# WINTERVILLE

**North Carolina** 



**Comprehensive Annual** Financial Report

For the Fiscal Year Ending June 30th, 2016

# A Slice of the good life!



## **Comprehensive Annual Financial Report**

## of the

**Town of Winterville, North Carolina** 

For the Fiscal Year Ended June 30, 2016



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## **INTRODUCTORY SECTION**





Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Town of Winterville North Carolina

For its Comprehensive Annual Financial Report

for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



## **Town of Winterville, North Carolina**

## **List of Principal Officials**

## **Town Council**

## **Mayor**

Douglas A. Jackson

## **Council Members**

Mark Smith – Mayor Pro-Tem Ronald Cooper Johnny L. Moye Veronica W. Roberson Tony P. Moore

## **Town Manager**

Terri L. Parker

## **Finance Director**

**Anthony Bowers** 

## **Town Clerk**

Jasman Smith

## **Town Attorney**

E. Keen Lassiter



## Town of Winterville, **North Carolina Organizational Chart** NORTH CAROLINA A slice of the good life! Citizens of Winterville **Town Council** Town Clerk Town Manager Town Attorney **Human Resources** Finance Police Fire/Rescue Planning/Zoning Electric **Public Works** Recreation Operation services Financial Investigation Fire Depart Parks Line Crew Sewer Services Planning Inspections **Utility Billing** Patrol Athletics Rescue Streets Meter Code Reading Enforcement Taxes Programs Water Information Technology Stormwater





2571 Railroad Street PO Box 1459 Winterville, NC 28590 Phone: (252) 215-2340 Fax: (252) 215-2450 www.wintervillenc.com

January 5, 2017

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 seventh Comprehensive Annual Financial Report. This report is for the fiscal year ending June 30<sup>th</sup>, 2016. The Comprehensive Annual Financial Report (C.A.F.R.) is a document that includes the annual financial statements; as well as, a considerable amount of additional information. This includes historical data, the Management Discussion and Analysis, and commentary about the Town. Specifically the C.A.F.R. includes an introduction, a financial section, a statistical section and the compliance section.

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

The Town of Winterville has engaged the audit firm of Carr, Riggs, & Ingram, LLC to audit the Town's financial statements. Carr, Riggs, and Ingram, LLC has issued an unmodified opinion of the Town of Winterville's financial statements for the year ended June 30<sup>th</sup>, 2016.

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

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

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

#### **Profile of the Town of Winterville**

The Town of Winterville was established in 1897. Located in Pitt County, Winterville is the second largest municipality in the county. The Town is geographically located in the center of the Coastal Plains of Eastern North Carolina. The Town's northern boundary is shared with the southern boundary of the City of Greenville. Winterville is conveniently located one hour east of Raleigh, and one hour west of the coast. The Town consists of 4.5 square miles, and has a population of 9,464 as of June 30<sup>th</sup>, 2016.

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

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

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

#### **Local Economy**

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

The close proximity to the City of Greenville and having Pitt Community College in the Town limits, brings thousands of people to Winterville to participate in commerce. Pitt Community College has over 11,000 curriculum students and 13,000 continuing education students, and 476 staff and faculty members.

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

One of the many popular events that take place annually is the Winterville Watermelon Festival. This festival brings in over 25,000 people to participate in concerts, parades, and rides. The Watermelon Festival has been an important part of the Town for 31 years and is the largest festival in the region. The Town works in conjunction with the nonprofit Winterville Watermelon Festival Committee to produce a spectacular event.

Pitt County has seen stable growth in the past 5 years due to several economic drivers. Examples include, East Carolina University, University Health Care Systems, DSM Pharmaceuticals/Patheon, Mayne Pharma USA, Attends Health Care Products, NACCO Material Handling and many others. The unemployment rate for Pitt County is 5.5 percent. The population for Pitt County is 174,263.

## **Long Term Financial Planning**

In April 2008, the Town Council adopted the Town's first Capital Improvements Program. This program identified long term needs for improvements and infrastructure. The total values of these improvements were estimated to be \$81,479,500. Of that, \$65,391,904 is associated with the Town's Electric, Water, Sewer, and Stormwater operations. The General Fund accounted for \$12,404,000 worth of improvements. While many of these projects have been completed and the Town has embarked on adopting a new Capital Improvements Program. Updates for the General Fund, Fire Department, and Recreation Department will soon guide the Town's operations.

With respect to the Enterprise Funds, the Town has installed a new \$1,850,000 water main that connects our system with the principal supplier Greenville Utilities Commission. We also have a \$2,177,000 sewer system improvement and expansion that will provide opportunity for growth on the southeast side of Town.

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

## **Major Initiatives**

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

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

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

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

#### **Relevant Financial Policies**

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

## **Risk Management**

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

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

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

## **Pension Plans**

The permanent full-time employees of the Town participate in the statewide North Carolina Local Government Employees' Retirement System (NCLGERS), a cost-sharing multi-employer public employee defined benefit plan administered by the State of North Carolina. The NCLGERS plan is funded by contributions from the Town that equal to 6.75% of earnings for employees not engaged

in law enforcement and 7.15% for law enforcement officers for the fiscal year ending June 30<sup>th</sup>, 2016. All employees contribute 6.0% of their earnings to the state retirement system.

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

The State of North Carolina contributes on behalf of the Town an amount to the 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 Carr Riggs & Ingram, LLC. We would also like to thank the Mayor and Town Council for their interest and support in planning and conducting the financial operations of the Town in a responsible and professional manner.

Respectfully submitted,

author B Bones

Anthony Bowers Finance Director



## **FINANCIAL SECTION**





Carr, Riggs & Ingram, LLC 127 West Boulevard Williamston, North Carolina 27892

Mailing Address: P.O. Box 869 Williamston, North Carolina 27892-0869

(252) 792-6081 (252) 792-8218 (fax) www.cricpa.com

#### INDEPENDENT AUDITORS' REPORT

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

## **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Winterville, North Carolina as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

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

## Auditors' Responsibility

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

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Winterville, North Carolina as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 17 through 30, the Law Enforcement Officers' Special Separation Allowance's Schedule of Funding Progress and Schedule of Employer Contributions, and Other Post-employment Benefits - Retiree Health Care Schedule of Funding Progress and Schedule of Employer Contributions on pages 78 through 82, respectively, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 83 and 84, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Information

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

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

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

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

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2017 on our consideration of Town of Winterville, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Winterville, North Carolina's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, LLC

Can, Rigge & Ingram, L.L.C.

Williamston, North Carolina January 5, 2017



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, 2016. 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.

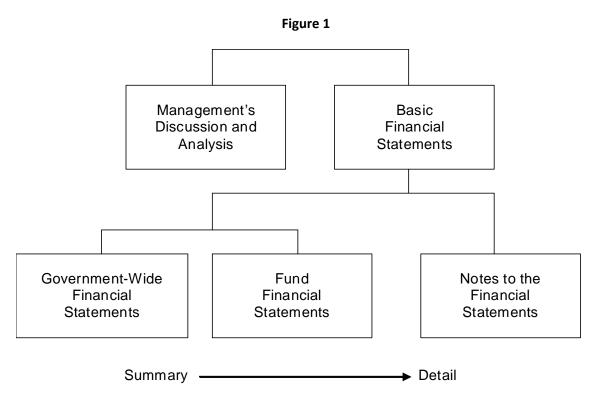
## **Financial Highlights**

- The assets and deferred outflows of resources of the Town of Winterville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$39,780,071 (net position).
- The net position increased in the amount of \$1,202,327 was primarily due to revenues exceeding expectations and savings in the business-type activities related to project postponement, as well as vacant and frozen positions in the workforce.
- At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,893,731 an increase of \$551,290 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,214,955, or 76% percent of total General Fund expenditures for the fiscal year.
- Capital purchases for the Town totaled \$3,054,974.
- The Town had an additional \$1,850,000 in long-term debt for the fiscal year.
- Long-term debt was reduced in the net amount of \$497,214 in the Governmental Activities.
- Business-type activities saw a net debt increase in the amount of \$1,410,267.

## **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**



#### **Basic Financial Statements**

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

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

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

#### **Government-wide Financial Statements**

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

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

The government-wide statements are divided into two categories: (1) governmental activities and (2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those activities that the Town charges customers to provide. These include the water, sewer, electric and stormwater services offered by the Town of Winterville.

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

## **Fund Financial Statements**

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

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

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

**Proprietary Funds** - The Town of Winterville only has one kind of proprietary fund – enterprise funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Winterville uses enterprise funds to account for its water, sewer, electric, and stormwater operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 44 of this report.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Winterville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 79 of this report.

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

## **Government-Wide Financial Analysis**

#### The Town of Winterville's Net Position

Figure 2

	Governmental Activities			Business-Type Activities				Total				
		2016		2015		2016		2015		<u>2016</u>		2015
Current and other assets	\$	8,654,526	\$	8,105,270	\$	9,348,515	\$	8,607,654	\$	18,003,041	\$	16,712,924
Capital assets		22,935,834		23,321,902		10,320,294		8,981,581		33,256,128		32,303,483
Deferred outflows of resources		196,721		177,567		32,337		28,173		229,058		205,740
Total assets and deferred												
outflows of resources		31,787,081		31,604,739		19,701,146		17,617,408	_	51,488,227	_	49,016,407
Long-term liabilities outstanding		4,481,753		4,716,301		4,818,039		3,382,740		9,299,792		8,099,041
Other liabilities		1,233,859		1,059,325		1,046,013		728,659		2,279,872		1,787,984
Deferred inflows of resources		60,546	_	485,080		67,946	_	249,890	_	128,492	_	734,970
Total liabilities and deferred												
inflows of resources		5,776,158		6,260,706		5,931,998		4,361,289		11,708,156		10,621,995
Net Position:												
Net investment in												
capital assets		18,986,506		18,875,360		5,294,157		5,365,711		24,280,663		24,241,071
Restricted		2,617,740		1,834,409		-		-		2,617,740		1,834,409
Unrestricted	_	4,406,677	_	4,634,264		8,474,991		7,890,408	_	12,881,668	_	12,524,672
Total net position	\$	26,010,923	\$	25,344,033	\$	13,769,148	\$	13,256,119	\$	39,780,071	\$	38,600,152

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Winterville exceeded liabilities and deferred inflows by \$39,780,071 as of June 30, 2016. The Town's net position increased by \$1,179,919 for the fiscal year ended June 30, 2016. However, the largest portion of net position (61%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in its capital assets 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 position, which totals \$2,617,740, represents resources that are subject to restrictions on how they may be used. The remaining balance of \$12,881,668 is unrestricted.

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

- The Town's continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.25% on real property and 100% on motor vehicle tax, respectively. The combined real and motor vehicle tax collection rate is 99.14%, which is a slight increase from the previous year's collection percentage of 99.12%.
- Current year property tax collections and credits increased to \$3,640,495 which is up from \$3,499,202 in 2015.
- The Town of Winterville had a tax base of \$761,884,000 as of June 30, 2016.

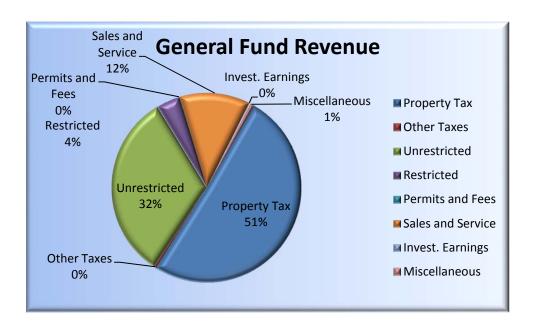
#### The Town of Winterville's Changes in Net Position

Figure 3

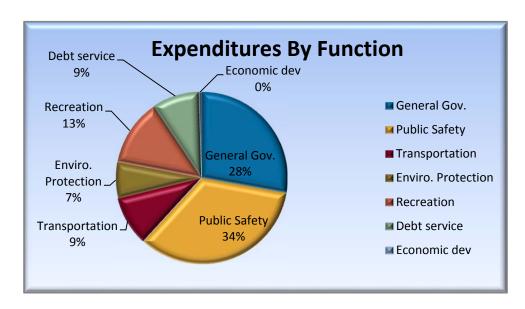
		nmental vities		ess-Type ivities	Total			
	2016	2015	2016	2015	2016	2015		
Revenues:								
Program Revenues:								
Charges for services	\$ 881,885	\$ 847,921	\$ 9,781,036	\$ 9,999,320	\$ 10,662,921	\$ 10,847,241		
Operating grants and contributions	283,942	277,032	93,050	29,230	376,992	306,262		
Capital grants and contribution	-	-	-	-	-	-		
General Revenues:								
Property taxes	3,633,653	3,553,055	-	-	3,633,653	3,553,055		
Other taxes and licenses	30,878	24,107	-	-	30,878	24,107		
Unrestricted intergovernmental	2,306,162	2,287,726	-	-	2,306,162	2,287,726		
Investment earnings	9,816	9,623	8,801	7,108	18,617	16,731		
Other	630,471	503,895	<u>-</u>		630,471	503,895		
Total revenues	7,776,807	7,503,359	9,882,887	10,035,658	17,659,694	17,539,017		
Expenses:								
General government	2,239,443	2,112,412	-	-	2,239,443	2,112,412		
Public safety	2,238,766	1,955,444	-	-	2,238,766	1,955,444		
Transportation	1,433,435	1,262,024	-	-	1,433,435	1,262,024		
Environmental protection	460,797	449,332	-	-	460,797	449,332		
Economic development	32,400	-	-	-	32,400	-		
Cultural and recreation	806,502	792,566	-	-	806,502	792,566		
Interest expense	114,018	175,858	-	-	114,018	175,858		
Electric	-	-	5,839,943	5,931,117	5,839,943	5,931,117		
Water	-	-	1,186,795	992,504	1,186,795	992,504		
Sewer	-	-	1,962,456	1,921,325	1,962,456	1,921,325		
Stormwater			142,812	149,477	142,812	149,477		
Total expenses	7,325,361	6,747,636	9,132,006	8,994,423	16,457,367	15,742,059		
					-	-		
Increase (decrease) in					-	-		
net position before transfers	451,446	755,723	750,881	1,041,235	1,202,327	1,796,958		
Transfers	215,444	188,552	(215,444)	(188,552)	-	-		
1141131613			(===, +++)	(200,002)				
Increase (decrease) in net position	666,890	944,275	535,437	852,683	1,202,327	1,796,958		
, , ,					-	-		
Net position, July 1 as previously reported	25,344,033	24,565,137	13,256,119	12,037,688	38,600,152	36,602,825		
Prior period adjustments/restatements	-	(165,379)	(22,408)	365,748	(22,408)	200,369		
Net position, July 1 as restated	25,344,033	24,399,758	13,233,711	12,403,436	38,577,744	36,803,194		
	_	_	_	_	-	-		
Net position, June 30	\$ 26,010,923	\$ 25,344,033	\$ 13,769,148	\$ 13,256,119	\$ 39,780,071	\$ 38,600,152		

**Governmental Activities:** Governmental activities increased the Town's net position by \$666,890 thereby accounting for 55% of the total growth in the net position of the Town of Winterville. The key elements of this increase are contributed to contributions from the enterprise funds and a reduction in spending.

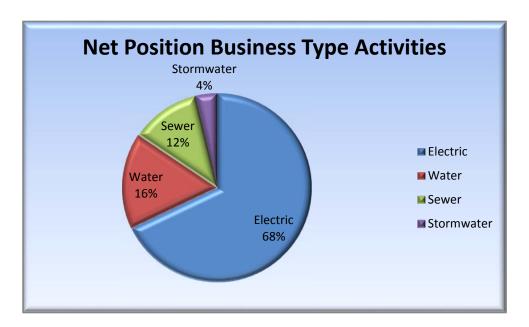
#### **General Fund Revenue By Source:**



#### **General Fund Expenditures By Function:**



**Business-Type Activities:** Business-type activities increased the Town's net position by \$535,437 accounting for 45% of the total growth in the government's net position. Key elements of this increase are due to sales for service and a reduction in spending.



Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Winterville. At the end of the current fiscal year, Town of Winterville's unassigned fund balance available in the General Fund was \$5,214,955, while total fund balance reached \$7,893,731. The Governing Body of the Town of Winterville has determined that the Town should maintain a minimum available fund balance of 25% of general fund expenditures. This policy will allow for the Town to position itself for unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 76% of general fund expenditures. This is a 2% increase from the previous year. This change in Fund Balance is due to the fact that revenues exceeded expenditures in the amount of \$328,688.

General Fund Budgetary Highlights: During the fiscal year, the Town of Winterville revised the budget. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and (3) increases in appropriations that become necessary to maintain services.

Budgeted expenditure appropriations rose during the year by \$604,180 to \$8,232,171. The largest budget amendment was for \$270,593. The increase was the result of a contract for a large paving project. The funds were allocated from fund balance for the project. Budgeted revenues in the General Fund increased by \$243,665 during the fiscal year. Other changes to the budget were limited to using Fund Balance to cover prior year commitments. The Town of Winterville had budgeted expenditures in excess of revenues before other financing sources (uses) in the amount of (\$1,074,392), an increase of \$87,464 from the 2015 fiscal year.

The General Fund had three items of significant variance related to budget to actual. The three significant items were, General Government, Public Safety, and Transportation. Regarding Ad Valorem Taxes, the Town determines the budget on calculations from the tax assessor's office. These estimates are typically very conservative and create a situation where actual revenue is typically higher than the budgeted estimate. General Government did not spend all of the allocation budgeted by \$255,169. This was caused by several factors which include vacant positions, and the postponement of projects. Public Safety was left with \$204,230 as a result of reimbursements from Winterville EMS. Transportation funds remaining at year-end were \$718,811. This was the result of funds that were not fully spent as a result of projects being postponed.

**Proprietary Funds:** The Town of Winterville's proprietary funds provide the same type of information in the government-wide statements but in more detail.

The Electric Fund fell short of estimates in sales in the amount of \$14,326. While this was a shortfall it was very close to the \$6,491,687 estimate. Revenues exceeded expenditures by \$590,450. Net income of the Electric Fund for 2016 was \$428,055 down from \$571,935 in 2016. This is a net decrease of \$143,880.

Revenues in the Water Fund exceeded expenditures by \$21,395. The Town's changes in net position decreased from \$ 247,686 in 2015 to \$113,544 in 2016.

Sewer Fund sales were flat from last year to generate sales totaling \$1,893,949. The Fund had revenues exceed expenditures for the second time in 5 years in the amount of \$4,770. However; the fund only had a negative change in net position in the amount of \$39,823 for 2016.

Stormwater Fund had revenues in the amount of \$172,337, and expenditures in the amount of \$125,942. The Stormwater change in net position was positive in the amount of \$33,661.

#### **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, 2016 totaled \$33,256,128 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

The Town had major capital purchases which included a Water interconnect project with Greenville Utilites Commission in the amount of \$1,850,000, and five new police vehicles and mid-sized excavator.

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

Figure 4

				۰	•							
	Govern Activ				Business-Type Activities				Total			
	2016		2015		2016		2015		2016		2015	
Land and construction												
in progress	\$ 3,912,357	\$	3,841,601	\$	2,125,798	\$	478,109	\$	6,038,155	\$	4,319,710	
Distribution and												
treatment systems	-		-		8,008,169		8,291,541		8,008,169		8,291,541	
Buildings	4,006,899		4,093,133		91,692		100,723		4,098,591		4,193,856	
Infrastructure	13,231,750		13,664,502		-		-		13,231,750		13,664,502	
Software	68,001		99,675		-		-		68,001		99,675	
Equipment and vehicles	 1,716,827	_	1,622,991		94,635		111,208	_	1,811,462	_	1,734,199	
Total	\$ 22,935,834	\$	23,321,902	\$	10,320,294	\$	8,981,581	\$	33,256,128	\$	32,303,483	

Additional information on the capital assets can be found in Note 2 D of the basic financial statements.

Long-Term Debt. As of June 30, 2016, the Town of Winterville had bonded or secured debt outstanding of \$8,975,465. The Town's debt is sourced with installment purchase agreements secured by the equipment and vehicles purchased.

#### The Town of Winterville's Outstanding Debt **Installment Purchases**

Figure 5

		rnmental tivities			Business-Type Activities			Total			
	<u>2016</u>		2015		2016 2015			<u>2016</u>		2015	
Installment purchases	\$ 3,949,328	\$	4,446,542	\$	5,026,137	\$	3,615,870	\$	8,975,465	\$	8,062,412

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Winterville is \$51,975,255.

Additional information regarding the Town of Winterville's long-term debt can be found in Note 2 E 6 of the financial statements.

#### **Economic Factors and Next Year's Budgets and Rates**

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

- The tax levy for the Town of Winterville's real property saw a slight increase due to tax revaluation with estimated tax revenue of \$3,131,537.
- The population growth decreased from 9,511 to 9,464 from 2015-2016.
- The total number of utility customers has remained constant reflecting the lack of current growth.
- The utilities are anticipating a water rate increase to provide needed revenues.
- Next year's budget will have to address the following issues:
  - ➤ The General Fund will have capital purchases of two patrol cars, vehicles for Inspections, Fire, Rescue, Public Works and Recreations. The purchase of this equipment be included in the operating budget.
  - ➤ The General Fund will be subsidized by with \$215,000 from the Electric Fund, and reimbursements from the enterprise funds in the amount of 1,356,956.
  - > The Town will not add any new positions and will have 3 positions remain frozen.
  - > Town staff will see salary increases or cost of living raises in the amount of 2%.
  - There are no new significant capital projects beginning in the 2016-2017 FY.

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

**Governmental Activities** – The annual budget for the General Fund is \$8,061,045 for the 2016-2017 fiscal year. The taxable property value of \$659,270,947. The tax rate will remain the same at 47.5 cents per 100 dollars of valuation. Major appropriations include contributions to the Recreation Fund in the amount of \$662,511.

**Business-Type Activities** - The total Electric Fund budget for the 2016-2017 fiscal year is \$6,635,315. The purchase of power from Progress Energy is budgeted in the amount of \$3,994,752. Also, the Electric Department will include an appropriation of \$329,579 for services provided by the General Fund and \$215,000 as a straight contribution to the General Fund.

The Water Fund has a budget of \$1,430,632 that is up from the 2015-2016 budget, which was \$1,184,027 a difference of \$246,605. The Water Fund is void of any capital appropriations. The Town anticipates purchasing \$372,000 of water from G.U.C, a \$20,000 increase of water for resale to residential customers.

The Sewer Fund budget of \$1,933,000 represents a decrease in the amount of \$69,914 from the 2015-2016 budget. The budget does not include contributions from the sewer acreage fee account. Appropriations include \$1,072,189 for CMSD operating and debt service expenses, and no appropriations for capital improvements.

The 2016-2017 Stormwater budget will have a decrease in the amount of \$49,875. The total budget for the 2016-2017 fiscal year is \$180,000. Appropriations address two expenses; which are contributions to the General Fund for services provided by General Fund operations and contracted services for ditch maintenance.

#### **Requests for Information**

This report is designed to provide an overview of the Town of Winterville's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Anthony Bowers, P. O. Box 1459, Winterville, NC 28590. You can also call (252) 215-2348, visit our website <a href="www.wintervillenc.com">www.wintervillenc.com</a> or by email at anthony.bowers@wintervillenc.com for more information.



#### **BASIC FINANCIAL STATEMENTS**



# Town of Winterville, North Carolina Statement of Net Position June 30, 2016 Exhibit 1

	Primary Government					
	Governmental Activities	Business-type Activities	Total			
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 4,488,024	\$ 5,068,054	\$ 9,556,078			
Short-term cash investments	1,908,770	2,275,000	4,183,770			
Restricted cash and cash equivalents	1,252,943	296,818	1,549,761			
Taxes receivables (net)	67,406	-	67,406			
Accounts receivable (net)	74,834	1,216,289	1,291,123			
Other receivables	46,638	-	46,638			
Due from other governments	782,475	-	782,475			
Inventories	33,436	492,354	525,790			
Total current assets	8,654,526	9,348,515	18,003,041			
Non-current assets:						
Capital assets (Note 2):  Land, non-depreciable improvements, and						
construction in progress	3,912,357	2,114,598	6,026,955			
Other capital assets, net of depreciation	19,023,477	8,205,696	27,229,173			
Total capital assets	22,935,834	10,320,294	33,256,128			
Total non-current assets	22,935,834	10,320,294	33,256,128			
TOTAL ASSETS	31,590,360	19,668,809	51,259,169			
DEFERRED OUTFLOWS OF RESOURCES						
Pension deferrals	196,721	32,337	229,058			
LIABILITIES	,	•	,			
Current liabilities:						
Accounts payable and accrued liabilities	521,344	401,321	922,665			
Current portion of long-term liabilities	594,314	524,174	1,118,488			
Liabilities payable from restricted assets:	,	•	, ,			
Accounts payable	118,201	_	118,201			
Customer deposits	-	120,518	120,518			
Total current liabilities	1,233,859	1,046,013	2,279,872			
Long-term liabilities:	, ,	, ,	, ,			
Net pension liability	357,596	91,175	448,771			
Due in more than one year	4,124,157	4,726,864	8,851,021			
TOTAL LIABILITIES	5,715,612	5,864,052	11,579,664			
DEFERRED INFLOWS OF RESOURCES	3,713,012	3,804,032	11,373,004			
Pension deferrals	60,546	67,946	128,492			
NET POSITION						
Net investment in capital assets	18,986,506	5,294,157	24,280,663			
Restricted for:		-,	,,			
Stabilization by State Statute	1,482,998	-	1,482,998			
Streets	1,031,179	-	1,031,179			
Public safety	83,524	-	83,524			
Recreation	20,039	-	20,039			
Unrestricted	4,406,677	8,474,991	12,881,668			
TOTAL NET POSITION	\$ 26,010,923	\$ 13,769,148	\$ 39,780,071			

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

		Program Revenues					
Functions/Programs	Expenses	C Expenses		Operating Grants and Contributions			al Grants and ibutions
Primary government:							
Governmental Activities:							
General government	\$ 2,239,443	\$	198,716	\$	5,000	\$	-
Public safety	2,238,766		22,975		6,923		-
Transportation	1,433,435		3,660		266,040		-
Economic development	32,400						
Environmental protection	460,797		508,020		5,979		-
Cultural and recreation	806,502		148,514		-		-
Interest on long-term debt	114,018		-				
Total governmental activities							
(See Note 1)	7,325,361		881,885		283,942		-
Business-type activities:							
Electric	5,839,943		6,477,361		-		-
Water	1,186,795		1,237,389		60,900		-
Sewer	1,962,456		1,893,949		28,250		-
Stormwater	142,812		172,337		3,900		
Total business-type activities	9,132,006		9,781,036		93,050	-	
Total primary government	\$16,457,367	\$	10,662,921	\$	376,992	\$	-

## Town of Winterville, North Carolina Statement of Activities For the Fiscal Year Ended June 30, 2016 Exhibit 2

	Net (Expense) Re	venue and Changes	in Net Position
	Pr		
Functions/Programs	Governmental Activities	Business-type Activities	Total
Primary government:			
Governmental Activities:			
General government	\$ (2,035,727)	\$ -	\$ (2,035,727)
Public safety	(2,208,868)	-	(2,208,868)
Transportation	(1,163,735)	-	(1,163,735)
Economic development	(32,400)	-	(32,400)
Environmental protection	53,202	-	53,202
Cultural and recreation	(657,988)	-	(657,988)
Interest on long-term debt	(114,018)		(114,018)
Total governmental activities			
(See Note 1)	(6,159,534)	-	(6,159,534)
Business-type activities:			
Electric	-	637,418	637,418
Water	-	111,494	111,494
Sewer	-	(40,257)	(40,257)
Stormwater		33,425	33,425
Total business-type activities		742,080	742,080
Total primary government	(6,159,534)	742,080	(5,417,454)
General revenues:			
Taxes:			
Property taxes, levied for general purpose	3,633,653	-	3,633,653
Other taxes	30,878	-	30,878
Grants and contributions not restricted	2 206 162		2 206 162
to specific programs Unrestricted investment earnings	2,306,162 9,816	- 8,801	2,306,162 18,617
Miscellaneous	630,471	0,001	630,471
Total general revenues not including transfers	6,610,980	8,801	6,619,781
Transfers	215,444	(215,444)	-
Total general revenues and transfers	6,826,424	(206,643)	6,619,781
Change in net position	666,890	535,437	1,202,327
Net position, beginning as previously reported	25,344,033	13,256,119	38,600,152
Prior period adjustment		(22,408)	(22,408)
Net position, beginning as restated	25,344,033	13,233,711	38,577,744
Net position, ending	\$ 26,010,923	\$ 13,769,148	\$39,780,071

## Town of Winterville, North Carolina Balance Sheet – Governmental Funds June 30, 2016 Exhibit 3

	Ge	eneral Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$	4,488,024	\$4,488,024
Short term cash investments	т	1,908,770	1,908,770
Restricted cash and cash equivalents		1,252,943	1,252,943
Receivables, net:		, ,	, ,
Taxes		67,406	67,406
Accounts		74,834	74,834
Other receivables		46,638	46,638
Due from other governments		782,475	782,475
Inventories		33,436	33,436
Total assets	\$	8,654,526	\$8,654,526
LIABILITIES			
Accounts payable and accrued liabilities	\$	504,018	\$ 504,018
Liabilities payable from restricted assets:	Ţ	304,010	ÿ 30 <del>4</del> ,010
Accounts payable		118,201	118,201
Total liabilities		622,219	622,219
DEFERRED INFLOWS OF RESOURCES			
Accounts receivable, net (garbage)		71,170	71,170
Property taxes receivable		67,406	67,406
Total deferred inflows of resources		138,576	138,576
FUND BALANCES			
Nonspendable			
Inventories		33,436	33,436
Restricted			
Stabilization by State Statute		1,482,998	1,482,998
Streets		1,031,179	1,031,179
Public Safety		83,524	83,524
Recreation		20,039	20,039
Committed			
Housing		27,600	27,600
Unassigned, General Fund		5,214,955	5,214,955
Total fund balances		7,893,731	7,893,731
Total liabilities, deferred inflows of resources and fund balances	\$	8,654,526	

# Town of Winterville, North Carolina Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2016 Exhibit 3

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

,	
Total Fund Balance, Governmental Funds	\$ 7,893,731
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical cost \$ 41,957,18 Accumulated depreciation (19,021,34	
Deferred outflows of resources related to pensions are not report in the funds	196,721
Earned revenues considered deferred inflows of resources in fund statements	138,576
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in funds.  Installment purchases \$ (3,949,32) Compensated absences (252,12)	25)
Net pension obligation - LEO(216,88Net pension liability(140,71Unfunded OPEB obligation(517,01	16)
Deferred inflows of resources related to pensions are not reported in the funds	(60,546)
Other long term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	(17,326)
Net position of governmental activities	\$ 26,010,923

# Town of Winterville, North Carolina Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2016 Exhibit 4

	General Fund	Total Governmental Funds
Revenues:	4 0 550 500	4 0 0=0 000
Ad valorem taxes	\$ 3,653,683	\$ 3,653,683
Other taxes and licenses	30,878	30,878
Unrestricted intergovernmental	2,306,162	2,306,162
Restricted intergovernmental	285,844	285,844
Permits and fees Sales and services	9,182	9,182
	868,743	868,743
Investment earnings Miscellaneous	11,574	11,574
	54,054	54,054
Total revenues	7,220,120	7,220,120
Expenditures:		
Current:		
General government	1,915,542	1,915,542
Public safety	2,346,423	2,346,423
Transportation	642,878	642,878
Environmental protection	467,635	467,635
Cultural and recreation	872,316	872,316
Economic development	32,400	32,400
Debt service:		
Principal retirement	497,214	497,214
Interest	117,024	117,024
Total expenditures	6,891,432	6,891,432
Excess (deficiency) of revenues		
over expenditures	328,688	328,688
over experiences	320,000	320,000
Other financing sources (uses):		
Transfers from other funds	215,444	215,444
Sale of capital assets	10,041	10,041
Total other financing sources (uses)	225,485	225,485
,		
Net change in fund balance	554,173	554,173
Fund balances, beginning	7,342,441	7,342,441
Change in reserve for inventories	(2,883)	(2,883)
Fund balances, ending	\$ 7,893,731	\$ 7,893,731

# Town of Winterville, North Carolina Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2016 Exhibit 4

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

Net changes in fund balances - total governmental funds Change in fund balance due to change in reserve for inventories		\$ 554,173 (2,883)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital outlay expenditures which were capitalized Depreciation expense for governmental assets	\$ 595,028 (1,547,472)	(952,444)
Street assets recorded from developers		566,376
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		185,965
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues Change in unavailable revenue for garbage revenues	(20,030) 300	(19,730)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
New long-term debt issued Principal payments on long-term debt Change in accrued interest payable	497,214 3,006	500,220
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 Pension expense Net pension obligation - LEO	(19,091) (87,574) (3,818)	
Unfunded OPEB obligation	(54,304)	 (164,787)
Total changes in net position of governmental activities		\$ 666,890

# Town of Winterville, North Carolina Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget to Actual – General Fund For the Fiscal Year Ended June 30, 2016 Exhibit 5

	General Fund								
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)					
Revenues:									
Ad valorem taxes	\$ 3,546,155	\$ 3,546,155	\$ 3,653,683	\$ 107,528					
Other taxes and licenses	18,000	18,000	30,878	12,878					
Unrestricted intergovernmental	2,080,324	2,310,324	2,306,162	(4,162)					
Restricted intergovernmental	266,664	272,664	285,844	13,180					
Permits and fees	4,100	4,100	9,182	5,082					
Sales and services	972,871	867,638	868,743	1,105					
Investment earnings	11,000	11,000	11,574	574					
Miscellaneous	15,000	127,898	54,054	(73,844)					
Total revenues	6,914,114	7,157,779	7,220,120	62,341					
Expenditures: Current:									
General government	2,068,349	2,170,711	1,915,542	255,169					
Public safety	2,518,891	2,550,653	2,346,423	204,230					
Transportation	1,091,096	1,361,689	642,878	718,811					
Environment protection	464,500	464,500	467,635	(3,135)					
Cultural and recreation	850,915	1,035,378	872,316	163,062					
Economic development	20,000	35,000	32,400	2,600					
Debt service:									
Principal retirement	497,215	497,215	497,214	1					
Interest	117,025	117,025	117,024	1					
Total expenditures	7,627,991	8,232,171	6,891,432	1,340,739					
Revenues over (under) expenditures	(713,877)	(1,074,392)	328,688	1,403,080					
Other financing sources (uses):									
Loan proceeds - installment purchases	311,097	-	-	-					
Transfer from other funds	205,444	215,444	215,444	-					
Sale of capital assets			10,041	10,041					
Total other financing sources (uses)	516,541	215,444	225,485	10,041					
Fund balance appropriated	197,336	858,948		(858,948)					
Net change in fund balance	\$ -	\$ -	554,173	\$ 554,173					
Fund balances, beginning Change in reserve for inventories			7,342,441 (2,883)						
Fund balances, ending			\$ 7,893,731						

## Town of Winterville, North Carolina Statement of Fund Net Position – Proprietary Funds June 30, 2016 Exhibit 6

	Major Enterprise Funds						
		Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Total	
Assets							
Current Assets:							
Cash and cash equivalents	\$	3,487,450	\$1,195,194	\$ 236,090	\$ 149,320	\$ 5,068,054	
Short-term cash investments		1,400,000	460,000	355,000	60,000	2,275,000	
Accounts receivable (net) - billed		521,535	94,240	145,724	6,825	768,324	
Accounts receivable (net) - unbilled		301,936	59,264	79,062	7,703	447,965	
Inventories		425,724	20,622	46,008	-	492,354	
Restricted cash and cash equivalents		153,302	63,995	79,521		296,818	
Total current assets		6,289,947	1,893,315	941,405	223,848	9,348,515	
Noncurrent assets: Capital assets:							
Land and construction in progress		146,013	1,841,601	126,984	-	2,114,598	
Other capital assets, net of depreciation		5,324,408	821,801	1,694,598	364,889	8,205,696	
Capital assets		5,470,421	2,663,402	1,821,582	364,889	10,320,294	
Total noncurrent assets		5,470,421	2,663,402	1,821,582	364,889	10,320,294	
Total assets	:	11,760,368	4,556,717	2,762,987	588,737	19,668,809	
Deferred Outflows of Resources		20.022	4 220	4.076		22 227	
Pension deferrals		30,032	1,229	1,076		32,337	
Liabilities  Current Liabilities:  Accounts payable and							
accrued liabilities		74,318	249,660	21,108	56,235	401,321	
Compensated absences - current		12,304	5,957	641	-	18,902	
Installment purchase payable - current		278,742	153,925	72,605	-	505,272	
Liabilities payable from restricted assets:							
Customer deposits		99,643	8,605	12,270		120,518	
Total current liabilities		465,007	418,147	106,624	56,235	1,046,013	
Noncurrent liabilities:							
Unfunded OPEB obligation		94,085	27,093	28,245	6,013	155,436	
Compensated absences		35,652	3,355	10,151	1,405	50,563	
Net pension liability		28,172	32,155	30,848	-	91,175	
Installment purchase payable		1,768,637	1,795,137	957,091	7.410	4,520,865	
Total noncurrent liabilities Total liabilities		1,926,546 2,391,553	<u>1,857,740</u> 2,275,887	1,026,335 1,132,959	7,418 63,653	4,818,039 5,864,052	
					00,000		
Deferred Inflows of Resources Pension deferrals		41,323	17,628	8,995		67,946	
Net Position							
Net investment in capital assets		3,423,042	714,340	791,886	364,889	5,294,157	
Unrestricted		5,934,482	1,550,091	830,223	160,195	8,474,991	
Total net position	\$	9,357,524	\$2,264,431	\$1,622,109	\$ 525,084	\$13,769,148	

# Town of Winterville, North Carolina Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds For the Fiscal Year Ended June 30, 2016 Exhibit 7

	Major Enterprise Funds								
				Stormwater					
	Electric Fund	Water Fund	Sewer Fund	Fund	Total				
Operating revenues:									
Charges for services	\$6,016,647	\$1,235,504	\$1,893,949	\$171,837	\$ 9,317,937				
Other operating revenues	460,714	1,885	-	500	463,099				
Total operating revenues	6,477,361	1,237,389	1,893,949	172,337	9,781,036				
Operating expenses:									
Operations	1,746,775	1,058,825	-	128,795	2,934,395				
Electrical power purchases	3,723,122	-	-	-	3,723,122				
Waste collection and treatment	-	-	1,782,369	-	1,782,369				
Depreciation	319,582	77,146	144,112	14,017	554,857				
Total operating expenses	5,789,479	1,135,971	1,926,481	142,812	8,994,743				
Operating income (loss)	687,882	101,418	(32,532)	29,525	786,293				
Non-operating revenues (expenses):									
Development fees	-	60,900	19,350	-	80,250				
Grant revenue	-	-	8,900	3,900	12,800				
Investment earnings	6,081	2,050	434	236	8,801				
Interest expense	(50,464)	(50,824)	(35,975)	-	(137,263)				
Total non-operating revenues (expenses)	(44,383)	12,126	(7,291)	4,136	(35,412)				
Income (loss) before transfers	643,499	113,544	(39,823)	33,661	750,881				
Transfers to other funds	(215,444)	-	-	-	(215,444)				
	(215,444)	-	-	-	(215,444)				
Change in net position	428,055	113,544	(39,823)	33,661	535,437				
Total net position, as previously reported	8,929,469	2,150,887	1,684,340	491,423	13,256,119				
Prior period adjustment			(22,408)		(22,408)				
Total net position, beginning as restated	8,929,469	2,150,887	1,661,932	491,423	13,233,711				
Total net position, ending	\$9,357,524	\$2,264,431	\$1,622,109	\$525,084	\$13,769,148				

## Town of Winterville, North Carolina Statement of Cash Flows – Proprietary Funds For the Fiscal Year Ended June 30, 2016 Exhibit 8

	Major Enterprise Funds						
	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Totals		
Cash flows from operating activities:							
Cash received from customers	\$6,558,257	\$ 1,247,221	\$ 1,920,487	\$ 179,072	\$ 9,905,037		
Cash paid for goods and services	(4,825,538)	(901,194)	(1,799,041)	(78,882)	(7,604,655)		
Cash paid to or on behalf of employees for services	(592,990)	-	-	-	(592,990)		
Cash received (paid) for customer deposits - net	6,750	560	840	-	8,150		
Net cash provided (used) by operating activities	1,146,479	346,587	122,286	100,190	1,715,542		
Cash flows from non-capital financing activities:							
Grant revenue	-	-	8,900	3,900	12,800		
Transfers to other funds	(215,444)	_			(215,444)		
Net cash provided (used) by non-capital	_						
financing activities	(215,444)	-	8,900	3,900	(202,644)		
Cash flows from capital and related							
financing activities:							
Acquisition and construction of capital assets	(98,653)	(1,601,362)	(150,095)	(43,460)	(1,893,570)		
Loan proceeds - installment purchase	-	1,850,000	-	-	1,850,000		
Principal payments on long term debt	(272,785)	(96,769)	(70,179)	-	(439,733)		
Interest paid on debt	(51,560)	(3,227)	(37,017)	-	(91,804)		
Developers fee	-	60,900	19,350	-	80,250		
Net cash provided (used) by capital and							
related financing activities	(422,998)	209,542	(237,941)	(43,460)	(494,857)		
Cash flows from investing activities:							
Interest income	6,081	2,050	434	236	8,801		
Net cash provided (used) by investing activities	6,081	2,050	434	236	8,801		
Net increase (decrease) in cash & cash equivalents	514,118	558,179	(106,321)	60,866	1,026,842		
Cash balances, beginning	3,126,634	701,010	421,932	88,454	4,338,030		
Cash balances, ending	\$3,640,752	\$ 1,259,189	\$ 315,611	\$ 149,320	\$ 5,364,872		

## Town of Winterville, North Carolina Statement of Cash Flows – Proprietary Funds For the Fiscal Year Ended June 30, 2016 Exhibit 8

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

provided (disca) by operating delivites	Major Enterprise Funds							
	Electric Fund Water Fun		/aterFund SewerFund		Totals			
Operating income (loss)	\$ 687,882	\$ 101,418	\$ (32,532)	\$ 29,525	\$	786,293		
Adjustments to reconcile operating income (loss)								
to net cash provided (used) by operating activities:								
Depreciation	319,582	77,146	144,112	14,017		554,857		
Changes in assets, deferred outflows, liabilities								
and deferred inflows:								
(Increase) decrease in accounts receivable	80,896	9,832	26,538	6,735		124,001		
(Increase) decrease in net pension asset	55,795	27,897	21,697			105,389		
(Increase) decrease in inventories	39,692	1,689	9,414	-		50,795		
(Increase) decrease in deferred outflows of								
resources - pensions	(1,859)	(1,229)	(1,076)	-		(4,164)		
Increase (decrease) in net pension liability	28,172	32,155	30,848	-		91,175		
Increase (decrease) in deferred inflows of								
resources - pensions	(90,972)	(48,519)	(42,453)	-		(181,944)		
(Increase) decrease in prepaid items	5,796	-	-	-		5,796		
Increase (decrease) in accounts payable								
and accrued liabilities	5,978	141,808	(39,399)	47,060		155,447		
Increase (decrease) in customer deposits	6,750	560	840	-		8,150		
Increase (decrease) in accrued vacation pay	(2,094)	1,658	677	1,405		1,646		
Increase (decrease) in accrued OPEB liability	10,861	2,172	3,620	1,448		18,101		
Total adjustments	458,597	245,169	154,818	70,665		929,249		
Net cash provided (used) by operating activities	\$1,146,479	\$ 346,587	\$ 122,286	\$ 100,190	\$	1,715,542		

#### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Winterville conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

#### A. Reporting Entity

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

#### B. Basis of Presentation

Government-Wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The Town reports the following major governmental funds:

**General Fund** - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state grants and various other taxes and licenses. The primary expenditures are for general government administration, public safety, street maintenance and construction, and sanitation services.

The Town reports the following major enterprise funds:

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

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

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

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

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

#### D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General and Enterprise Funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the special revenue funds and the enterprise capital projects funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. N.C. General Statutes requires governmental entities to budget appropriations by department, function or project. The Town's budget ordinance is approved at the departmental level for all annually budgeted funds. The original budget ordinance gives the Town Manager (Budget Officer) authority to amend line item appropriations within any fund as long as the total appropriation of that fund is not changed. Any amounts that alter total expenditures between the funds must be approved by the governing board through an amendment to the budget ordinance. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

#### **Deposits and Investments**

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

State law [G. S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The securities of the NCCMT – Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, 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 related to funds received through the North Carolina Department of Justice required to be spent for local law enforcement purposes. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. Also included in restricted cash are rental payments from the Winterville Rescue & EMS, Inc. which is reserved for the support of future Rescue & EMS operations. Other amounts in restricted cash are development fees collected for future expenditures on parks and recreation, electric and sewer projects.

#### Town of Winterville Restricted Cash

Governmental Activ	ities	
	Streets	\$ 1,076,371
	Public Safety	83,524
	Recreation	 93,048
Total Governmental	Activites	\$ 1,252,943
Business-type Activ Electric Fund	ities	
	Customer deposits	\$ 99,643
	Development fees	53,659
Water Fund	Customer deposits Development fees	8,605 55,390
Sewer Fund		
	Customer deposits	12,270
	Development fees	 67,251
Total Business-type	Activities	\$ 296,818
Total Restricted Cas	h	\$ 1,549,761

#### **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  $\mathbf{1}^{st}$ , the beginning of the fiscal year. The taxes are due on September  $\mathbf{1}^{st}$  (lien date); however, interest does not accrue until the following January  $\mathbf{6}^{th}$ . These taxes are based on the assessed values as of January 1, 2015.

#### **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.

#### **Inventories and Prepaid Items**

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's general fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

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

#### **Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, buildings, improvements, substations, lines, and other plant and distribution systems, infrastructure, furniture and equipment, and vehicles, \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

#### **Deferred Outflows/Inflows of Resources**

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

#### **Long-Term Obligations**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

#### **Compensated Absences**

The vacation policy of the Town provides for the accumulation of earned vacation leave up to one hundred twenty hours (120) for general employees and one hundred twenty-seven hours (127) for law enforcement employees, with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

#### **Net Position/Fund Balances**

#### **Net Position**

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

#### **Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

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

Prepaids – The portion of fund balance that is not available for appropriation because it represents the year-end balance of ending prepaids, which are not expendable, available resources.

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

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G. S. 159-8(a)]. North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State Statute". Therefore, from guidance established by the North Carolina Department of the State Treasurer, the Town has classified a portion of their fund balance within this category.

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

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

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

**Committed Fund Balance** – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Winterville's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or reverse the limitation.

Committed for Housing – The portion of fund balance that can only be used for housing repair program.

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

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

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

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

plan to restore the unrestricted fund balance within three years from the date of the appropriation.

#### **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Winterville's employer contributions are recognized when due and the Town of Winterville has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

#### **Subsequent Events – Date of Management's Evaluation**

Management has evaluated subsequent events through January 5, 2017, the date which the financial statements were available to be issued.

#### 2. 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 noninterest 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 amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town does not have a formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them

for compliance. The Town complies with the provisions of G. S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2016, the Town's deposits had a carrying amount of \$14,562,936 and a bank balance of \$14,633,412. Of the bank balance, \$973,770 was covered by federal depository insurance and \$13,659,642 was covered by collateral held under the Pooling Method. At June 30, 2016, the Town's petty cash totaled \$800.

#### **B.** Investments

At June 30, 2016, the Town had \$725,873 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk of its investments.

#### C. Receivables - Allowance for Doubtful Accounts

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

	Due from other									
		Accounts		Taxes	Go	vernments	O	ther		Total
<b>Governmental Activities:</b>										
General	\$	74,834	\$	106,132	\$	782,475	\$ 4	6,638	\$	1,010,079
Allowance for doubtful accounts		-		(38,726)		-		-		(38,726)
Total governmental activities	\$	74,834	\$	67,406	\$	782,475	\$ 4	6,638	\$	971,353
Business-Type Activities:										
Electric	\$	916,663	\$	-	\$	-	\$	-	\$	916,663
Water		170,448		-		-		-		170,448
Sewer		251,371		-		-		-		251,371
Stormwater		15,843		-		-		-		15,843
Allowance for doubtful accounts		(138,036)		-		-		-		(138,036)
Total business-type activities	\$	1,216,289	\$	-	\$	-	\$	-	\$	1,216,289

Due from other governments consists of the following:

\$ 481,142
129,032
83,738
1,515
87,048
\$ 782,475
\$

#### D. Capital Assets

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

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Governmental Activities:				
Capital assets not being				
depreciated:	<b>.</b>	4 70 756	•	Å 2.042.057
Land	\$ 3,841,601	\$ 70,756	\$ -	\$ 3,912,357
Total capital assets not being				
depreciated	3,841,601	70,756	-	3,912,357
Capital assets being				
depreciated:				
Buildings	6,676,944	117,382	-	6,794,326
Infrastructure	25,389,873	558,576	-	25,948,449
Equipment	2,000,458	233,569	-	2,234,027
Software	584,149	17,261	-	601,410
Vehicles	2,486,380	163,860	183,626	2,466,614
Total capital assets being	_			
depreciated	37,137,804	1,090,648	183,626	38,044,826
Less accumulated				
depreciation for:				
Buildings	2,583,811	203,616	-	2,787,427
Infrastructure	11,725,371	991,328	-	12,716,699
Equipment	1,505,138	121,264	-	1,626,402
Software	484,474	48,935	-	533,409
Vehicles	1,358,709	182,329	183,626	1,357,412
Total accumulated				
depreciation	17,657,503	\$1,547,472	\$ 183,626	19,021,349
Total capital assets being				
depreciated, net	19,480,301			19,023,477
Governmental activity				
capital assets, net	\$ 23,321,902			\$22,935,834

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

General government	\$	350,647
Public safety		204,026
Transportation		906,223
Cultural and recreation		86,576
Total	\$ 1	L,547,472

	Balances	Increases	Decreases	Balances
Business-type Activities:				
Electric Fund				
Capital assets not being				
depreciated:				
Land		\$ -	\$ -	\$ 146,013
Total capital assets not beir	· ·			
depreciated	146,013			146,013
Capital assets being				
depreciated:				
Distribution system	8,245,691	93,413	-	8,339,104
Buildings	315,415	5,240	-	320,655
Equipment	615,010	-	-	615,010
Vehicles	301,210			301,210
Total capital assets being				
depreciated	9,477,326	98,653	-	9,575,979
Less accumulated				
depreciation for:				
Distribution system	2,829,507	297,555	-	3,127,062
Buildings	214,692	14,271	-	228,963
Equipment	600,641	4,205	-	604,846
Vehicles	287,149	3,551		290,700
Total accumulated				
depreciation	3,931,989	319,582	-	4,251,571
Total capital assets being				
depreciated, net	5,545,337			5,324,408
Electric Fund capital				
assets, net	5,691,350			5,470,421

	Beginning Balances	Increases	Decreases	Ending Balances
Water Fund				
Capital assets not being				
depreciated:				
Land	8,000	-	-	8,000
Construction in progress	305,596	1,528,005		1,833,601
Total capital assets not being				
depreciated	313,596	1,528,005		1,841,601
Capital assets being				
depreciated:				
Water system, well, tank				
and distribution system	2,512,006	73,357	-	2,585,363
Equipment and vehicles	228,213			228,213
Total capital assets being				
depreciated	2,740,219	73,357	-	2,813,576
Less accumulated				
depreciation for:				
Water system, well, tank				
and distribution system	1,692,533	72,004	-	1,764,537
Equipment and vehicles	222,096	5,142		227,238
Total accumulated	_			
depreciation	1,914,629	77,146		1,991,775
Total capital assets being				
depreciated, net	825,590			821,801
Water Fund capital				
assets, net	1,139,186			2,663,402

	Beginning Balances	Increases	Decreases	Ending Balances
Sewer Fund				
Capital assets not being				
depreciated:				
Construction in progress	18,500	108,484		126,984
Total capital assets not being				
depreciated	18,500	108,484		126,984
Capital assets being				
depreciated:				
<b>Equipment and vehicles</b>	230,178	7,231	-	237,409
Sewer system	3,646,235	34,380	-	3,680,615
Sewer treatment facility	233,000	-	-	233,000
Total capital assets being	_			
depreciated	4,109,413	41,611	-	4,151,024
Less accumulated				
depreciation for:				
<b>Equipment and vehicles</b>	159,347	8,425	-	167,772
Sewer system	1,919,967	135,687	-	2,055,654
Sewer treatment facility	233,000			233,000
Total accumulated				
depreciation	2,312,314	144,112		2,456,426
Total capital assets being	_			
depreciated, net	1,797,099			1,694,598
Sewer Fund capital				
assets, net	1,815,599			1,821,582

	Beginning Balances	Increases	Decreases	Ending Balances
Stormwater Fund				
Capital assets not being				
depreciated:				
Construction in progress		11,200		11,200
Total capital assets not being				
depreciated		11,200		11,200
Capital assets being				
depreciated:				
Distribution	462,115	32,260	-	494,375
Equipment	17,388			17,388
Total capital assets being				
depreciated	479,503	32,260	-	511,763
Less accumulated				
depreciation for:				
Distribution	132,499	11,533	-	144,032
Equipment	11,558	2,484		14,042
Total accumulated				
depreciation	144,057	14,017		158,074
Total capital assets being				
depreciated, net	335,446			353,689
Stormwater Fund				
capital assets, net	335,446			364,889
Business-type actvities				
capital assets, net	\$ 8,981,581			\$ 10,320,294

#### **Construction Commitments**

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

			Re	emaining
Project	Spe	nt-to-date	Cor	mmitment
Water facilities	\$	1,499,740	\$	128,974
Sewerfacilities		126,984		165,500
Total	\$	1,626,724	\$	294,474

#### E. Liabilities

- 1. Pension Plan and Postemployment Obligations
- a. Local Governmental Employees' Retirement System

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

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO

and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Winterville employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Winterville's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Winterville were \$213,693 for the year ended June 30, 2016.

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

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

At June 30, 2016, the Town reported a liability of \$231,891 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town's proportion was .05167% which was an decrease of .00089% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$125,758. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	\$	-	\$	54,508
Changes of assumptions		-		-
Net difference between projected and actual earnings on pension plan investments		-		66,019
Changes in proportion and differences between Town contributions and proportionate share of contributions		15,365		7,965
Town contributions subsequent to the measurement date		213,693		-
Total	\$	229,058	\$	128,492

\$213,693 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### Year ended June 30:

2017	\$ (73,870)
2018	(73,870)
2019	(73,838)
2020	108,451
2021	-
Thereafter	-

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

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

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1%	Discount	
	Decrease (6.25%)	Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net			
pension liability (asset)	\$1,617,015	\$ 231,891	\$ (935,044)

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

#### b. Law Enforcement Officers' Special Separation Allowance

#### **Plan Description**

The Town of Winterville administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G. S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled	
to but not yet receiving benefits	-
Active plan members	18
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 payas-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Special Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

**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, 2015 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) a 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include post-employment benefit increases.

#### **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	\$ 42,937
Interest on net pension obligation	10,653
Adjustment to annual required contribution	(18,723)
Annual pension cost	34,867
Contributions made	(31,049)
Increase in net pension obligation	3,818
Net pension obligation, beginning of year	213,062
Net pension obligation, end of year	\$ 216,880

**Three Year Trend Information** 

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	\$ 30,068	32.22%	\$ 210,217
2015	26,932	89.44%	213,062
2016	34,867	89.05%	216,880

#### **Funded Status and Funding Progress**

As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$455,255. The covered payroll (annual payroll of active employees covered by the plan) was \$945,108, and the ratio of the UAAL to the covered payroll was 48.17 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.

#### **Funding Policy**

Article 12E of G. S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each law enforcement officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town has elected to contribute to the Supplemental Retirement Income Plan for general employees.

Contributions for the year ended June 30, 2016 were \$219,059, which consisted of \$155,730 from the Town and \$63,329 from law enforcement officers and general employees.

#### d. Other Post-Employment Benefits – Healthcare Benefits

#### **Plan Description**

In addition to providing pension benefits, the Town administers a single-employer defined benefit healthcare benefits plan for retirees of the Town who have at least thirty years service with the North Carolina Local Governmental Employees' Retirement System (System) or the North Carolina Law Enforcement Officers' Local Governmental Employees' Retirement System (LE System); and have twenty years of total service with the Town and their five most recent years of continuous service were with the Town, at the time of retirement. Retired employees meeting the criteria discussed herein will be provided hospitalization in the same manner as the active Town employees until the retiree is eligible for Medicare. The Town pays the full cost of coverage for these benefits. Retirees can purchase coverage for their dependents at the Town's group rates until the retiree reaches age sixty-five. Currently, four retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2016, the Town paid healthcare premiums for retirees of \$49,566. The Town purchases healthcare coverage through private insurers. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits Terminated plan members entitled to but not	4	-
yet receiving benefits	-	-
Active plan members	39	18_
Total	43	18

#### **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.

The current ARC rate is 4.35% of annual covered payroll. For the current year, the Town contributed \$49,566 or 1.78% 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	\$ 120,898
Interest on net OPEB obligation	24,002
Adjustment to annual required contribution	(22,929)
Annual OPEB cost	121,971
Contributions made	(49,566)
Increase (decrease) in net OPEB obligation	72,405
Net OPEB obligation, beginning of year	600,049
Net OPEB obligation, end of year	\$ 672,454

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016, 2015, and 2014 were as follows:

Annual		Percentage of Annual	Net OPEB		
Year Ended June 30,	<b>OPEB Cost</b>	<b>OPEB Cost Contributed</b>	<b>Obligation</b>		
2014	\$ 130,851	37.9%	\$ 518,706		
2015	134,898	39.7%	600,049		
2016	121,971	40.6%	672,454		

#### **Funded Status and Funding Progress**

As of December 31, 2014, 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 \$1,502,065. The covered payroll (annual payroll of active employees covered by the plan) was \$2,781,937, and the ratio of the UAAL to the covered payroll was 54.0 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future

employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### **Actuarial Methods and Assumptions**

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

In the December 31, 2014, 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 7.50 to 5.00 percent annually. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014, was 30 years.

#### e. Other Employee Benefits

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

engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

#### 2. Payables

Payables at the government-wide level at June 30, 2016 were as follows:

Governmental Activities:	Total
Vendors	\$ 395,651
Accrued interest on long-term debt	17,326
Accrued salaries and related items	108,367
Total governmental activities	\$ 521,344

Business-Type Activities:	 lectric		Water	Sewer	Sto	rmwater	 Total
Vendors	\$ 57,356	· ·	\$ 200,788	\$ 18,232	\$	56,235	\$ 332,611
Accrued interest on long-term debt	3,979		48,872	2,876		=	55,727
Accrued salaries and related items	12,983	_	-	-		-	 12,983
Total business-type activities	\$ 74,318		\$ 249,660	\$ 21,108	\$	56,235	\$ 401,321

#### 3. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 213,693
Changes in proportion and differences between	
employer contributions and proportionate share	
of contributions	15,365
Total	\$ 229,058

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

Taxes receivable, net (General Fund) Accounts receivable, net (garbage) (General Fund)	\$ 67,406 71,170
Differences between expected and actual experience  Net difference between projected and actual earnings	54,508
on pension plan investments	66,019
Changes in proportion and difference between	
employer contribution and proportionate share of	
contributions	 7,965
Total	\$ 267,068

#### 4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$3 million per occurrence, property coverage up to the total insured values of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

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

#### 5. Commitments

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

#### 6. Long-Term Obligations

#### a. Governmental Activities

#### **Installment Purchases**

2.97% note, payable in annual installments of \$149,200, including interest; final payment due June 2029; secured by real estate	\$ 1,589,781
2.06% note, payable in annual installments of \$153,710 plus interest; final payment due June 2022; secured by real estate	922,371
1.60% note, payable in annual installments of \$27,900, plus interest; final payment due March 2020; secured by vehicles	111,600
2.50% note, payable in annual installments of \$99,132, plus interest; final payment due February 2025; secured by real estate	892,188
4.67% note, payable in annual installments of \$11,400, plus interest; final payment due June 2025; secured by real estate	102,600
1.97% note, payable in annual installments of \$29,845, including interest; final payment due March 2019; secured by vehicle	86,122
1.97% note, payable in annual installments of \$84,789, including interest; final	
payment due March 2019; secured by vehicle	244,666
Total installment purchases	\$ 3,949,328

Annual debt service payments of the installment purchases as of June 30, 2016, including interest of \$569,374, are as follows:

June 30,	Principal	Interest	Total
2017	\$ 502,244	\$ 101,613	\$ 603,857
2018	507,403	89,831	597,234
2019	512,694	77,917	590,611
2020	403,485	65,868	469,353
2021	378,891	55,937	434,828
2022-2026	1,222,229	152,881	1,375,110
2027-2029	422,382	25,327	447,709
Total	\$3,949,328	\$ 569,374	\$4,518,702

#### b. Business-Type Activities

#### **Installment Purchases - Enterprise Funds**

2.06% note, payable in annual installments of \$226,233 including interest; final payment due June 2022; secured by equipment	\$ 1,265,339
2.50% note, payable in annual installments of \$98,112, including interest; final payment due June 2025; secured by real estate	782,040
Water	
1.98% note, payable in annual installments of \$40,075, including interest; final payment due September 2016; secured by equipment	39,297
1.60% note, payable in annual installments of \$23,600, plus interest; final payment due March 2020, secured by real estate	59,765
2.97% note, payable in annual installments of \$154,632, including interest final payment due August 2030, secured by real estate	; 1,850,000
Sewer	
4.67% note, payable in annual installments of \$32,689, including interest; final payment due June 2025; secured by real estate	235,800
2.97% note, payable in annual installments of \$74,506, including interest; final payment due June 2029, secured by real estate	793,896
Total installment purchases	\$ 5,026,137

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

<b>Year Ending</b>			
June 30,	Principal	Interest	Total
2017	\$ 505,272	\$ 136,884	\$ 642,156
2018	477,548	124,285	601,833
2019	489,436	112,158	601,594
2020	501,647	99,708	601,355
2021	499,249	86,923	586,172
2022-2026	1,633,336	262,469	1,895,805
2027-2031	919,649	77,032	996,681
Total	\$ 5,026,137	\$ 899,459	\$5,925,596

#### c. Changes in Long-Term Liabilities

Compensated absences for governmental activities have typically been liquidated in the General Fund.

					Current
	Beginning			Ending	Portion of
	Balance	Increases	Decreases	Balance	Balance
Governmental Activities:					
Installment purchases	\$ 4,446,542	\$ -	\$ (497,214)	\$ 3,949,328	\$ 502,244
Compensated absences	233,034	252,125	(233,034)	252,125	92,070
Unfunded OPEB obligation	462,714	54,304	-	517,018	-
Net pension liability (LEO)	213,062	34,867	(31,049)	216,880	-
Net pension liability (LGERS)		140,716		140,716	
Total Governmental Activities	\$ 5,355,352	\$ 482,012	\$ (761,297)	\$ 5,076,067	\$ 594,314
Business-type Activities:					
Electric Fund	_				
Installment purchases	\$ 2,320,164	\$ -	\$ (272,785)	\$ 2,047,379	\$ 278,742
Unfunded OPEB obligation	83,224	10,861	-	94,085	-
Compensated absences	50,050	47,956	(50,050)	47,956	12,304
Net pension liability (LGERS)		28,172		28,172	
Electric Fund long-term liabilities	\$ 2,453,438	\$ 86,989	\$ (322,835)	\$ 2,217,592	\$ 291,046
Water Fund	_				
Installment purchases	\$ 195,831	\$ 1,850,000	\$ (96,769)	\$ 1,949,062	\$ 153,925
Unfunded OPEB obligation	24,921	2,172	-	27,093	-
Compensated absences	7,654	9,312	(7,654)	9,312	5,957
Net pension liability (LGERS)		32,155		32,155	
Water Fund long-term liabilities	\$ 228,406	\$ 1,893,639	\$ (104,423)	\$ 2,017,622	\$ 159,882
Sewer Fund	_				
Installment purchases	\$ 1,099,875	\$ -	\$ (70,179)	\$ 1,029,696	\$ 72,605
Unfunded OPEB obligation	24,625	3,620	-	28,245	-
Compensated absences	10,115	10,792	(10,115)	10,792	641
Net pension liability (LGERS)		30,848		30,848	
Sewer Fund long-term liabilities	\$ 1,134,615	\$ 45,260	\$ (80,294)	\$ 1,099,581	\$ 73,246
Stormwater Fund					
Unfunded OPEB obligation	\$ 4,565	\$ 1,448	\$ -	\$ 6,013	\$ -
Compensated absences		1,405		1,405	-
Stormwater Fund long-term liabilities	\$ 4,565	\$ 2,853	\$ -	\$ 7,418	\$ -
Total Business-type Activities	\$ 3,821,024	\$ 2,028,741	\$ (507,552)	\$ 5,342,213	\$ 524,174

The Town's legal debt margin at June 30, 2016 was \$51,975,255.

#### d. Operating Leases

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

Total rent expense for the June 30, 2016 fiscal year on the copier lease was \$15,660.

#### F. Interfund Balances and Transfers

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

Fund	From	То	Purpose
Electric Fund General Fund	\$ 215,444	\$ - 215,444	Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other
	\$ 215,444	\$ 215,444	funds in accordance with budgetary authorizations.

#### G. Fund Balance

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

Total fund balance - General Fund:	\$ 7,893,731
Less:	
Inventories	33,436
Prepaid items	-
Stabilization by State Statute	1,482,998
Streets - Powell Bill	1,031,179
Public Safety	83,524
Recreation	20,039
Committed	27,600
Working Capital/Fund Balance Policy	 1,722,858
Remaining Fund Balance:	\$ 3,492,097

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

Encumbrances	Gei	General Fund		lajor Funds
	\$	650,221	\$	-

#### **H.** Prior Period Adjustment

During the fiscal year ended June 30, 2016, the Town determined that an accounts payable in the Sewer Fund was reversed twice during the June 30, 2015 fiscal year. Therefore, an adjustment to decrease beginning net position of the Sewer Fund and Business-type activities has been recorded in the amount of \$22,408.

#### 3. **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, 2016 amounted to \$1,078,909.

The Town is a member of the Mid-East Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Commission's governing board. The Town paid membership fees of \$2,665 to the Commission during the fiscal year ended June 30, 2016.

#### 4. Joint Ventures

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these funds to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. During the fiscal year ended June 30, 2016, 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, 2016. 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.

#### 5. 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.

#### 6. Significant Effects of Subsequent Events

#### <u>Debt Issuance</u>

On October 11, 2016, the Town was approved for loan assistance from the North Carolina Drinking Water State Revolving Fund (DWSRF) in the amount of \$723,400 for the elevated water tank project.

#### 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.
- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Governmental Employees' Retirement System
- Schedule of Contributions to Local Governmental Employees' Retirement System



# Town of Winterville, North Carolina Law Enforcement Officers' Special Separation Allowance Required Supplementary Information Schedule of Funding Progress For the Fiscal Year Ended June 30, 2016

**Schedule of Funding Progress** 

Actuarial Valuation Date	Actuarial Value of Assets (a)	Liab	arial Accrued vility (AAL) - jected Unit Credit (b)		nfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b) - (a)) / (c)
12/31/2006	\$ -	\$	65,425	\$	65,425	0.00%	\$ 639,784	10.23%
12/31/2007	-	Υ	102,020	Υ	102,020	0.00%	796,882	12.80%
12/31/2008	-		143,903		143,903	0.00%	804,614	17.88%
12/31/2009	-		230,568		230,568	0.00%	770,457	29.93%
12/31/2010	-		249,110		249,110	0.00%	778,252	32.01%
12/31/2011	-		265,193		265,193	0.00%	818,302	32.41%
12/31/2012	-		282,449		282,449	0.00%	739,129	38.21%
12/31/2013	-		231,602		231,602	0.00%	793,525	29.19%
12/31/2014	-		314,993		314,993	0.00%	804,990	39.13%
12/31/2015	-		455,255		455,255	0.00%	945,108	48.17%

## Town of Winterville, North Carolina Law Enforcement Officers' Special Separation Allowance Required Supplementary Information Schedule of Employer Contributions For the Fiscal Year Ended June 30, 2016

Schedule	Schedule of Employer Contributions					
Year	Annual		Annual			
Ended	R	equired	Percentage			
June 30,	Co	ntribution	Contributed			
2007	\$	9,777	0.00%			
2008		10,243	0.00%			
2009		12,411	0.00%			
2010		21,241	0.00%			
2011		31,391	0.00%			
2012		32,247	0.00%			
2013		34,830	4.64%			
2014		36,043	26.88%			
2015		34,179	70.47%			
2016		42,937	72.31%			

#### **Notes to the Required Schedules**

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

Valuation date	December 31, 2015
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization perio	15 years
Asset valuation method	Market value
Actuarial Assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% - 7.85%
*Includes inflation at	3.0%
Cost of living adjustments	N/A

## Town of Winterville, North Carolina Other Post-Employment Benefits – Retiree Health Care Required Supplementary Information Schedule of Funding Progress For the Fiscal Year Ended June 30, 2016

**Schedule of Funding Progress** 

Actuarial Valuation Date	Valu Ass	arial ue of sets a)	Lial	arial Accrued bility (AAL) - bjected Unit Credit (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b) - (a)) / (c)
12/31/07	\$	-	\$	889,417	\$ 889,417	0.00%	\$2,287,567	38.9%
12/31/08		-		1,145,215	1,145,215	0.00%	2,756,229	41.6%
12/31/11		-		1,535,586	1,535,586	0.00%	2,756,955	55.7%
12/31/14		-		1,502,065	1,502,065	0.00%	2,781,937	54.0%

## Town of Winterville, North Carolina Other Post-Employment Benefits – Retiree Health Care Required Supplementary Information Schedule of Employer Contributions For the Fiscal Year Ended June 30, 2016

Schedule	Schedule of Employer Contributions					
Year		Annual	Annual			
Ended	R	equired	Percentage			
June 30,	Cor	ntribution	Contributed			
2009	\$	82,339	9.35%			
2010		117,625	15.75%			
2011		117,625	22.24%			
2012		126,612	27.76%			
2013		126,281	37.96%			
2014		130,069	38.11%			
2015		133,972	39.97%			
2016		120,898	41.00%			

#### **Notes to the Required Schedules**

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

Valuation date	December 31, 2014
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization perior	30 years
Amortization factor	26.1695
Asset valuation method	Market value of assets
Actuarial Assumptions:	
Investment rate of return *	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	7.50% - 5.00%
Post-Medicare trend rate	5.50% - 5.00%

## Town of Winterville, North Carolina Schedule of the Proportionate Share of Net Pension Liability (Asset) Required Supplementary Information Last Three Fiscal Years\*

#### Local Governmental Employees' Retirement System

	2016	2015	2014
Winterville's proportion of the net pension liability (asset) (%)	0.05167%	-0.05256%	0.04990%
Winterville's proportion of the net pension liability (asset) (\$)	\$ 231,891	\$ (309,970)	\$ 601,487
Winterville's covered-employee payroll	\$ 2,917,373	\$ 2,777,072	\$ 2,707,500
Winterville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.95%	-11.16%	22.22%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

<sup>\*</sup>The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

<sup>\*\*</sup> This will be the same percentage for all participant employers in the LGERS plan.

#### Town of Winterville, North Carolina Schedule of Contributions Required Supplementary Information Last Three Fiscal Years

#### Local Governmental Employees' Retirement System

	2016	2015	2014
Contractually required contribution	\$ 213,693	\$ 205,740	\$ 201,060
Contributions in relation to the contractually required contribution	213,693	205,740	201,060
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Winterville's covered-employee payroll	\$ 3,139,861	\$ 2,917,373	\$ 2,777,072
Contributions as a percentage of covered-employee payroll	6.81%	7.05%	7.24%

**INDIVIDUAL FUND STATEMENTS AND SCHEDULES** 



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



	Pudgot	A ctual	Variable Positive
Revenues:	Budget	Actual	(Negative)
Ad valorem taxes:			
Taxes		\$ 3,636,065	
Interest		17,618	
Total	\$ 3,546,155	3,653,683	\$107,528
Other taxes and licenses:			
Heavy equipment tax		30,878	
Total	18,000	30,878	12,878
Unrestricted Intergovernmental:			
Local option sales tax		1,873,780	
Payment in lieu of taxes - external sources		627	
Utilities and telecommunications sales tax		390,251	
Beer and wine tax	2 240 224	41,504	(4.462)
Total	2,310,324	2,306,162	(4,162)
Restricted Intergovernmental: Powell Bill allocation		264,282	
Unauthorized substance tax		6,923	
DOT reimbursement		3,660	
Miscellaneous grant revenue		5,000	
Solid waste disposal tax		5,979	
Total	272,664	285,844	13,180
Permits and fees: Business registration fees		(760)	
Subdivision recreation fees		5,912	
Planning and zoning		4,030	
Total	4,100	9,182	5,082
Sales and services:	1,100	3,102	3,002
Solid waste fees		507,720	
Community building/Rescue rent		33,705	
Fire inspections		22,975	
Building inspections		142,170	
User access fee		10,482	
Utility service charges		3,177	
Recreation		142,664	
Cemetery Total	867,638	5,850 868,743	1 105
		•	1,105
Investment earnings	11,000	11,574	574
Miscellaneous: Other		54,054	
Total	127,898	54,054	(73,844)
Total revenues	7,157,779	7,220,120	62,341

	Budget	Actual	Variable Positive (Negative)
Expenditures:			
General government:			
Governing body:			
Salaries and benefits		42,056	
Other operating expenditures		26,504	
Total	77,697	68,560	9,137
Administration:			
Salaries and employee benefits		1,224,438	
Maintenance and repairs		2,080	
Other operating expenditures		911,678	
Reimbursement - proprietary funds		(556,913)	
Total	1,738,966	1,581,283	157,683
Information Technology:			
Salaries and employee benefits		357	
Other operating expenditures		345,170	
Capital outlay		6,645	
Reimbursement - proprietary funds		(192,628)	
Total	244,234	159,544	84,690
Planning:			
Salaries and employee benefits		102,788	
Maintenance and repairs		712	
Other operating expenditures		2,655	
Total	109,814	106,155	3,659
Total general government	2,170,711	1,915,542	255,169
Public Safety:			
Police:			
Salaries and employee benefits		1,386,608	
Maintenance and repairs		39,785	
Other operating expenditures		73,276	
Noncapitalized equipment < \$5,000		17,998	
Capital outlay Total	1 710 651	163,860	27 124
TULdI	1,718,651	1,681,527	37,124 continued
			continued

			Variable Positive
	Budget	Actual	(Negative)
Public Safety (continued):			
Animal Control:			
Other operating expenditures		7,712	
Total	12,450	7,712	4,738
Fire:			
Salaries and employee benefits		193,993	
Maintenance and repairs		67,780	
Other operating expenditures		177,280	
Noncapitalized equipment < \$5,000		57,158	
Capital outlay		158,212	
Total	708,654	654,423	54,231
Rescue:			
Salaries and employee benefits		2,761	
Total	110,898	2,761	108,137
Total public safety	2,550,653	2,346,423	204,230
Transportation:			
Salaries and employee benefits		888,583	
Maintenance and repairs		29,119	
Other operating expenditures		78,337	
Other operating expenditures - Powell Bill		42,198	
Noncapitalized equipment < \$5,000		1,219	
Capital outlay - Powell Bill		41,218	
Capital outlay		69,988	
Reimbursement - proprietary funds		(507,784)	
Total transportation	1,361,689	642,878	718,811
Environmental Protection:			
Sanitation:		467.625	
Other operating expenditures Total	464,500	467,635 467,635	(3,135)
iotai	404,300	407,033	continued
			continued

			Variable Positive
Cultural and Degraphion	Budget	Actual	(Negative)
Cultural and Recreation: Parks and Recreation:			
Salaries and employee benefits		303,760	
Maintenance and repairs		29,020	
Other operating expenditures Noncapitalized equipment <\$5,000		226,646 20,616	
Capital outlay		6,887	
Total parks and recreation	694,209	586,929	107,280
Public Buildings:			
Maintenance and repairs		32,783	
Capital outlay		148,218	
Other operating expenditures		264,017	
Reimbursement - proprietary funds  Total public buildings	341,169	<u>(159,631)</u> 285,387	55,782
·			
Total Cultural and Recreation	1,035,378	872,316	163,062
Economic Development:		22.400	
Contracted Services	25.000	32,400	2.500
Total Economic Development	35,000	32,400	2,600
Debt service: Principal retirement	497,215	497,214	1
Interest	117,025	117,024	1
Total debt service	614,240	614,238	2
Total expenditures	8,232,171	6,891,432	1,340,739
Revenues over (under) expenditures	(1,074,392)	328,688	1,403,080
Other financing sources (uses):			
Transfers from other funds:	245 444	245 444	
Enterprise funds	215,444	215,444	-
Sale of capital assets		10,041	10,041
Total other financing sources (uses)	215,444	225,485	10,041
Fund balance appropriated	858,948		(858,948)
Net change in fund balance	\$ -	554,173	\$ 554,173
Fund balances, beginning		7,342,441	
Change in reserve for inventories		(2,883)	
Fund balances, ending		\$ 7,893,731	

## **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.

**<u>Electric Fund</u>** –The Electric Fund accounts for the Town's electric operations.

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

<u>Sewer Fund</u> – 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, 2016

			Variance
	Budget	Actual	Positive (Negative)
Revenues:	Dauget	Actual	(Negative)
Operating revenues:			
Sale of electricity		\$ 6,016,647	
Connection fees		20,115	
Service charges		44,889	
Miscellaneous revenue		395,710	
Total operating revenues	\$ 6,491,687	6,477,361	\$ (14,326)
Non-operating revenues:			
Investment earnings	1,000	6,081	5,081
Total revenues	6,492,687	6,483,442	(9,245)
Expenditures:			
Operating:			
Electrical power purchases		3,723,122	
Salaries and employee benefits		592,990	
Supplies		174,793	
Repairs and maintenance		45,113	
Contracted services		148,727	
Other departmental expenses		458,511 316,688	
Expense reimbursement to general fund		310,088	
Expense reimbursement from water and sewer fund		(24.000)	
Total operating expenditures	5,907,022	(34,000) 5,425,944	481,078
Total operating expenditures	3,907,022	5,425,944	461,076
Debt service:			
Principal retirement	272,786	272,785	1
Interest	56,560	51,560	5,000
Total debt service	329,346	324,345	5,001
Capital outlay:			
Noncapitalized equipment < \$5,000		44,050	
Capital outlay		98,653	
Total capital outlay	305,616	142,703	162,913
Total expenditures	6,541,984	5,892,992	648,992

# Town of Winterville, North Carolina Electric Fund Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP) For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues over (under) expenditures	(49,297)	590,450	639,747
Other financing sources (uses): Transfers to other funds: General Fund Total other financing sources (uses)	(215,444) (215,444)	(215,444)	<u>-</u>
Fund balance appropriated	264,741		(264,741)
Revenues, other sources and appropriated fund balance over (under) expenditures and other uses  Reconciliation from budgetary basis (modified accrual) to full accrual:	\$ -	375,006	\$ 375,006
Reconciling items: Principal retirement Capital outlay Decrease in net pension asset Decrease in deferred outflows of resources - Decrease in deferred inflows of resources - Increase in net pension liability Depreciation Decrease in accrued interest on installment p Decrease in accrued vacation pay Increase in accrued OPEB liabilty Total	pensions	272,785 98,653 (55,795) (1,831) 94,662 (28,172) (319,582) 1,096 2,094 (10,861) 53,049	
Change in net position		\$ 428,055	

# Town of Winterville, North Carolina Water Fund Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP) For the Fiscal Year Ended June 30, 2016

	Dudget	Actual	Variance Positive
Revenues:	Budget	Actual	(Negative)
Operating revenues:			
Water sales		\$ 1,235,504	
Other operating revenues		1,885	
Total operating revenues	\$ 1,202,427	1,237,389	\$ 34,962
Non-operating revenues:			
Investment earnings		2,050	
Total non-operating revenues	1,000	2,050	1,050
Total revenues	1,203,427	1,239,439	36,012
Expenditures:			
Operating:			
Purchases for resale		359,996	
Supplies		36,829	
Repairs and maintenance Contracted services		8,307 13,512	
Other departmental expenses		52,592	
Expense reimbursement to general fund		555,370	
Expense reimbursement to electric fund		17,000	
Total operating expenditures	1,141,128	1,043,606	97,522
Debt service:			
Principal retirement	106,133	96,769	9,364
Interest	8,436	3,227	5,209
Total debt service	114,569	99,996	14,573
Capital outlay:			
Noncapitalized equipment < \$5,000		1,085	
Capital outlay		73,357	
Total capital outlay	93,475	74,442	19,033
Total expenditures	1,349,172	1,218,044	131,128
Revenues over (under) expenditures	(145,745)	21,395	167,140

# Town of Winterville, North Carolina Water Fund Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP) For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses): Transfers to other funds:			
Water Capital Projects Fund	(68,450) (68,450)	(68,450) (68,450)	
Fund balance appropriated	214,195		(214,195)
Revenues and other sources over (under) expenditures and other uses	\$ -	(47,055)	\$ (47,055)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items: Principal retirement Capital outlay Decrease in net pension asset Decrease in deferred outflows of resources - performance in deferred inflows of resources - performance in net pension liability Increase in accrued interest on installment purformance in accrued vacation pay Increase in accrued OPEB liability Depreciation Transfer to Water Capital Projects Fund Developers fee Total	ensions	96,769 73,357 (27,897) (617) 50,365 (32,155) (47,597) (1,658) (2,172) (77,146) 68,450 60,900 160,599	
Change in net position		\$ 113,544	

# Town of Winterville, North Carolina Water Capital Projects Fund (Water Interconnectivity) Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP) From Inception and For the Fiscal Year Ended June 30, 2016

			Actual		Variance
	Project	Prior	Current	Total to	Positive
	Authorization	Years	Year	Date	(Negative)
Revenues:	_		_		
Developer Contribution	\$ 35,000	\$ 35,000	\$ 60,900	\$ 95,900	\$ (60,900)
	35,000	35,000	60,900	95,900	(60,900)
Expenditures:					
Capital outlay:					
Construction	1,428,450	70,620	1,388,970	1,459,590	(31,140)
Engineering	284,650	175,785	135,503	311,288	(26,638)
Contingency	136,900	-	-	-	136,900
Total capital outlay	1,850,000	246,405	1,524,473	1,770,878	79,122
Revenues under expenditures	(1,815,000)	(211,405)	(1,463,573)	(1,674,978)	140,022
Other financing sources:					
Transfers from other funds:					
Water Fund	22,055	22,055	-	22,055	-
Installment purchase - Ioan					
proceeds	1,792,945	-	1,850,000	1,850,000	57,055
Total other financing sources	1,815,000	22,055	1,850,000	1,872,055	57,055
Revenues and other sources over					
expenditures	\$ -	\$(189,350)	\$ 386,427	\$ 197,077	\$ 197,077

# Town of Winterville, North Carolina Water Capital Projects Fund (Water Tank) Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP) From Inception and For the Fiscal Year Ended June 30, 2016

		Actual			Variance
	Project	Prior	Current	Total to	Positive
	<u>Authorization</u>	Years	Year	Date	(Negative)
Expenditures: Capital outlay:					
Construction	\$ 650,000	\$ -	\$ -	\$ -	\$ 650,000
Engineering	76,750	-	3,532	3,532	73,218
Contingency	65,000	-	-	-	65,000
Total capital outlay	791,750	-	3,532	3,532	788,218
Revenues under expenditures	(791,750)	-	(3,532)	(3,532)	788,218
Other financing sources:					
Transfers from other funds:					
Water Fund	68,450	-	68,450	68,450	-
Installment purchase - loan					
proceeds	723,300	-	-	-	(723,300)
Total other financing sources	791,750	-	68,450	68,450	(723,300)
Revenues and other sources over					
expenditures	\$ -	\$ -	\$ 64,918	\$ 64,918	\$ 64,918

## Town of Winterville, North Carolina Sewer Fund Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP) For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:	buuget	Actual	(Negative)
Operating revenues:			
Sewer charges		\$ 1,893,049	
Tapping fees		900	
Total operating revenues	\$ 1,883,973	1,893,949	\$ 9,976
Non-operating revenues:			
Investment earnings		434	
Federal and state grants Development fees		8,900 19,350	
Total non-operating revenues	17,046	28,684	11,638
Total revenues	1,901,019	1,922,633	21,614
Expenditures:			
Operating:			
Supplies		29,096	
Repairs and maintenance		46,909	
Contracted services		26,326	
CMSD expense		1,078,909	
Other departmental expenses Expense reimbursement to general fund		81,025 489,791	
Expense reimbursement to general fund  Expense reimbursement to electric fund		17,000	
Total operating expenditures	1,788,823	1,769,056	19,767
Debt service:			
Principal retirement	70,179	70,179	_
Interest	42,017	37,017	5,000
Total debt service	112,196	107,196	5,000
Capital outlay:			
Capital outlay		41,611	
Total capital outlay	101,895	41,611	60,284
Total expenditures	2,002,914	1,917,863	85,051
Revenues over (under) expenditures	(101,895)	4,770	106,665

# Town of Winterville, North Carolina Sewer Fund Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP) For the Fiscal Year Ended June 30, 2016

	Budg	get	Actual	Ро	riance sitive gative)
Fund balance appropriated	10	1,895		(	101,895)
Revenues, other sources and appropriated fund balance over (under) expenditures and other uses	\$	_	4,770	\$	4,770
Reconciliation from budgetary basis (modified accrual) to full accrual:					
Reconciling items:					
Principal retirement			70,179		
Capital outlay			41,611		
Depreciation			(144,112)		
Decrease in net pension asset			(21,697)		
Decrease in deferred outflows of resources - pension			(359)		
Decrease in deferred inflows of resources - pension	าร		43,888		
Increase in net pension liability			(30,848)		
Decrease in accrued interest on installment purcha	ses		1,042		
Increase in accrued vacation pay			(677)		
Increase in accrued OPEB liability		_	(3,620)		
Total			(44,593)		
Change in net position		_	\$ (39,823)		

# Town of Winterville, North Carolina Sewer Capital Projects Fund Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP) For the Fiscal Year Ended June 30, 2016

			Actual		Variance
	Project	Prior	Current	Total to	Positive
	Authorization	Years	Year	Date	(Negative)
Expenditures:					
Capital outlay:					
Construction	\$ 1,669,020	\$ -	\$ -	\$ -	\$1,669,020
Engineering	341,190	18,500	108,484	126,984	214,206
Contingency	167,000	-	-	-	167,000
Total capital outlay	2,177,210	18,500	108,484	126,984	2,050,226
				_	
Revenues under expenditures	(2,177,210)	(18,500)	(108,484)	(126,984)	2,050,226
Other financing sources:					
Transfers from other funds:					
Sewer Fund	50,190	50,000	-	50,000	(190)
Debt proceeds	2,127,020	-	-	-	(2,127,020)
Total other financing sources	2,177,210	50,000		50,000	(2,127,210)
Revenues and other sources over					
expenditures	ċ	¢ 21 E00	¢ (100 404)	¢ (76.094)	¢ (76.094)
expenditules	ې -	\$ 31,500	\$ (108,484)	\$ (76,984)	\$ (76,984)

# Town of Winterville, North Carolina Stormwater Fund Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP) For the Fiscal Year Ended June 30, 2016

			Variance Positive
	Budget	Actual	(Negative)
Revenues:			
Operating revenues:			
Stormwater charges		\$ 171,837	
Other operating revenues		500	42.222
Total operating revenues	\$ 175,300	172,337	\$ (2,963)
Non-operating revenues:			
Investment earnings		236	
Federal and state grants		3,900	
Total non-operating revenues	100	4,136	4,036
Total revenues	175,400	176,473	1,073
Expenditures:			
Operating:			
Contracted services		44,587	
Supplies		10,493	
Repairs and maintenance		193	
Other departmental expenses		15,561	
Expense reimbursement to general fund Total operating expenditures	129,290	55,108 125,942	3,348
Total operating expenditures	125,250	123,342	3,340
Capital outlay:			
Capital outlay	15.110	43,460	
Total capital outlay	46,110	43,460	2,650
Total expenditures	175,400	169,402	5,998
Revenues over (under) expenditures	\$ -	7,071	\$ 7,071
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		43,460	
Depreciation		(14,017)	
Decrease in accrued vacation pay		(1,405)	
Increase in accrued OPEB liability		(1,448)	
Total		26,590	
Change in net position		\$ 33,661	

## OTHER FINANCIAL INFORMATION

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

## **Governmental Capital Assets**

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

## **Other Schedules**

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

## **Statistical Information**

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

## **Compliance Section**

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



**GOVERNMENTAL CAPITAL ASSETS** 



# Town of Winterville, North Carolina Comparative Schedule of Governmental Capital Assets By Source For the Fiscal Year Ended June 30, 2016 (With Comparative Actual Amounts as of June 30, 2015)

Governmental Capital Assets	2016	2015
Land	\$ 3,912,357	\$ 3,841,601
Construction in process	-	-
Buildings	6,794,326	6,676,944
Infrastructure	25,948,449	25,389,873
Software	601,410	584,149
Vehicles and equipment	4,700,641	4,486,838
Total	\$ 41,957,183	\$ 40,979,405

# Town of Winterville, North Carolina Schedule of Changes in Governmental Capital Assets By Function and Activity For the Fiscal Year Ended June 30, 2016

Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
\$ 9,409,721	\$ 6,645	\$ -	\$ 9,416,366
26,340,114	677,582	-	27,017,696
2,506,726	322,072	183,626	2,645,172
2,722,844	155,105		2,877,949
\$ 40.979.405	\$ 1.161.404	\$ 183.626	\$ 41,957,183
	\$ 9,409,721 26,340,114 2,506,726	July 1, 2015       Additions         \$ 9,409,721       \$ 6,645         26,340,114       677,582         2,506,726       322,072         2,722,844       155,105	July 1, 2015         Additions         Deductions           \$ 9,409,721         \$ 6,645         \$ -           26,340,114         677,582         -           2,506,726         322,072         183,626           2,722,844         155,105         -

## **OTHER SCHEDULES**

This section contains additional information on property taxes.

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



## Town of Winterville, North Carolina Schedule of Ad Valorem Taxes Receivable June 30, 2016

Fiscal Year	Uncollected Balance June 30, 2015	Additions	Collections And Credits	Uncollected Balance June 30, 2016				
2015-2016 2014-2015 2013-2014 2012-2013 2011-2012 2010-2011 2009-2010 2008-2009 2007-2008 2006-2007 2005-2006 Total	\$ - 30,927 25,942 16,490 10,818 10,815 12,197 5,014 5,955 5,728 3,792 \$ 127,678	\$ 3,618,949 - - - - - - - - - - - - -	\$ 3,591,753 19,752 14,923 5,568 3,224 1,551 60 194 (210) (112) 3,792 \$ 3,640,495	\$ 27,196 11,175 11,019 10,922 7,594 9,264 12,137 4,820 6,165 5,840				
	General fund	or uncollectible acco	ounts:	38,726				
	Reconciling it Interest coll Taxes writte	ith Revenues: es - General Fund ems: ected	r adjustments	\$ 67,406 \$ 3,653,683 (17,618) 3,792 638 (13,188)				
	Total collect	Total collections and credits						

## Town of Winterville, North Carolina Analysis of Current Tax Levy Town-Wide Levy For the Fiscal Year Ended June 30, 2016

		Town-Wide		Total	Levy	·
Original levy:	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles		gistered Motor 'ehicles
Property taxed at current year's rate	\$761,047,789	0.475	\$3,614,977	\$ 3,154,591	\$	460,386
Discoveries	1,098,737		5,219	5,219		-
Abatements	(262,526)		(1,247)	(1,247)		-
Total property valuation	\$761,884,000					
Netlevy			3,618,949	3,158,563		460,386
Uncollected (unpaid by taxpa	ayer) taxes at June	e 30, 2016	(27,196)	(27,196)		
Current year's taxes collected	d		\$3,591,753	\$ 3,131,367	\$	460,386
Current levy collection perce	ntage		99.25%	99.14%		100.00%

## 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.

	2007	2008	2009	2010
Governmental activities				
Net investment in capital assets	\$18,107,145	\$18,883,210	\$19,033,329	\$19,743,897
Restricted	118,662	297,722	509,458	524,194
Unrestricted	3,865,762	3,841,539	2,756,908	2,602,666
Total governmental activities net position	\$22,091,569	\$23,022,471	\$22,299,695	\$22,870,757
Business-type activities  Net investment in capital assets Restricted Unrestricted Total Business-type activities net position	\$ 4,304,371 - 3,992,871 \$ 8,297,242	\$ 2,981,588 - 6,181,096 \$ 9,162,684	\$ 5,773,808 - 4,202,970 \$ 9,976,778	\$ 5,531,666 - 4,775,714 \$10,307,380
Primary government  Net investment in capital assets  Restricted	\$22,411,516 118,662	\$21,864,798 297,722	\$ 24,807,137 509,458	\$25,275,563 524,194
Unrestricted	7,858,633	10,022,635	6,959,878	7,378,380
Total primary government net position	\$30,388,811	\$32,185,155	\$32,276,473	\$33,178,137

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

2011	2012	2013	2014	2015	2016
\$20,131,928	\$19,819,840	\$19,314,530	\$18,961,526	\$18,875,360	\$18,986,506
1,344,122	1,590,502	2,063,859	2,029,730	1,834,409	2,617,740
2,117,242	2,517,321	2,695,079	3,573,881	4,634,264	4,406,677
\$23,593,292	\$23,927,663	\$ 24,073,468	\$ 24,565,137	\$25,344,033	\$26,010,923
\$ 5,795,169	\$ 5,548,709	\$ 5,338,023	\$ 5,253,486	\$ 5,365,711	\$ 5,294,157
-	-	-	-	-	-
4,975,318	5,709,288	6,642,021	6,784,202	7,890,408	8,474,991
\$10,770,487	\$11,257,997	\$11,980,044	\$12,037,688	\$13,256,119	\$13,769,148
\$ 25,927,097	\$ 25,368,549	\$ 24,652,553	\$24,215,012	\$24,241,071	\$24,280,663
1,344,122	1,590,502	2,063,859	2,029,730	1,834,409	2,617,740
7,092,560	8,226,609	9,337,100	10,358,083	12,524,672	12,881,668
\$34,363,779	\$35,185,660	\$36,053,512	\$36,602,825	\$38,600,152	\$39,780,071

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 920,172	\$ 1,773,961	\$ 2,456,603	\$ 2,687,929	\$ 2,552,572	\$ 2,605,647	\$ 2,158,348	\$ 2,143,361	\$ 2,112,412	\$ 2,239,443
Public Safety	1,780,041	1,588,821	1,753,660	1,883,985	1,794,701	1,822,713	1,936,031	2,020,494	1,955,444	2,238,766
Transporation	1,478,672	1,496,651	1,596,862	1,381,524	1,299,618	1,404,474	1,401,712	1,332,381	1,262,024	1,433,435
Environmental protection	323,910	344,757	375,894	402,902	444,724	425,607	420,736	423,582	449,332	460,797
Cultural and recreational	891,387	895,246	843,293	896,397	961,253	831,698	705,296	774,390	852,262	806,502
Economic and physical development	7,071	981	-	-	-	-	-	-	-	32,400
Interest on long-term debt	146,660	161,059	222,427	207,454	304,775	245,853	219,296	206,866	175,858	114,018
Reimbursments from business type activities	-	-	-	-	-	-	(202,708)	(151,682)	(59,696)	-
Total governmental activities expense	\$ 5,547,913	\$ 6,261,476	\$ 7,248,739	\$ 7,460,191	\$ 7,357,643	\$ 7,335,992	\$ 6,638,711	\$ 6,749,392	\$ 6,747,636	\$ 7,325,361
Business-type Activities:										
Electric	\$ 4,158,835	\$ 4,197,764	\$ 5,305,020	\$ 5,232,429	\$ 5,366,691	\$ 5,240,409	\$ 5,506,810	\$ 5,982,471	\$ 5,931,117	\$ 5,839,943
Water	495,483	636,679	693,124	778,832	556,616	532,540	677,370	804,903	992,504	1,186,795
Sewer	1,119,390	1,540,475	1,305,034	1,804,362	1,439,662	1,391,511	1,714,303	1,780,834	1,921,325	1,962,456
Stormwater	21,291	39,355	27,072	69,718	116,318	113,301	84,597	143,314	149,477	142,812
Total business-type activities expense	\$ 5,794,999	\$ 6,414,273	\$ 7,330,250	\$ 7,885,341	\$ 7,479,287	\$ 7,277,761	\$ 7,983,080	\$ 8,711,522	\$ 8,994,423	\$ 9,132,006
Total primary government expenses	\$11,342,912	\$12,675,749	\$14,578,989	\$15,345,532	\$14,836,930	\$14,613,753	\$14,621,791	\$15,460,914	\$15,742,059	\$16,457,367
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 49,050	\$ 72,162	\$ 131,618	\$ 69,550	\$ 68,488	\$ 31,174	\$ 53,053	\$ 165,982	\$ 173,351	\$ 198,716
Public Safety	-	-	156,151	-	1,100	9,475	12,476	13,106	19,473	22,975
Transportation	-	-	-	328	-	-	-	-	6,914	3,660
Environmental protection	355,810	364,709	377,406	410,186	481,343	484,983	485,132	484,688	500,833	508,020
Cultural and recreational	113,106	159,179	227,367	184,439	258,113	205,150	186,731	145,706	147,350	148,514
Operating grants and contributions										
General government	36,426	120,372	-	-	-	202,617	41,833	44,786	-	5,000
Public Safety	71,925	86,905	-	142,449	21,394	17,961	16,605	21,464	3,850	6,923
Transportation	244,662	340,213	-	264,041	345,935	284,827	266,728	272,530	266,981	266,040
Environmental protection	-	-	-	6,150	6,115	6,363	5,881	5,282	6,201	5,979
Capital grants and contributions										
General Government	-	-	-	-	-	-	-	-	-	-
Cultural and recreational	-	-	-	500,000	-	-	-	-	-	-
Transportation	1,429,511	733,570	276,512					<u>-</u>		<u> </u>
Total governmental activities program revenues	\$ 2,300,490	\$ 1,877,110	\$ 1,169,054	\$ 1,577,143	\$ 1,182,488	\$ 1,242,550	\$ 1,068,439	\$ 1,153,544	\$ 1,124,953	\$ 1,165,827

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities:										
Charges for services										
Electric Fund	\$ 4,645,162		\$ 5,782,977	\$ 5,842,314	\$ 6,569,449	\$ 6,433,135	\$ 6,356,205	\$ 6,353,946	\$ 6,686,499	\$ 6,477,361
WaterFund	583,834	643,967	740,300	743,907	735,593	720,550	718,195	743,400	1,239,032	1,237,389
Sewer Fund	1,203,587	1,485,481	1,646,000	1,644,394	1,710,000	1,628,236	1,664,340	1,682,865	1,875,120	1,893,949
Stormwater Fund	28,080	159,821	192,948	125,363	758	-	88,886	169,378	176,261	172,337
Operating grants and contributions	- 00.704	101 112	126.002	80,884	33,099	15,533	1,089	37,878	29,230	93,050
Capital grants and contributions	99,794	101,113	126,992	500,000	<u>-</u>	<del>-</del>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities program revenues	\$ 6,560,457	\$ 7,479,179	\$ 8,489,217	\$ 8,936,862	\$ 9,048,899	\$ 8,797,454	\$ 8,828,715	\$ 8,987,467	\$10,006,142	\$ 9,874,086
Total primary government program revenues	\$ 8,860,947	\$ 9,356,289	\$ 9,658,271	\$10,514,005	\$10,231,387	\$10,040,004	\$ 9,897,154	\$10,141,011	\$11,131,095	\$11,039,913
Net Revenue (Expense):										
Governmental activities	\$ (3,247,423)	\$ (4,384,366)	\$ (6,079,685)	\$ (5,883,048)	\$ (6,175,155)	\$ (6,093,442)	\$ (5,570,272)	\$ (5,595,848)	\$ (5,622,683)	\$ (6,159,534)
Business-type activities	765,458	1,064,906	1,158,967	1,051,521	1,569,612	1,519,693	845,635	275,945	1,011,719	742,080
Total primary government net expense	\$ (2,481,965)	\$ (3,319,460)	\$ (4,920,718)	\$ (4,831,527)	\$ (4,605,543)	\$ (4,573,749)	\$ (4,724,637)	\$ (5,319,903)	\$ (4,610,964)	\$ (5,417,454)
General revenues and other changes in net position	on									
Governmental activities:										
Property Taxes	\$ 2,373,125	\$ 2,610,837	\$ 3,105,163	\$ 3,093,542	\$ 3,157,673	\$ 3,233,735	\$ 3,402,034	\$ 3,618,847	\$ 3,553,055	\$ 3,633,653
Local option sales tax, etc.	1,539,690	1,669,969	1,445,534	1,447,137	1,502,894	1,920,008	1,941,183	1,927,399	2,287,726	2,306,162
Grants and contributions not restricted to										
specific programs	-	-	-	273,805	299,708	-	-	-	-	-
Other taxes and licenses	72,437	33,408	344,671	38,686	31,045	34,332	32,517	35,859	24,107	30,878
Investment Earnings	256,525	267,674	53,082	11,967	17,851	12,146	8,580	6,869	9,623	9,816
Miscellaneous	244,646	103,642	400 450	721,519	758,425	276,508	196,763	268,351	503,895	630,471
Transfers Total governmental activities	\$ 4,442,539	478,389 \$ 5,163,919	408,458 \$ 5,356,908	736,599	1,130,094 \$ 6,897,690	1,048,776 \$ 6,525,505	135,000 \$ 5,716,077	230,192 \$ 6,087,517	188,552 \$ 6,566,958	\$ 6,826,424
· ·	3 4,442,559	\$ 5,105,919	\$ 3,330,308	\$ 0,323,233	\$ 0,897,090	\$ 0,323,303	\$ 5,710,077	\$ 0,087,317	\$ 0,300,938	3 0,820,424
Business-type activity:										
Investment earnings, net of market adjustment	\$ 138,178	\$ 275,925	\$ 63,585	\$ 15,680	\$ 23,589	\$ 16,593	\$ 11,412	\$ 11,891	\$ 7,108	\$ 8,801
Transfers	43,884	(478,389)	(408,458)	(736,599)	(1,130,094)	(1,048,776)	(135,000)	(230,192)	(188,552)	(215,444)
Total business-type activity	\$ 182,062	\$ (202,464)	· · · · · · · · · · · · · · · · · · ·					, , ,		
Total primary government	\$ 4,624,601	. , , ,	\$ 5,012,035	\$ 5,602,336			\$ 5,592,489			<del></del>
Change in net position										
Governmental activities	\$ 1,205,661	\$ 930,902	\$ (722,777)	\$ 440,672	\$ 722,535	\$ 432,063	\$ 145,805	\$ 491,669	\$ 944,275	\$ 666,890
Business-type activities	947,520	862,442	814,094	330,602	463,107	487,510	722,047	57,644	830,275	535,437
Total primary government	\$ 2,153,181	\$ 1,793,344			\$ 1,185,642				\$ 1,774,550	

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

2007	2008	2009	2010
\$147,207	\$ 930,844	\$1,675,977	\$1,148,964
28,545	694,494	1,459,018	1,474,100
\$175,752 \$1,625,33		\$3,134,995	\$2,623,064
\$ -	\$ -	\$ -	\$ -
(7,071)	4,448	16,206	-
530,942	2,661,438	200,603	688,253
\$523,871	\$ 2,665,886	\$ 216,809	\$ 688,253
	\$147,207 28,545 \$175,752 \$ - (7,071) 530,942	\$147,207 \$ 930,844 28,545 694,494 \$175,752 \$1,625,338 \$ - \$ - (7,071) 4,448 530,942 2,661,438	\$147,207 \$ 930,844 \$1,675,977 28,545 694,494 1,459,018 \$175,752 \$1,625,338 \$3,134,995 \$ - \$ - \$ - \$ - (7,071) 4,448 16,206 530,942 2,661,438 200,603

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

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

	2011		2012			2013		2014	2015		2016
General Fund											
Nonspendable	\$	33,133	\$	36,403	\$	73	\$	73	\$ 94,218	\$	33,436
Restricted	1	,336,722	1	,583,102	2,	063,859	2	,022,330	1,834,409		2,617,740
Committed		7,400		7,400		-		7,400	-		27,600
Assigned		67,680		18,000		-		-	-		-
Unassigned	2	,287,824	2	,978,107	3,	289,582	4	,236,207	5,413,814		5,214,955
Total General Fund	\$3	,732,759	\$4	,623,012	\$5,	353,514	\$6	,266,010	\$7,342,441	\$	7,893,731
All Other Governmental Funds											
Nonspendable	\$	-	\$	-	\$	-	\$	-	\$ -	\$	-
Restricted		-		-		-		-	-		-
Committed		-		-		-		-	-		-
Asigned		-		-		-		-	-		-
Unassigned		-		-		-		-	-		
Total all other governmental	· · ·							•			
funds	\$	-	\$	-	\$	-	\$	-	\$ -	\$	-

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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
REVENUES										
Ad valorem taxes	\$ 2,370,582	\$ 2,585,436	\$ 3,066,447	\$ 3,086,185	\$ 3,115,699	\$3,275,421	\$3,389,498	\$3,640,484	\$3,595,253	\$ 3,653,683
Other taxes and licenses	1,612,127	1,703,377	1,478,844	38,686	31,045	34,332	32,517	35,859	24,107	30,878
Unrestricted intergovernmental	256,525	267,674	311,361	1,720,942	1,802,602	1,920,008	1,941,183	1,927,399	2,287,726	2,306,162
Restricted intergovernmental	244,662	371,097	276,512	797,691	370,376	484,987	328,652	339,925	282,550	285,844
Permits and fees	10,545	8,308	7,770	3,730	4,488	2,899	2,100	5,915	6,175	9,182
Sales and services	544,019	587,743	544,782	666,741	804,929	724,513	734,140	807,598	831,755	868,743
Investment earnings	244,646	103,642	53,082	13,676	20,919	14,927	10,975	11,006	11,019	11,574
Miscellaneous	162,928	274,456	349,561	173,828	10,989	55,872	15,053	48,351	28,365	54,054
TOTAL REVENUES	\$5,446,034	\$ 5,901,733	\$ 6,088,359	\$ 6,501,479	\$ 6,161,047	\$6,512,959	\$ 6,454,118	\$ 6,816,537	\$ 7,066,950	\$ 7,220,120
EXPENDITURES										
General Government	\$1,369,073	\$ 2,006,059	\$ 4,130,732	\$ 2,573,280	\$ 2,302,452	\$ 2,246,240	\$1,737,272	\$1,769,098	\$1,782,649	\$ 1,915,542
Public Safety	1,662,237	1,541,222	1,713,040	2,354,913	1,595,926	1,678,150	1,838,331	2,372,543	1,939,110	2,346,423
Transportation	727,838	706,317	778,185	772,378	654,379	600,556	667,463	801,119	697,972	642,878
Environmental Protection	323,910	344,757	375,894	402,902	444,724	425,607	420,736	423,582	460,546	467,635
Cultural and Recreation	873,251	927,663	1,652,918	797,599	894,595	766,076	617,674	745,503	762,554	872,316
Economic and Physical Development	7,071	981	-	-	-	-	-	-	-	32,400
Public Works	-	-	-	-	-	-	-	-	-	
Vehicle Replacement	-	-	-	307,117	-	-	-	-	-	
Riembursement - Proprietary Funds	-	-	-	-	-	-	(202,708)	(151,682)	(59,696)	
Debt Service:										
Principal retirement	380,812	524,203	712,724	791,985	723,690	675,881	517,875	484,670	646,924	497,214
Interest and Fees	146,660	166,629	222,427	207,454	272,692	246,408	222,896	204,149	186,171	117,024
Capital Outlay	441,613	144,215	71,124	1,579,010	-	- -	-	-	-	
TOTAL EXPENDITURES	\$5,932,465	\$ 6,362,046	\$ 9,657,044	\$ 9,786,638	\$ 6,888,458	\$6,638,918	\$5,819,539	\$ 6,648,982	\$ 6,416,230	\$ 6,891,432
REVENUES OVER (UNDER) EXPENDITURES	\$ (486,431)	\$ (460,313)	\$ (3,568,685)	\$ (3.285.159)	\$ (727,411)	\$ (125,959)	\$ 634,579	\$ 167,555	\$ 650,720	\$ 328,688

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
OTHER FINANCING SOURCES (USES)										
Long Term Debt Issued	\$ 760,00	00 \$2,229,230	\$ 232,000	\$ 2,310,990	\$ -	\$ -	\$ - :	\$ 540,800	\$ 139,500	\$ -
Transfers in	72,24	3,220,189	1,098,716	2,819,465	1,878,079	1,048,776	135,000	230,192	188,552	215,444
Transfers out	(116,12	24) (2,741,800	(690,258)	(2,082,866)	(747,985)	-	-	-	-	-
Sale of capital assets			-	66,693	18,759	-	-	-	-	10,041
Total other financing sources (uses)	\$ 716,13	16 \$ 2,707,619	\$ 640,458	\$ 3,114,282	\$ 1,148,853	\$ 1,048,776	\$ 135,000	\$ 770,992	\$ 328,052	\$ 225,485
Net Change in Fund Balances	\$ 229,68	\$5 \$2,247,306	\$ (2,928,227)	\$ (170,877)	\$ 421,442	\$ 922,817	\$ 769,579	\$ 938,547	978,772	\$ 554,173
Debt Services as a percentage of noncapital expenditures	1:	1% 12%	5 11%	14%	17%	16%	14%	11%	15%	10%

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

Fiscal	Property		Sales		Sales		ranchise	Beer	and Wine	Pe	nalties/	
Year	Tax	Tax		Tax		Tax		Interest		Total		
2007	\$ 2,364,856	\$	1,539,690	\$	218,311	\$	34,787	\$	5,726	\$ 4,163,370		
2008	2,576,874		1,669,969		227,675		37,736		8,562	4,520,816		
2009	3,055,047		1,445,534		270,492		38,560		11,400	4,821,033		
2010	3,069,850		1,447,137		258,488		12,764		16,335	4,804,574		
2011	3,099,199		1,502,894		257,852		40,345		16,500	4,916,790		
2012	3,255,662		1,619,870		258,177		40,463		19,759	5,193,931		
2013	3,371,069		1,651,989		249,038		37,771		18,429	5,328,296		
2014	3,612,768		1,630,305		254,607		41,132		27,716	5,566,528		
2015	3,568,313		1,859,505		381,874		45,056		26,940	5,881,688		
2016	3,636,065		1,873,780		390,251		41,504		17,618	5,959,218		

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

Fiscal Year Ended					Total	Taxes Levied					
June 30	Re	Real Property		Real Property Personal Property			Foi	r Fiscal Year	Prop	erty Valuation	Direct Tax Rate
2007	\$	2,145,777	\$	213,585	\$	2,359,362	\$	524,302,667	0.45		
2008		2,285,774		276,758		2,562,532		569,444,889	0.45		
2009		2,776,854		300,052		3,076,906		683,117,334	0.45		
2010		2,810,386		279,384		3,089,770		686,615,556	0.45		
2011		2,855,107		293,766		3,148,873		699,749,556	0.45		
2012		2,895,892		344,019		3,239,911		719,980,222	0.45		
2013		3,004,730		380,663		3,385,393		712,714,316	0.475		
2014		3,068,692		525,545		3,594,237		756,681,473	0.475		
2015		3,097,787		432,342		3,530,129		743,185,053	0.475		
2016		3,158,563		460,386		3,618,949		761,884,000	0.475		

Source: Pitt County Tax Assessor

Note: Property in the county is reassessed once every four years on average. The last county-wide revaluation occurred January 1, 2016. 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

	City Direct	Rates				
Fiscal Year Ended June 30,	Basic Rate	Total Direct Rate	Rescue District	Fire District	County Rate	Total Direct and Overlapping Rates
2007	0.45	0.45	0.04	0.025	0.710	1.23
2008	0.45	0.45	0.04	0.025	0.665	1.18
2009	0.45	0.45	0.04	0.025	0.665	1.18
2010	0.45	0.45	0.04	0.025	0.665	1.18
2011	0.45	0.45	0.04	0.025	0.665	1.18
2012	0.45	0.45	0.046	0.044	0.680	1.22
2013	0.475	0.475	0.046	0.044	0.680	1.25
2014	0.475	0.475	0.046	0.044	0.680	1.25
2015	0.475	0.475	0.046	0.044	0.680	1.25
2016	0.475	0.475	0.046	0.044	0.680	1.25

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

Source: Pitt County Tax Assessor

Town of Winterville, North Carolina Principal Property Taxpayers Current Year and Ten Years Ago Table 8

		Fiscal Year 2016			Fiscal Year 2006				
Taxpayer	Type of Business		Assessed Valuation	Rank	% of Total Assessed Valuation		Assessed Valuation	Rank	% of Total Assessed Valuation
Sam's Real Estate Business Trust	Retail	\$	7,679,912	1	1.12%	\$	6,382,160	1	1.34%
Winterville Machine Works, Inc	Manufacturer	·	4,505,290	2	0.66%	·	2,432,285	5	0.51%
Winter Village LLC	Retail		3,430,940	3	0.50%		2,689,960	4	0.56%
The Roberts Co Fabrication Services Inc	Manufacturer		3,340,387	4	0.49%				
State Employees Credit Union	Financial Institution		3,132,062	5	0.46%		1,230,900	9	0.26%
Regional Acceptance Corp.	Financial Institution		2,958,651	6	0.43%				
J & S Firetower Property LLC	Warehouse		2,944,911	7	0.43%				
Wintergreen Commercial Park LLC	Developer		2,889,025	8	0.42%		2,093,750	6	0.44%
The Roberts Company	Manufacturer		2,510,423	9	0.37%		1,817,150	7	0.38%
James Hudson	Developer		2,372,341	10	0.35%		2,875,000	3	0.60%
Cole WG Greenville LLC	Developer						4,811,140	2	1.01%
Blaire Development	Developer						1,222,870	10	0.26%
Formosa Pinewood Village	Apartments						1,675,690	8	0.18%
Totals		\$	35,763,942		5.21%	\$	27,230,905		5.54%

Sources: Pitt County Tax Assessor and Town of Winterville tax records

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

					Collected within the Fiscal Year of the Levy		Total Collections to Date	
Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Total Amount Collected	Percentage of Original Levy	Collections for Prior Years	Total Amount Collected	Percentage of Adjusted Levy
2007	\$ 2,359,362	\$ 70,055	\$ 2,429,417	\$ 2,353,266	99.74%	\$ 70,311	\$ 2,423,577	99.76%
2008	2,562,502	23,542	2,586,044	2,513,791	98.10%	66,088	2,579,879	99.76%
2009	3,076,906	(2,878)	3,074,028	2,967,451	96.44%	101,757	3,069,208	99.84%
2010	3,072,771	16,999	3,089,770	2,996,993	97.53%	80,640	3,077,633	99.61%
2011	3,158,640	(9,767)	3,148,873	3,039,049	96.21%	100,560	3,139,609	99.71%
2012	3,232,937	6,974	3,239,911	3,140,640	97.15%	91,677	3,232,317	99.77%
2013	3,386,316	(923)	3,385,393	3,290,981	97.18%	83,490	3,374,471	99.68%
2014	3,565,648	28,589	3,594,237	3,533,265	99.09%	49,953	3,583,218	98.30%
2015	3,531,045	(916)	3,530,129	3,499,202	99.10%	19,752	3,518,954	99.12%
2016	3,614,977	3,972	3,618,949	3,591,753	99.36%	-	3,591,753	99.25%

Source: Town of Winterville tax records

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

	Governmen	tal Ac	tivities	В	usiı	ness-type Ac	tivities	_				
Fiscal Year Ending	Capital Lease		estallment Purchases	General Obligation Bonds		nstallment Purchases	Capital Leases		Fotal Primary Government	Percentage of Personal Income	Pei	r Capita
2007	\$ -	\$	4,078,094	\$ 1,087,000	\$	734,605	\$ -	\$	5,899,699	2.39%	\$	720
2008	-		5,777,001	1,060,000		3,118,486	-		9,955,487	3.69%		1,160
2009	-		5,296,276	1,032,500		2,821,213	-		9,149,989	3.25%		1,022
2010	-		6,815,282	1,004,500		3,952,505	-		11,772,287	3.98%		1,286
2011	-		6,091,592	975,500		3,622,545	-		10,689,637	3.47%		1,145
2012	-		5,415,711	955,500		3,535,142	-		9,906,353	4.34%		1,059
2013	-		4,897,836	936,500		3,270,088	-		9,104,424	3.73%		961
2014	-		4,953,966	916,500		2,995,176	-		8,865,642	3.46%		930
2015	-		4,446,542	-		3,615,870	-		8,062,412	3.16%		848
2016	-		3,949,328	-		5,026,137	-		8,975,465	3.47%		948

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

			Percentage of Actual		
Fiscal Year	Gene	eral Obligation	Taxable Value of		
Ending		Bonds	Property	Per	Capita
2007	\$	1,087,000	0.2%	\$	133
2008		1,060,000	0.2%		123
2009		1,032,500	0.2%		115
2010		1,004,500	0.1%		110
2011		975,500	0.1%		104
2012		955,500	0.1%		102
2013		936,500	0.1%		99
2014		916,500	0.1%		96
2015		-	0.0%		-
2016		-	0.0%		-

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						
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit, 8% of Assessed Value	\$ 43,189,636	\$ 45,974,116	\$ 54,649,387	\$ 54,929,244	\$ 55,979,964	\$ 57,598,418	\$ 57,017,145	\$ 60,534,518	\$ 59,454,804	\$ 60,950,720
Total net debt applicable to limit	5,899,699	9,955,487	9,149,990	11,772,287	10,689,637	9,906,353	9,104,424	9,084,424	8,062,412	8,975,465
Legal debt Margin	\$ 37,289,937	\$ 36,018,629	\$ 45,499,397	\$ 43,156,957	\$ 45,290,327	\$ 47,692,065	\$ 47,912,721	\$ 51,450,094	\$ 51,392,392	\$ 51,975,255
Total net debt applicable to the limit as a percentage of debt limit	13.66%	21.65%	16.74%	21.43%	19.10%	17.20%	15.97%	15.01%	13.56%	14.73%

### Legal Debt Margin Calculation for Fiscal Year Ending 2016

Assessed Value \$761,884,000

Debt Limit (8% of assessed value) 60,950,720

Debt applicable to limit:

General Obligation Bonds
Installment Notes Payable 8,975,465

Legal Debt Margin \$ 51,975,255

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, 2016 Table 13

Governmental Unit	Deb	t Outstanding	Estimated Percentage Applicable (1)	nated Share of clapping Debt
Pitt County	\$	144,266,996	6.5%	\$ 9,315,604
Subtotal, overlapping d	ebt			\$ 9,315,604
Total direct debt				 3,949,328
Total direct and overla	pping debt			\$ 13,264,932

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.

Type of Customer Fiscal Year Ending 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 28.75 34.50 34.50 Facility Charge 25.00 34.50 34.50 34.50 34.50 34.50 34.50 Demand Rate per kW first 10kW 0 0 0 0 0 0 0 0 0 0 Small Demand Rate per General kW over 10 kW 0 0 0 0 0 0 0 0 0 0 Service Energy Rate per kWh first 3,000 kWh 0.0836 0.0961 0.1153 0.1153 0.1153 0.1153 0.1153 0.1153 0.1153 0.1153 Energy Rate per kWh over 3,000 kWh 0.0755 0.0868 0.1042 0.1042 0.1042 0.1042 0.1042 0.1042 0.1042 0.1042 Facility Charge 13.36 15.36 18.43 18.43 18.43 18.43 18.43 18.43 18.43 18.43 Demand Rate per kW first 10kW 1.53 1.76 2.11 2.11 2.11 2.11 2.11 2.11 2.11 2.11 Medium Demand Rate per General kW over 10 kW 4.23 4.86 5.83 5.83 5.83 5.83 5.83 5.83 5.83 5.83 Service Energy Rate per kWh first 3,000 kWh 0.0836 0.0961 0.1153 0.1153 0.1153 0.1153 0.1153 0.1153 0.1153 0.1153 Energy Rate per kWh over 3,000 kWh 0.0868 0.1042 0.1042 0.1042 0.1042 0.1042 0.1042 0.0755 0.1042 0.1042 Facility Charge 250.00 287.50 345.00 345.00 345.00 345.00 345.00 345.00 345.00 345.00 Large 250/mo +250/mo +General Demand Rate per kW \$250/mo +\$8.16 \$11.26 \$250/mo +\$11.26 Service per kW for all kW perkWforallkW perkWforallkW perkWforallkW per kW for all kW per kW for all kW 0.0788 Energy Rate per kWh 0.0571 0.0657 0.0788 0.0788 0.0788 0.0788 0.0788 0.0788 0.0788 Facility Charge 0 0 0 0 0 0 34.5 34.5 34.5 34.5 Large Rate per kWh General first 3,000 kWh 0 0 0 0 0.1153 0.1153 0 0 0.1153 0.1153 Service Rate per kWh **Temporary** over 3.000 kWh 0 0 0 0 0.1042 0.1042 0 0 0.1042 0.1042 12.82 Facility Charge 9.29 10.68 12.82 12.82 12.82 12.82 12.82 12.82 12.82 Rate per kWh Residential first 800 kWh 0.0834 0.0959 0.1151 0.1151 0.1151 0.1151 0.1151 0.1151 0.1151 0.1151 Service Rate per kWh over 800 kWh 0.0778 0.0895 0.1074 0.1074 0.1074 0.1074 0.1074 0.1074 0.1074 0.1074 70W Sodium Vapor 10.5 12.08 14.5 14.5 14.5 14.5 14.5 14.5 14.5 14.5 12.00 13.8 16.56 16.56 16.56 16.56 16.56 16.56 16.56 16.56 100W Sodium Vapor 13.02 14.97 17.96 17.96 17.96 17.96 17.96 17.96 17.96 17.96 150W Sodium Vapor 17.09 19.65 23.58 23.58 23.58 23.58 23.58 23.58 23.58 23.58 250W Sodium Vapor 29.79 35.79 Outdoor 25.9 35.79 35.79 35.79 35.79 35.79 35.79 35.79 400W Sodium Vapor Lighting 1000W Sodium Vapor 41.98 48.28 57.94 57.94 57.94 57.94 57.94 57.94 57.94 57.94 Wood Pole 2.00 2.00 2.00 2.00 2.00 2.00 2.00 2.00 2.00 2.00 Underground Service <150 ft. 85.00 85.00 85.00 85.00 85.00 85.00 85.00 85.00 85.00 85.00 Underground Service \$85 +\$3.00/ft >150 ft. >150 ft.

Town of Winterville, North Carolina Water, Sewer and Stormwater Rates (kG=1000 gallons) Last Ten Fiscal Years Table 15

Ту	pe of Customer					F	iscal	Year Endir	ng					
			2007	2008	2009	2010		2011		2012	2013	2014	2015	2016
	Monthly Base Rate	In	\$ 8.00	\$ 9.60	\$ 11.52	\$ 11.52	\$	11.52	\$	11.52	\$ 11.52	\$ 11.52	\$ 19.02	\$ 22.40
	(3kG)	Out	\$ 16.00	\$ 19.20	\$ 23.04	\$ 23.04	\$	23.04	\$	23.04	\$ 23.04	\$ 23.04	\$ 38.04	\$ 44.80
Water	Rate per 1kG for	In	\$ 1.25	\$ 1.44	\$ 1.80	\$ 1.80	\$	1.80	\$	1.80	\$ 1.80	\$ 1.80	\$ 3.31	\$ 3.31
water	next 17 kG	Out	\$ 2.50	\$ 3.00	\$ 3.60	\$ 3.60	\$	3.60	\$	3.60	\$ 3.60	\$ 3.60	\$ 6.62	\$ 6.62
	Rate per 1kG for	In	\$ 1.10	\$ 1.27	\$ 1.58	\$ 1.58	\$	1.58	\$	1.58	\$ 1.80	\$ 1.80	\$ 3.31	\$ 3.31
	over 20kG	Out	\$ 2.20	\$ 2.64	\$ 3.17	\$ 3.17	\$	3.17	\$	3.17	\$ 3.60	\$ 3.60	\$ 6.62	\$ 6.62
	Monthly Base Rate	In	\$ 16.21	\$ 19.45	\$ 23.34	\$ 23.34	\$	23.34	\$	23.34	\$ 23.34	\$ 23.34	\$ 26.56	\$ 26.83
	(3kG)	Out	\$ 38.14	\$ 45.77	\$ 54.92	\$ 54.92	\$	54.92	\$	54.92	\$ 54.92	\$ 54.92	\$ 53.12	\$ 53.65
Sewer	Rate per 1kG for	In	\$ 5.89	\$ 7.07	\$ 8.48	\$ 8.48	\$	8.48	\$	8.48	\$ 8.48	\$ 8.48	\$ 8.48	\$ 8.57
Sewei	next 17 kG	Out	\$ 11.78	\$ 14.14	\$ 16.97	\$ 16.97	\$	16.97	\$	16.97	\$ 16.97	\$ 16.97	\$ 16.97	\$ 17.14
	Rate per 1kG for	In	\$ 4.82	\$ 5.78	\$ 6.94	\$ 6.94	\$	6.94	\$	6.94	\$ 6.94	\$ 6.94	\$ 6.94	\$ 7.01
	over 20kG	Out	\$ 8.20	\$ 9.84	\$ 11.81	\$ 11.81	\$	11.81	\$	11.81	\$ 11.81	\$ 11.81	\$ 13.88	\$ 14.02
Stormwater	Monthly Base Rate	In	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$	2.00	\$	2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
Stormwater	(Rate Per ERU)	In	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$	2.00	\$	2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00

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

Fiscal Year	Population (1)	Hou	Median sehold income (1)	Per	Per Capita rsonal Income (2)	County School Enrollment (3)	County Unemployment Rate Percentage (4)
2007	8,192	\$	57,217	\$	30,178	22,609	5.1
2008	8,586	\$	60,021	\$	31,410	22,994	6.5
2009	8,949	\$	63,322	\$	31,439	23,235	10.3
2010	9,154	\$	64,942	\$	32,294	23,022	10.1
2011	9,339	\$	66,306	\$	32,972	23,267	10.8
2012	9,355	\$	62,923	\$	26,399	23,386	10.6
2013	9,471	\$	66,447	\$	27,877	23,495	9.6
2014	9,506	\$	69,437	\$	29,132	23,852	6.9
2015	9,511	\$	57,220	\$	26,865	23,511	5.5
2016	9,464	\$	58,801	\$	27,309	23,348	5.5

### Sources:

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

# Town of Winterville, North Carolina Principal Employers June 30, 2016 Table 17

			Percentage of Total Town
Employer	Employees	Rank	Employment
Roberts Company	600	1	6.71%
Pitt Community College	476	2	5.32%
Pitt County Schools	182	3	2.04%
North Carolina Driving School	170	4	1.90%
Sam's Club	160	5	1.79%
Regional Acceptance Corporation	148	6	1.65%
Chik-fil-A	92	7	1.03%
ONLINE Information Services, Inc.	87	8	0.97%
Winterville Machine Works	60	9	0.67%
Town of Winterville	58	10	0.65%
Total	2,033		22.73%

Source: Staff contact with employers.

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Central government										
Administration	1	3	2	3	2	1	2	4	5	5
Finance	5	7	6	6	6	6	6	6	6	6
Town Clerk	1	1	1	1	0	1	1	1	1	1
Planning	2	3	4	4	3	2	3	1	1	1
Inspections	N/A	2	2	2						
Transportation										
Streets and Highways	5	5	4	4.5	3.5	3.5	3.5	6	6	5
Public Safety										
Sworn Officers	17	20	19	20	19	18	18	19	19	19
Civilians	1.5	1.5	1.5	1	1.5	1.5	1	1	1	1
Fire	0	0	0	0	0	0	1	1	1	1
Refuse collection	5	5	4	4.5	3.5	3.5	3.5	3.5	4	4
Economic and physical development	0	0	0	0	0	0	0	0	0	1
Cultural and recreation	3	3	4	5	5	3	4	4	4	4
Operation Support / IT		1	3	3	2	2	2	1	1	0
Electric operations	12	14	13	11	10	8.5	9	10.5	9.5	9
Water	6	5	5	5	4	3	4	3	3	3
Sewer	3	3	3	3	3	3	2	2	2	2
Information Technology	0	0	1	2	2	2	2	2	2	0
TOTAL	61.5	71.5	70.5	73	64.5	58	62	67	67.5	64

Source: Town Human Resource Department

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Physical arrests	N/A	N/A	N/A	223	363	330	333	217	254	269
Traffic Violations	N/A	N/A	N/A	4,761	3,313	4,407	3,959	3,942	2,945	3,707
Fire										
Number of calls answered	N/A	N/A	N/A	512	426	384	380	360	560	600
Inspections	N/A	N/A	N/A	N/A	N/A	382	230	N/A	318	520
Building Inspections										
New construction permits	N/A	N/A	N/A	39	29	30	26	101	126	98
Highways and Streets										
Street Resurfacing	N/A	N/A	N/A	1	4	-	8	-	3	8
Potholes Repaired	N/A	N/A	N/A	57	65	12	75	50	30	50
Sanitation										
Refuse collected (tons/day)	N/A	N/A	N/A	7	10	7	7	6	6	7
Recyclables collected (tons/day)	N/A	N/A	N/A	2	3	2	2	2	2	2
Culture and Recreation										
Athletic field permits issued	N/A	N/A	N/A	47	3	-	-	-	-	-
Community center admissions	N/A	N/A	N/A	52	N/A	N/A	N/A	N/A	N/A	N/A
Water										
New Connections	N/A	N/A	N/A	23	25	27	11	63	62	75
Water main breaks	N/A	N/A	N/A	2	-	-	-	1	1	1
Average daily consumption										
(millions of gallons)	N/A	N/A	N/A	601,524	605,429	581,787	545,666	531,679	528,227	540,595
Number of customers	N/A	N/A	N/A	3,753	3,778	3,764	3,775	3,838	3,900	3,975
Wastewater										
New Connections Average daily sewage treatment	N/A	N/A	N/A	23	23	23	18	62	80	79
(millions of gallons)	N/A	N/A	N/A	536,067	538,832	558,949	495,300	489,636	493,172	506,912
Number of customers	N/A	N/A	N/A	3,413	3,436	3,432	3,450	3,512	3,592	3,671

Source: Various departments

Notes: (1) Operating indicators by function for 2007-2009 were not readily available for statement purposes.

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	N/A	N/A	19	19	19	19	19	19	19	19
Fire Stations	1	1	1	1	1	1	1	1	1	1
Sanitation										
Collection Trucks	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Highways and Streets										
Streets (miles)	N/A	N/A	41.77	42.23	42.91	42.24	43.66	43.66	43.92	44.35
Highways (miles)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Streetlights	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Traffic signals	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3	3	3
Parks and Recreation										
Park Acreage	N/A	N/A	24	30	30	30	30	30	30	30
Tennis Court	N/A	N/A	0	2	2	2	2	2	2	2
Playgrounds	N/A	N/A	3	3	3	3	3	3	3	3
Baseball/Softball Diamonds	N/A	N/A	4	5	6	6	6	6	6	6
Soccer/football	N/A	N/A	3	3	3	3	3	3	3	3
Community Centers	N/A	N/A	0	0	0	0	0	0	0	0
Water										
Water Mains (miles)	N/A	N/A	59	59	63.63	63.82	63.82	64	64	64
Fire Hydrants	N/A	N/A	305	305	383	384	384	384	395	416
Wastewater										
Sanitary sewers (miles)	N/A	N/A	55	55	60.74	61.22	61.22	61.22	61.22	62
Storm water pipe	N/A	N/A	33.3	33.3	33	33.28	33.28	38	38	38

Source: Various Town Departments.

Notes: (1) Capital Asset indicators for 2007-2008 were not readily available for statement preparation.

(2) The Town of Winterville does not treat its own Waste water; it is sent to CMSD which has a capacity of 3.5 million gallons per day.



### **COMPLIANCE SECTION**





Carr, Riggs & Ingram, LLC 127 West Boulevard Williamston, North Carolina 27892

Mailing Address: P.O. Box 869 Williamston, North Carolina 27892-0869

(252) 792-6081 (252) 792-8218 (fax) www.cricpa.com

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Winterville, North Carolina as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Winterville, North Carolina's basic financial statements, and have issued our report thereon dated January 5, 2017.

### **Internal Control Over Financial Reporting**

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

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. 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.

Town of Winterville, North Carolina Page 2

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. [16-01] and [16-02]

### **Compliance and Other Matters**

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

### Town of Winterville's Response to Findings

The Town of Winterville, North Carolina's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Winterville, North Carolina's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

Carr, Riggs & Ingram, LLC

Williamston, North Carolina January 5, 2017

Can Rigge & Ingram, L.L.C.

Town of Winterville, North Carolina Schedule of Findings and Responses For the Fiscal Year Ended June 30, 2016

### **SIGNIFICANT DEFICIENCIES**

### 16-01 Prior Period Adjustment

Criteria: A prior period adjustment in the amount of \$22,408 was necessary to the beginning net position of the Sewer Fund and the Business-type Activities.

Condition: During the 2015 fiscal year, an accounts payable amount was reversed twice in the Sewer Fund.

Effect: The Sewer Fund's and the Business-type Activities' net position was overstated by \$22,408.

Cause: Staff error.

Recommendation: The Town should take care in reversing year end accounts payable and reconciling the accounts payable per the general ledger with the accounts payable listing.

View of Responsible Officials and Planned Corrective Actions: Management will ensure that staff is better trained and will establish a better review process for reversing all prior year journal entries.

### Town of Winterville, North Carolina Schedule of Findings and Responses For the Fiscal Year Ended June 30, 2016

### **SIGNIFICANT DEFICIENCIES**

### 16-02 General Computer Controls

Criteria: The Town outsources its information technology (IT) department to VC3 which hosts the Town's accounting software. Also, VC3 outsources offsite back-up and disaster recovery services to TierPoint, LLC and its intrusion detections and security monitoring services to Alert Logic, Inc.

Condition: VC3 does not have a SOC 2 Type II Report; therefore no tests of operating effectiveness of VC3's internal controls have been performed by VC3's auditors. VC3's auditors have also not performed procedures regarding the operating effectiveness of the subservice organizations controls. The subservice organizations have SOC reports available, but have not been requested by the Town. Therefore, no understanding of operating effectiveness over the subservice organizations has been performed by VC3's auditors or by the Town.

Effect: An increased risk exists over the integrity, security, availability and processing of data due to a lack of monitoring/controls over data handled by third-parties.

Cause: VC3 does not engage with its auditors to test the operating effectiveness of its controls, nor the controls of TierPoint, LLC or Alert Logic, Inc. The Town does not monitor the services provided by its IT service provider.

Recommendation: We recommend the Town request a SOC 2 Type II Report from VC3 and gain an understanding of the IT controls at TierPoint, LLC and Alert Logic, Inc. If SOC 2 Type II reports are not available, we recommend the Town take actions to periodically monitor the services (such as tests of back-up recovery procedures, penetration testing, etc.) to be provided by VC3 and its subservice organizations.

View of Responsible Officials and Planned Corrective Actions: Management will work with the contract IT company (VC3) to determine if VC3 can provide the Town with a SOC 2 Type II report. For subservice organizations working for the primary contractor, the Town will request a SOC report, if available. If a SOC 2 Type II report is not available, the Town will make requests of the contractor documentation to provide evidence that services are being performed as contracted.