>	 <u>1,682,952</u>	 <u>43,227</u>
Revenues over (under) expenditures	(60,000)	3,936	63,936

Town of Winterville, North Carolina
Sewer Fund Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Fund balance appropriated	60,000	-	(60,000)
Revenues, other sources and appropriated balance over (under) expenditures and other uses	\$ -	3,936	\$ 3,936
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		38,903	
Capital outlay		23,401	
Depreciation		(156,460)	
Decrease in accrued vacation pay		338	
Increase in accrued OPEB liability		(4,064)	
Total		(97,882)	
Change in net position		\$ (93,946)	

Town of Winterville, North Carolina
Stormwater Fund Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Stormwater charges		\$ 169,378	
Total operating revenues	\$ 168,980	169,378	\$ 398
Non-operating revenues:			
Investment earnings		163	
Total non-operating revenues	-	163	163
Total revenues	168,980	169,541	561
Expenditures:			
Operating:			
Contracted services		15,155	
Supplies		14,964	
Repairs and maintenance		2,752	
Expense reimbursement from general fund		(14,000)	
Expense reimbursement to general fund		102,683	
Total operating expenditures	126,183	121,554	4,629
Capital outlay:			
Capital outlay		39,940	
Total capital outlay	42,797	39,940	2,857
Total expenditures	168,980	161,494	7,486
Revenues over (under) expenditures	\$ -	8,047	\$ 8,047
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		39,940	
Depreciation		(21,760)	
Total		18,180	
Change in net position		\$ 26,227	

OTHER FINANCIAL INFORMATION

To provide additional insight into the Town's operations, both past and present, the following additional financial information is included in subsequent sections of the comprehensive report:

Governmental Capital Assets

This section includes additional information about the Town's investment in governmental fixed assets, including a summary of assets benefiting each governmental function.

Other Schedules

Additional financial data includes information on property tax collections and uncollected property taxes.

Statistical Information

The statistical section includes ten year comparison data (when available) on various aspects of Town finances as well as other information to enhance understanding of Town operations.

Compliance Section

The compliance section includes auditors' reports on state compliance matters.



GOVERNMENTAL CAPITAL ASSETS



Town of Winterville, North Carolina
Comparative Schedule of Governmental Capital Assets
By Source
For the Fiscal Year Ended June 30, 2014
(With Comparative Actual Amounts as of June 30, 2013)

<u>Governmental Capital Assets</u>	<u>2014</u>	<u>2013</u>
Land	\$ 3,782,635	\$ 3,562,635
Construction in process	-	88,096
Buildings	6,676,944	6,676,944
Infrastructure	24,694,066	24,380,075
Software	560,832	539,360
Vehicles and equipment	<u>4,309,007</u>	<u>3,555,977</u>
 Total	 <u>\$ 40,023,484</u>	 <u>\$ 38,803,087</u>

Town of Winterville, North Carolina
Schedule of Changes in Governmental Capital Assets
By Function and Activity
For the Fiscal Year Ended June 30, 2014

<u>Function and Activity</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
General government	\$ 9,119,216	\$ 259,763	\$ -	\$ 9,378,979
Transportation	25,188,198	361,722	-	25,549,920
Public Safety	1,832,043	539,698	-	2,371,741
Cultural and recreation	<u>2,663,630</u>	<u>59,214</u>	<u>-</u>	<u>2,722,844</u>
Total	<u>\$ 38,803,087</u>	<u>\$ 1,220,397</u>	<u>\$ -</u>	<u>\$ 40,023,484</u>

OTHER SCHEDULES

This section contains additional information on property taxes.

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



Town of Winterville, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2014

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-2014	\$ -	\$ 3,594,237	\$ 3,533,265	\$ 60,972
2012-2013	94,412	-	57,915	36,497
2011-2012	37,276	-	14,263	23,013
2010-2011	14,182	-	3,082	11,100
2009-2010	14,490	-	1,450	13,040
2008-2009	6,422	-	807	5,615
2007-2008	6,791	-	576	6,215
2006-2007	6,849	-	744	6,105
2005-2006	3,843	-	9	3,834
2004-2005	2,655	-	75	2,580
2003-2004	2,191	-	2,191	-
Total	<u>\$ 189,111</u>	<u>\$ 3,594,237</u>	<u>\$ 3,614,377</u>	<u>168,971</u>

Less: allowance for uncollectible accounts:
General fund

39,337

Ad valorem taxes receivable - net

\$ 129,634

Reconcilement with Revenues:

Ad valorem taxes - General Fund

\$ 3,640,484

Reconciling items:

Interest collected

(27,716)

Taxes written off

2,184

Releases (prior years) and other adjustments

(575)

Subtotal

(26,107)

Total collections and credits

\$ 3,614,377

**Town of Winterville, North Carolina
Analysis of Current Tax Levy
Town-Wide Levy
For the Fiscal Year Ended June 30, 2014**

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy: Property taxed at current year's rate	\$750,662,737	0.475	\$ 3,565,648	\$ 3,035,824	\$ 529,824
Discoveries	7,227,368		34,330	34,330	-
Abatements	(1,208,632)		(5,741)	(1,462)	(4,279)
Total property valuation	<u>\$756,681,473</u>				
Net levy			3,594,237	3,068,692	525,545
Uncollected taxes at June 30, 2014			<u>(60,972)</u>	<u>(49,885)</u>	<u>(11,087)</u>
Current year's taxes collected			<u>\$ 3,533,265</u>	<u>\$ 3,018,807</u>	<u>\$ 514,458</u>
Current levy collection percentage			<u>98.30%</u>	<u>98.37%</u>	<u>97.89%</u>

STATISTICAL SECTION

This part of the Town of Winterville's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the Town's overall financial health.

CONTENTS:

Financial Trends

These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	\$ 17,498,023	\$ 17,015,395	\$ 18,107,145	\$ 18,883,210
Restricted	99,573	64,181	118,662	297,722
Unrestricted	2,309,790	3,806,332	3,865,762	3,841,539
Total governmental activities net position	\$ 19,907,386	\$ 20,885,908	\$ 22,091,569	\$ 23,022,471
Business-type activities				
Net investment in capital assets	\$ 4,051,159	\$ 4,471,007	\$ 4,304,371	\$ 2,981,588
Restricted	-	-	-	-
Unrestricted	2,735,379	2,881,715	3,992,871	6,181,096
Total Business-type activities net position	\$ 6,786,538	\$ 7,352,722	\$ 8,297,242	\$ 9,162,684
Primary government				
Net investment in capital assets	\$ 21,549,182	\$ 21,486,402	\$ 22,411,516	\$ 21,864,798
Restricted	99,573	64,181	118,662	297,722
Unrestricted	5,045,169	6,688,047	7,858,633	10,022,635
Total primary government net position	\$ 26,693,924	\$ 28,238,630	\$ 30,388,811	\$ 32,185,155

Town of Winterville, North Carolina
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
Table 1

2009	2010	2011	2012	2013	2014
\$ 19,033,329	\$ 19,743,897	\$ 20,131,928	\$ 19,819,840	\$ 19,314,530	\$ 18,961,526
509,458	524,194	1,344,122	1,590,502	2,063,859	2,029,730
2,756,908	2,602,666	2,117,242	2,517,321	2,695,079	3,573,881
<u>\$ 22,299,695</u>	<u>\$ 22,870,757</u>	<u>\$ 23,593,292</u>	<u>\$ 23,927,663</u>	<u>\$ 24,073,468</u>	<u>\$ 24,565,137</u>
\$ 5,773,808	\$ 5,531,666	\$ 5,795,169	\$ 5,548,709	\$ 5,338,023	\$ 5,253,486
-	-	-	-	-	-
4,202,970	4,775,714	4,975,318	5,709,288	6,642,021	6,784,202
<u>\$ 9,976,778</u>	<u>\$ 10,307,380</u>	<u>\$ 10,770,487</u>	<u>\$ 11,257,997</u>	<u>\$ 11,980,044</u>	<u>\$ 12,037,688</u>
\$ 24,807,137	\$ 25,275,563	\$ 25,927,097	\$ 25,368,549	\$ 24,652,553	\$ 24,215,012
509,458	524,194	1,344,122	1,590,502	2,063,859	2,029,730
6,959,878	7,378,380	7,092,560	8,226,609	9,337,100	10,358,083
<u>\$ 32,276,473</u>	<u>\$ 33,178,137</u>	<u>\$ 34,363,779</u>	<u>\$ 35,185,660</u>	<u>\$ 36,053,512</u>	<u>\$ 36,602,825</u>

Town of Winterville, North Carolina
Change in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
Table 2

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 1,249,125	\$ 1,051,648	\$ 920,172	\$ 1,773,961	\$ 2,456,603	\$ 2,687,929	\$ 2,552,572	\$ 2,605,647	\$ 2,158,348	\$ 2,143,361
Public Safety	1,042,633	1,601,482	1,780,041	1,588,821	1,753,660	1,883,985	1,794,701	1,822,713	1,936,031	2,020,494
Transportation	1,330,973	1,453,211	1,478,672	1,496,651	1,596,862	1,381,524	1,299,618	1,404,474	1,401,712	1,332,381
Environmental protection	278,343	265,869	323,910	344,757	375,894	402,902	444,724	425,607	420,736	423,582
Cultural and recreational	393,494	706,594	891,387	895,246	843,293	896,397	961,253	831,698	705,296	774,390
Economic and physical development	96,871	44,300	7,071	981	-	-	-	-	-	-
Interest on long-term debt	113,690	108,076	146,660	161,059	222,427	207,454	304,775	245,853	219,296	206,866
Reimbursements from business type activities	-	-	-	-	-	-	-	-	(202,708)	(151,682)
Total governmental activities expense	\$ 4,505,129	\$ 5,231,180	\$ 5,547,913	\$ 6,261,476	\$ 7,248,739	\$ 7,460,191	\$ 7,357,643	\$ 7,335,992	\$ 6,638,711	\$ 6,749,392
Business-type Activities:										
Electric	\$ 3,737,150	\$ 4,221,871	\$ 4,158,835	\$ 4,197,764	\$ 5,305,020	\$ 5,232,429	\$ 5,366,691	\$ 5,240,409	\$ 5,506,810	\$ 5,982,471
Water	396,926	469,614	495,483	636,679	693,124	778,832	556,616	532,540	677,370	804,903
Sewer	913,054	1,083,201	1,119,390	1,540,475	1,305,034	1,804,362	1,439,662	1,391,511	1,714,303	1,780,834
Stormwater	8,039	24,134	21,291	39,355	27,072	69,718	116,318	113,301	84,597	143,314
Total business-type activities expense	\$ 5,055,169	\$ 5,798,820	\$ 5,794,999	\$ 6,414,273	\$ 7,330,250	\$ 7,885,341	\$ 7,479,287	\$ 7,277,761	\$ 7,983,080	\$ 8,711,522
Total primary government expenses	\$ 9,560,298	\$ 11,030,000	\$ 11,342,912	\$ 12,675,749	\$ 14,578,989	\$ 15,345,532	\$ 14,836,930	\$ 14,613,753	\$ 14,621,791	\$ 15,460,914
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 122,166	\$ 63,022	\$ 49,050	\$ 72,162	\$ 131,618	\$ 69,550	\$ 68,488	\$ 31,174	\$ 53,053	\$ 165,982
Public Safety	61,960	93,552	-	-	156,151	-	1,100	9,475	12,476	13,106
Transportation	-	-	-	-	-	328	-	-	-	-
Environmental protection	232,815	-	355,810	364,709	377,406	410,186	481,343	484,983	485,132	484,688
Cultural and recreational	122,783	331,373	113,106	159,179	227,367	184,439	258,113	205,150	186,731	145,706
Operating grants and contributions										
General government	-	70,209	36,426	120,372	-	-	-	202,617	41,833	44,786
Public Safety	-	250,643	71,925	86,905	-	142,449	21,394	17,961	16,605	21,464
Transportation	195,593	233,826	244,662	340,213	-	264,041	345,935	284,827	266,728	272,530
Environmental protection	-	-	-	-	-	6,150	6,115	6,363	5,881	5,282
Capital grants and contributions										
General Government	534,695	-	-	-	-	-	-	-	-	-
Cultural and recreational	-	-	-	-	-	500,000	-	-	-	-
Transportation	4,652,377	802,166	1,429,511	733,570	276,512	-	-	-	-	-
Total governmental activities program revenues	\$ 5,922,389	\$ 1,844,791	\$ 2,300,490	\$ 1,877,110	\$ 1,169,054	\$ 1,577,143	\$ 1,182,488	\$ 1,242,550	\$ 1,068,439	\$ 1,153,544

continued

Town of Winterville, North Carolina
Change in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
Table 2

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type activities:										
Charges for services										
Electric Fund	\$ 4,284,432	\$ 4,740,155	\$ 4,645,162	\$ 5,088,797	\$ 5,782,977	\$ 5,842,314	\$ 6,569,449	\$ 6,433,135	\$ 6,356,205	\$ 6,353,946
Water Fund	509,622	553,868	583,834	643,967	740,300	743,907	735,593	720,550	718,195	743,400
Sewer Fund	786,018	1,116,274	1,203,587	1,485,481	1,646,000	1,644,394	1,710,000	1,628,236	1,664,340	1,682,865
Stormwater Fund	-	-	28,080	159,821	192,948	125,363	758	-	88,886	169,378
Operating grants and contributions	-	-	-	-	-	80,884	33,099	15,533	1,089	37,878
Capital grants and contributions	74,127	52,368	99,794	101,113	126,992	500,000	-	-	-	-
Total business-type activities program revenues	\$ 5,654,199	\$ 6,462,665	\$ 6,560,457	\$ 7,479,179	\$ 8,489,217	\$ 8,936,862	\$ 9,048,899	\$ 8,797,454	\$ 8,828,715	\$ 8,987,467
Total primary government program revenues	\$ 11,576,588	\$ 8,307,456	\$ 8,860,947	\$ 9,356,289	\$ 9,658,271	\$ 10,514,005	\$ 10,231,387	\$ 10,040,004	\$ 9,897,154	\$ 10,141,011
Net Revenue (Expense):										
Governmental activities	\$ 1,417,260	\$ (3,386,389)	\$ (3,247,423)	\$ (4,384,366)	\$ (6,079,685)	\$ (5,883,048)	\$ (6,175,155)	\$ (6,093,442)	\$ (5,570,272)	\$ (5,595,848)
Business-type activities	599,030	663,845	765,458	1,064,906	1,158,967	1,051,521	1,569,612	1,519,693	845,635	275,945
Total primary government net expense	\$ 2,016,290	\$ (2,722,544)	\$ (2,481,965)	\$ (3,319,460)	\$ (4,920,718)	\$ (4,831,527)	\$ (4,605,543)	\$ (4,573,749)	\$ (4,724,637)	\$ (5,319,903)
General revenues and other changes in net position										
Governmental activities:										
Property Taxes	\$ 1,845,824	\$ 2,235,927	\$ 2,373,125	\$ 2,610,837	\$ 3,105,163	\$ 3,093,542	\$ 3,157,673	\$ 3,233,735	\$ 3,402,034	\$ 3,618,847
Local option sales tax, etc.	1,032,120	1,298,889	1,539,690	1,669,969	1,445,534	1,447,137	1,502,894	1,920,008	1,941,183	1,927,399
Grants and contributions not restricted to specific programs	-	-	-	-	-	273,805	299,708	-	-	-
Other taxes and licenses	311,098	52,117	72,437	33,408	344,671	38,686	31,045	34,332	32,517	35,859
Investment Earnings	29,757	349,180	256,525	267,674	53,082	11,967	17,851	12,146	8,580	6,869
Miscellaneous	-	128,090	244,646	103,642	-	721,519	758,425	276,508	196,763	268,351
Transfers	205,732	184,529	(43,884)	478,389	408,458	736,599	1,130,094	1,048,776	135,000	230,192
Total governmental activities	\$ 3,424,531	\$ 4,248,732	\$ 4,442,539	\$ 5,163,919	\$ 5,356,908	\$ 6,323,255	\$ 6,897,690	\$ 6,525,505	\$ 5,716,077	\$ 6,087,517
Business-type activity:										
Investment earnings, net of market adjustment	\$ 60,614	\$ 87,869	\$ 138,178	\$ 275,925	\$ 63,585	\$ 15,680	\$ 23,589	\$ 16,593	\$ 11,412	\$ 11,891
Transfers	(205,732)	(184,529)	43,884	(478,389)	(408,458)	(736,599)	(1,130,094)	(1,048,776)	(135,000)	(230,192)
Total business-type activity	\$ (145,118)	\$ (96,660)	\$ 182,062	\$ (202,464)	\$ (344,873)	\$ (720,919)	\$ (1,106,505)	\$ (1,032,183)	\$ (123,588)	\$ (218,301)
Total primary government	\$ 3,279,413	\$ 4,152,072	\$ 4,624,601	\$ 4,961,455	\$ 5,012,035	\$ 5,602,336	\$ 5,791,185	\$ 5,493,322	\$ 5,592,489	\$ 5,869,216
Change in net position										
Governmental activities	\$ 4,890,307	\$ 978,522	\$ 1,205,661	\$ 930,902	\$ (722,777)	\$ 440,672	\$ 722,535	\$ 432,063	\$ 145,805	\$ 491,669
Business-type activities	453,912	566,185	947,520	862,442	814,094	330,602	463,107	487,510	722,047	57,644
Total primary government	\$ 5,344,219	\$ 1,544,707	\$ 2,153,181	\$ 1,793,344	\$ 91,317	\$ 771,274	\$ 1,185,642	\$ 919,573	\$ 867,852	\$ 549,313

Town of Winterville, North Carolina
Fund Balances, Governmental Funds
PRE GASB 54
(Modified Accrual Basis of Accounting)
Table 3

	2005	2006	2007	2008	2009	2010
General Fund						
Reserved	\$ 503,831	\$ 466,470	\$ 147,207	\$ 930,844	\$ 1,675,977	\$ 1,148,964
Unreserved	16,194	22,696	28,545	694,494	1,459,018	1,474,100
Total General Fund	<u>\$ 520,025</u>	<u>\$ 489,166</u>	<u>\$ 175,752</u>	<u>\$ 1,625,338</u>	<u>\$ 3,134,995</u>	<u>\$ 2,623,064</u>
All Other Governmental Funds						
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:						
Special revenue funds	-	1,624	(7,071)	4,448	16,206	-
Capital projects funds	(12,535)	560,295	530,942	2,661,438	200,603	688,253
Total all other governmental funds	<u>\$ (12,535)</u>	<u>\$ 561,919</u>	<u>\$ 523,871</u>	<u>\$ 2,665,886</u>	<u>\$ 216,809</u>	<u>\$ 688,253</u>

GASB 54 was adopted for the fiscal year ending June 30, 2011.

Town of Winterville, North Carolina
Fund Balances, Governmental Funds
POST GASB 54
(Modified Accrual Basis of Accounting)
Table 3

	2011	2012	2013	2014
General Fund				
Nonspendable	\$ 33,133	\$ 36,403	\$ 73	\$ 73
Restricted	1,336,722	1,583,102	2,063,859	2,022,330
Committed	7,400	7,400	-	7,400
Assigned	67,680	18,000	-	-
Unassigned	2,287,824	2,978,107	3,289,582	4,236,207
Total General Fund	<u>\$ 3,732,759</u>	<u>\$ 4,623,012</u>	<u>\$ 5,353,514</u>	<u>\$ 6,266,010</u>
All Other Governmental Funds				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note: GASB 54 was adopted for the fiscal year ending June 30, 2011.

Town of Winterville, North Carolina
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
Table 4

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
REVENUES										
Ad valorem taxes	\$ 1,877,080	\$ 2,235,909	\$ 2,370,582	\$ 2,585,436	\$ 3,066,447	\$ 3,086,185	\$ 3,115,699	\$ 3,275,421	\$ 3,389,498	\$ 3,640,484
Other taxes and licenses	1,095,704	1,351,006	1,612,127	1,703,377	1,478,844	38,686	31,045	34,332	32,517	35,859
Unrestricted intergovernmental	247,514	349,180	256,525	267,674	311,361	1,720,942	1,802,602	1,920,008	1,941,183	1,927,399
Restricted intergovernmental	730,288	554,678	244,662	371,097	276,512	797,691	370,376	484,987	328,652	339,925
Permits and fees	37,794	61,595	10,545	8,308	7,770	3,730	4,488	2,899	2,100	5,915
Sales and services	419,017	421,105	544,019	587,743	544,782	666,741	804,929	724,513	734,140	807,598
Investment earnings	36,618	128,090	244,646	103,642	53,082	13,676	20,919	14,927	10,975	11,006
Miscellaneous	173,642	178,340	162,928	274,456	349,561	173,828	10,989	55,872	15,053	48,351
TOTAL REVENUES	\$ 4,617,657	\$ 5,279,903	\$ 5,446,034	\$ 5,901,733	\$ 6,088,359	\$ 6,501,479	\$ 6,161,047	\$ 6,512,959	\$ 6,454,118	\$ 6,816,537
EXPENDITURES										
General Government	\$ 1,122,694	\$ 1,329,062	\$ 1,369,073	\$ 2,006,059	\$ 4,130,732	\$ 2,573,280	\$ 2,302,452	\$ 2,246,240	\$ 1,737,272	\$ 1,769,098
Public Safety	900,240	1,571,043	1,662,237	1,541,222	1,713,040	2,354,913	1,595,926	1,678,150	1,838,331	2,372,543
Transportation	645,180	751,172	727,838	706,317	778,185	772,378	654,379	600,556	667,463	801,119
Environmental Protection	278,343	265,869	323,910	344,757	375,894	402,902	444,724	425,607	420,736	423,582
Cultural and Recreation	386,169	692,333	873,251	927,663	1,652,918	797,599	894,595	766,076	617,674	745,503
Economic and Physical Development	96,871	44,300	7,071	981	-	-	-	-	-	-
Public Works	-	23,128	-	-	-	-	-	-	-	-
Vehicle Replacement	-	-	-	-	-	307,117	-	-	-	-
Riembursement - Proprietary Funds	-	-	-	-	-	-	-	-	(202,708)	(151,682)
Debt Service:										
Principal retirement	196,122	120,190	380,812	524,203	712,724	791,985	723,690	675,881	517,875	484,670
Interest and Fees	113,690	108,076	146,660	166,629	222,427	207,454	272,692	246,408	222,896	204,149
Capital Outlay	823,025	244,825	441,613	144,215	71,124	1,579,010	-	-	-	-
TOTAL EXPENDITURES	\$ 4,562,334	\$ 5,149,998	\$ 5,932,465	\$ 6,362,046	\$ 9,657,044	\$ 9,786,638	\$ 6,888,458	\$ 6,638,918	\$ 5,819,539	\$ 6,648,982
REVENUES OVER (UNDER) EXPENDITURES	\$ 55,323	\$ 129,905	\$ (486,431)	\$ (460,313)	\$ (3,568,685)	\$ (3,285,159)	\$ (727,411)	\$ (125,959)	\$ 634,579	\$ 167,555

continued

Town of Winterville, North Carolina
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
Table 4

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
OTHER FINANCING SOURCES (USES)										
Long Term Debt Issued	\$ 538,202	\$ 1,218,937	\$ 760,000	\$ 2,229,230	\$ 232,000	\$ 2,310,990	\$ -	\$ -	\$ -	\$ 540,800
Transfers in	604,401	1,032,178	72,240	3,220,189	1,098,716	2,819,465	1,878,079	1,048,776	135,000	230,192
Transfers out	(398,669)	(847,649)	(116,124)	(2,741,800)	(690,258)	(2,082,866)	(747,985)	-	-	-
Sale of capital assets	-	-	-	-	-	66,693	18,759	-	-	-
Total other financing sources (uses)	\$ 743,934	\$ 1,403,466	\$ 716,116	\$ 2,707,619	\$ 640,458	\$ 3,114,282	\$ 1,148,853	\$ 1,048,776	\$ 135,000	\$ 770,992
Net Change in Fund Balances	\$ 799,257	\$ 1,533,371	\$ 229,685	\$ 2,247,306	\$ (2,928,227)	\$ (170,877)	\$ 421,442	\$ 922,817	\$ 769,579	\$ 938,547
Debt Services as a percentage of noncapital expenditures	9%	5%	11%	12%	11%	14%	17%	16%	14%	11%

Town of Winterville, North Carolina
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
Table 5

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Beer and Wine Tax	Penalties/ Interest	Total
2005	\$ 1,866,823	\$ 1,032,120	\$ 136,804	\$ 25,894	\$ 10,257	\$ 3,071,898
2006	2,227,012	1,298,889	223,461	30,662	8,897	3,788,921
2007	2,364,856	1,539,690	218,311	34,787	5,726	4,163,370
2008	2,576,874	1,669,969	227,675	37,736	8,562	4,520,816
2009	3,055,047	1,445,534	270,492	38,560	11,400	4,821,033
2010	3,069,850	1,447,137	258,488	12,764	16,335	4,804,574
2011	3,099,199	1,502,894	257,852	40,345	16,500	4,916,790
2012	3,255,662	1,619,870	258,177	40,463	19,759	5,193,931
2013	3,371,069	1,651,989	249,038	37,771	18,429	5,328,296
2014	3,612,768	1,630,305	254,607	41,132	27,716	5,566,528

Town of Winterville, North Carolina
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
Table 6

Fiscal Year Ended			Total Taxes Levied			
June 30	Real Property	Personal Property	For Fiscal Year	Property Valuation	Direct Tax Rate	
2005	\$ 1,627,945	\$ 201,458	\$ 1,829,403	\$ 406,534,000	0.45	
2006	1,941,762	249,968	2,191,730	487,050,947	0.45	
2007	2,145,777	213,585	2,359,362	524,302,667	0.45	
2008	2,285,774	276,758	2,562,532	569,444,889	0.45	
2009	2,776,854	300,052	3,076,906	683,117,334	0.45	
2010	2,810,386	279,384	3,089,770	686,615,556	0.45	
2011	2,855,107	293,766	3,148,873	699,749,556	0.45	
2012	2,895,892	344,019	3,239,911	719,980,222	0.45	
2013	3,004,730	380,663	3,385,393	712,714,316	0.475	
2014	3,068,692	525,545	3,594,237	756,681,473	0.475	

Source: Pitt County Tax Assessor

Note: Property in the county is reassessed once every four years on average. The last county-wide revaluation occurred January 1, 2012. The county assesses property at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value.

Town of Winterville, North Carolina
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
Table 7

Fiscal Year Ended June 30,	City Direct Rates		Overlapping Rates			Total Direct and Overlapping Rates
	Basic Rate	Total Direct Rate	Rescue District	Fire District	County Rate	
2005	0.45	0.45	0.04	0.025	0.700	1.22
2006	0.45	0.45	0.04	0.025	0.700	1.22
2007	0.45	0.45	0.04	0.025	0.710	1.23
2008	0.45	0.45	0.04	0.025	0.665	1.18
2009	0.45	0.45	0.04	0.025	0.665	1.18
2010	0.45	0.45	0.04	0.025	0.665	1.18
2011	0.45	0.45	0.04	0.025	0.665	1.18
2012	0.45	0.45	0.046	0.044	0.680	1.22
2013	0.475	0.475	0.046	0.044	0.680	1.25
2014	0.475	0.475	0.046	0.044	0.680	1.25

Note Tax rates are based on \$100 per assessed valuation for Town of Winterville and all overlapping governments.

Source: Pitt County Tax Assessor

Town of Winterville, North Carolina
Property Tax Levies and Collections
Last Ten Fiscal Years
Table 9

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year</u>			<u>Collected within the Fiscal Year of the Levy</u>		<u>Total Collections to Date</u>		
	<u>(Original Levy)</u>	<u>Adjustments</u>	<u>Total Adjusted Levy</u>	<u>Total Amount Collected</u>	<u>Percentage of Original Levy</u>	<u>Collections for Prior Years</u>	<u>Total Amount Collected</u>	<u>Percentage of Adjusted Levy</u>
2005	\$ 1,829,403	\$ 6,809	\$ 1,836,212	\$ 1,787,712	97.72%	\$ 45,920	\$ 1,833,632	99.86%
2006	2,191,730	6,427	2,198,157	2,142,254	97.74%	52,069	2,194,323	99.83%
2007	2,359,362	70,055	2,429,417	2,353,266	99.74%	70,046	2,423,312	99.75%
2008	2,562,502	23,542	2,586,044	2,513,791	98.10%	66,038	2,579,829	99.76%
2009	3,076,906	(2,878)	3,074,028	2,967,451	96.44%	100,962	3,068,413	99.82%
2010	3,072,771	16,999	3,089,770	2,996,993	97.53%	79,737	3,076,730	99.58%
2011	3,158,640	(9,767)	3,148,873	3,039,049	96.21%	98,724	3,137,773	99.65%
2012	3,232,937	6,974	3,239,911	3,140,640	97.15%	76,258	3,216,898	99.29%
2013	3,386,316	(923)	3,385,393	3,290,981	97.18%	57,915	3,348,896	98.92%
2014	3,565,648	28,589	3,594,237	3,533,265	99.09%	-	3,533,265	98.30%

Source: Town of Winterville tax records

Town of Winterville, North Carolina
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Table 10

Fiscal Year Ending	Governmental Activities		Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Capital Lease	Installment Purchases	General Obligation Bonds	Installment Purchases	Capital Leases			
2005	\$ -	\$ 2,601,296	\$ 1,355,552	\$ -	\$ -	\$ 3,956,848	2.00%	\$ 570
2006	-	3,698,905	1,691,000	-	-	5,389,905	2.38%	700
2007	-	4,078,094	1,087,000	734,605	-	5,899,699	2.39%	720
2008	-	5,777,001	1,060,000	3,118,486	-	9,955,487	3.69%	1,160
2009	-	5,296,276	1,032,500	2,821,213	-	9,149,989	3.25%	1,022
2010	-	6,815,282	1,004,500	3,952,505	-	11,772,287	3.98%	1,286
2011	-	6,091,592	975,500	3,622,545	-	10,689,637	3.47%	1,145
2012	-	5,415,711	955,500	3,535,142	-	9,906,353	4.34%	1,059
2013	-	4,897,836	936,500	3,270,088	-	9,104,424	3.73%	961
2014	-	4,953,966	916,500	2,995,176	-	8,865,642	3.46%	930

Town of Winterville, North Carolina
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
Table 11

Fiscal Year Ending	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2005	\$ 1,355,552	0.3%	\$ 195
2006	1,691,000	0.3%	220
2007	1,087,000	0.2%	133
2008	1,060,000	0.2%	123
2009	1,032,500	0.2%	115
2010	1,004,500	0.1%	110
2011	975,500	0.1%	104
2012	955,500	0.1%	102
2013	936,500	0.1%	99
2014	916,500	0.1%	96

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

Town of Winterville, North Carolina
Legal Debt Margin Information
Last Ten Fiscal Years
Table 12

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit, 8% of Assessed Value	\$ 32,643,769	\$ 39,078,337	\$ 43,189,636	\$ 45,974,116	\$ 54,649,387	\$ 54,929,244	\$ 55,979,964	\$ 57,598,418	\$ 57,017,145	\$ 60,534,518
Total net debt applicable to limit	<u>3,956,847</u>	<u>5,389,905</u>	<u>5,899,699</u>	<u>9,955,487</u>	<u>9,149,990</u>	<u>11,772,287</u>	<u>10,689,637</u>	<u>9,906,353</u>	<u>9,104,424</u>	<u>9,084,424</u>
Legal debt Margin	<u>\$ 28,686,922</u>	<u>\$ 33,688,432</u>	<u>\$ 37,289,937</u>	<u>\$ 36,018,629</u>	<u>\$ 45,499,397</u>	<u>\$ 43,156,957</u>	<u>\$ 45,290,327</u>	<u>\$ 47,692,065</u>	<u>\$ 47,912,721</u>	<u>\$ 51,450,094</u>
Total net debt applicable to the limit as a percentage of debt limit	12.12%	13.79%	13.66%	21.65%	16.74%	21.43%	19.10%	17.20%	15.97%	15.01%

Legal Debt Margin Calculation for Fiscal Year Ending 2014

Assessed Value	\$ 756,681,473
Debt Limit (8% of assessed value)	60,534,518
Debt applicable to limit:	
General Obligation Bonds	916,500
Installment Notes Payable	<u>7,949,142</u>
Legal Debt Margin	<u>\$ 51,668,876</u>

Note: NC Statute GS 159-55 limits the amount of outstanding debt to 8% of the appraised value of property subject to taxation.

Town of Winterville, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2014
Table 13

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Pitt County	\$ 155,943,701	6.5%	\$ 10,066,178
Subtotal, overlapping debt			\$ 10,066,178
Total direct debt			<u>4,953,966</u>
Total direct and overlapping debt			<u><u>\$ 15,020,144</u></u>

Sources: Assessed value data used to estimate applicable percentages were provided by the Pitt County Tax Collector/Assessor. Debt outstanding data provided by Pitt County.

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

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

Town of Winterville, North Carolina
Electric Rates
Last Ten Fiscal Years
(kG=1000 gallons)
Table 14

Type of Customer		Fiscal Year Ending									
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Small General Service	Facility Charge	13.36	25.00	25.00	28.75	34.50	34.50	34.50	34.50	34.50	34.50
	Demand Rate per kW first 10kW	153	0	0	0	0	0	0	0	0	0
	Demand Rate per kW over 10 kW	4.23	0	0	0	0	0	0	0	0	0
	Energy Rate per kWh first 3,000 kWh	0.0836	0.0836	0.0836	0.0961	0.1153	0.1153	0.1153	0.1153	0.1153	0.1153
	Energy Rate per kWh over 3,000 kWh	0.0755	0.0755	0.0755	0.0868	0.1042	0.1042	0.1042	0.1042	0.1042	0.1042
Medium General Service	Facility Charge	0	13.36	13.36	15.36	18.43	18.43	18.43	18.43	18.43	18.43
	Demand Rate per kW first 10kW	0	153	153	176	2.11	2.11	2.11	2.11	2.11	2.11
	Demand Rate per kW over 10 kW	0	4.23	4.23	4.86	5.83	5.83	5.83	5.83	5.83	5.83
	Energy Rate per kWh first 3,000 kWh	0	0.0836	0.0836	0.0961	0.1153	0.1153	0.1153	0.1153	0.1153	0.1153
	Energy Rate per kWh over 3,000 kWh	0	0.0755	0.0755	0.0868	0.1042	0.1042	0.1042	0.1042	0.1042	0.1042
Large General Service	Facility Charge	255.00	250.00	250.00	287.50	345.00	345.00	345.00	345.00	345.00	345.00
	Demand Rate per kW	\$250/mo +\$8.16 per kW for all kW	\$250/mo +\$8.16 per kW for all kW	\$250/mo +\$8.16 per kW for all kW	\$250/mo +\$9.38 per kW for all kW	\$250/mo +\$11.26 per kW for all kW	\$250/mo +\$11.26 per kW for all kW	\$250/mo +\$11.26 per kW for all kW	\$250/mo +\$11.26 per kW for all kW	\$250/mo +\$11.26 per kW for all kW	\$250/mo +\$11.26 per kW for all kW
	Energy Rate per kWh	0.0571	0.0571	0.0571	0.0657	0.0788	0.0788	0.0788	0.0788	0.0788	0.0788
Large General Service Temporary	Facility Charge	0	0	0	0	0	0	0	0	34.5	34.5
	Rate per kWh first 3,000 kWh	0	0	0	0	0	0	0	0	0.1153	0.1153
	Rate per kWh over 3,000 kWh	0	0	0	0	0	0	0	0	0.1042	0.1042
Residential Service	Facility Charge	9.29	9.29	9.29	10.68	12.82	12.82	12.82	12.82	12.82	12.82
	Rate per kWh first 800 kWh	0.0834	0.0834	0.0834	0.0959	0.1151	0.1151	0.1151	0.1151	0.1151	0.1151
	Rate per kWh over 800 kWh	0.0778	0.0778	0.0778	0.0895	0.1074	0.1074	0.1074	0.1074	0.1074	0.1074
Outdoor Lighting	70W Sodium Vapor	8.97	10.5	10.5	12.08	14.5	14.5	14.5	14.5	14.5	14.5
	100W Sodium Vapor	12.00	12.00	12.00	13.8	16.56	16.56	16.56	16.56	16.56	16.56
	150W Sodium Vapor	13.02	13.02	13.02	14.97	17.96	17.96	17.96	17.96	17.96	17.96
	250W Sodium Vapor	17.09	17.09	17.09	19.65	23.58	23.58	23.58	23.58	23.58	23.58
	400W Sodium Vapor	25.9	25.9	25.9	29.79	35.79	35.79	35.79	35.79	35.79	35.79
	1000W Sodium Vapor	41.98	41.98	41.98	48.28	57.94	57.94	57.94	57.94	57.94	57.94
	Wood Pole	0.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	Underground Service <150 ft.	0.00	85.00	85.00	85.00	85.00	85.00	85.00	85.00	85.00	85.00
	Underground Service >150 ft.	0	\$85 +\$3.00/ft >150 ft.	\$85 +\$3.00/ft >150 ft.	\$85 +\$3.00/ft >150 ft.	\$85 +\$3.00/ft >150 ft.	\$85 +\$3.00/ft >150 ft.	\$85 +\$3.00/ft >150 ft.	\$85 +\$3.00/ft >150 ft.	\$85 +\$3.00/ft >150 ft.	\$85 +\$3.00/ft >150 ft.

Town of Winterville, North Carolina
Water, Sewer and Stormwater Rates
Last Ten Fiscal Years
Table 15

Type of Customer			Fiscal Year Ending									
			2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water	Monthly Base Rate (3kG)	In	\$ 8.00	\$ 8.00	\$ 8.00	\$ 9.60	\$ 11.52	\$ 11.52	\$ 11.52	\$ 11.52	\$ 11.52	\$ 11.52
		Out	\$ 16.00	\$ 16.00	\$ 16.00	\$ 19.20	\$ 23.04	\$ 23.04	\$ 23.04	\$ 23.04	\$ 23.04	\$ 23.04
	Rate per 1kG for next 17 kG	In	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.44	\$ 1.80	\$ 1.80	\$ 1.80	\$ 1.80	\$ 1.80	\$ 1.80
		Out	\$ 2.50	\$ 2.50	\$ 2.50	\$ 3.00	\$ 3.60	\$ 3.60	\$ 3.60	\$ 3.60	\$ 3.60	\$ 3.60
	Rate per 1kG for over 20kG	In	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.27	\$ 1.58	\$ 1.58	\$ 1.58	\$ 1.58	\$ 1.80	\$ 1.80
		Out	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.64	\$ 3.17	\$ 3.17	\$ 3.17	\$ 3.17	\$ 3.60	\$ 3.60
Sewer	Monthly Base Rate (3kG)	In	\$ 13.24	\$ 15.89	\$ 16.21	\$ 19.45	\$ 23.34	\$ 23.34	\$ 23.34	\$ 23.34	\$ 23.34	\$ 23.34
		Out	\$ 26.48	\$ 31.78	\$ 38.14	\$ 45.77	\$ 54.92	\$ 54.92	\$ 54.92	\$ 54.92	\$ 54.92	\$ 54.92
	Rate per 1kG for next 17 kG	In	\$ 4.09	\$ 4.91	\$ 5.89	\$ 7.07	\$ 8.48	\$ 8.48	\$ 8.48	\$ 8.48	\$ 8.48	\$ 8.48
		Out	\$ 8.18	\$ 9.82	\$ 11.78	\$ 14.14	\$ 16.97	\$ 16.97	\$ 16.97	\$ 16.97	\$ 16.97	\$ 16.97
	Rate per 1kG for over 20kG	In	\$ 3.35	\$ 4.02	\$ 4.82	\$ 5.78	\$ 6.94	\$ 6.94	\$ 6.94	\$ 6.94	\$ 6.94	\$ 6.94
		Out	\$ 6.70	\$ 8.04	\$ 8.20	\$ 9.84	\$ 11.81	\$ 11.81	\$ 11.81	\$ 11.81	\$ 11.81	\$ 11.81
Stormwater	Monthly Base Rate (3kG)	In	\$ -	\$ -	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
		Out	\$ -	\$ -	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
	Rate per 1kG for next 17 kG	In	\$ -	\$ -	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
		Out	\$ -	\$ -	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
	Rate per 1kG for over 20kG	In	\$ -	\$ -	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
		Out	\$ -	\$ -	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00

Town of Winterville, North Carolina
Demographic and Economic Statistics
Last Ten Fiscal Years
Table 16

Fiscal Year	Population (1)	Medium Houshold income (1)	Per Capita Personal Income (2)	County School Enrollment (3)	County Unemployment Rate Percentage (4)
2005	6,942	\$ 49,650	\$ 28,458	21,592	5.8
2006	7,698	\$ 53,374	\$ 29,430	22,116	5.2
2007	8,192	\$ 57,217	\$ 30,178	22,609	5.1
2008	8,586	\$ 60,021	\$ 31,410	22,994	6.5
2009	8,949	\$ 63,322	\$ 31,439	23,235	10.3
2010	9,154	\$ 64,942	\$ 32,294	23,022	10.1
2011	9,339	\$ 66,306	\$ 32,972	23,267	10.8
2012	9,355	\$ 62,923	\$ 26,399	23,386	10.6
2013	9,471	\$ 66,447	\$ 27,877	23,495	9.6
2014	9,530	\$ 69,437	\$ 29,132	23,852	6.9

- Sources:
- (1) US Census Quick facts website
 - (2) Provided by the 2000 U.S. Census and adjusted each subsequent year by percentage change in personal income reported by the U.S. Department of Commerce, Bureau of Economic Analysis
 - (3) Provided by Pitt County Schools Public Information office
 - (4) Provided by annual average for Pitt County reported by N.C. Employment Security Commission

Town of Winterville, North Carolina
Principal Employers
June 30, 2014
Table 17

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>
Roberts Company	832	1	9.72%
Pitt Community College	450	2	5.26%
Pitt County Schools	214	3	2.50%
North Carolina Driving School	189	4	2.21%
Sam's Club	160	5	1.87%
Regional Acceptance Corporation	150	6	1.75%
ONLINE Information Services, Inc.	90	7	1.05%
Chik-fil-A	73	8	0.85%
Town of Winterville	66	9	0.76%
Winterville Machine Works	65	10	0.77%
 Total	 <u>2,224</u>		 <u>26.74%</u>

Source: Staff contact with employers.

Note: Information for 2005 was not readily available for statement preparation.

Town of Winterville, North Carolina
Full-Time Equivalent Town Government Employees By Function/Program
Last Ten Fiscal Years
Table 18

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Central government										
Administration	1	1	1	3	2	3	2	1	2	4
Finance	5	5	5	7	6	6	6	6	6	6
Town Clerk	1	1	1	1	1	1	0	1	1	1
Planning	2	2	2	3	4	4	3	2	3	1
Inspections	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2
Transportation										
Streets and Highways	5.5	5.5	5	5	4	4.5	3.5	3.5	3.5	6
Public Safety										
Sworn Officers	15	17	17	20	19	20	19	18	18	19
Civilians	1	1.5	1.5	1.5	1.5	1	1.5	1.5	1	
Fire	0	0	0	0	0	0	0	0	1	1
Refuse collection	5.5	5.5	5	5	4	4.5	3.5	3.5	3.5	3.5
Economic and physical development	0	0	0	0	0	0	0	0	0	0
Cultural and recreation	2	2	3	3	4	5	5	3	4	4
Operation Support / IT				1	3	3	2	2	2	1
Electric operations	11	13	12	14	13	11	10	8.5	9	10.5
Water	3	6	6	5	5	5	4	3	4	3
Sewer	3	3	3	3	3	3	3	3	2	2
Information Technology	0	0	0	0	1	2	2	2	2	2
TOTAL	55	62.5	61.5	71.5	70.5	73	64.5	58	62	66

Source: Town Human Resource Department

Town of Winterville, North Carolina
Operating Indicators By Function
Last Ten Fiscal Years
Table 19

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Physical arrests	N/A	N/A	N/A	N/A	N/A	223	363	330	333	217
Traffic Violations	N/A	N/A	N/A	N/A	N/A	4,761	3,313	4,407	3,959	3,942
Fire										
Number of calls answered	N/A	N/A	N/A	N/A	N/A	512	426	384	380	360
Inspections	N/A	N/A	N/A	N/A	N/A	N/A	N/A	382	230	N/A
Building Inspections										
New construction permits	N/A	N/A	N/A	N/A	N/A	39	29	30	26	101
Highways and Streets										
Street Resurfacing	N/A	N/A	N/A	N/A	N/A	1	4	-	8	-
Potholes Repaired	N/A	N/A	N/A	N/A	N/A	57	65	12	75	50
Sanitation										
Refuse collected (tons/day)	N/A	N/A	N/A	N/A	N/A	7	10	7	7	6
Recyclables collected (tons/day)	N/A	N/A	N/A	N/A	N/A	2	3	2	2	2
Culture and Recreation										
Athletic field permits issued	N/A	N/A	N/A	N/A	N/A	47	3	-	-	-
Community center admissions	N/A	N/A	N/A	N/A	N/A	52	N/A	N/A	N/A	N/A
Water										
New Connections	N/A	N/A	N/A	N/A	N/A	23	25	27	11	63
Water main breaks	N/A	N/A	N/A	N/A	N/A	2	-	-	-	1
Average daily consumption (millions of gallons)	N/A	N/A	N/A	N/A	N/A	601,524	605,429	581,787	545,666	531,679
Number of customers	N/A	N/A	N/A	N/A	N/A	3,753	3,778	3,764	3,775	3,838
Wastewater										
New Connections	N/A	N/A	N/A	N/A	N/A	23	23	23	18	62
Average daily sewage treatment (millions of gallons)	N/A	N/A	N/A	N/A	N/A	536,067	538,832	558,949	495,300	489,636
Number of customers	N/A	N/A	N/A	N/A	N/A	3,413	3,436	3,432	3,450	3,512

Source: Various departments

Notes: (1) Operating indicators by function for 2005-2009 were not readily available for statement purposes.

Town of Winterville, North Carolina
Capital Asset Statistics By Function
Last Ten Fiscal Years
Table 20

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	N/A	N/A	N/A	N/A	19	19	19	19	19	19
Fire Stations	1	1	1	1	1	1	1	1	1	1
Sanitation										
Collection Trucks	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Highways and Streets										
Streets (miles)	N/A	N/A	N/A	N/A	41.77	42.23	42.91	42.24	43.66	43.66
Highways (miles)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Streetlights	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Traffic signals	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3
Parks and Recreation										
Park Acreage	N/A	N/A	N/A	N/A	24	30	30	30	30	30
Tennis Court	N/A	N/A	N/A	N/A	0	2	2	2	2	2
Playgrounds	N/A	N/A	N/A	N/A	3	3	3	3	3	3
Baseball/Softball Diamonds	N/A	N/A	N/A	N/A	4	5	6	6	6	6
Soccer/football	N/A	N/A	N/A	N/A	3	3	3	3	3	3
Community Centers	N/A	N/A	N/A	N/A	0	0	0	0	0	0
Water										
Water Mains (miles)	N/A	N/A	N/A	N/A	59	59	63.63	63.82	63.82	64
Fire Hydrants	N/A	N/A	N/A	N/A	305	305	383	384	384	384
Wastewater										
Sanitary sewers (miles)	N/A	N/A	N/A	N/A	55	55	60.74	61.22	61.22	61.22
Storm water pipe	N/A	N/A	N/A	N/A	33.3	33.3	33	33.28	33.28	38

Source: Various Town Departments.

Notes: (1) Capital Asset indicators for 2005-2008 were not readily available for statement preparation.

(2) The Town of Winterville does not treat its own Waste water; it is sent to CMSD which has a capacity of 2.85 million gallons per day.



COMPLIANCE SECTION





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INDEPENDENT AUDITORS' 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*

To the Honorable Mayor and
Members of the Town Council
Town of Winterville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Winterville, North Carolina as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Winterville's basic financial statements, and have issued our report thereon dated December 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Winterville'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 Town of Winterville's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Winterville's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. [2014-1]

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 consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. [2014-2] & [2014-3]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Winterville's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item [2014-3].

Town of Winterville's Response to Findings

The Town of Winterville's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Winterville's responses were 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

Williamston, North Carolina
December 30, 2014

**Town of Winterville, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2014**

MATERIAL WEAKNESS

2014-1 Allowance for Doubtful Accounts – Enterprise Receivables

Criteria: The allowance for doubtful accounts should be an estimate of the amount of accounts receivable which is expected to not be collected.

Condition: The allowance for doubtful accounts for the various enterprise funds was underestimated by approximately \$113,000.

Effect: Net receivables were overstated by \$113,000.

Cause: Utility software did not provide management with an accurate aging of accounts receivable.

Recommendation: We recommend management continue to work with its utility billing software vendor to correct the aging problems.

View of Responsible Officials and Planned Corrective Actions: Management agrees that this weakness existed at the time of the audit. The condition is not the result of faulty estimated calculation, but is a result of inaccurate data obtained from the software. We have already addressed this issue with the software company. While the software company is reviewing the software program management has developed a process to begin to correct the issue. This manual process will allow for better data be extracted and used in the calculation in the future.

SIGNIFICANT DEFICIENCIES

2014-2 Depreciation Expense/Accumulated Depreciation Calculation

Criteria: Depreciation expense and accumulated depreciation should be calculated correctly to properly reflect the amount of expense/accumulated depreciation since the asset was acquired and placed into service.

Condition: Depreciation expense in the amount of \$29,141 was overestimated for several assets.

Effect: Depreciation expense and accumulated depreciation was overstated by \$29,141.

Cause: Depreciation schedules are maintained in excel and too much depreciation was calculated on several assets in which the June 30, 2014 FY was the last year of depreciation.

Recommendation: After depreciation expense is calculated in excel, compare the accumulated depreciation to the cost of the asset to make sure excess depreciation was not calculated.

**Town of Winterville, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2014**

View of Responsible Officials and Planned Corrective Actions: Management agrees that depreciation was miscalculated. The Town has purchased a Fixed Assets Management Software program that will help automate the process for the Town. The software should be up and running by the third quarter of next fiscal year. The Town will no longer have to build excel spreadsheets to manage fixed assets.

2014-3 Non-Compliance with N.C.G.S. 135-1(7a) and 128-21(7a)

Criteria: The above general statutes govern the types of compensation that are eligible for retirement contributions under the Local Governmental Employees' Retirement System.

Condition: Longevity pay in the amount of \$26,070.52 for the year ended December 31, 2013 was not reported as wages subject to employee or employer contributions to the Local Governmental Employees' Retirement System through the ORBIT system.

Effect: Employees' retirement benefits which in part are based on compensation will not be accurate upon retirement/termination.

Cause: The pay code for longevity pay was not set-up in the payroll system to subject the pay to employee and employer contributions or to report in ORBIT.

Recommendation: The Town should immediately begin withholding employee contributions, calculating employer contributions and reporting longevity pay in ORBIT. We also recommend that the Town contact the Local Governmental Employees' Retirement System to determine how longevity pay paid in prior years and not subject to employee and employer contributions should be handled.

View of Responsible Officials and Planned Corrective Actions: We agree that longevity pay should be subjected to employee and employer contributions and reported in ORBIT. For any longevity payments made after this finding, we will begin withholding employee contributions and calculating the Town's contribution and properly reporting in ORBIT. We have contacted ORBIT regarding the correction of prior year missed contributions and reporting in ORBIT. Based on our discussion with ORBIT personnel, the Town should correct for future longevity payments and no action is necessary concerning past contributions and reporting.

MATERIAL NONCOMPLIANCE

See item 2014-3 above.