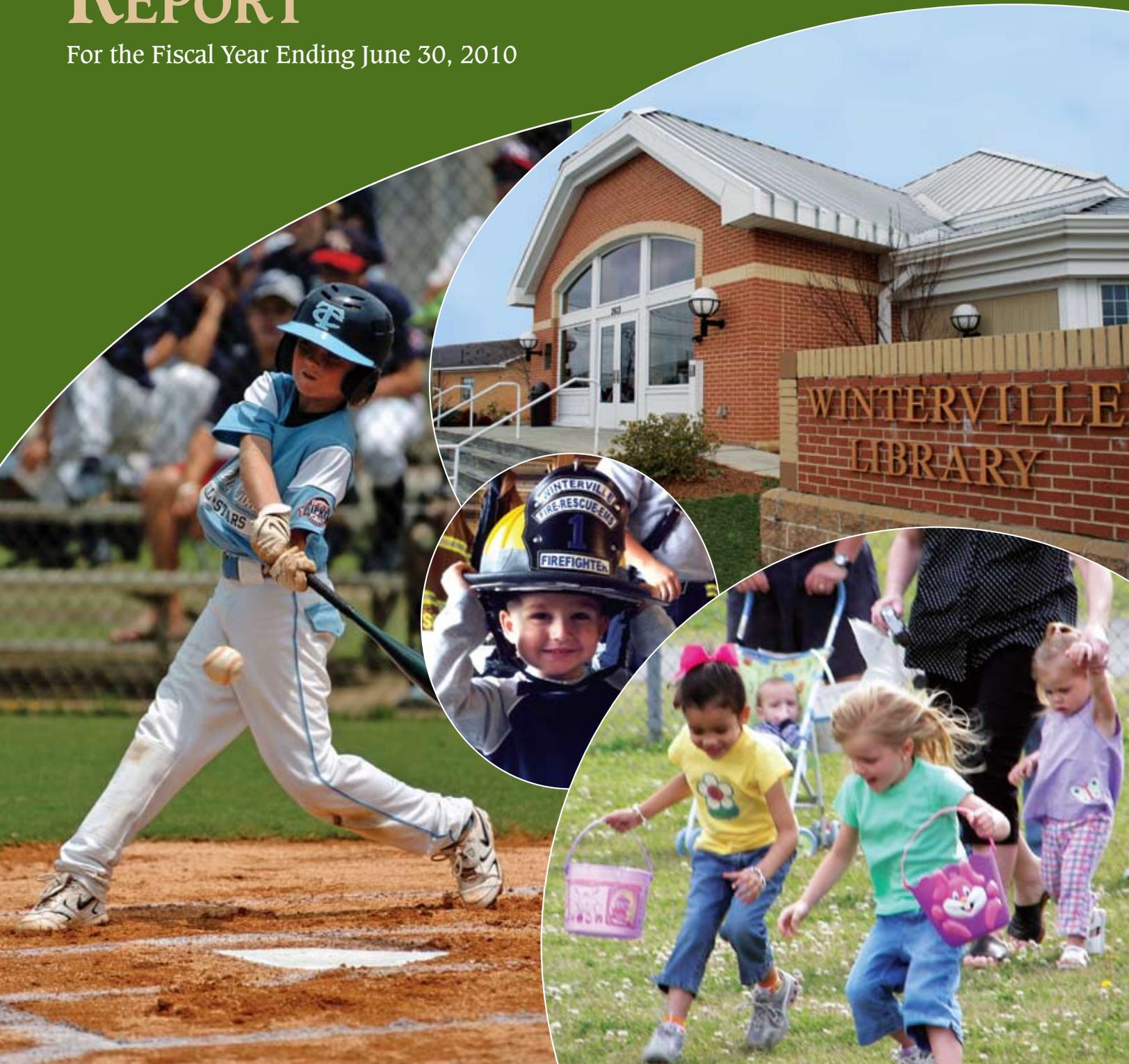


COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ending June 30, 2010



COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

TOWN OF WINTERVILLE, NORTH CAROLINA

For the Fiscal Year Ended June 30, 2010

Anthony Bowers
Finance Director



Town of Winterville, North Carolina
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INTRODUCTORY SECTION



Town of Winterville, North Carolina

List of Principal Officials

Town Council

Mayor

Douglas A. Jackson

Council Members

Tony P. Moore – Mayor Pro-Tem

J.T. Crawford

Johnny L. Moye

Veronica W. Roberson

Mark Smith

Town Manager

William P. Whisnant

Assistant Town Manager

Terri Parker-Eakes

Finance Director

Anthony Bowers

Town Clerk

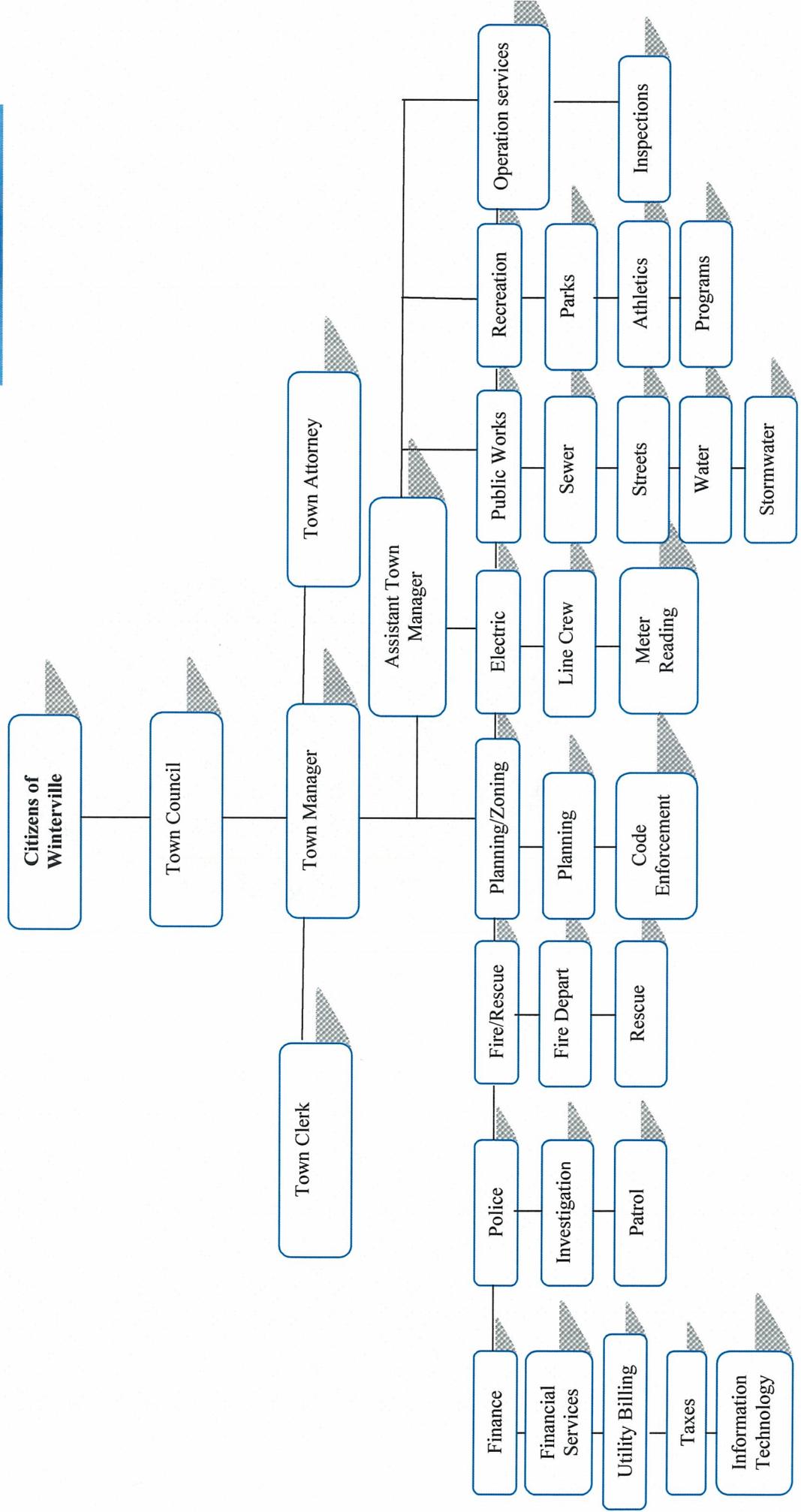
Tangi Williams

Town Attorney

E. Keen Lassiter



Town of Winterville, North Carolina Organizational Chart







WINTERVILLE

A slice of the good life!

2571 Railroad Street
PO Box 1459
Winterville, NC 28590

Phone: (252) 756-2221
Fax: (252) 321-8455
www.wintervillenc.com

November 29th 2010

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 first Comprehensive Annual Financial Report. This report is for the fiscal year ending June 30th, 2010. 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 single audit 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 Pittard, Perry, & Crone, Inc. to audit the Town's financial statements. Pittard, Perry, & Crone, Inc. has issued an unqualified opinion of the Town of Winterville's financial statements for the year ended June 30th, 2010.

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 single audit, the internal control system is tested and evaluated to determine compliance with the applicable legal requirements. The result of the Town's single audit for the fiscal year ending June 30th, 2010 disclosed material weakness in the internal control system and noncompliance with the applicable laws and regulations.

The Management Discussion and Analysis (MD&A) immediately follow the independent auditor's report and provide 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.

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 9,154 as of June 30th, 2010.

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, and 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 a 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 recommendation 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 33,000 vehicles through our town every day. Major retailers such as Sam's Club, Advance Auto, Walgreens 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 8,500 students, and 900 staff and faculty members. This year the college had a growth rate of 12 percent from the prior year.

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 25 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 tremendous growth in the past 5 years due to several economic drivers. East Carolina University, University Health Care Systems, DSM Pharmaceuticals, Metrics Pharmaceuticals, Paper Pak Industries, NACCO Material Handling and many others. The unemployment rate for Pitt County is 10.1 percent. The population for Pitt County is 156,081 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 value of these improvements was 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 began 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. Over the last two years the Town has used installment finance agreements to fund the construction in the amount of \$3,786,124. The remainder of the cost was funded with Retained Earnings.

The largest portion of our long range plan addresses the development of infrastructure for Sewer treatment. The Town currently has a relationship with CMSD (Contentnea Metropolitan Sewage District). 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

There are three major initiatives that the Town of Winterville will be addressing in the near future. They include Economic Development, CMSD facility improvements, and our "Walkable Winterville" pedestrian program.

The Town has positioned itself to focus on economic development in several different ways, such as working with developers, supporting the local Chamber of Commerce, and developing land use plans that foster growth, as well as, working with the NC Department of Transportation to ensure proper infrastructure.

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 utilized 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.

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 4.94% of earnings for employees not engaged in law enforcement and 4.86% for law enforcement officers for the period of July 1, 2009 to June 30th, 2010. All employees contribute 6.0% of earnings.

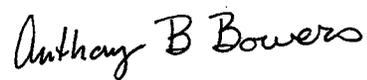
The Town is required by state statute to contribute an amount equal to 5% of participant earnings to a supplemental retirement plan (401k) for law enforcement officers. No contribution is required of the participant in this plan, but voluntary contributions are permitted up to the legally allowed maximum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

The State of North Carolina contributes on behalf of the Town an amount to the Fireman'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 Pittard, Perry & Crone, Inc. 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,

A handwritten signature in cursive script that reads "Anthony B Bowers".

Anthony Bowers
Finance Director

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Winterville, North Carolina as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Winterville, North Carolina's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Winterville, North Carolina as of June 30, 2010, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2010 on our consideration of Town of Winterville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Management's Discussion and Analysis and Law Enforcement Officers' Special Separation Allowance's Schedule of Funding Progress and Schedule of Employer Contributions, and Other Post-employment Benefits – Health Care's Schedule of Funding Progress and Schedule of Employer Contributions on pages 15 through 26 and 66 through 69, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Winterville, North Carolina. The introductory section, combining and individual fund statements, budgetary schedules, and other schedules and statistical tables, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken 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 express no opinion on them.



Williamston, North Carolina
November 19, 2010



MANAGEMENT'S DISCUSSION AND ANALYSIS



Management's 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, 2010. 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

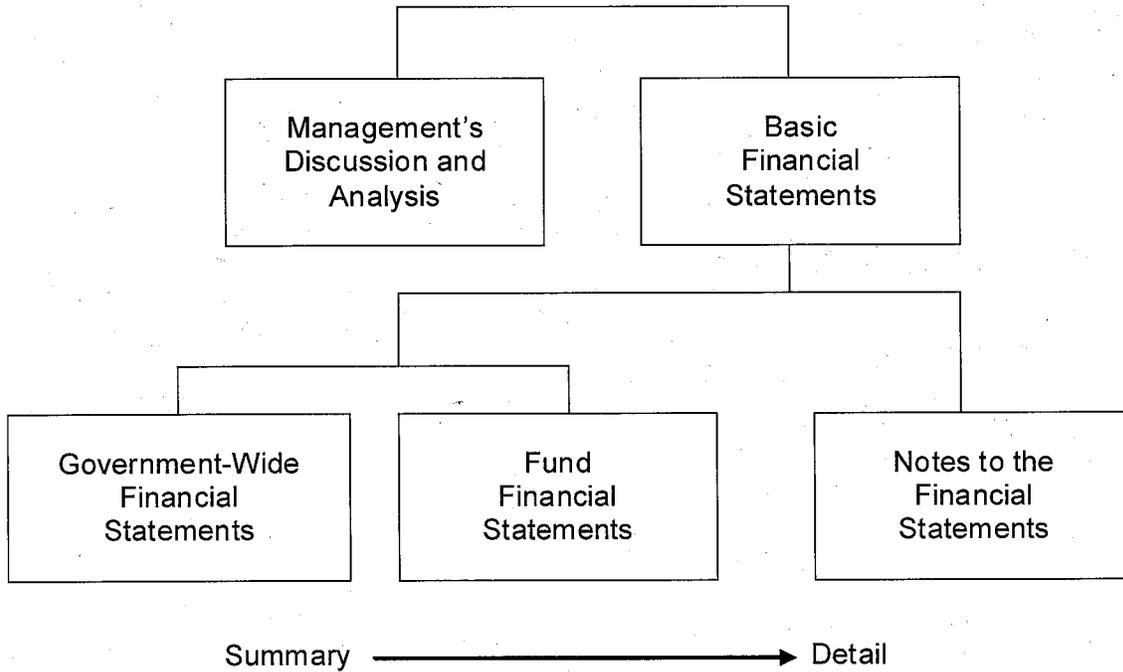
- The assets of the Town of Winterville exceeded its liabilities at the close of the fiscal year by \$33,178,137.
- At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,311,317, a decrease of \$40,487 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,206,170, or 14.70% percent of total General Fund expenditures for the fiscal year.
- The Town of Winterville's total debt increased by \$2,622,307 during the current fiscal year. The key factor in this increase was associated with the two major projects that the town has completed. The first project was associated with the financing of the Town Hall and Operation Center project, and the second was the addition of two new electric substations.

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.

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 9) 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.

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 net assets and how they have changed. Net assets are the difference between the total assets and total liabilities. Measuring net assets 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 that the Town charges customers to provide. These include the water, sewer and electric services offered by the Town of Winterville.

The government-wide financial statements are on 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 him or her 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 Assets 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, the management of the Town, and the decisions of the Board 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 Board; (2) the final budget as amended by the Board; (3) the actual resources, charges to appropriations, and ending balances in the General Fund; and (4) the difference or variance between the final budget and the actual resources and charges.

Management's Discussion and Analysis
Town of Winterville

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 Assets 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 40 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 65 of this report.

Government-Wide Financial Analysis

The Town of Winterville's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 3,771,544	\$ 4,054,790	\$ 5,073,671	\$ 4,830,806	\$ 8,845,215	\$ 8,885,596
Capital assets	26,559,179	24,329,606	10,488,672	9,570,603	37,047,851	33,900,209
Total assets	<u>30,330,723</u>	<u>28,384,396</u>	<u>15,562,343</u>	<u>14,401,409</u>	<u>45,893,066</u>	<u>42,785,805</u>
Long-term liabilities outstanding	6,322,879	5,606,940	4,637,747	3,954,264	10,960,626	9,561,204
Other liabilities	1,137,087	477,761	617,216	470,367	1,754,303	948,128
Total liabilities	<u>7,459,966</u>	<u>6,084,701</u>	<u>5,254,963</u>	<u>4,424,631</u>	<u>12,714,929</u>	<u>10,509,332</u>
Net Assets:						
Invested in capital assets, net of related debt	19,743,897	19,033,329	5,531,667	5,773,808	25,275,564	24,807,137
Restricted	524,194	509,458	-	-	524,194	509,458
Unrestricted	<u>2,602,666</u>	<u>2,756,908</u>	<u>4,775,713</u>	<u>4,202,970</u>	<u>7,378,379</u>	<u>6,959,878</u>
Total net assets	<u>\$ 22,870,757</u>	<u>\$ 22,299,695</u>	<u>\$ 10,307,380</u>	<u>\$ 9,976,778</u>	<u>\$ 33,178,137</u>	<u>\$ 32,276,473</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Winterville exceeded liabilities by \$33,178,137 as of June 30, 2010. The Town's net assets increased by \$901,664 for the fiscal year ended June 30, 2010. However, the largest portion of net assets (76.2%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Winterville's net assets, which totals \$524,194 (1.62%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,378,379 is unrestricted.

Management's Discussion and Analysis
Town of Winterville

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.10% on real property and 85.90% on motor vehicle tax, respectively. The combined real and motor vehicle tax collection rate is 97.00%, which is an increase over the previous year's collection percentage of 96.54%.
- Current year property tax collections increased to \$2,996,993, which is up from \$2,967,524 in 2009.
- The Town of Winterville had a tax base of \$686,615,556 as of June 30, 2010.

The Town of Winterville's Changes in Net Assets

Figure 3

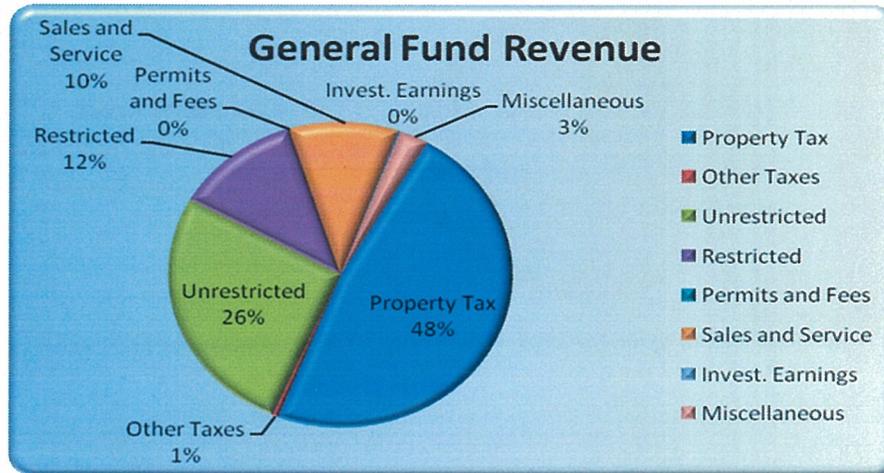
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for services	\$ 664,503	\$ 892,542	\$ 8,355,978	\$ 8,362,225	\$ 9,020,481	\$ 9,254,767
Operating grants and contributions	412,640	-	80,884	-	493,524	-
Capital grants and contribution	500,000	276,512	500,000	126,992	1,000,000	-
General Revenues:						
Property taxes	3,093,542	3,105,163	-	-	3,093,542	3,105,163
Other taxes and licenses	38,686	344,671	-	-	38,686	344,671
Unrestricted intergovernmental	1,720,942	1,445,534	-	-	1,720,942	1,445,534
Investment earnings	11,967	53,082	15,680	63,585	27,647	116,667
Other	721,984	-	-	-	721,984	-
Total revenues	<u>7,164,264</u>	<u>6,117,504</u>	<u>8,952,542</u>	<u>8,552,802</u>	<u>16,116,806</u>	<u>14,266,802</u>
Expenses:						
General government	2,687,929	2,456,603	-	-	2,687,929	2,456,603
Public safety	1,883,985	1,753,660	-	-	1,883,985	1,753,660
Transportation	1,381,524	1,596,862	-	-	1,381,524	1,596,862
Environmental protection	402,902	375,894	-	-	402,902	375,894
Cultural and recreation	896,397	843,293	-	-	896,397	843,293
Interest expense	207,454	222,427	-	-	207,454	222,427
Electric	-	-	5,232,429	5,305,020	5,232,429	5,305,020
Water	-	-	778,832	693,124	778,832	693,124
Sewer	-	-	1,804,362	1,305,034	1,804,362	1,305,034
Stormwater	-	-	69,718	27,072	69,718	27,072
Total expenses	<u>7,460,191</u>	<u>7,248,739</u>	<u>7,885,341</u>	<u>7,330,250</u>	<u>15,345,532</u>	<u>14,578,989</u>
Increase (decrease) in net assets before transfers	(295,927)	(1,131,235)	1,067,201	1,222,552	771,274	91,317
Transfers	<u>736,599</u>	<u>408,458</u>	<u>(736,599)</u>	<u>(408,458)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	440,672	(722,777)	330,602	814,094	771,274	91,317
Net assets, July 1	22,299,695	23,022,472	9,976,778	9,162,684	32,276,473	32,185,156
Prior period adjustment	<u>130,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,390</u>	<u>-</u>
Net assets, June 30	<u>\$ 22,870,757</u>	<u>\$ 22,299,695</u>	<u>\$ 10,307,380</u>	<u>\$ 9,976,778</u>	<u>\$ 33,178,137</u>	<u>\$ 32,276,473</u>

Management's Discussion and Analysis
Town of Winterville

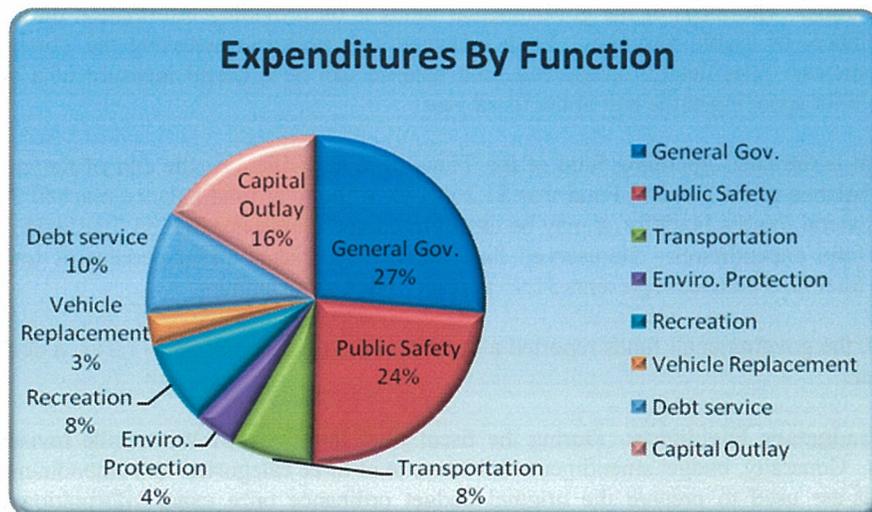
Governmental Activities: Governmental activities increased the Town's net assets by \$440,672, thereby accounting for 57.14% of the total growth in the net assets of the Town of Winterville. Key elements of this increase are as follows:

- Increase in capital and operating grants and contributions
- Increase in transfers

General Fund Revenue By Source:

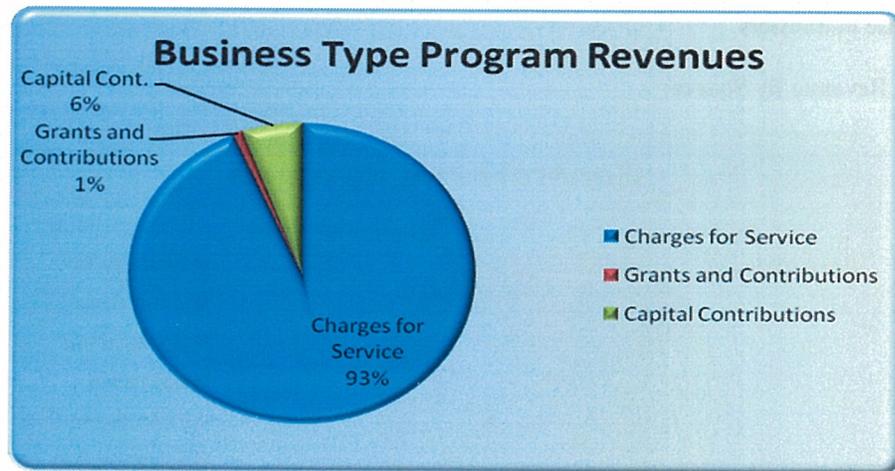


General Fund Expenditures By Function:



Business-Type Activities: Business-type activities increased the Town's net assets by \$330,602 accounting for 42.86% of the total growth in the government's net assets. Key elements of this increase are as follows:

- Increase in capital grants and contributions



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. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Winterville. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,206,170, while total fund balance reached \$2,623,064. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 14.70 percent of total General Fund expenditures and total fund balance represents 31.95 percent of that same amount.

At June 30, 2010, the governmental funds reported a combined fund balance of \$3,311,317, a decrease of \$40,487 from the prior year.

General Fund Budgetary Highlights: During the fiscal year, the Town of Winterville revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and (3) increases in appropriations that become necessary to maintain services. The largest budget amendment was for \$345,503. This is for a contribution from the recreation fund to the capital project funds, for the design and construction of a new amphitheater at the Winterville Recreation Park.

Budgeted expenditures rose during the year by \$2,255,469 to \$9,601,723, which is an increase of 30.70% over the 2009 fiscal year. The budgeted revenues in the General Fund decreased by \$265,666, which is a 3.93% decrease over the 2009 fiscal year. The Town of Winterville had actual expenditures in excess of revenues before other

Management's Discussion and Analysis
Town of Winterville

financing sources (uses) in the amount of (\$1,706,149), a decrease of \$1,147,799 from the 2009 fiscal year. Total operating transfers in from the proprietary funds totaled \$736,599.

Proprietary Funds Budgetary Highlights: The Town of Winterville's proprietary funds also had revisions to the original budget during the fiscal year. Primarily these amendments transferred dollars from the primary enterprise funds to their related capital projects.

The Electric Fund had an increase in sales in the amount of \$59,337. Expenditures, in the Electric Fund decreased by \$1,664,418. Expenditures exceeded revenues by \$97,356. Net income of the Electric Fund for 2010 was \$274,988, down from \$389,300 for 2009. This is a net decrease of \$114,312.

Water Fund sales increased by \$3,607. Expenditures in the Water Fund exceeded revenues by \$57,634. Net income decreased from (\$55,180) in 2009 to (\$135,854) in 2010.

Sewer Fund sales decreased \$1,606 from last year to generate sales totaling \$1,644,394. Expenditures in the Sewer Fund exceeded revenues by \$97,696. The net income for the Sewer Fund decreased from \$177,897 in 2009 to \$133,600 in 2010.

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, 2010 totaled \$37,047,851 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Improvements to the town hall operations center
- Improvement at the Winterville Recreation Park
- Railroad Street substation project
- Vehicle replacements

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land and construction in progress	\$ 3,392,359	\$ 3,491,705	\$ 154,013	\$ 464,020	\$ 3,546,372	\$ 3,955,725
Distribution and treatment systems	-	-	10,042,214	8,812,421	10,042,214	8,812,421
Buildings	5,207,372	5,101,053	193,348	223,841	5,400,720	5,324,894
Infrastructure	15,993,675	14,458,743	-	-	15,993,675	14,458,743
Software	207,891	212,476	-	-	207,891	212,476
Equipment and vehicles	1,757,882	1,065,629	99,097	70,321	1,856,979	1,135,950
Total	\$ 26,559,179	\$ 24,329,606	\$ 10,488,672	\$ 9,570,603	\$ 37,047,851	\$ 33,900,209

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

Long-Term Debt. As of June 30, 2010, the Town of Winterville had debt outstanding of \$11,772,287. Of this, \$1,004,500 is debt backed by the full faith and credit of the Town of Winterville. The remainder of the debt represents installment purchase agreements secured by the equipment and vehicles purchased.

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

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ -	\$ -	\$ 1,004,500	\$ 1,032,500	\$ 1,004,500	\$ 1,032,500
Installment purchases	6,815,282	5,296,277	3,952,505	2,821,203	10,767,787	8,117,480
Total	<u>\$ 6,815,282</u>	<u>\$ 5,296,277</u>	<u>\$ 4,957,005</u>	<u>\$ 3,853,703</u>	<u>\$11,772,287</u>	<u>\$ 9,149,980</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 \$43,156,957.

Additional information regarding the Town of Winterville's long-term debt can be found in Note E.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 decreased 1.1% from 2009 to 2010 as a result of the county's property revaluation.
- The population growth has decreased from an average rate of 10% per year to a growth rate of 2.2%.
- The total number of utility customers has increased by an estimated 35 customers that figure is down from 46 customers for the previous year.
- The utilities are anticipating a combined increase in revenues from sales in the amount of \$168,066.
- Next year's budget will have to address the following issues:
 - Overall revenues are down due to the reduction in Sales and Use Tax
 - Public Works rehabilitation and improvements: Sewer system upgrades, Water distribution system upgrade, Storm water system improvements and expansion continue.
 - The Sewer Fund contribution to CMSD (Contentnea Metropolitan Sewer District) continues to increase as a result of capital needs at the CMSD plant.
 - The Water Fund will have to reduce the amount of water drawn from Town owned wells and will have to purchase additional water from Greenville Utilities Commission or Bell Arthur Water Corporation. This is a cost that will continue to increase due to the Capacity Use Regulations for the Black Creek aquifer. These regulations control the amount of water that the Town can use from our wells.
 - Finalizing the construction of the Electric Feeder Line and Substation Project

Budget Highlights for the Fiscal Year Ending June 30, 2011

Governmental Activities – The annual budget for the General Fund is \$6,109,719 for the 2010-2011 fiscal year. The taxable property value decreased from \$683,756,889 to \$682,838,000. The tax rate will remain at 45 cents per 100 dollars of valuation. Major appropriations include contributions to the Recreation Fund in the amount of \$397,308.

Business-Type Activities - The 2010-2011 Electric Fund budget will have an decrease in the amount of \$1,259,976. The total budget for the 2010-2011 fiscal year is \$6,468,998. The purchase of power from Progress Energy is budgeted in the amount of \$3,574,021. Also, the Electric Department will include an appropriation of \$268,440 for services provided by General Fund and \$625,000 to the Town's capital improvement plan.

The Water Fund has a budget of \$1,077,770 that is up from the 2009-2010 budget, which was \$1,004,926 a difference of \$72,844. The Water Fund has an appropriation of \$207,000 for upgrading Town facilities. The Town anticipates purchasing \$120,000 of water for resale to residential customers.

The Sewer Fund budget of \$1,912,390 represents a decrease in the amount \$789,443 less than the 2009-2010 budget. This decrease is mostly the result of having received a \$500,000 grant in the prior year. The budget does not include contributions from the sewer acreage fee account. Appropriations include \$823,710 for CMSD operating and debt service expenses, and \$154,000 for capital improvements.

The 2010-2011 Storm water budget will have a decrease in the amount of \$44,063. The total budget for the 2010-2011 fiscal year is \$185,447. Appropriations include \$36,000 for system improvements and expansion and \$149,447 for operations, water management requirements and community stormwater education.

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, or by phone at (252) 756-2221 ext. 208, and by email at abowers@wintervillenc.com.



BASIC FINANCIAL STATEMENTS



Town of Winterville, North Carolina
STATEMENT OF NET ASSETS
June 30, 2010

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,132,181	\$ 3,788,420	\$ 5,920,601
Short-term cash investments	710,000	-	710,000
Taxes receivables (net)	138,447	-	138,447
Accounts receivable (net)	75,235	1,273,086	1,348,321
Street assessments receivable, net	27,232	-	27,232
Other receivables	46,579	-	46,579
Due from other governments	510,033	-	510,033
Prepaid items	35,836	12,165	48,001
Restricted cash	96,001	-	96,001
Total current assets	<u>3,771,544</u>	<u>5,073,671</u>	<u>8,845,215</u>
Non-current assets:			
Capital assets (Note III):			
Land, non-depreciable improvements, and construction in progress	3,392,359	154,013	3,546,372
Other capital assets, net of depreciation	23,166,820	10,334,659	33,501,479
Total capital assets	<u>26,559,179</u>	<u>10,488,672</u>	<u>37,047,851</u>
TOTAL ASSETS	<u>30,330,723</u>	<u>15,562,343</u>	<u>45,893,066</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	226,973	89,781	316,754
Unearned revenue	6,640	-	6,640
Customer deposits	-	85,892	85,892
Current portion of long-term liabilities	903,474	441,543	1,345,017
Total current liabilities	<u>1,137,087</u>	<u>617,216</u>	<u>1,754,303</u>
Long-term liabilities:			
Due in more than one year	6,322,879	4,637,747	10,960,626
TOTAL LIABILITIES	<u>7,459,966</u>	<u>5,254,963</u>	<u>12,714,929</u>
NET ASSETS			
Invested in capital assets, net of related debt	19,743,897	5,531,667	25,275,564
Restricted for:			
Transportation	524,194	-	524,194
Unrestricted	2,602,666	4,775,713	7,378,379
TOTAL NET ASSETS	<u>\$ 22,870,757</u>	<u>\$ 10,307,380</u>	<u>\$ 33,178,137</u>

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

Town of Winterville, North Carolina
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 2,687,929	\$ 69,550	\$ -	\$ -
Public safety	1,883,985	-	142,449	-
Transportation	1,381,524	328	264,041	-
Environmental protection	402,902	410,186	6,150	-
Cultural and recreation	896,397	184,439	-	500,000
Interest on long-term debt	207,454	-	-	-
Total governmental activities (See Note 1)	7,460,191	664,503	412,640	500,000
Business-type activities:				
Electric	5,232,429	5,842,314	-	-
Water	778,832	743,907	-	-
Sewer	1,804,362	1,644,394	80,884	500,000
Stormwater	69,718	125,363	-	-
Total business-type activities	7,885,341	8,355,978	80,884	500,000
Total primary government	\$ 15,345,532	\$ 9,020,481	\$ 493,524	\$ 1,000,000

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 assets

Net assets, beginning as previously reported

Prior period adjustment

Net assets, beginning as restated

Net assets, ending

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

Net (Expense) Revenue and Changes in Net Assets
Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (2,618,379)	\$ -	\$ (2,618,379)
(1,741,536)	-	(1,741,536)
(1,117,155)	-	(1,117,155)
13,434	-	13,434
(211,958)	-	(211,958)
<u>(207,454)</u>	<u>-</u>	<u>(207,454)</u>
(5,883,048)	-	(5,883,048)
-	609,885	609,885
-	(34,925)	(34,925)
-	420,916	420,916
-	55,645	55,645
<u>-</u>	<u>1,051,521</u>	<u>1,051,521</u>
(5,883,048)	1,051,521	(4,831,527)
3,093,542	-	3,093,542
38,686	-	38,686
1,720,942	-	1,720,942
11,967	15,680	27,647
<u>721,984</u>	<u>-</u>	<u>721,984</u>
5,587,121	15,680	5,602,801
736,599	(736,599)	-
<u>6,323,720</u>	<u>(720,919)</u>	<u>5,602,801</u>
440,672	330,602	771,274
22,299,695	9,976,778	32,276,473
<u>130,390</u>	<u>-</u>	<u>130,390</u>
22,430,085	9,976,778	32,406,863
<u>\$ 22,870,757</u>	<u>\$ 10,307,380</u>	<u>\$ 33,178,137</u>

Town of Winterville, North Carolina
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

Exhibit 3

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	Recreation Capital Project Fund		
ASSETS				
Cash and cash equivalents	\$ 1,414,062	\$ -	\$ 718,119	\$ 2,132,181
Short term cash investments	710,000	-	-	710,000
Receivables, net:				
Taxes	138,447	-	-	138,447
Accounts	75,235	-	-	75,235
Street assessments receivable, net	27,232	-	-	27,232
Other receivables	46,579	-	-	46,579
Due from other governments	510,033	-	-	510,033
Due from other funds	29,866	-	-	29,866
Prepaid items	35,836	-	-	35,836
Restricted cash	96,001	-	-	96,001
	<u>\$ 3,083,291</u>	<u>\$ -</u>	<u>\$ 718,119</u>	<u>\$ 3,801,410</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 226,973	\$ -	\$ -	\$ 226,973
Due to other funds	-	14,253	15,613	29,866
Unearned revenue	6,640	-	-	6,640
Deferred revenue	226,614	-	-	226,614
	<u>460,227</u>	<u>14,253</u>	<u>15,613</u>	<u>490,093</u>
Fund Balances:				
Reserved for:				
Encumbrances	256,086	-	-	256,086
Prepaid items	35,836	-	-	35,836
Streets - Powell Bill	524,194	-	-	524,194
State statute	600,778	-	-	600,778
Unreserved, General Fund	1,206,170	-	-	1,206,170
Unreserved, Capital Project Fund	-	(14,253)	702,506	688,253
	<u>2,623,064</u>	<u>(14,253)</u>	<u>702,506</u>	<u>3,311,317</u>
Total fund balances	<u>2,623,064</u>	<u>(14,253)</u>	<u>702,506</u>	<u>3,311,317</u>
Total liabilities and fund balances	<u>\$ 3,083,291</u>	<u>\$ -</u>	<u>\$ 718,119</u>	

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

Town of Winterville, North Carolina
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

Exhibit 3

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross capital assets at historical cost	\$ 36,787,072	
Accumulated depreciation	<u>(10,227,893)</u>	26,559,179

Liabilities for earned but deferred revenues in fund statements.		226,614
--	--	---------

Some liabilities are not due and payable in the current period and therefore are not reported in the funds.

Notes payable	(6,815,282)	
Compensated absences	(180,540)	
Net pension obligation	(96,498)	
Other postemployment benefits	<u>(134,033)</u>	<u>(7,226,353)</u>

Net assets of governmental activities		<u><u>\$ 22,870,757</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Winterville, North Carolina
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010

Exhibit 4

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	Recreation Capital Project Fund		
Revenues:				
Ad valorem taxes	\$ 3,086,185	\$ -	\$ -	\$ 3,086,185
Other taxes and licenses	38,686	-	-	38,686
Unrestricted intergovernmental	1,720,942	-	-	1,720,942
Restricted intergovernmental	797,691	-	-	797,691
Permits and fees	3,730	-	-	3,730
Sales and services	666,741	-	-	666,741
Investment earnings	13,676	-	-	13,676
Miscellaneous	173,828	-	-	173,828
Total revenues	6,501,479	-	-	6,501,479
Expenditures:				
Current:				
General government	2,573,280	-	-	2,573,280
Public safety	2,354,913	-	-	2,354,913
Transportation	772,378	-	-	772,378
Environment protection	402,902	-	-	402,902
Cultural and recreation	797,599	-	-	797,599
Vehicle replacement	307,117	-	-	307,117
Debt service:				
Principal retirement	791,985	-	-	791,985
Interest	207,454	-	-	207,454
Capital outlay	-	1,400,152	178,858	1,579,010
Total expenditures	8,207,628	1,400,152	178,858	9,786,638
Excess (deficiency) of revenues over expenditures	(1,706,149)	(1,400,152)	(178,858)	(3,285,159)
Other financing sources (uses):				
Loan proceeds - installment purchases	2,310,990	-	-	2,310,990
Transfers from other funds	752,805	2,066,660	-	2,819,465
Transfers to other funds	(2,066,660)	-	(16,206)	(2,082,866)
Sale of capital assets	66,693	-	-	66,693
Total other financing sources (uses)	1,063,828	2,066,660	(16,206)	3,114,282
Net change in fund balance	(642,321)	666,508	(195,064)	(170,877)
Fund balances, beginning as previously reported	3,134,995	(680,761)	897,570	3,351,804
Prior period adjustment	130,390	-	-	130,390
Fund balances, beginning as restated	3,265,385	(680,761)	897,570	3,482,194
Fund balances, ending	\$ 2,623,064	\$ (14,253)	\$ 702,506	\$ 3,311,317

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

Town of Winterville, North Carolina
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$	(170,877)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	3,046,806	
Depreciation expense for governmental assets	<u>(1,411,936)</u>	1,634,870
Street assets recorded from developers		594,703

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred revenue for tax revenues	7,357	
Change in deferred revenues for street assessment revenues	(9,273)	
Change in deferred revenues for garbage revenues	<u>3,305</u>	1,389

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 assets.

New long-term debt issued	(2,310,990)	
Principal payments on long-term debt	<u>791,985</u>	(1,519,005)

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

Compensated absences	(4,136)	
Net pension obligation	(21,950)	
Other postemployment benefits	<u>(74,322)</u>	<u>(100,408)</u>

Total changes in net assets of governmental activities	\$	<u>440,672</u>
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The notes to the financial statements are an integral part of this statement.

Town of Winterville, North Carolina
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ANNUAL BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2010

Exhibit 6

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 3,060,399	\$ 3,093,399	\$ 3,086,185	\$ (7,214)
Other taxes and licenses	14,000	27,722	38,686	10,964
Unrestricted intergovernmental	1,802,138	1,445,919	1,720,942	275,023
Restricted intergovernmental	223,067	917,998	797,691	(120,307)
Permits and fees	9,000	9,500	3,730	(5,770)
Sales and services	668,276	667,746	666,741	(1,005)
Investment earnings	52,696	55,669	13,676	(41,993)
Miscellaneous	273,717	269,193	173,828	(95,365)
Total revenues	<u>6,103,293</u>	<u>6,487,146</u>	<u>6,501,479</u>	<u>14,333</u>
Expenditures:				
Current:				
General government	2,762,600	2,802,721	2,573,280	229,441
Public safety	2,215,919	2,542,798	2,354,913	187,885
Transportation	857,146	1,237,649	772,378	465,271
Environment protection	374,136	409,136	402,902	6,234
Cultural and recreation	929,781	1,239,545	797,599	441,946
Vehicle replacement - capital outlay	462,000	376,733	307,117	69,616
Debt service:				
Principal retirement	614,740	775,700	791,985	(16,285)
Interest	216,051	217,441	207,454	9,987
Total expenditures	<u>8,432,373</u>	<u>9,601,723</u>	<u>8,207,628</u>	<u>1,394,095</u>
Revenues over (under) expenditures	(2,329,080)	(3,114,577)	(1,706,149)	1,408,428
Other financing sources (uses):				
Loan proceeds - installment purchase	1,012,000	2,377,480	2,310,990	(66,490)
Transfer from other funds	687,343	742,843	752,805	9,962
Transfer to other funds	(129,000)	(2,066,660)	(2,066,660)	-
Sale of capital assets	-	-	66,693	66,693
Total other financing sources (uses)	<u>1,570,343</u>	<u>1,053,663</u>	<u>1,063,828</u>	<u>10,165</u>
Fund balance appropriated	<u>758,737</u>	<u>2,060,914</u>	<u>-</u>	<u>(2,060,914)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(642,321)</u>	<u>\$ (642,321)</u>
Fund balances, beginning as previously reported			3,134,995	
Prior period adjustment			<u>130,390</u>	
Fund balances, beginning as restated			<u>3,265,385</u>	
Fund balances, ending			<u>\$ 2,623,064</u>	

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

Town of Winterville, North Carolina
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

Exhibit 7

	Major Enterprise Funds				
	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Total
Assets					
Current Assets:					
Cash and cash equivalents	\$ 2,018,926	\$ 748,070	\$ 650,490	\$ 370,934	\$ 3,788,420
Accounts receivable (net)	851,133	109,550	289,616	22,787	1,273,086
Prepaid items	8,304	1,870	1,493	498	12,165
Total current assets	2,878,363	859,490	941,599	394,219	5,073,671
Noncurrent assets:					
Capital assets:					
Land and construction in progress	146,013	8,000	-	-	154,013
Other capital assets, net of depreciation	6,463,282	981,010	2,511,183	379,184	10,334,659
Capital assets	6,609,295	989,010	2,511,183	379,184	10,488,672
Total noncurrent assets	6,609,295	989,010	2,511,183	379,184	10,488,672
Total assets	9,487,658	1,848,500	3,452,782	773,403	15,562,343
Liabilities					
Current Liabilities:					
Accounts payable and accrued liabilities	45,247	12,611	20,525	11,398	89,781
Customer deposits	71,791	5,813	8,288	-	85,892
Compensated absences	56,916	10,130	15,537	-	82,583
Installment purchase payable - current	195,085	-	134,875	-	329,960
General obligation bonds payable - current	-	12,000	17,000	-	29,000
Total current liabilities	369,039	40,554	196,225	11,398	617,216
Noncurrent liabilities:					
Other postemployment benefits	25,069	8,185	6,448	-	39,702
Installment purchase payable - noncurrent	3,235,595	-	386,950	-	3,622,545
General obligation bonds payable - noncurrent	-	2,000	973,500	-	975,500
Total noncurrent liabilities	3,260,664	10,185	1,366,898	-	4,637,747
Total liabilities	3,629,703	50,739	1,563,123	11,398	5,254,963
Net Assets					
Invested in capital assets, net of related debt	3,178,615	975,010	998,858	379,184	5,531,667
Unrestricted	2,679,340	822,751	890,801	382,821	4,775,713
Total net assets	\$ 5,857,955	\$ 1,797,761	\$ 1,889,659	\$ 762,005	\$ 10,307,380

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

Town of Winterville, North Carolina
**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS**
For the Fiscal Year Ended June 30, 2010

Exhibit 8

	Major Enterprise Funds				
	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Total
Operating revenues:					
Charges for services	\$ 5,643,617	\$ 741,904	\$ 1,644,394	\$ 125,363	\$ 8,155,278
Other operating revenues	198,697	2,003	-	-	200,700
Total operating revenues	<u>5,842,314</u>	<u>743,907</u>	<u>1,644,394</u>	<u>125,363</u>	<u>8,355,978</u>
Operating expenses:					
Operations	1,160,048	693,234	-	60,296	1,913,578
Electrical power purchases	3,668,721	-	-	-	3,668,721
Waste collection and treatment	-	-	1,060,070	-	1,060,070
Depreciation	311,627	84,298	185,136	9,422	590,483
Total operating expenses	<u>5,140,396</u>	<u>777,532</u>	<u>1,245,206</u>	<u>69,718</u>	<u>7,232,852</u>
Operating income (loss)	701,918	(33,625)	399,188	55,645	1,123,126
Non-operating revenues (expenses):					
Restricted intergovernmental	-	-	80,884	-	80,884
Grant revenue - Rural Center (CMSD)	-	-	500,000	-	500,000
Transfers to other governments (CMSD)	-	-	(500,000)	-	(500,000)
Investment earnings	8,460	3,090	1,907	2,223	15,680
Interest expense	(92,033)	(1,300)	(59,156)	-	(152,489)
Total non-operating revenues (expenses)	<u>(83,573)</u>	<u>1,790</u>	<u>23,635</u>	<u>2,223</u>	<u>(55,925)</u>
Income (loss) before contributions and transfers	618,345	(31,835)	422,823	57,868	1,067,201
Transfers from other funds	91,000	92,602	-	-	183,602
Transfers to other funds	(434,357)	(196,621)	(289,223)	-	(920,201)
	<u>(343,357)</u>	<u>(104,019)</u>	<u>(289,223)</u>	<u>-</u>	<u>(736,599)</u>
Change in net assets	274,988	(135,854)	133,600	57,868	330,602
Total net assets, beginning	<u>5,582,967</u>	<u>1,933,615</u>	<u>1,756,059</u>	<u>704,137</u>	<u>9,976,778</u>
Total net assets, ending	<u>\$ 5,857,955</u>	<u>\$ 1,797,761</u>	<u>\$ 1,889,659</u>	<u>\$ 762,005</u>	<u>\$ 10,307,380</u>

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



Town of Winterville, North Carolina
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

	Major Enterprise Funds				Totals
	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	
Cash flows from operating activities:					
Cash received from customers	\$ 5,676,852	\$ 734,935	\$ 1,620,464	\$ 129,672	\$ 8,161,923
Cash paid for goods and services	(4,504,504)	(461,596)	(890,372)	(49,861)	(5,906,333)
Cash paid to or on behalf of employees for services	(579,813)	(247,910)	(182,663)	-	(1,010,386)
Cash received (paid) for customer deposits - net	(576)	(47)	(67)	-	(690)
Net cash provided (used) by operating activities	591,959	25,382	547,362	79,811	1,244,514
Cash flows from non-capital financing activities:					
Restricted intergovernmental	-	-	80,884	-	80,884
Grant revenue - Rural Center (CMSD)	-	-	500,000	-	500,000
Transfers to other governments (CMSD)	-	-	(500,000)	-	(500,000)
Transfers from other funds	91,000	92,602	-	-	183,602
Transfers to other funds	(434,357)	(196,621)	(289,223)	-	(920,201)
Net cash provided (used) by non-capital financing activities	(343,357)	(104,019)	(208,339)	-	(655,715)
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(787,933)	(98,915)	(582,261)	(39,443)	(1,508,552)
Loan proceeds - installment purchase	1,152,000	-	346,998	-	1,498,998
Principal payments on long term debt	(253,265)	(12,000)	(130,441)	-	(395,706)
Interest paid on debt	(92,033)	(1,300)	(59,156)	-	(152,489)
Net cash provided (used) by capital and related financing activities	18,769	(112,215)	(424,860)	(39,443)	(557,749)
Cash flows from investing activities:					
Interest income	8,460	3,090	1,907	2,223	15,680
Net cash provided (used) by investing activities	8,460	3,090	1,907	2,223	15,680
Net increase (decrease) in cash and cash equivalents	275,831	(187,762)	(83,930)	42,591	46,730
Balances, beginning	1,743,095	935,832	734,420	328,343	3,741,690
Balances, ending	<u>\$ 2,018,926</u>	<u>\$ 748,070</u>	<u>\$ 650,490</u>	<u>\$ 370,934</u>	<u>\$ 3,788,420</u>

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

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

Operating income (loss)	\$ 701,918	\$ (33,625)	\$ 399,188	\$ 55,645	\$ 1,123,126
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	311,627	84,298	185,136	9,422	590,483
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(165,462)	(8,972)	(23,930)	4,309	(194,055)
(Increase) decrease in prepaid items	(2,120)	303	236	(497)	(2,078)
Increase (decrease) in accounts payable and accrued liabilities	(267,298)	(17,393)	(20,248)	10,932	(294,007)
Increase (decrease) in customer deposits	(576)	(47)	(67)	-	(690)
Increase (decrease) in accrued vacation pay	(3)	(5,128)	2,092	-	(3,039)
Increase (decrease) in accrued OPEB liability	13,873	5,946	4,955	-	24,774
Total adjustments	<u>(109,959)</u>	<u>59,007</u>	<u>148,174</u>	<u>24,166</u>	<u>121,388</u>
Net cash provided (used) by operating activities	<u>\$ 591,959</u>	<u>\$ 25,382</u>	<u>\$ 547,362</u>	<u>\$ 79,811</u>	<u>\$ 1,244,514</u>

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



Town of Winterville, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 Assets 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:

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.

Recreation Capital Project Fund - The Recreation Capital Project Fund is used to account for funds accumulated for capital projects and acquisition of capital outlays within the recreation department.

Town of Winterville, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

The Town reports the following non-major governmental funds:

Home Housing Program Fund - The Home Housing Program Fund is used to account for grant funds that are restricted for a particular purpose.

General Capital Improvements Fund – The General Capital Improvements Fund is used to account for funds accumulated for capital projects and acquisition of capital outlays within the general government.

Building Improvements Project Fund – The Building Improvements Project Fund is used to account for funds accumulated for the expansion and improvement of the Town Hall building.

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 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 THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Pitt County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Winterville. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Pitt County from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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. Grant revenues which are unearned at year end are recorded as unearned revenues. 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 assets 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.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989, that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

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 capital projects funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. Any revisions that alter total expenditures of any fund must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. 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.

Town of Winterville, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

E. Assets, Liabilities 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.

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.

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, 2009.

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.

Town of Winterville, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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:

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

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 assets.

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 governmental 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 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 Assets/Fund Balances

Net Assets

Net assets in the government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent 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 THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

Fund Balances

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G. S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved:

Reserved for encumbrances – The portion of fund balance available to pay for commitments related to purchase orders or contracts which remain unperformed at year-end.

Reserved for prepaids – 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.

Reserved for streets - Powell Bill – The portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Reserved by State statute – The portion of fund balance, in addition to reserves for encumbrances and reserves for prepaids, which is not available for appropriation under State law [G. S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, which have not been offset by deferred revenues.

Unreserved:

Undesignated – The portion of total fund balance available for appropriation that is uncommitted at year-end.

Subsequent Events – Date of Management's Evaluation

Management has evaluated subsequent events through November 19, 2010, the date which the financial statements were available to be issued.

2. Stewardship, Compliance and Accountability

Noncompliance with North Carolina General Statutes

Per N.C.G.S. 159-13(b)(6), the estimated percentage of collection of property taxes shall not be greater than the percentage of the levy actually realized in cash as of June 30 during the preceding fiscal year. For the fiscal year ended June 30, 2010, the Town over-budgeted property tax revenues by \$36,374.

The Town recognizes that even though the funds had been collected, the budgeted revenue is not allowed to be greater than the percentage collected in the prior year. Future budget amendments will not include amounts above the prior year's collection percentage. The revenue budget may appear to be inadequate if collections are higher.

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Per N.C.G.S. 159-13(b)(16), appropriated fund balance in a fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year preceding the budget year. For the fiscal year ending June 30, 2010, the Town exceeded the maximum amount available for appropriation in the Electric Fund by \$161,151.

In the future the town will dramatically reduce the encumbrances that we carry forward. This is based on new deadlines and policy that will require Department Heads to request for the item again in the subsequent years budget.

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2010, the expenditures exceeded the authorized appropriations made by the Town Council as follows:

General Fund:	
Debt service	\$ 6,298
Electric Fund:	
Debt service	3,000

Staff will perform a more comprehensive review on a monthly basis focusing on relationship between the amount budgeted and the actual amount paid for debt service. Management will insure that schedules used for booking debt service, and interest income appropriations are accurate thus reducing the chance of incorrect allocation.

Deficit in Fund Balance of Individual Funds

The following funds had deficit fund balances at June 30, 2010:

Recreation Capital Project Fund	\$ 14,253
Building Improvements Capital Project Fund	15,613

Sufficient transfers or receivables will be booked in the same fiscal year, thus reducing lags in the cash position.

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 State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The Town relies on the State Treasurer to monitor those financial institutions. The Town analyzes the financial soundness of any other

Town of Winterville, North Carolina
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financial institution used by the Town. The Town complies with the provisions of G. S. 159-31 when designating official depositories and verifying that deposits are properly secured. The Town does not have a policy regarding custodial credit risk for deposits.

The Federal Deposit Insurance Corporation (FDIC) temporarily increased coverage to \$250,000 for substantially all depository accounts and temporarily provided unlimited coverage for certain qualifying and participating non-interest bearing transactions accounts. The increased coverage for depository accounts is scheduled to expire on December 31, 2013. The temporary unlimited coverage under the Transaction Account Guaranty Program remains in effect until December 31, 2010 for those participating institutions choosing not to opt out of the program. At June 30, 2010, the Town's deposits had a carrying amount of \$6,005,745 and a bank balance of \$6,311,168. Of the bank balance, \$940,242 was covered by federal depository insurance and \$5,370,926 was covered by collateral held under the Pooling Method.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law, which, in part, permanently raised the FDIC current standard maximum deposit insurance amount to \$250,000.

B. Investments

At June 30, 2010, the Town had \$720,857 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.

C. Receivables - Allowance for Doubtful Accounts

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

	Accounts	Taxes	Due from other Governments	Street Assessments	Other	Total
Governmental Activities:						
General	\$ 75,235	\$ 180,930	\$ 510,033	\$ 27,232	\$ 46,579	\$ 840,009
Allowance for doubtful accounts	-	(42,483)	-	-	-	(42,483)
Total governmental activities	<u>\$ 75,235</u>	<u>\$ 138,447</u>	<u>\$ 510,033</u>	<u>\$ 27,232</u>	<u>\$ 46,579</u>	<u>\$ 797,526</u>
Business-Type Activities:						
Electric	\$ 1,059,970	\$ -	\$ -	\$ -	\$ -	\$ 1,059,970
Water	134,949	-	-	-	-	134,949
Sewer	337,591	-	-	-	-	337,591
Stormwater	22,787	-	-	-	-	22,787
Allowance for doubtful accounts	(282,211)	-	-	-	-	(282,211)
Total business-type activities	<u>\$ 1,273,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,273,086</u>

Due from other governments consists of the following:

Local option sales tax	\$ 355,289
Sales tax receivable	130,920
Other	23,824
	<u>\$ 510,033</u>

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D. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,144,315	\$ 248,044	\$ -	\$ 3,392,359
Construction in progress	347,390	-	(347,390)	-
Total capital assets not being depreciated	3,491,705	248,044	(347,390)	3,392,359
Capital assets being depreciated:				
Buildings	6,350,459	326,485	-	6,676,944
Infrastructure	20,590,071	2,402,326	-	22,992,397
Equipment	1,361,617	181,615	-	1,543,232
Software	284,519	39,341	-	323,860
Vehicles	1,067,192	791,088	-	1,858,280
Total capital assets being depreciated	29,653,858	3,740,855	-	33,394,713
Less accumulated depreciation for:				
Buildings	1,249,406	220,165	-	1,469,571
Infrastructure	6,131,328	867,394	-	6,998,722
Equipment	553,546	152,690	-	706,236
Software	72,043	43,926	-	115,969
Vehicles	809,634	127,761	-	937,395
Total accumulated depreciation	8,815,957	\$ 1,411,936	\$ -	10,227,893
Total capital assets being depreciated, net	20,837,901			23,166,820
Governmental activity capital assets, net	<u>\$ 24,329,606</u>			<u>\$ 26,559,179</u>

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

General government	\$ 370,606
Public safety	130,918
Transportation	807,408
Cultural and recreation	103,004
Total	<u>\$ 1,411,936</u>

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	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
<i>Electric Fund</i>				
Capital assets not being depreciated:				
Land	\$ 146,013	\$ -	\$ -	\$ 146,013
Construction in progress	279,340	-	(279,340)	-
Total capital assets not being depreciated	425,353	-	(279,340)	146,013
Capital assets being depreciated:				
Distribution system	6,531,194	1,050,475	-	7,581,669
Buildings	280,661	16,798	-	297,459
Equipment	616,350	-	-	616,350
Vehicles	313,416	-	-	313,416
Total capital assets being depreciated	7,741,621	1,067,273	-	8,808,894
Less accumulated depreciation for:				
Distribution system	1,061,442	279,729	-	1,341,171
Buildings	82,450	21,662	-	104,112
Equipment	582,885	8,105	-	590,990
Vehicles	307,208	2,131	-	309,339
Total accumulated depreciation	2,033,985	311,627	-	2,345,612
Total capital assets being depreciated, net	5,707,636			6,463,282
Electric Fund capital assets, net	6,132,989			6,609,295

Town of Winterville, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Water Fund</i>				
Capital assets not being depreciated:				
Land	8,000	-	-	8,000
Construction in progress	5,898	-	(5,898)	-
Total capital assets not being depreciated	13,898	-	(5,898)	8,000
Capital assets being depreciated:				
Water system, well, tank and distribution system	2,171,294	77,820	-	2,249,114
Equipment and vehicles	201,220	26,993	-	228,213
Total capital assets being depreciated	2,372,514	104,813	-	2,477,327
Less accumulated depreciation for:				
Water system, well, tank and distribution system	1,224,569	78,554	-	1,303,123
Equipment and vehicles	187,450	5,744	-	193,194
Total accumulated depreciation	1,412,019	84,298	-	1,496,317
Total capital assets being depreciated, net	960,495			981,010
Water Fund capital assets, net	974,393			989,010

Town of Winterville, North Carolina
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	Beginning Balances	Increases	Decreases	Ending Balances
<i>Sewer Fund</i>				
Capital assets not being depreciated:				
Construction in progress	24,768	-	(24,768)	-
Total capital assets not being depreciated	24,768	-	(24,768)	-
Capital assets being depreciated:				
Equipment and vehicles	146,556	12,834	-	159,390
Sewer system	2,989,992	594,195	-	3,584,187
Sewer treatment facility	233,000	-	-	233,000
Total capital assets being depreciated	3,369,548	607,029	-	3,976,577
Less accumulated depreciation for:				
Equipment and vehicles	118,890	14,258	-	133,148
Sewer system	953,998	166,218	-	1,120,216
Sewer treatment facility	207,370	4,660	-	212,030
Total accumulated depreciation	1,280,258	185,136	-	1,465,394
Total capital assets being depreciated, net	2,089,290			2,511,183
Sewer Fund capital assets, net	2,114,058			2,511,183
	Beginning Balances	Increases	Decreases	Ending Balances
<i>Stormwater Fund</i>				
Capital assets being depreciated:				
Distribution	357,288	31,043	-	388,331
Equipment	-	8,400	-	8,400
Total capital assets being depreciated	357,288	39,443	-	396,731
Less accumulated depreciation for:				
Distribution	8,125	9,421	-	17,546
Equipment	-	1	-	1
Total accumulated depreciation	8,125	9,422	-	17,547
Total capital assets being depreciated, net	349,163			379,184
Stormwater Fund capital assets, net	349,163			379,184
Business-type activities capital assets, net	\$ 9,570,603			\$ 10,488,672

Town of Winterville, North Carolina
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Construction commitments

The Town has active construction projects as of June 30, 2010. At year end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
ARRA - Sidewalk construction	\$ -	\$ 135,857

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.

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 4.80% and 5.27%, 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, 2010, 2009 and 2008 were \$148,014, \$137,913, and \$173,590, respectively. The contributions made by the Town equaled the required contributions for each year.

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.

Town of Winterville, North Carolina
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For the Fiscal Year Ended June 30, 2010

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2009, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	20
 Total	 20

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.

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, 2009 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 4.5% to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. 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, 2009 was 21 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	\$ 21,241
Interest on net pension obligation	5,405
Adjustment to annual required contribution	(4,696)
Annual pension cost	21,950
Contributions made	-
Increase in net pension obligation	21,950
Net pension obligation, beginning of year	74,548
Net pension obligation, end of year	\$ 96,498

Town of Winterville, North Carolina
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Three Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 12,411	0.00%	\$ 56,907
2009	17,641	0.00%	74,548
2010	21,950	0.00%	96,498

Funded Status and Funding Progress

As of December 31, 2009, 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 \$230,568. The covered payroll (annual payroll of active employees covered by the plan) was \$770,457, and the ratio of the UAAL to the covered payroll was 29.93 percent.

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.

Fund 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, 2010 were \$48,140, which consisted of \$39,033 from the Town and \$9,107 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, 2010 were \$138,345, which consisted of \$111,405 from the Town and \$26,940 from the general employees.

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

Plan Description. The State of North Carolina contributes, on behalf of the Town of Winterville, to the Firemen'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

Town of Winterville, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
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Carolina General Assembly. The Firemen’s and Rescue Squad Workers’ Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes financial statements and required supplementary information for the Firemen’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.

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 H 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 has elected to provide healthcare benefits to 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 provide 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, three retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2010, the Town paid healthcare premiums for retirees of \$18,529. The Town purchases healthcare coverage through private insurers. A separate report was not issued for the plan.

Membership of the plan consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	3	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	48	23
Total	51	23

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
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The current ARC rate is 4.26% of annual covered payroll. For the current year, the Town contributed \$18,029 or 0.65% 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	\$ 117,625
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	117,625
Contributions made	(18,529)
Increase (decrease) in net OPEB obligation	99,096
Net OPEB obligation, beginning of year	74,639
Net OPEB obligation, end of year	\$ 173,735

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and 2009 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>
2009	\$ 82,339	9.35%	\$ 74,639
2010	117,625	15.75%	173,735

Funded Status and Funding Progress

As of December 31, 2008, 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 \$1,145,215. The covered payroll (annual payroll of active employees covered by the plan) was \$2,756,229, and the ratio of the UAAL to the covered payroll was 41.6 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.

Town of Winterville, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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, 2008, 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 10.50 to 5.00 percent annually. Both rates included a 3.75 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, 2008, was 30 years.

f. Other Employee Benefits

The Town has also 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. Payments to beneficiaries must be between \$25,000 and \$50,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment amount and the other benefit amount. The Town considers these contributions to be immaterial.

2. Payables

Payables at the government-wide level at June 30, 2010 were as follows:

Governmental Activities:	<u>Total</u>				
Vendors	\$ 158,060				
Accrued salaries and related items	68,913				
Total governmental activities	<u>\$ 226,973</u>				
Business-Type Activities:	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Total</u>
Vendors	\$ 33,375	\$ 8,404	\$ 16,910	\$ 11,398	\$ 70,087
Accrued salaries and related items	11,872	4,207	3,615	-	19,694
Total business-type activities	<u>\$ 45,247</u>	<u>\$ 12,611</u>	<u>\$ 20,525</u>	<u>\$ 11,398</u>	<u>\$ 89,781</u>

Town of Winterville, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
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3. Deferred/Unearned Revenues

The balance in deferred/unearned revenues at year end is composed of the following elements:

	Deferred Revenue	Unearned Revenue
Taxes receivable, net	\$ 138,447	\$ -
Accounts receivable, net	60,935	-
Street and special assessments, net	27,232	-
Prepaid taxes	-	6,640
Total	\$ 226,614	\$ 6,640

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 and property coverage up to the total insurance value of the property policy and workers' compensation coverage up to statutory limits.

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 and tax collector are each individually 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.

Town of Winterville, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

6. 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	\$ 2,049,307
3.34% note, payable in annual installments of \$60,632, including interest; final payment due October 2010; secured by vehicles and equipment	58,427
3.64% note, payable in annual installments of \$100,507, including interest; final payment due July 2012; secured by vehicles and equipment	190,548
3.64% note, payable in annual installments of \$68,487, including interest; final payment due July 2012; secured by vehicles and equipment	129,842
2.90% note, payable in annual installments of \$38,974, including interest; final payment due June 2013; secured by vehicles and equipment	111,434
3.62% note, payable in annual installments of \$136,645 plus interest; final payment due June 2023; secured by real estate	1,776,389
3.05% note, payable in annual installments of \$50,731, including interest; final payment due June, 2014; secured by vehicles and equipment	188,345
2.80% note, payable in annual installments of \$99,826, plus interest; final payment due December 2014; secured by vehicles and equipment	499,133
4.77% note, payable in annual installments of \$99,132, plus interest; final payment due February 2025; secured by real estate	1,486,980
4.67% note, payable in annual installments of \$11,400, plus interest; final payment due June 2025; secured by real estate	171,000
2.64% note, payable in annual installments of \$33,255, including interest; final payment due June 2015; secured by vehicles and equipment	<u>153,877</u>
Total installment purchases	<u><u>\$ 6,815,282</u></u>

Town of Winterville, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

Annual debt service payments of the installment purchases as of June 30, 2010, including interest of \$2,477,628, are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 722,934	\$ 273,485	\$ 996,419
2012	675,355	247,429	922,784
2013	518,831	222,959	741,790
2014	484,627	204,184	688,811
2015	438,717	186,361	625,078
2016-2020	1,573,726	719,167	2,292,893
2021-2025	1,381,094	388,266	1,769,360
2026-2030	518,412	179,758	698,170
2031-2034	501,586	56,019	557,605
Total	<u>\$ 6,815,282</u>	<u>\$ 2,477,628</u>	<u>\$ 9,292,910</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, 2010 are comprised of the following individual issues:

Serviced by the Water Fund:

\$220,000 1975 Water serial bonds due in annual installments of \$5,000 to \$12,000 plus interest at 5.00%; final installment due June 2012 \$ 14,000

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 990,500

Total general obligation bonds \$ 1,004,500

Town of Winterville, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

Year Ending June 30,	Principal	Interest	Total
2011	\$ 29,000	\$ 49,587	\$ 78,587
2012	20,000	47,458	67,458
2013	19,000	46,581	65,581
2014	20,000	45,654	65,654
2015	21,000	44,679	65,679
2016-2020	116,000	207,358	323,358
2021-2025	146,500	176,402	322,902
2026-2030	184,000	137,036	321,036
2031-2035	219,000	88,774	307,774
2036-2040	230,000	33,638	263,638
Total	<u>\$ 1,004,500</u>	<u>\$ 877,167</u>	<u>\$ 1,881,667</u>

Installment Purchases - Enterprise Funds

Electric

3.62% note, payable in annual installments of \$222,487 including interest;
final payment due June 2023; secured by equipment \$ 2,278,680

4.67% note, payable in annual installments of \$108,524, including interest;
final payment due June 2025; secured by real estate 1,152,000

Sewer

3.64% note, payable in annual installments of \$58,481, including interest;
final payment due July 2012; secured by equipment 110,881

3.29% note, payable in annual installments of \$66,050, including interest;
final payment due September 2010; secured by equipment 63,946

4.67% note, payable in annual installments of \$32,689 , including interest;
final payment due June 2025; secured by real estate 346,998

Total installment purchases \$ 3,952,505

Town of Winterville, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

Year Ending June 30,	Principal	Interest	Total
2011	\$ 329,960	\$ 158,631	\$ 488,591
2012	276,403	146,139	422,542
2013	228,722	135,339	364,061
2014	237,821	126,240	364,061
2015	247,287	116,774	364,061
2016-2020	1,392,395	427,910	1,820,305
2021-2025	1,239,917	134,702	1,374,619
Total	<u>\$ 3,952,505</u>	<u>\$ 1,245,735</u>	<u>\$ 5,198,240</u>

c. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Activities:					
Installment purchases	\$5,296,277	\$ 2,310,990	\$ (791,985)	\$ 6,815,282	\$ 722,934
Compensated absences	176,404	180,540	(176,404)	180,540	180,540
Unfunded OPEB obligation	59,711	74,322	-	134,033	-
Net pension obligation	74,548	21,950	-	96,498	-
Total Governmental Activities	<u>\$5,606,940</u>	<u>\$ 2,587,802</u>	<u>\$ (968,389)</u>	<u>\$ 7,226,353</u>	<u>\$ 903,474</u>
Business-type Activities:					
Installment purchases	\$2,821,213	\$ 1,498,998	\$ (367,706)	\$ 3,952,505	\$ 329,960
Bonds payable	1,032,500	-	(28,000)	1,004,500	29,000
Unfunded OPEB obligation	14,928	24,774	-	39,702	-
Compensated absences	85,623	82,583	(85,623)	82,583	82,583
Total Business-type Activities	<u>\$3,954,264</u>	<u>\$ 1,606,355</u>	<u>\$ (481,329)</u>	<u>\$ 5,079,290</u>	<u>\$ 441,543</u>

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, 2010 was \$43,156,957.

Town of Winterville, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

F. Interfund Balances and Transfers

Balances due to/from other funds at June 30, 2010 consist of the following:

Interfund balances of \$29,866 due to the General Fund from the Recreation Capital Project Fund in the amount of \$14,253 and from the Building Improvements Capital Project Fund (non major fund) in the amount of \$15,613 represent amounts related to cash shortages and will be eliminated with future revenues.

Transfers to/from other funds at June 30, 2010, consist of the following:

Fund	From	To	Purpose
Home Housing Fund	\$ 16,206		
General Fund		\$ 16,206	To close out Home Housing Special Revenue Fund.
Sewer Fund	45,500		
Water Fund	45,500		
Electric Fund		91,000	Reimbursements among enterprise funds for capital activities.
Sewer Fund	92,602		
Water Fund		92,602	Reimbursements among enterprise funds for operations.
Electric Fund	434,357		
Water Fund	151,121		
Sewer Fund	151,121		
General Fund		736,599	Reimbursements among funds for operations.
General Fund	2,066,660		
Recreation Cap. Project Fund		2,066,660	To finance capital projects.
	<u>\$ 3,003,067</u>	<u>\$ 3,003,067</u>	

G. Prior Period Adjustment

During the fiscal year ended June 30, 2010, the Town determined that the amount of capital outlay for the Recreation Capital Project Fund that was paid out of General Fund Capital Outlay during the June 30, 2009 fiscal year (in the amount of \$65,195) was recorded incorrectly. This resulted in a \$130,390 adjustment to cash and the beginning fund balance in the General Fund and the beginning net assets for the governmental activities.

H. On-Behalf Payments for Fringe Benefits

For the fiscal year ended June 30, 2010, the Town of Winterville has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$17,365 for the sixty volunteer fireman and one employed fireman who perform firefighting duties for the Town's fire department. The volunteers and the employee elected to be members of the Firemen 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 THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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, 2010 amounted to \$689,418. Also, during the June 30, 2010 fiscal year, the Town received a \$500,000 grant which was passed directly through to the District.

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 \$2,130 to the Commission during the fiscal year ended June 30, 2010.

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 monies to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2010, 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, 2010. 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.

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 Year Ended June 30, 2010

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)
12/31/04	-	38,688	38,688	0.00%	431,302	8.97%
12/31/05	-	52,623	52,623	0.00%	548,109	9.60%
12/31/06	-	65,425	65,425	0.00%	639,784	10.23%
12/31/07	-	102,020	102,020	0.00%	796,882	12.80%
12/31/08	-	143,903	143,903	0.00%	804,614	17.88%
12/31/09	-	230,568	230,568	0.00%	770,457	29.93%

Town of Winterville, North Carolina
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Year Ended June 30, 2010

Schedule of Employer Contributions		
Year Ended June 30,	Annual Required Contribution	Annual Percentage Contributed
2005	5,875	0.0%
2006	8,217	0.0%
2007	9,777	0.0%
2008	10,243	0.0%
2009	12,411	0.0%
2010	21,241	0.0%

Notes to the Required Schedules

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

Valuation date	December 31, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 years
Asset valuation method	Market value
Actuarial Assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.50% - 12.30%
*Includes inflation at	3.75%
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 Year Ended June 30, 2010

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%

Town of Winterville, North Carolina
OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH CARE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Year Ended June 30, 2010

Schedule of Employer Contributions		
Year Ended June 30,	Annual Required Contribution	Annual Percentage Contributed
2009	\$ 82,339	9.35%
2010	117,625	15.75%

Notes to the Required Schedules

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

Valuation date	December 31, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial Assumptions:	
Investment rate of return *	4.00%
Medical cost trend rate	10.50% - 5.00%
Year of ultimate trend rate	2016
*Includes inflation at	3.75%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES



MAJOR GOVERNMENTAL FUNDS

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.

Capital Projects Funds

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Recreation Capital Project Fund

This fund is used to account for funds accumulated for capital projects and acquisition of capital outlays within the recreation department.



Town of Winterville, North Carolina
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variable Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes		\$ 3,069,850	
Interest		16,335	
Total	\$ 3,093,399	3,086,185	\$ (7,214)
Other taxes and licenses:			
Privilege licenses		24,963	
Heavy equipment tax		13,236	
Cable franchise fees		487	
Total	27,722	38,686	10,964
Unrestricted Intergovernmental:			
Local option sales tax		1,447,137	
Payment in lieu of taxes - outside sources		2,553	
Utility franchise tax/Telecommunications sales tax		258,488	
Beer and wine tax		12,764	
Total	1,445,919	1,720,942	275,023
Restricted Intergovernmental:			
Powell Bill allocation		238,672	
DOT reimbursement		23,660	
Recreation grants		500,000	
JAG Program Grant revenue		11,844	
On-behalf of payments - Fire		17,365	
Solid waste disposal tax		6,150	
Total	917,998	797,691	(120,307)
Permits and fees:			
Subdivision recreation fees		1,800	
Planning and zoning		1,930	
Total	9,500	3,730	(5,770)
Sales and services:			
Special assessments		9,601	
Solid waste fees		406,881	
Community building rent		3,760	
Utility service charges		40,245	
Recreation		180,679	
Cemetery		25,575	
Total	667,746	666,741	(1,005)
Investment earnings	55,669	13,676	(41,993)
Miscellaneous:			
Rural fire association reimbursement		113,240	
Other		60,588	
Total	269,193	173,828	(95,365)
Total revenues	6,487,146	6,501,479	14,333

Town of Winterville, North Carolina
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

Page 2 of 4

	Budget	Actual	Variable Positive (Negative)
Expenditures:			
General government:			
Governing body:			
Salaries and benefits		44,017	
Other operating expenditures		16,556	
Total	59,700	60,573	(873)
Administration:			
Salaries and employee benefits		857,879	
Maintenance and repairs		214	
Other operating expenditures		812,628	
Capital outlay:			
Departmental improvements		12,469	
Capital improvements (Fund 40)		204,281	
Total	2,034,590	1,887,471	147,119
Information Technology:			
Salaries and employee benefits		95,643	
Maintenance and repairs		7,688	
Other operating expenditures		179,983	
Noncapitalized equipment < \$5,000 (computer)		54,094	
Capital outlay:			
Departmental improvements		72,124	
Total	459,786	409,532	50,254
Planning:			
Salaries and employee benefits		202,527	
Maintenance and repairs		1,425	
Other operating expenditures		11,752	
Total	248,645	215,704	32,941
Total general government	2,802,721	2,573,280	229,441
Public Safety:			
Police:			
Salaries and employee benefits		1,108,280	
Maintenance and repairs		32,692	
Other operating expenditures		118,052	
Noncapitalized equipment < \$5,000		16,200	
Total	1,326,525	1,275,224	51,301

Town of Winterville, North Carolina
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

Page 3 of 4

	Budget	Actual	Variable Positive (Negative)
Public Safety (continued):			
Animal Control:			
Salaries and employee benefits		6,190	
Other operating expenditures		4,902	
Noncapitalized equipment < \$5,000		148	
Total	27,905	11,240	16,665
Fire:			
Salaries and employee benefits		139,149	
Maintenance and repairs		33,843	
Other operating expenditures		145,777	
Noncapitalized equipment < \$5,000		97,418	
Capital outlay:			
Departmental improvements		145,282	
Capital improvements (Fund 40)		506,980	
Total	1,129,288	1,068,449	60,839
Rescue:			
Salaries and employee benefits		-	
Other operating expenditures		-	
Total	59,080	-	59,080
Total public safety	2,542,798	2,354,913	187,885
Transportation:			
Salaries and employee benefits		400,536	
Maintenance and repairs		26,815	
Other operating expenditures		115,468	
Other operating expenditures - Powell Bill		15,510	
Noncapitalized equipment < \$5,000		3,914	
Capital outlay:			
Departmental improvements - Powell Bill		210,135	
Total transportation	1,237,649	772,378	465,271
Environmental Protection:			
Sanitation:			
Other operating expenditures		402,902	
Total	409,136	402,902	6,234

Town of Winterville, North Carolina
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

Page 4 of 4

	Budget	Actual	Variable Positive (Negative)
Cultural and Recreation:			
Parks and Recreation:			
Salaries and employee benefits		247,333	
Maintenance and repairs		9,137	
Other operating expenditures		252,462	
Capital outlay:			
Noncapitalized equipment <\$5,000		27,864	
Departmental improvements		9,408	
Total parks and recreation	<u>937,193</u>	<u>546,204</u>	<u>390,989</u>
Public Buildings:			
Maintenance and repairs		21,153	
Other operating expenditures		230,242	
Total community building	<u>302,352</u>	<u>251,395</u>	<u>50,957</u>
Total Cultural and Recreation	1,239,545	797,599	441,946
Vehicle Replacement:			
Capital outlay		307,117	
Total vehicle replacement	<u>376,733</u>	<u>307,117</u>	<u>69,616</u>
Debt service:			
Principal retirement	775,700	791,985	(16,285)
Interest	217,441	207,454	9,987
Total debt service	<u>993,141</u>	<u>999,439</u>	<u>(6,298)</u>
Total expenditures	<u>9,601,723</u>	<u>8,207,628</u>	<u>1,394,095</u>
Revenues over (under) expenditures	(3,114,577)	(1,706,149)	1,408,428
Other financing sources (uses):			
Loan proceeds - installment purchases	2,377,480	2,310,990	(66,490)
Transfers from other funds:			
Enterprise funds	742,843	736,599	(6,244)
Special Revenue fund	-	16,206	16,206
Transfers to other funds:			
Recreation Capital Projects funds	(2,066,660)	(2,066,660)	-
Sale of capital assets	-	66,693	66,693
Total other financing sources (uses)	1,053,663	1,063,828	10,165
Fund balance appropriated	<u>2,060,914</u>	-	<u>(2,060,914)</u>
Net change in fund balance	<u>\$ -</u>	(642,321)	<u>\$ (642,321)</u>
Fund balances, beginning as previously reported		3,134,995	
Prior period adjustment		130,390	
Fund balances, beginning as restated		<u>3,265,385</u>	
Fund balances, ending		<u>\$ 2,623,064</u>	

Town of Winterville, North Carolina
CAPITAL PROJECTS FUND - RECREATION PROJECT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and For the Fiscal Year Ended June 30, 2010

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Expenditures:					
Capital outlay:					
Culture and recreation	\$ 2,640,456	\$ 950,261	\$ 1,400,152	\$ 2,350,413	\$ 290,043
Total capital outlay	<u>2,640,456</u>	<u>950,261</u>	<u>1,400,152</u>	<u>2,350,413</u>	<u>290,043</u>
Other financing sources:					
Transfers from other funds:					
General Fund	2,640,456	269,500	2,066,660	2,336,160	(304,296)
Total other financing sources	<u>2,640,456</u>	<u>269,500</u>	<u>2,066,660</u>	<u>2,336,160</u>	<u>(304,296)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (680,761)</u>	666,508	<u>\$ (14,253)</u>	<u>\$ (14,253)</u>
Fund balance, beginning			(680,761)		
Fund balance, ending			<u>\$ (14,253)</u>		



NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

The Special Revenue Funds are established to account for specific revenues that are legally restricted to expenditures for specified purposes.

Home Housing Program Fund

The Home Housing Program Fund is used to account for grant funds that are restricted for a particular purpose.

Capital Projects Funds

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

General Capital Improvements Fund

The General Capital Improvements Fund is used to account for funds accumulated for capital projects and acquisition of capital outlays within the general government.

Building Improvements Project Fund

The Building Improvements Project Fund is used to account for funds accumulated for the expansion and improvement of the Town Hall Building.



Town of Winterville, North Carolina
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

	Special Revenue Fund	Capital Projects Funds		Total
	Home Housing Program Fund	Building Improvements Project	General Capital Improvements Project	
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 718,119	\$ 718,119
Total assets	<u>-</u>	<u>-</u>	<u>718,119</u>	<u>718,119</u>
Liabilities and Fund Balances				
Liabilities:				
Due to other funds	-	15,613	-	15,613
Total liabilities	<u>-</u>	<u>15,613</u>	<u>-</u>	<u>15,613</u>
Fund balances:				
Unreserved:				
Undesignated	-	(15,613)	718,119	702,506
Total fund balances	<u>-</u>	<u>(15,613)</u>	<u>718,119</u>	<u>702,506</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 718,119</u>	<u>\$ 718,119</u>

Town of Winterville, North Carolina
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010

	<u>Special Revenue Fund</u>	<u>Capital Project Funds</u>		<u>Total</u>
	<u>Home Housing Program Fund</u>	<u>Building Improvements Project</u>	<u>General Capital Improvements Project</u>	
Expenditures:				
General government	\$ -	\$ 178,858	\$ -	\$ 178,858
Revenues over (under) expenditures	-	(178,858)	-	(178,858)
Other Financing Sources:				
Transfers (to) from General Fund	(16,206)	-	-	(16,206)
Net change in fund balance	(16,206)	(178,858)	-	(195,064)
Fund balance, beginning	16,206	163,245	718,119	897,570
Fund balance, ending	<u>\$ -</u>	<u>\$ (15,613)</u>	<u>\$ 718,119</u>	<u>\$ 702,506</u>

Town of Winterville, North Carolina
SPECIAL REVENUE FUND - HOME HOUSING PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and For the Fiscal Year Ended June 30, 2010

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted					
Intergovernmental:					
HOME Consortium Grant	\$ 52,000	\$ -	\$ -	\$ -	\$ (52,000)
Miscellaneous revenue	8,609	-	-	-	(8,609)
Total revenues	<u>60,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(60,609)</u>
Expenditures:					
Administration	-	8,052		8,052	(8,052)
Economic and physical development	60,609	-	-	-	60,609
Total expenditures	<u>60,609</u>	<u>8,052</u>	<u>-</u>	<u>8,052</u>	<u>52,557</u>
Revenues over (under) expenditures	<u>-</u>	<u>(8,052)</u>	<u>-</u>	<u>(8,052)</u>	<u>(8,052)</u>
Other financing sources:					
Transfers to other funds:					
General Fund	-	24,258	(16,206)	8,052	8,052
Total other financing sources	<u>-</u>	<u>24,258</u>	<u>(16,206)</u>	<u>8,052</u>	<u>8,052</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 16,206</u>	<u>(16,206)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			16,206		
Fund balance, ending			<u>\$ -</u>		

Town of Winterville, North Carolina
CAPITAL PROJECTS FUND - BUILDING IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and For the Fiscal Year Ended June 30, 2010

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Expenditures:					
Capital outlay:					
Building improvements	\$ 2,626,200	\$ 2,331,555	\$ 178,858	\$ 2,510,413	\$ 115,787
Total capital outlay	<u>2,626,200</u>	<u>2,331,555</u>	<u>178,858</u>	<u>2,510,413</u>	<u>115,787</u>
Other financing sources:					
Transfers from other funds:					
General Fund	2,626,200	2,494,800	-	2,494,800	(131,400)
Total other financing sources	<u>2,626,200</u>	<u>2,494,800</u>	<u>-</u>	<u>2,494,800</u>	<u>(131,400)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 163,245</u>	(178,858)	<u>\$ (15,613)</u>	<u>\$ (15,613)</u>
Fund balance, beginning			163,245		
Fund balance, ending			<u>\$ (15,613)</u>		

Town of Winterville, North Carolina
CAPITAL PROJECTS FUND - GENERAL CAPITAL IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and For the Fiscal Year Ended June 30, 2010

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
Revenues:					
Investment earnings	\$ -	\$ 21,875	\$ -	\$ 21,875	\$ 21,875
Total revenues	-	21,875	-	21,875	21,875
Expenditures:					
Capital outlay:					
General government	848,433	412,179	-	412,179	436,254
Public Safety	507,500	103,245	-	103,245	404,255
Culture and recreation	56,000	60,123	-	60,123	(4,123)
Public works	27,000	23,128	-	23,128	3,872
Total capital outlay	1,438,933	598,675	-	598,675	840,258
Revenues over (under) expenditures	(1,438,933)	(576,800)	-	(576,800)	862,133
Other financing sources:					
Long term debt issued	804,800	804,800	-	804,800	-
Transfers from other funds	634,133	490,119	-	490,119	(144,014)
Total other financing sources	1,438,933	1,294,919	-	1,294,919	(144,014)
Net change in fund balance	\$ -	\$ 718,119	-	\$ 718,119	\$ 718,119
Fund balance, beginning			718,119		
Fund balance, ending			\$ 718,119		



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, 2010

Page 1 of 2

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Sale of electricity		\$ 5,643,617	
Connection fees		4,045	
Service charges		5,962	
Miscellaneous revenue		188,690	
Total operating revenues	<u>\$ 5,760,188</u>	<u>5,842,314</u>	<u>\$ 82,126</u>
Non-operating revenues:			
Interest earned		8,460	
Total non-operating revenues	<u>57,000</u>	<u>8,460</u>	<u>(48,540)</u>
 Total revenues	 5,817,188	 5,850,774	 33,586
Expenditures:			
Operating:			
Electrical power purchases		3,668,721	
Salaries and employee benefits		579,813	
Supplies		96,075	
Repairs and maintenance		8,918	
Contracted services		157,800	
Other departmental expenses		222,707	
Total operating expenditures	<u>5,004,667</u>	<u>4,734,034</u>	<u>270,633</u>
Debt service:			
Principal retirement	248,307	253,265	(4,958)
Interest	93,991	92,033	1,958
Total debt service	<u>342,298</u>	<u>345,298</u>	<u>(3,000)</u>
Capital outlay:			
Noncapitalized equipment - meters		80,865	
Capital improvements (Fund 42)		787,933	
Total capital outlay	<u>2,962,852</u>	<u>868,798</u>	<u>2,094,054</u>
 Total expenditures	 <u>8,309,817</u>	 <u>5,948,130</u>	 <u>2,361,687</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, 2010

Page 2 of 2

	Budget	Actual	Variance Positive (Negative)
Revenues over (under) expenditures	(2,492,629)	(97,356)	2,395,273
Other financing sources (uses):			
Loan proceeds - installment purchase	1,312,652	1,152,000	(160,652)
Transfers from other funds:			
Water Fund	45,500	45,500	-
Sewer Fund	45,500	45,500	-
Transfers to other funds:			
General Fund	(434,357)	(434,357)	-
Total other financing sources (uses)	969,295	808,643	(160,652)
Fund balance appropriated	1,523,334	-	(1,523,334)
Revenues and other sources over (under) expenditures and other uses	\$ -	711,287	\$ 711,287
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		253,265	
Capital outlay		787,933	
Loan proceeds - installment purchase		(1,152,000)	
Depreciation		(311,627)	
Decrease in accrued vacation pay		3	
Increase in accrued OPEB liability		(13,873)	
Total		(436,299)	
Change in net assets		\$ 274,988	

Town of Winterville, North Carolina
WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2010

Page 1 of 2

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales		\$ 741,904	
Other operating revenues		2,003	
Total operating revenues	\$ 720,731	743,907	\$ 23,176
Non-operating revenues:			
Investment earnings		3,090	
Total non-operating revenues	22,520	3,090	(19,430)
Total revenues	743,251	746,997	3,746
Expenditures:			
Operating:			
Purchases for resale		265,377	
Salaries and employee benefits		247,910	
Supplies		38,554	
Repairs and maintenance		10,877	
Contracted services		26,487	
Other departmental expenses		98,027	
Total operating expenditures	710,106	687,232	22,874
Debt service:			
Principal retirement	12,000	12,000	-
Interest	15,000	1,300	13,700
Total debt service	27,000	13,300	13,700
Capital outlay:			
Noncapitalized equipment < \$5,000		5,184	
Departmental improvements (Fund 61)		26,993	
Capital improvements (Fund 43)		71,922	
Total capital outlay	104,719	104,099	620
Total expenditures	841,825	804,631	37,194
Revenues over (under) expenditures	(98,574)	(57,634)	40,940

Town of Winterville, North Carolina
WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2010

Page 2 of 2

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfers from other funds:			
Sewer Fund	92,602	92,602	-
Transfers to other funds:			
General Fund	(151,121)	(151,121)	-
Electric Fund	(45,500)	(45,500)	-
	(104,019)	(104,019)	-
 Fund balance appropriated	 202,593	 -	 (202,593)
 Revenues and other sources over (under) expenditures and other uses	 \$ -	 (161,653)	 \$ (161,653)
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		12,000	
Capital outlay		98,915	
Decrease in accrued vacation pay		5,128	
Increase in accrued OPEB liability		(5,946)	
Depreciation		(84,298)	
Total		25,799	
Change in net assets		\$ (135,854)	

Town of Winterville, North Carolina

SEWER FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)

For the Fiscal Year Ended June 30, 2010

Page 1 of 2

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Sewer charges		\$ 1,643,044	
Tapping fees		1,350	
Total operating revenues	<u>\$ 1,592,139</u>	<u>1,644,394</u>	<u>\$ 52,255</u>
Non-operating revenues:			
Investment earnings		1,907	
Restricted intergovernmental		80,884	
Grant revenue - Rural Center (CMSD)		500,000	
Total non-operating revenues	<u>562,702</u>	<u>582,791</u>	<u>20,089</u>
Total revenues	2,154,841	2,227,185	72,344
Expenditures:			
Operating:			
Salaries and employee benefits		182,663	
Supplies		28,148	
Repairs and maintenance		30,896	
Contracted services		9,098	
CMSD expense		689,418	
Other departmental expenses		105,887	
Total operating expenditures	<u>1,153,987</u>	<u>1,046,110</u>	<u>107,877</u>
Non-operating:			
Transfers to other governments (CMSD)	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Total sewer expenditures	1,653,987	1,546,110	107,877

Town of Winterville, North Carolina
SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2010

Page 2 of 2

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal retirement	128,598	130,441	(1,843)
Interest	61,000	59,156	1,844
Total debt service	189,598	189,597	1
Capital outlay:			
Noncapitalized equipment <\$5,000		6,913	
Departmental improvements (Fund 62)		50,237	
Capital improvements (Fund 44)		532,024	
Total capital outlay	739,797	589,174	150,623
Total expenditures	2,583,382	2,324,881	258,501
Revenues over (under) expenditures	(428,541)	(97,696)	330,845
Other financing sources (uses):			
Loan proceeds - installment purchase	471,998	346,998	(125,000)
Transfers to other funds:			
General Fund	(151,121)	(151,121)	-
Water Fund	(92,602)	(92,602)	-
Electric Fund	(45,500)	(45,500)	-
Total other financing sources (uses)	182,775	57,775	(125,000)
Fund balance appropriated	245,766	-	(245,766)
Revenues and other sources over (under) expenditures and other uses	\$ -	(39,921)	\$ (39,921)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		130,441	
Capital outlay		582,261	
Loan proceeds - installment purchase		(346,998)	
Depreciation		(185,136)	
Increase in accrued vacation pay		(2,092)	
Increase in accrued OPEB liability		(4,955)	
Total		173,521	
Change in net assets		\$ 133,600	

Town of Winterville, North Carolina
STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Stormwater charges		\$ 125,363	
Total operating revenues	\$ 173,724	125,363	\$ (48,361)
Non-operating revenues:			
Investment earnings		2,223	
Total non-operating revenues	2,265	2,223	(42)
Total revenues	175,989	127,586	(48,403)
Expenditures:			
Operating:			
Contracted services		6,452	
Other departmental expenses		47,643	
Total operating expenditures	85,303	54,095	31,208
Capital outlay:			
Noncapitalized equipment <\$5,000		6,201	
Departmental improvements (Fund 63)		21,495	
Capital improvements (Fund 45)		17,948	
Total capital outlay	78,981	45,644	33,337
Total expenditures	164,284	99,739	64,545
Revenues over (under) expenditures	11,705	27,847	16,142
Other financing sources (uses):			
Transfers to other funds:			
General Fund	(66,207)	-	66,207
Total other financing sources (uses)	(66,207)	-	66,207
Fund balance appropriated	54,502	-	(54,502)
Revenues and other sources over (under) expenditures and other uses	\$ -	27,847	\$ 27,847
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		39,443	
Depreciation		(9,422)	
Total		30,021	
Change in net assets		\$ 57,868	



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.

Additional Financial Data

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

Statistical Information

The statistical section includes ten year comparison data 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 federal and state compliance matters and details on the expenditures of federal and state awards.



GOVERNMENTAL CAPITAL ASSETS



Town of Winterville, North Carolina
COMPARATIVE SCHEDULE OF GOVERNMENTAL CAPITAL ASSETS - BY SOURCE
 For the Fiscal Year Ended June 30, 2010
 (With Comparative Actual Amounts As of June 30, 2009)

<u>Governmental Capital Assets</u>	<u>2010</u>	<u>2009</u>
Land and improvements	\$ 3,392,359	\$ 3,144,315
Construction in process	-	347,390
Buildings	6,676,944	6,350,459
Streets and infrastructure	22,992,397	20,590,071
Software	323,860	284,519
Vehicles and equipment	3,401,512	2,428,809
 Total	 <u>\$ 36,787,072</u>	 <u>\$ 33,145,563</u>

Town of Winterville, North Carolina
SCHEDULE OF CHANGES IN GOVERNMENTAL CAPITAL ASSETS
BY FUNCTION AND ACTIVITY
For the Fiscal Year Ended June 30, 2010

<u>Function and Activity</u>	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
General government	\$ 7,944,159	\$ 676,615	\$ -	\$ 8,620,774
Transportation	22,900,417	804,838	-	23,705,255
Public Safety	1,070,327	750,496	-	1,820,823
Cultural and recreation	1,230,660	1,409,560	-	2,640,220
Total	<u>\$ 33,145,563</u>	<u>\$ 3,641,509</u>	<u>\$ -</u>	<u>\$ 36,787,072</u>

ADDITIONAL FINANCIAL DATA

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, 2010

Fiscal Year	Uncollected Balance June 30, 2009	Additions	Collections And Credits	Uncollected Balance June 30, 2010
2009-2010	\$ -	\$ 3,089,770	\$ 2,996,993	\$ 92,777
2008-2009	106,577	-	62,352	44,225
2007-2008	22,423	-	7,750	14,673
2006-2007	12,599	-	2,640	9,959
2005-2006	5,358	-	614	4,744
2004-2005	3,995	-	534	3,461
2003-2004	2,942	-	35	2,907
2002-2003	3,702	-	37	3,665
2001-2002	2,424	-	250	2,174
2000-2001	2,398	-	53	2,345
1999-2000	4,174	-	4,174	-
Total	<u>\$ 166,592</u>	<u>\$ 3,089,770</u>	<u>\$ 3,075,432</u>	<u>180,930</u>

Less: allowance for uncollectible accounts:

General fund

42,483

Ad valorem taxes receivable - net

\$ 138,447

Reconciliation with Revenues:

Ad valorem taxes - General Fund

\$ 3,086,185

Reconciling items:

Interest collected

(16,335)

Taxes written off

4,174

Releases and other adjustments

1,408

Subtotal

(10,753)

Total collections and credits

\$ 3,075,432

Town of Winterville, North Carolina
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
For the Fiscal Year Ended June 30, 2010

	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	\$ 682,838,000	0.45	\$ 3,072,771	\$ 2,787,875	\$ 284,896
Discoveries	5,582,000		25,119	25,119	-
Abatements	(1,804,444)		(8,120)	(2,608)	(5,512)
Total property valuation	<u>\$ 686,615,556</u>				
Net levy			3,089,770	2,810,386	279,384
Uncollected taxes at June 30, 2010			<u>(92,777)</u>	<u>(53,378)</u>	<u>(39,399)</u>
Current year's taxes collected			<u>\$ 2,996,993</u>	<u>\$ 2,757,008</u>	<u>\$ 239,985</u>
Current levy collection percentage			<u>97.00%</u>	<u>98.10%</u>	<u>85.90%</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.

Sources: The Town implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year, or the year for which information was most recently available.



Town of Winterville, North Carolina
NET ASSETS BY COMPONENT
 Last Six Fiscal Years
 (accrual basis of accounting)

Table 1

	2005	2006	2007	2008	2009	2010
Governmental activities						
Invested in capital assets, net of related debt	\$ 17,498,023	\$ 17,015,395	\$ 18,107,145	\$ 18,883,210	\$ 19,033,329	\$ 19,743,897
Restricted	99,573	64,181	118,662	297,722	509,458	524,194
Unrestricted	2,309,790	3,806,332	3,865,762	3,841,539	2,756,908	2,602,666
Total governmental activities net assets	\$ 19,907,386	\$ 20,885,908	\$ 22,091,569	\$ 23,022,471	\$ 22,299,695	\$ 22,870,757
Business-type activities						
Invested in capital assets, net of related debt	\$ 4,051,159	\$ 4,471,007	\$ 4,304,371	\$ 2,981,588	\$ 5,773,808	\$ 5,531,667
Restricted	-	-	-	-	-	-
Unrestricted	2,735,379	2,881,715	3,992,871	6,181,096	4,202,970	4,775,713
Total Business-type activities net assets	\$ 6,786,538	\$ 7,352,722	\$ 8,297,242	\$ 9,162,684	\$ 9,976,778	\$ 10,307,380
Primary government						
Invested in capital assets, net of related debt	\$ 21,549,182	\$ 21,486,402	\$ 22,411,516	\$ 21,864,798	\$ 24,807,137	\$ 25,275,564
Restricted	99,573	64,181	118,662	297,722	509,458	524,194
Unrestricted	5,045,169	6,688,047	7,858,633	10,022,635	6,959,878	7,378,379
Total primary government net assets	\$ 26,693,924	\$ 28,238,630	\$ 30,388,811	\$ 32,185,155	\$ 32,276,473	\$ 33,178,137

Town of Winterville, North Carolina
CHANGE IN NET ASSETS
Last Six Fiscal Years
(accrual basis of accounting)

Table 2

	2005	2006	2007	2008	2009	2010
Expenses						
Governmental activities:						
General government	\$ 1,249,125	\$ 1,051,648	\$ 920,172	\$ 1,773,961	\$ 2,456,603	\$ 2,687,929
Public Safety	1,042,633	1,601,482	1,780,041	1,588,821	1,753,660	1,883,985
Transportation	1,330,973	1,453,211	1,478,672	1,496,651	1,596,862	1,381,524
Environmental protection	278,343	265,869	323,910	344,757	375,894	402,902
Cultural and recreational	393,494	706,594	891,387	895,246	843,293	896,397
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
Total governmental activities expense	\$ 4,505,129	\$ 5,231,180	\$ 5,547,913	\$ 6,261,476	\$ 7,248,739	\$ 7,460,191
Business-type Activities:						
Electric	\$ 3,737,150	\$ 4,221,871	\$ 4,158,835	\$ 4,197,764	\$ 5,305,020	\$ 5,232,429
Water	396,926	469,614	495,483	636,679	693,124	778,832
Sewer	913,054	1,083,201	1,119,390	1,540,475	1,305,034	1,804,362
Stormwater	8,039	24,134	21,291	39,355	27,072	69,718
Total business-type activities expense	\$ 5,055,169	\$ 5,798,820	\$ 5,794,999	\$ 6,414,273	\$ 7,330,250	\$ 7,885,341
Total primary government expenses	\$ 9,560,298	\$ 11,030,000	\$ 11,342,912	\$ 12,675,749	\$ 14,578,989	\$ 15,345,532

Program Revenues

Governmental activities:

Charges for services

 General government

 Public Safety

 Transportation

\$ 122,166	\$ 63,022	\$ 49,050	\$ 72,162	\$ 131,618	\$ 69,550
61,960	93,552	-	-	156,151	-
-	-	-	-	-	328

Town of Winterville, North Carolina
CHANGE IN NET ASSETS
 Last Six Fiscal Years
 (accrual basis of accounting)

	2005	2006	2007	2008	2009	2010
Environmental protection	232,815	-	355,810	364,709	377,406	410,186
Cultural and recreational	122,783	331,373	113,106	159,179	227,367	184,439
Operating grants and contributions						
General governmental	-	70,209	36,426	120,372	-	-
Public Safety	-	250,643	71,925	86,905	-	142,449
Transportation	195,593	233,826	244,662	340,213	-	264,041
Environmental protection	-	-	-	-	-	6,150
Cultural and recreational	-	-	-	-	-	-
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
Business-type activities:						
Charges for services	\$ 5,580,072	\$ 6,410,297	\$ 6,460,663	\$ 7,378,066	\$ 8,362,225	\$ 8,355,978
Operating grants and contributions	-	-	-	-	-	80,884
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
Total primary government program revenues	\$ 11,576,588	\$ 8,307,456	\$ 8,860,947	\$ 9,356,289	\$ 9,658,271	\$ 10,514,005
Net Revenue (Expense):						
Governmental activities	\$ 1,417,260	\$ (3,386,389)	\$ (3,247,423)	\$ (4,384,366)	\$ (6,079,685)	\$ (5,883,048)
Business-type activities	599,030	663,845	765,458	1,064,906	1,158,967	1,051,521
Total primary government net expense	\$ 2,016,290	\$ (2,722,544)	\$ (2,481,965)	\$ (3,319,460)	\$ (4,920,718)	\$ (4,831,527)

Town of Winterville, North Carolina
CHANGE IN NET ASSETS
Last Six Fiscal Years
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010
General revenues and other changes in net assets						
Governmental activities:						
Property Taxes	\$ 1,845,824	\$ 2,235,927	\$ 2,373,125	\$ 2,610,837	\$ 3,105,163	\$ 3,093,542
Local option sales tax	1,032,120	1,298,889	1,539,690	1,669,969	1,445,534	1,447,137
Grants and contributions not restricted to specific programs	-	-	-	-	-	273,805
Other taxes and licenses	311,098	52,117	72,437	33,408	344,671	38,686
Investment Earnings	29,757	349,180	256,525	267,674	53,082	11,967
Miscellaneous Transfers	-	128,090	244,646	103,642	-	721,984
	205,732	184,529	(43,884)	478,389	408,458	736,599
Total governmental activities	\$ 3,424,531	\$ 4,248,732	\$ 4,442,539	\$ 5,163,919	\$ 5,356,908	\$ 6,323,720

Business-type activity:						
Investment earnings, net of market adjustment	\$ 60,614	\$ 87,869	\$ 138,178	\$ 275,925	\$ 63,585	\$ 15,680
Transfers	(205,732)	(184,529)	43,884	(478,389)	(408,458)	(736,599)
Total business-type activity	\$ (145,118)	\$ (96,660)	\$ 182,062	\$ (202,464)	\$ (344,873)	\$ (720,919)
Total primary government	\$ 3,279,413	\$ 4,152,072	\$ 4,624,601	\$ 4,961,455	\$ 5,012,035	\$ 5,602,801

Change in net assets						
Governmental activities	\$ 4,890,307	\$ 978,522	\$ 1,205,661	\$ 930,902	\$ (722,777)	\$ 440,672
Business-type activities	453,912	566,185	947,520	862,442	814,094	330,602
Total primary government	\$ 5,344,219	\$ 1,544,707	\$ 2,153,181	\$ 1,793,344	\$ 91,317	\$ 771,274

Note: Information for 2001-2004 was not readily available at statement preparation.

Town of Winterville, North Carolina
FUND BALANCES, GOVERNMENTAL FUNDS

Last Six Fiscal Years

(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	\$ 1,416,894
Unreserved	16,194	22,696	28,545	694,494	1,459,018	1,206,170
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>

Note: Information for 2001-2004 was not readily available at statement preparation.

Town of Winterville, North Carolina
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Six Fiscal Years
(modified accrual basis of accounting)

Table 4

	2005	2006	2007	2008	2009	2010
REVENUES						
Ad valorem Taxes	\$ 1,877,080	\$ 2,235,909	\$ 2,370,582	\$ 2,585,436	\$ 3,066,447	\$ 3,086,185
Other taxes and licenses	1,095,704	1,351,006	1,612,127	1,703,377	1,478,844	38,686
Unrestricted intergovernmental	247,514	349,180	256,525	267,674	311,361	1,720,942
Restricted intergovernmental	730,288	554,678	244,662	371,097	276,512	797,691
Permits and Fees	37,794	61,595	10,545	8,308	7,770	3,730
Sales and Services	419,017	421,105	544,019	587,743	544,782	666,741
Investment Earnings	36,618	128,090	244,646	103,642	53,082	13,676
Miscellaneous	173,642	178,340	162,928	274,456	349,561	173,828
TOTAL REVENUES	\$ 4,617,657	\$ 5,279,903	\$ 5,446,034	\$ 5,901,733	\$ 6,088,359	\$ 6,501,479
EXPENDITURES						
Current:						
General Government	\$ 1,122,694	\$ 1,329,062	\$ 1,369,073	\$ 2,006,059	\$ 4,130,732	\$ 2,573,280
Public Safety	900,240	1,571,043	1,662,237	1,541,222	1,713,040	2,354,913
Transportation	645,180	751,172	727,838	706,317	778,185	772,378
Environmental Protection	278,343	265,869	323,910	344,757	375,894	402,902
Cultural and Recreation	386,169	692,333	873,251	927,663	1,652,918	797,599
Economic and Physical Development	96,871	44,300	7,071	981	-	-
Public Works	-	23,128	-	-	-	-
Vehicle Replacement	-	-	-	-	-	307,117
Debt Service:						
Principal retirement	196,122	120,190	380,812	524,203	712,724	791,985
Interest and Fees	113,690	108,076	146,660	166,629	222,427	207,454
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
REVENUES OVER (UNDER) EXPENDITURES	\$ 55,323	\$ 129,905	\$ (486,431)	\$ (460,313)	\$ (3,568,685)	\$ (3,285,159)

Town of Winterville, North Carolina
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
 Last Six Fiscal Years
 (modified accrual basis of accounting)

Table 4

	2005	2006	2007	2008	2009	2010
OTHER FINANCING SOURCES (USES)						
Long Term Debt Issued	\$ 538,202	\$ 1,218,937	\$ 760,000	\$ 2,229,230	\$ 232,000	\$ 2,310,990
Transfers in	604,401	1,032,178	72,240	3,220,189	1,098,716	2,819,465
Transfers out	(398,669)	(847,649)	(116,124)	(2,741,800)	(690,258)	(2,082,866)
Sale of capital assets	-	-	-	-	-	66,693
Total other financing sources (uses)	\$ 743,934	\$ 1,403,466	\$ 716,116	\$ 2,707,619	\$ 640,458	\$ 3,114,282
Net Change in Fund Balances	\$ 799,257	\$ 1,533,371	\$ 229,685	\$ 2,247,306	\$ (2,928,227)	\$ (170,877)
Debt Services as a percentage of noncapital expenditures	9%	5%	11%	12%	11%	14%

Note: Information for 2001-2004 was not readily available at statement preparation.

Town of Winterville, North Carolina
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
Last Six Fiscal Years
(modified accrual basis of accounting)

Table 5

Fiscal Year	Property	Sales	Franchise	Penalties/ Interest	Total
	Tax	Tax	Tax	Interest	
2005	1,866,823	1,032,120	136,804	10,257	3,046,004
2006	2,227,012	1,298,889	223,461	8,897	3,758,259
2007	2,364,856	1,539,690	218,311	5,726	4,128,583
2008	2,576,874	1,669,969	227,675	8,562	4,483,080
2009	3,055,047	1,445,534	270,492	11,400	4,782,473
2010	3,069,850	1,447,137	258,488	16,335	4,791,810

Note: Information for 2001-2004 was not readily available at statement preparation.

Town of Winterville, North Carolina
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Table 6

Fiscal Year Ended June 30	Total Taxes				Direct Tax Rate
	Real Property	Personal Property	Levied For Fiscal Year	Property Valuation	
2001	\$ 689,640	\$ 129,769	\$ 819,409	\$ 204,852,250	0.40
2002	766,354	144,951	911,305	227,826,250	0.40
2003	976,915	173,801	1,150,716	255,714,667	0.45
2004	1,070,689	204,804	1,275,493	283,442,889	0.45
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

Source: Pitt County Tax Assessor

Note: Property in the county is reassessed once every eight years on average. The last county-wide revaluation occurred January 1, 2008. 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	
1999	0.40	0.40	-	0.025	0.68	1.11
2000	0.40	0.40	-	0.025	0.68	1.11
2001	0.40	0.40	-	0.025	0.68	1.11
2002	0.40	0.40	-	0.025	0.68	1.11
2003	0.45	0.45	0.04	0.025	0.68	1.20
2004	0.45	0.45	0.04	0.025	0.68	1.20
2005	0.45	0.45	0.04	0.025	0.7	1.22
2006	0.45	0.45	0.04	0.025	0.7	1.22
2007	0.45	0.45	0.04	0.025	0.71	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

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

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Collected within the Fiscal Year of the Levy Percentage				Total Adjusted Levy	Total Amount Collected	Percentage of Adjusted Levy	Collections for Prior Years	Total Amount Collected
		Adjustments	Total Adjusted Levy	Original Levy	Adjusted Levy					
2001	819,409.00	21,801.00	841,210.00	799,024.00	97.51%	94.99%	35,810.00	834,834.00		
2002	911,305.00	8,758.00	920,063.00	864,526.00	94.87%	93.96%	49,005.00	913,531.00		
2003	1,150,716.00	6,181.00	1,156,897.00	1,073,612.00	93.30%	92.80%	47,381.00	1,120,993.00		
2004	1,275,493.00	16,674.00	1,292,167.00	1,254,253.00	98.33%	97.07%	104,318.00	1,358,571.00		
2005	1,829,403.00	6,809.00	1,836,212.00	1,787,712.00	97.72%	97.36%	61,667.00	1,849,379.00		
2006	2,191,730.00	6,427.00	2,198,157.00	2,142,254.00	97.74%	97.46%	50,956.00	2,193,210.00		
2007	2,359,362.00	70,055.00	2,429,417.00	2,353,266.00	99.74%	96.87%	54,131.00	2,407,397.00		
2008	2,562,502.00	23,542.00	2,586,044.00	2,513,791.00	98.10%	97.21%	71,269.00	2,585,060.00		
2009	3,076,906.00	(2,878.00)	3,074,028.00	2,967,451.00	96.44%	96.53%	58,206.00	3,025,657.00		
2010	3,072,771.00	16,999.00	3,089,770.00	2,996,993.00	97.53%	97.00%	72,857.00	3,069,850.00		

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					Percentage of Personal Income	Per Capita
	Capital Lease	Installment Purchases	General Obligation Bonds	Installment Purchases	Capital Leases	Total Primary Government	Personal Income			
2001	137,780	26,350	2,219,000	-	89,866	2,472,996	6.14%	503		
2002	111,487	117,386	2,019,499	37,070	83,393	2,368,835	5.65%	464		
2003	75,569	79,781	1,810,011	25,194	57,121	2,047,676	4.70%	379		
2004	37,357	258,863	1,588,538	151,137	30,485	2,066,380	4.47%	353		
2005	-	2,601,296	1,355,552	-	-	3,956,848	7.97%	570		
2006	-	3,698,905	1,691,000	-	-	5,389,905	10.10%	700		
2007	-	4,078,094	1,087,000	734,605	-	5,899,699	10.31%	720		
2008	-	5,777,001	1,060,000	3,118,486	-	9,955,487	16.59%	1,160		
2009	-	5,296,276	1,032,500	2,821,213	-	9,149,989	15.24%	1,022		
2010	-	6,815,282	1,004,500	3,952,505	-	11,772,287	19.61%	1,286		

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
2001	2,219,000	1.1%	451
2002	2,019,499	0.9%	396
2003	1,810,011	0.7%	335
2004	1,588,538	0.6%	272
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

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit, 8% of Assessed Value	\$ 16,824,204	\$ 18,401,260	\$ 20,567,058	\$ 22,971,858	\$ 32,643,769	\$ 39,078,337	\$ 43,189,636	\$ 45,974,116	\$ 54,649,387	\$ 54,929,244
Total net debt applicable to limit	2,245,350	2,019,499	1,969,573	3,835,754	3,956,847	5,389,905	5,899,699	9,955,487	9,149,990	11,772,287
Legal debt Margin	\$ 14,578,854	\$ 16,431,687	\$ 18,597,485	\$ 19,136,104	\$ 28,686,922	\$ 33,688,432	\$ 37,289,937	\$ 36,018,629	\$ 45,499,397	\$ 43,156,957

Total net debt applicable to the limit as a percentage of debt limit	13.35%	10.70%	9.58%	16.70%	12.12%	13.79%	13.66%	21.65%	16.74%	21.43%
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Legal Debt Margin Calculation for Fiscal Year Ending 2010

Assessed Value	686,615,556
Debt Limit (8% of assessed value)	54,929,244
Debt applicable to limit:	
General Obligation Bonds	1,004,500
Installment Notes Payable	10,767,787
Legal Debt Margin	<u>43,156,957</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, 2010

Table 13

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Pitt County	\$ 174,533,552	5.90%	\$ <u>10,297,480</u>
Subtotal, overlapping debt			10,297,480
Total direct debt			<u>6,815,282</u>
Total direct and overlapping debt			<u><u>\$ 17,112,762</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 Six Fiscal Years
(KG=1000 gallons)

Table 14

Type of Customer	Fiscal Year Ending						
	2005	2006	2007	2008	2009	2010	
Small General Service	Facility Charge	13.36	25.00	25.00	28.75	34.50	34.50
	Demand rate per kW first 10kW	1.53	0	0	0	0	0
	Demand Rate per kW over 10 kW	4.23	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
	Energy Rate per kWh over 3,000 kWh	0.0755	0.0755	0.0755	0.0868	0.1042	0.1042
Medium General Service	Facility Charge	0	13.36	13.36	15.36	18.43	18.43
	Demand Rate per kW first 10kW	0	1.53	1.53	1.76	2.11	2.11
	Demand Rate per kW over 10 kW	0	4.23	4.23	4.86	5.83	5.83
	Energy Rate per kWh first 3,000 kWh	0	0.0836	0.0836	0.0961	0.1153	0.1153
	Energy Rate per kWh over 3,000 kWh	0	0.0755	0.0755	0.0868	0.1042	0.1042
Large General Service	Facility Charge	255	250	250	287.5	345	345
	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
Large General Service Temporary	Energy Rate per kWh	0.0571	0.0571	0.0571	0.0657	0.0788	0.0788
	Facility Charge	0	0	0	0	0	0
	Rate per kWh first 3,000 kWh	0	0	0	0	0	0
Residential Service	Rate per kWh over 3,000 kWh	0	0	0	0	0	0
	Facility Charge	9.29	9.29	9.29	10.68	12.82	12.82
	Rate per kWh first 800 kWh	0.0834	0.0834	0.0834	0.0959	0.1151	0.1151
Outdoor Lighting	Rate per kWh over 800 kWh	0.0778	0.0778	0.0778	0.0895	0.1074	0.1074
	70W Sodium Vapor	8.97	10.5	10.5	12.08	14.5	14.5
	100W Sodium Vapor	12	12	12	13.8	16.56	16.56
	150W Sodium Vapor	13.02	13.02	13.02	14.97	17.96	17.96
	250W Sodium Vapor	17.09	17.09	17.09	19.65	23.58	23.58
	400W Sodium Vapor	25.9	25.9	25.9	29.79	35.79	35.79
	1000W Sodium Vapor	41.98	41.98	41.98	48.28	57.94	57.94
	Wood Pole	0	2	2	2	2	2
	Underground Service <150 ft.	0	85	85	85	85	85
	Underground Service >150 ft.	0	\$85 + \$3.00/ft >150 ft.	\$85 + \$3.00/ft >150 ft.			

Source: Town of Winterville Adopted Rate Schedules

Town of Winterville, North Carolina
WATER, SEWER AND STORMWATER RATES
 Last Six Fiscal Years
 (kG=1000 gallons)

Table 15

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

Source: Town of Winterville Adopted Rate Schedules

Town of Winterville, North Carolina
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Table 16

Fiscal Year	Population (1)	County Personal Income (2) (in thousands)	Per Capita Personal Income (3)	County School Enrollment (3)	County Unemployment Rate Percentage (4)
2001	4,921	\$ 40,283	\$ 26,021	19,817	5.9
2002	5,101	\$ 41,894	\$ 26,425	20,286	6.6
2003	5,402	\$ 43,612	\$ 27,053	20,688	6.5
2004	5,850	\$ 46,272	\$ 27,561	21,217	5.7
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	*	10.1

* information not yet available

Sources:

- (1) Provided by the North Carolina Office of State Budget and Management
- (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 the U.S Bureau of Economic Analysis for 1998 and adjusted based on the CPI
- (4) Provided by Pitt County Board of Education
- (5) Provided by annual average for Pitt County reported by N.C. Employment Security Commission

Town of Winterville, North Carolina
PRINCIPAL EMPLOYERS
June 30, 2010

Table 17

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>
Roberts Company	415	1	5.04%
Pitt Community College	408	2	4.96%
Pitt County Schools	200	3	2.43%
Regional Finance	92	4	1.12%
Sam's Club	75	5	0.91%
Town of Winterville	73	6	0.89%
Carolina Case Management	60	7	0.73%
AG Machine Works	38	8	0.46%
Food Lion	25	9	0.30%
HD Supply	5	10	0.06%
 Total	 <u>1,391</u>		 <u>16.90%</u>

Source: Staff contact with employers.

Note: Information for 2001 was not readily available for statement preparation.

Town of Winterville, North Carolina
FULL - TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 Last Six Fiscal Years

Table 18

Function/Program	2005	2006	2007	2008	2009	2010
Central government						
Administration	1	1	1	3	2	3
Finance	5	5	5	7	6	6
Town Clerk	1	1	1	1	1	1
Planning	2	2	2	3	4	4
Transportation						
Streets and Highways	5.5	5.5	5	5	4	4.5
Public Safety						
Sworn Officers	15	17	17	20	19	20
Civilians	1	1.5	1.5	1.5	1.5	1
Refuse collection	5.5	5.5	5	5	4	4.5
Economic and physical development	0	0	0	0	0	0
Cultural and recreation	2	2	3	3	4	5
Operation Support				1	3	3
Electric operations	11	13	12	14	13	11
Water	3	6	6	5	5	5
Sewer	3	3	3	3	3	3
Information Technology	0	0	0	0	1	2
TOTAL	55	62.5	61.5	71.5	70.5	73

Source: Town Finance Department

Note: Information for 2001-2004 was not readily available at statement preparation.

Town of Winterville, North Carolina
OPERATING INDICATORS BY FUNCTION
Last Six Fiscal Years

Table 19

Function	2005	2006	2007	2008	2009	2010
Police						
Physical arrests	N/A	N/A	N/A	N/A	N/A	223
Traffic Violations	N/A	N/A	N/A	N/A	N/A	4,761
Fire						
Number of calls answered	N/A	N/A	N/A	N/A	N/A	512
Inspections	N/A	N/A	N/A	N/A	N/A	N/A
Building Inspections						
New construction permits	N/A	N/A	N/A	N/A	N/A	39
Highways and Streets						
Street Resurfacing	N/A	N/A	N/A	N/A	N/A	1
Potholes Repaired	N/A	N/A	N/A	N/A	N/A	57
Sanitation						
Refuse collected (tons/day)	N/A	N/A	N/A	N/A	N/A	7
Recyclables collected (tons/day)	N/A	N/A	N/A	N/A	N/A	2
Culture and Recreation						
Athletic field permits issued	N/A	N/A	N/A	N/A	N/A	47
Community center admissions	N/A	N/A	N/A	N/A	N/A	52
Water						
New Connections	N/A	N/A	N/A	N/A	N/A	23
Water main breaks	N/A	N/A	N/A	N/A	N/A	2
Average daily consumption (millions)	N/A	N/A	N/A	N/A	N/A	601,524
Number of customers	N/A	N/A	N/A	N/A	N/A	3,753
Wastewater						
New Connections	N/A	N/A	N/A	N/A	N/A	23
Average daily sewage treatment	N/A	N/A	N/A	N/A	N/A	536,067
Number of customers	N/A	N/A	N/A	N/A	N/A	3,748

Source: Various departments
 Note Operating indicators by function for 2001-2009 were not readily available for statement purposes.

Town of Winterville, North Carolina
CAPITAL ASSET STATISTICS BY FUNCTION
Last Six Fiscal Years

Table 20

Function/Program	2005	2006	2007	2008	2009	2010
Public Safety						
Police						
Stations	1	1	1	1	1	1
Patrol Units	N/A	N/A	N/A	N/A	19	19
Fire Stations	1	1	1	1	1	1
Sanitation						
Collection Trucks	N/A	N/A	N/A	N/A	3	3
Highways and Streets						
Streets (miles)	N/A	N/A	N/A	N/A	41.77	42.23
Highways (miles)	N/A	N/A	N/A	N/A	N/A	N/A
Streetslights	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
Parks and Recreation						
Park Acreage	N/A	N/A	N/A	N/A	24	30
Tennis Court	N/A	N/A	N/A	N/A	0	2
Playgrounds	N/A	N/A	N/A	N/A	3	3
Baseball/Softball Diamonds	N/A	N/A	N/A	N/A	4	5
Soccer/football	N/A	N/A	N/A	N/A	3	3
Community Centers	N/A	N/A	N/A	N/A	0	0
Water						
Water Mains (miles)	N/A	N/A	N/A	N/A	59	59
Fire Hydrants	N/A	N/A	N/A	N/A	305	305
Wastewater						
Sanitary sewers (miles)	N/A	N/A	N/A	N/A	45	45
Storm water pipe	N/A	N/A	N/A	N/A	33.3	33.3

Source: Various Town Departments.

Notes: (1) Capital Asset indicators for 2001-2008 were not readily available for statement preparation.

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



COMPLIANCE SECTION



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Winterville, North Carolina as of and for the year ended June 30, 2010, which collectively comprise the Town of Winterville's basic financial statements, and have issued our report thereon dated November 19, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Winterville's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Winterville's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be 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 deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. [10-1, 10-2, 10-3, 10-4, 10-5, and 10-6]

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 questioned costs to be significant deficiencies. [10-7 and 10-8]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Winterville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 questioned costs as items 10-4, 10-5, 10-6, 10-7 and 10-8.

We noted certain other matters that we reported to management of the Town of Winterville, in a separate letter dated November 19, 2010.

The Town of Winterville's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Winterville's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, members of the Town Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pittard Perry + Crane, Inc.

Williamston, North Carolina
November 19, 2010

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH APPLICABLE SECTIONS OF OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

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

Compliance

We have audited the Town of Winterville, North Carolina compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010. The Town of Winterville's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the Town of Winterville's management. Our responsibility is to express an opinion on the Town of Winterville's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*; and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Town of Winterville's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Town of Winterville's compliance with those requirements.

In our opinion, the Town of Winterville complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Town of Winterville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and State programs. In planning and performing our audit, we considered the Town of Winterville's internal control over compliance with the requirements that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Winterville's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, others within the organization, members of the Town Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pittard Perry & Crone, LLC.

Williamston, North Carolina
November 19, 2010

Town of Winterville, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2010

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? x yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses x yes none reported

Noncompliance material to financial statements noted x yes no

Federal Awards

The Town had no major federal programs.

State Awards

Internal control over major State programs:

- Material weakness(es) identified? yes x no
- Significant deficiency(s) identified that are not considered to be material weaknesses yes x none reported

Type of auditor’s report issued on compliance for major State programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 yes x no

Identification of major State programs:

<u>Grantor’s Number</u>	<u>Program Name</u>
2008-577	NCDENR – Park and Recreation Trust Fund
2009-065-40101-112	Rural Center Economic Infrastructure Water & Sewer – CMSD Project

Dollar threshold used to distinguish between Type A and Type B Programs \$ 300,000

Auditee qualified as low-risk auditee? yes x no

Town of Winterville, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2010

Section II – Financial Statement Findings

MATERIAL WEAKNESSES

Finding: 10-1 Segregation of Duties

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Currently, the person having responsibility for the accounting software administration can also enter journal vouchers, approve purchase orders, process checks, and is a designated signing authority for checks.

Effect: The employee can originate, complete and record a transaction without conflict. Limits to segregation of duties make the Town vulnerable to undetected errors.

Cause: Due to the limited number of personnel in the Town office, there are inherent limitations to the segregation of duties among Town personnel.

Recommendation: Access to the books and records of the Town should be separated from access to the assets of the Town as much as possible. Alternative controls should be used to compensate for any lack of segregation of duties.

View of responsible officials and planned corrective actions: Management agrees with this finding.

Finding: 10-2 Month-end Closing

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: At year end, audit adjustments were made to correct certain accounts: property tax receivables and reserves, miscellaneous receivables, accounts payable, sales tax payable, and to correct the posting of an expenditure as capital versus operating.

Effect: Internal financial reports used on a monthly basis by management may report results that are materially different than the audited results provided after year end.

Cause: Insufficient monthly reconciliations.

Recommendation: At month end, the Town should perform month end closing entries and reconciliations on the Town's balance sheet accounts such as property tax receivables, utility receivables, miscellaneous receivables, accounts payable, and sales tax payable should be reconciled to the subsidiary ledger with any differences researched and appropriate adjustments made.

View of responsible officials and planned corrective actions: Management agrees with this finding.

Town of Winterville, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2010

Finding: 10-3 Bank Reconciliations

Criteria: Bank reconciliations should be prepared and agreed to the general ledger on a monthly basis for each separate bank account, with any old outstanding checks researched and handled accordingly (voided, cleared or escheated).

Condition: The Town did not reconcile its bank accounts in a timely manner and \$111,329 of old outstanding checks were included on the bank reconciliations in error. Also, certain payroll checks dated July 2010 were included on the June 2010 bank reconciliation as outstanding checks in error. Several instances were noted when monies transferred from one bank account to another bank account were not recorded on the general ledger.

Effect: Cash in the bank was understated at June 30, 2010 and amounts utilized for cash management purposes throughout the year were not accurate.

Cause: Due to the various software problems encountered during the fiscal year, the finance staff's ability to perform the reconciliations timely was limited.

Recommendation: Bank reconciliations should be prepared monthly and agreed to the general ledger, and any discrepancies should be researched and corrected. Old outstanding checks should be reviewed periodically during the year and handled accordingly. At June 30, 2010, the Town had nine separate bank statements and one bank reconciliation is utilized for all nine bank accounts. A separate bank reconciliation should be prepared for each general ledger bank account.

View of responsible officials and planned corrective actions: Management agrees with this finding.

MATERIAL WEAKNESSES
MATERIAL NONCOMPLIANCE

Finding: 10-4 Powell Bill Expenditures Report

Criteria: The Powell Bill Expenditures Report for the fiscal year ended June 30, 2010 filed with the North Carolina Department of Transportation (NCDOT) should include all revenues received and expenditures made within the NCDOT's guidelines.

Condition: The Powell Bill Expenditures Report did not report any interest income, did not include an accounts payable, and a transfer from the Powell Bill monies to a capital project was recorded as an expenditure on the report, but the funds were not expended on the capital project at June 30, 2010.

Effect: The Powell Bill Expenditures Report did not report correct amounts when filed with the NCDOT.

Cause: Oversight by the Finance Department.

Recommendation: The Powell Bill Expenditures Report should be amended to reflect the interest income and accounts payable, and to remove the transfer as an expenditure.

View of responsible officials and planned corrective actions: Management agrees with this finding.

Town of Winterville, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2010

Finding: 10-5 Property Taxes Budgeted

Criteria: G.S. 159-13(b)(6) states that the estimated percentage of collection of property taxes budgeted shall not be greater than the percentage of the levy actually realized in cash as of June 30 of the preceding fiscal year.

Condition: At June 30, 2009, actual collection percentage for real and personal property was 97.67%. For the June 30, 2010 fiscal year, the Town over-budgeted collection of property taxes for real and personal property by \$36,374.

Effect: Current year estimated tax revenues were overstated.

Cause: The Town's actual real and personal tax collections during the fiscal year were higher than the budgeted revenues and an amendment was made by the town to increase budgeted revenues to reflect actual collections. The budget amendment caused the statute violation.

Recommendation: The Town should review the statute and adhere to its requirements.

View of responsible officials and planned corrective actions: Management agrees with this finding.

Finding: 10-6 Appropriated Fund Balance

Criteria: G.S. 159-13(b)(16) states that appropriated fund balance in a fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as those figures stand at the close of the fiscal year preceding the budget year.

Condition: For the fiscal year ending June 30, 2010, the Town exceeded the maximum amount available for appropriation in the Electric Fund by \$165,151.

Effect: Expenditures were made for amounts not available to be appropriated.

Cause: Oversight by the Finance Department.

Recommendation: The Town should review this statute and adhere to its requirements.

View of responsible officials and planned corrective actions: Management agrees with this finding.

Town of Winterville, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2010

SIGNIFICANT DEFICIENCIES
NONCOMPLIANCE

Finding: 10-7 Debt Service Appropriated

Criteria: G.S. 159-13(b)(1) states that the full amount required for debt service during the budget year shall be appropriated.

Condition: At June 30, 2010, expenditures exceeded authorized appropriations for the General Fund's debt service by \$6,298 and for the Electric Fund's debt service by \$3,000.

Effect: Monies were spent that had not been appropriated.

Cause: Oversight by the Finance Department.

Recommendation: All debt service requirements should be appropriated annually.

View of responsible officials and planned corrective actions: Management agrees with this finding.

Finding: 10-8 Deficit Fund Balance

Criteria: G.S. 159-13(b)(2) states that the full amount of any deficit in each fund shall be appropriated.

Condition: At June 30, 2010, the Recreation Capital Project Fund had a deficit fund balance of \$14,253 and the Building Improvements Capital Project Fund had a deficit fund balance of \$15,613.

Effect: Funds with a deficit fund balance were not appropriated.

Cause: The Town did not transfer enough funds from the General Fund to cover expenditures.

Recommendation: Appropriate the full amount of any deficit in each fund or transfer monies to cover the expenditures.

View of responsible officials and planned corrective actions: Management agrees with this finding.

Section III – State Award Findings and Questioned Costs

None reported.

Town of Winterville, North Carolina
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2010

Section II – Financial Statement Findings

MATERIAL WEAKNESSES

Finding: 10-1 Segregation of Duties

Name of Contact Person: Anthony Bowers, Finance Director

Corrective Action: Management will review the current process and identify areas of opportunity that will allow for improvement to be made with increased review process and reducing production capability of management.

Proposed Completion Date: Management will implement these changes immediately.

Finding: 10-2 Month-end Closing

Name of Contact Person: Anthony Bowers, Finance Director

Corrective Action: Staff will follow a more robust monthly closing process that addresses the aforementioned reconciliations.

Proposed Completion Date: Management will implement these changes immediately.

Finding: 10-3 Bank Reconciliations

Name of Contact Person: Anthony Bowers, Finance Director

Corrective Action: The Town has continued to address software issues with the vendor in an effort to identify problems that are affecting our bank reconciliation process. We have worked diligently with the software company and continue to find complex issues that are affecting us on a daily basis. We are making progress. We are continuing to address this issue with the utmost importance, as we feel that many of the findings in this report are a result of the software issues and the trickledown effect it has on how we allocate staff time. We have put measures in place for the new fiscal year that should eliminate some of the problems that we have been facing.

Proposed Completion Date: Management will continue to implement changes.

MATERIAL WEAKNESSES

MATERIAL NONCOMPLIANCE

Finding: 10-4 Powell Bill Expenditures Report

Name of Contact Person: Anthony Bowers, Finance Director

Corrective Action: This issue has already been addressed with the Town submitting an amended Powell Bill Report. Future reports will not be submitted until after all interest income and payables have been booked to the General Ledger.

Proposed Completion Date: Management will implement these changes immediately.

Town of Winterville, North Carolina
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2010

Finding: 10-5 Property Taxes Budgeted

Name of Contact Person: Anthony Bowers, Finance Director

Corrective Action: The Town recognizes that even though the funds had been collected, the budgeted revenue is not allowed to be greater than the percentage collected in the prior year. Future budget amendments will not include amounts above the prior year's collection percentage. The revenue budget may appear to be inadequate if collections are higher.

Proposed Completion Date: Changes will be implemented immediately.

Finding: 10-6 Appropriated Fund Balance

Name of Contact Person: Anthony Bowers, Finance Director

Corrective Action: In the future, the Town will dramatically reduce the encumbrances that we carry forward. This is based on new deadlines and policy that will require Department Heads to request for the item again in the subsequent years budget.

Proposed Completion Date: Changes will be implemented immediately.

SIGNIFICANT DEFICIENCIES
NONCOMPLIANCE

Finding: 10-7 Debt Service Appropriated

Name of Contact Person: Anthony Bowers, Finance Director

Corrective Action: Staff will perform a more comprehensive review on a monthly basis, focusing on the relationship between the amount budgeted and the actual amount paid for debt service. Management will insure that schedules used for booking debt service and interest income appropriations are accurate, thus reducing the chance of incorrect allocation.

Proposed Completion Date: Changes will be implemented immediately.

Finding: 10-8 Deficit Fund Balance

Name of Contact Person: Anthony Bowers, Finance Director

Corrective Action: Sufficient transfers or receivables will be booked in the same fiscal year, thus reducing lags in the cash position.

Proposed Completion Date: Changes will be implemented immediately.

Section III – State Award Findings and Questioned Costs

None reported.

Town of Winterville, North Carolina
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2010

Finding: 09-1

Status: This finding was not corrected/completed during the June 30, 2010 fiscal year. See Schedule of Findings and Questioned Costs – Item 10-1.

Finding: 09-2

Status: Corrected.

Finding: 09-3

Status: This finding was not corrected/completed during the June 30, 2010 fiscal year. See Schedule of Findings and Questioned Costs – Item 10-2.

Town of Winterville, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2010

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-Through) Expenditures	State Expenditures	Local Expenditures
Federal Grants:					
Cash Programs:					
<u>U.S. Department of Justice</u>					
ARRA - JAG Program	16.738	N/A	\$ 11,844	\$ -	\$ -
Total assistance - federal programs			<u>11,844</u>	<u>-</u>	<u>-</u>
State Grants:					
Cash Assistance:					
<u>N.C. Department of Environment and Natural Resources</u>					
Park and Recreation Fund		2008-577	-	500,000	900,152
<u>Rural Center</u>					
Economic Infrastructure Water and Sewer - CMSD Project		2009-065-40101-112	-	500,000	-
<u>N.C. Department of Transportation</u>					
Powell Bill		38071	-	225,645	-
Total assistance - State programs			<u>-</u>	<u>1,225,645</u>	<u>900,152</u>
Total assistance			<u>\$ 11,844</u>	<u>\$ 1,225,645</u>	<u>\$ 900,152</u>

Notes to the Schedule of Expenditures of Federal and State Awards:

The accompanying schedule of expenditures of federal and State awards includes the federal grant activity of The Town of Winterville and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

