

**TOWN OF AYDEN
NORTH CAROLINA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013

**MARTIN ♦ STARNES
& ASSOCIATES, CPAs, P.A.**

"A Professional Association of Certified Public Accountants and Management Consultants"

TOWN OF AYDEN

AYDEN, NORTH CAROLINA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013

Prepared by: Finance Department
Finance Officer: Christopher M. Tucker

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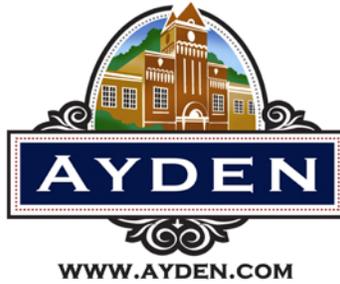
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INTRODUCTORY SECTION

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November 21, 2013

To the Honorable Mayor, Board of Commissioners, and Citizens of the Town of Ayden, NC:

State law requires that each unit of local government shall have its accounts audited after the close of each fiscal year by a certified public accountant. This report is published to fulfill that requirement for the fiscal year ended June 30, 2013.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Town's financial statements have been audited by Martin Starnes & Associates, CPAs, P.A., a firm of certified public accountants. All disclosures necessary for the reader to gain an understanding of the Town's financial affairs are included. An examination of the financial data together with an evaluation of its presentation, allowed the independent auditors to conclude with an unmodified opinion that the financial statements present fairly in conformity with GAAP, in all material respects, the financial position and activities of all Town funds. The Independent Auditor's Report may be viewed in the first component of the financial section of this report.

Management's 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. MD&A complements this letter of transmittal and should be read in conjunction with it.

The Town is required to undergo an annual single audit in conformance with the provisions of the Single Audit Act of 1984, U. S. Office of Management and Budget Circular A-133, Audits of State and Local Governments, and the State Single Audit Implementation Act. Information related to this single audit, including the schedule of financial assistance and auditors' reports on the regulations are included in the single audit section of this report. The single audit section includes the independent Certified Public Accountants' reports on internal control and compliance with laws and regulations. Other schedules and exhibits necessary to satisfy the requirements of the single audit regulations are also included in this section.

PROFILE OF THE GOVERNMENT

The Town of Ayden, incorporated in 1891, is the third largest municipality in Pitt County. With a population of 4,972, it encompasses a 3.11 square mile area near the Hwy 11 and NC 102 corridor. Ayden is approximately 11 miles south of Greenville, now one of the largest metropolitan centers in eastern North Carolina with a population of 85,059. The Town is

approximately 16 miles north of Kinston, home to the NC Global Trans-Park, which has a population of 21,577. The total population of Pitt County is 170,263. Topography is from relatively flat to gently rolling, facilitating easy development. Ayden's population has grown about 7% since 2003.

The Town has a Council-Manager form of government. The Town Board of Commissioners is comprised of 5 council members who represent wards, but who are elected at large, and a Mayor elected at large by the citizenry. All terms post-2013 will be four years with the terms becoming staggered. The Town Board is the legally constituted law-making and policy-making body for the Town of Ayden. The major duties of the Town Board include appointment of the Town Manager, adoption of an annual budget, establishment of the annual property tax, enactment of policies concerning the operation of the Town, enactment of local ordinances and appointment of Town officials and members of various boards and commissions. The Town Council also has authority to call bond referendums, enter into contracts, and establish new programs and departments.

The Town Manager is the chief administrator of the Town. He is appointed by the Town Board and serves at the Board's discretion under a contracted term. The major duties of the Town Manager include coordinating and supervising the activities of Town departments and functions, attending Town Board meetings and making recommendations on appropriate matters of business, ascertaining that all orders and policies of the Board are carried out, recommending the annual budget and advising the Board on the financial condition of the Town, and representing the Town in business with other agencies.

The Town provides a full range of services to its citizens. These services include police and fire protection, refuse collection, street maintenance, planning and zoning, community development, cemeteries, library, parks and recreation, and general administrative services. The Town owns and operates its own electric system on an enterprise fund basis, and is part owner in the North Carolina Eastern Municipal Power Agency (NCEMPA) and a member of Electricities. The Town also owns and operates its own water infrastructure system, which distributes treated groundwater from wells and surface water treated by the Neuse Regional Water and Sewer Authority (NRWASA), of which Ayden is one of eight member entities with voting power. In addition, The Town also owns and operates its own wastewater infrastructure system, which collects and transfers waste to the Contentnea Metropolitan Sewerage District (CMSD), of which Ayden is one of three member entities with voting power. The Water and Sewer systems are accounted for together as a single enterprise fund.

The Ayden Police Department includes 18 full-time sworn officer positions and 4 dispatchers and is led by a Police Chief. Fire protection is administered by the Town's volunteer fire department and mutual aid agreements with other Pitt County fire departments. The Town is served by the Ayden EMS for emergency medical service.

The Board of Commissioners is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the Town of Ayden's financial planning and control. The budget is prepared by fund, and department (e.g. Administration, Police). The Budget Officer (Town Manager) may transfer resources within a department as they see fit. Transfers between departments may not exceed ten percent of the department being lowered; otherwise special approval from the governing board is required. Interfund transfers and use of contingency also require Board approval.

LOCAL ECONOMY

Agriculture and manufacturing are still a large part of the economic base in Pitt County. Cotton and tobacco continue to be major contributors to agricultural income. Ayden boasts one of North Carolina's most modern gins in Growers Gin. Other agricultural and manufacturing employers in the immediate Ayden area are Weyerhaeuser, CMI Plastics, Inc., Carolina Classics Catfish, Harvest Time Foods, and Rex Smith Farms. Other large employers in Ayden include the Town of Ayden, Minges Bottling Group, and Ayden Court Nursing Home.

Major employers in Pitt County include Vidant Medical Center (formerly Pitt County Memorial Hospital), East Carolina University, Pitt County Government, City of Greenville, Metrics, NAACO, Grady-White Boats, and DSM Pharmaceuticals. Kinston possesses several medium size industries.

Main north-south highway arteries serving Ayden are Hwy 11 and Old NC 11. The main east-west highway is NC 102. Ayden's railway system is served by the CSX Transportation Railroad and a number of certified motor freight carriers.

Ayden is the home of the annual Ayden Collard Festival. In 2007, the NC General Assembly recognized the Ayden Collard Festival as North Carolina's Official Collard Festival. This year marked the 39th festival in Ayden. Over 10,000 people visit the week-long Collard Festival and participate in many activities, which include a scholarship pageant, live musical entertainment, arts and crafts, various vendors, and a parade followed by the Collard Eating Contest. The Town works cooperatively with the non-profit Collard Festival Committee to carry out festival activities each year. Planning for the event is a 10-month effort.

Ayden is the beneficiary of progressive and effective elected and appointed leadership. This human factor is the Town's greatest asset at the present time. The Town has found itself positioned for improvement and growth in the coming years mainly due to its physical location. Other attributes of the Town that contribute to its prospect for improvement and growth include a Chamber of Commerce, an active downtown business district, an active Arts & Recreation Board, and a very involved Planning Board. These efforts have provided for quality design of well planned new residential and commercial developments that been approved by the Town in recent years.

The Town of Ayden, the Ayden Chamber of Commerce, and various community leaders continue working in conjunction with the Pitt County Development Commission to promote industrial development in the Ayden area. Ayden currently has two complete-utility industrial parks in which space and infrastructure is in place so that growth may occur. The Worthington Industrial Park is the current site of several small industries, and has space and opportunities available. The second of two industrial parks is the Minges Corporate Park where the Minges Bottling Plant and CMI Plastics, Inc. are located. These industrial sites have the Town prepared for growth in the future due to available land and the existing infrastructure.

Ayden has experienced steady low growth throughout its history, keeping in line with the county urbanization trends in recent years. The development boom on the south side of Greenville and Winterville continues to push construction activity toward Ayden. The Town is receiving a growing number of inquiries about a variety of development projects. An intensive effort to revitalize Ayden's economic status has resulted in the completion of many public and private projects.

Ayden has ample water and electrical capacity to support substantial growth and has focused recent efforts on assuring adequate sewer capacity for future growth as well. In conjunction with the neighboring communities of Winterville and Grifton, a natural gas line along the Hwy 11 corridor through Ayden has helped to support and encourage industrial development.

Ayden is a "Public Power" community and NCEMPA/Electricities participant. Ayden purchases its power wholesale from the agency, and sells it retail to Ayden customers. The customer base is approximately 4,000. The system encompasses approximately 141 miles of service line and its average peak demand is 17 megawatts. The Town has successfully implemented a peak shaving generation project in conjunction with the major industries on the electrical system. NCEMPA has identified attaining more competitive power rates and paying down debt as its top priorities. However, with the rising costs of non-renewable energy resources, wholesale rates continue to be monitored. A rate increase for Ayden's citizenry and businesses was last adopted for the 2010-2011 fiscal year.

The Town's water and wastewater infrastructure system is in good condition, and includes approximately 60 miles of water lines. The average daily water use is approximately 525,000 gallons. The water treatment capacity of Ayden's four deep wells is approximately 1.20 million gallons daily. Ayden, Winterville, and Grifton jointly own and operate the CMSD wastewater treatment plant, located in Grifton. The plant has made improvements over the last several years to address phosphorus removal mandates and reduce inflow and infiltration. The plant capacity is 2.85 million gallons daily, and the average daily flow is 1.58 MGD. In recent years, projects were undertaken to replace identified sewer lines that will ultimately extend the useful life of the CMSD and potentially delay the need for a plant expansion. The towns and the district have also recently begun phase one of a significant improvements project funded by several agencies dedicated to replacing failing wastewater infrastructure and making improvements to the efficiency of its operations. Ayden's water and sewer customer base is approximately 2,330 and 2,010, respectively.

The Town's water/sewer rates are comparative with neighboring municipalities and rural water systems, as well as regional and statewide. The Town evaluates its rate structure each fiscal year to determine how the Town can best prepare for the various water and sewer related costs and needs that are present as well as on the horizon. Expenses that the Town must consider each year include the cost of purchasing water from NRWASA, the Town's share of CMSD operations, debt service from its water and wastewater improvements project, and the always existing maintenance and repairs to its current infrastructure and equipment. Results of the evaluation are reviewed with the Board of Commissioners and any changes are implemented in the current fiscal year budget ordinance. A rate increase was last adopted for the 2012-2013 fiscal year.

LONG-TERM FINANCIAL PLANNING

The General Statutes of North Carolina provide that net debt may not exceed 8% of the present market value of taxable property as certified by the county tax assessor. This provision, when compared to the net debt of the Town, provides a legal debt margin for the Town at June 30, 2013 of \$12,399,400.

As part of the Town's Recreation master plan, the Board of Commissioners approved and executed the purchase of over 50 acres of land for developing a new park within the city limits to provide better recreation amenities to its citizenry. The land purchase provided matching funds towards a grant that will assist in the development of walking and riding trails, athletic fields, playgrounds, construction of picnic, and concession facilities. The Town chose to purchase the land using cash on hand and will not incur future interest payments. The Town will very likely incur significant additional operating costs to staff, operate, and maintain the facilities in future fiscal years.

In FYE 2007-08, in order to respond to aging water and wastewater infrastructure, the Town sought out and obtained financial assistance by means of grants and loans. The Town used the funding to complete a very significant infrastructure improvement project. Over \$7 million dollars in grant and loan monies were obtained from the US Department of Agriculture and the NC Division of Water Quality. These loans involved the pursuit of revenue bonds that have affected the rate obligations of the Town; but will allow the Town to provide sanitary sewer to the northwest and southeast portions of the community, including the Ayden Golf and Country Club and its surrounding residences. This water and wastewater improvements project is an example of the Town's desire to grow and include more citizens into its charming way of life.

In June 2005, the Town solidified a long-term agreement with the Neuse Regional Water and Sewer Authority (NRWASA) to purchase and provide treated surface water to its citizens in response to a mandated requirement to reduce its dependence on non-renewable aquifers. This agreement ensures Ayden has significant available water capacity as the NRWASA can serve 15 MGD. Purchasing water from the NRWASA means that Ayden has entered into a contract to purchase water; and that the cost of water for Ayden residents will coincide with the obligations necessary in order to treat and transport the water to Ayden.

RELEVANT FINANCIAL POLICIES

The Town did not establish any new or modify any existing policies during the fiscal year ending June 30, 2013. In its regularly scheduled Board meetings, the Town Board approved 9 ordinances that changed the Town's budget or fee schedule.

MAJOR INITIATIVES

The Town has completed construction on three major sidewalk projects using federal grant monies. The completed projects have brought the north and south ends of Town together, meeting in the central downtown district as well as provided sidewalk access for the areas around Third Street where the middle and elementary schools are, in order to provide greater and safer access for pedestrians.

The Board of Commissioners appointed 22 individuals to serve on a Comprehensive Plan Steering Committee. This committee met monthly and was charged with leading the effort to development a new comprehensive plan for the Ayden community. This comprehensive plan is a document that provides the long-term vision for how Ayden community will grow and operate. Typically, a comprehensive plan brings together all planning functions for the entire geographical and political jurisdiction for a long-range time perspective. The document "Ayden Community Vision 2030: Building on Our Heritage", can be used by citizens, businesses, elected officials, Town staff and visitors of our community alike. It can be found on the Ayden website, www.ayden.com, as well as our municipal offices.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Ayden for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2012. The Town has received twelve Certificates of Achievement (for fiscal years ending 1995-1998, 2000-2002, and 2008-2012). In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a comprehensive annual financial report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report could not have been accomplished without the efficient and dedicated efforts of management, the finance department staff, the various employees who assisted in obtaining information, and our independent Certified Public Accountants' Martin Starnes and Associates, CPAs, P.A. Staff would also like to thank the Mayor and Board of Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Ayden's finances.

With sincere personal regards, I remain...

Respectfully yours,

TOWN OF AYDEN

A handwritten signature in black ink, appearing to read "Chris Tucker". The signature is fluid and cursive, with the first name "Chris" being more prominent than the last name "Tucker".

Christopher M. Tucker
Finance Director

Town of Ayden, North Carolina

LIST OF PRINCIPAL OFFICIALS

Town Council

Mayor

Stephen W. Tripp

Commissioners

Donald Skinner (Mayor Pro-Tem)

Mary Alice Davenport

Gloria Dixon

John Hall

Ivory Mewborn

Town Manager

Adam G. Mitchell

Finance Officer

Christopher M. Tucker

Town Clerk

Sherri L. Scharf

Town Attorney

Phillip R. Dixon

Dixon Law Group PLLC



Government Finance Officers Association

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

Presented to

**Town of Ayden
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

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FINANCIAL SECTION

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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Town of Ayden, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ayden, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financials, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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.

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, each major fund, and the aggregate remaining fund information of the Town of Ayden, North Carolina, as of June 30, 2013, and the respective changes in financial position and its cash flows, where appropriate, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Required Supplementary Information, and the Other Post-Employment Benefit Schedules of Funding Progress and Schedules of Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statement, 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 assurance.

Supplementary and Other Information

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of the Town of Ayden, North Carolina, as a whole. The introductory section, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section and statistical section have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2013 on our consideration of the Town of Ayden's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of 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 the Town of Ayden's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 21, 2013

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TOWN OF AYDEN, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

As management of the Town of Ayden, we offer readers of the Town of Ayden's financial statements this narrative overview and analysis of the financial activities of the Town of Ayden for the fiscal year ended June 30, 2013. 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

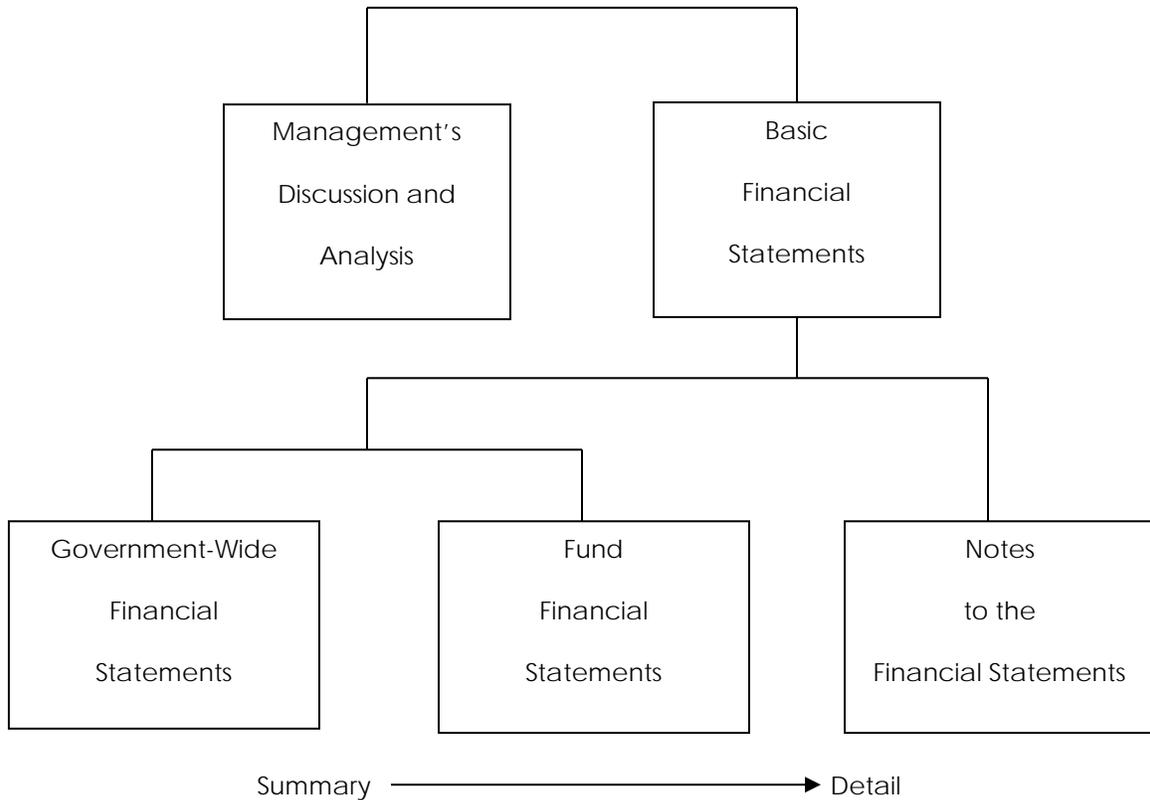
- The assets and deferred outflows of resources of the Town of Ayden exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$22,632,851 (*net position*).
- The Ayden Housing Authority is no longer reported as a component unit of the Town which required a prior period adjustment to the Town's prior year net position.
- The government's total net position decreased by \$144,987, primarily due to decreases in the business-type activities net position.
- At the close of the current fiscal year, the Town of Ayden's governmental funds reported combined ending fund balances of \$2,357,022 with a negative change of \$29,389 in fund balance. Approximately 29.68 percent of this total amount, or \$699,641, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,631,837, or 38.3 percent, of total General Fund expenditures for the fiscal year.
- The Town of Ayden experienced abnormal weather conditions during the fiscal year resulting in increased revenues from utility charges and even greater increased expenses from wholesale power purchased. The net effect of the change in conditions along with a transfer out and depreciation of assets was a negative change in net position for the Electric Enterprise Fund of \$480,123.
- The Town of Ayden's total debt principal increased by \$202,179 (4.0%) during the current fiscal year. The key factor in this increase was the borrowing of \$410,000 for a fire/rescue equipment truck.
- The Town of Ayden's total bonded debt at the end of the fiscal year was \$2,839,000. The Town's total debt obligation at the end of the fiscal year was \$5,254,680.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Ayden'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 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 Ayden.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) 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 C through I) 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 four parts to the fund financial statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary 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'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 a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and 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 three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and electric services offered by the Town of Ayden. The final category is the component unit.

The government-wide financial statements are Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements (see 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 Ayden, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Ayden can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

Proprietary Funds – The Town of Ayden has only one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Ayden uses enterprise funds to account for its water and sewer activity and for its electric 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 24 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 Ayden’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 54 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

Town of Ayden’s Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 3,032,499	\$ 2,884,298	\$ 8,899,017	\$ 10,457,539	\$ 11,931,516	\$ 13,341,837
Capital assets	4,629,619	3,897,634	13,373,262	18,165,393	18,002,881	22,063,027
Total assets and deferred outflows of resources	7,662,118	6,781,932	22,272,279	28,622,932	29,934,397	35,404,864
Long-term liabilities outstanding	562,993	241,902	4,727,878	4,903,027	5,290,871	5,144,929
Other liabilities	653,200	445,767	1,355,452	1,390,141	2,008,652	1,835,908
Deferred inflows of resources	2,023	2,680	-	-	2,023	2,680
Total liabilities and deferred inflows of resources	1,218,216	690,349	6,083,330	6,293,168	7,301,546	6,983,517
Net position:						
Net investment in capital assets	4,174,459	3,809,354	8,573,742	13,201,172	12,748,201	17,010,526
Restricted	699,641	641,123	-	-	699,641	641,123
Unrestricted	1,569,802	1,641,106	7,615,207	9,128,592	9,185,009	10,769,698
Total net position	\$ 6,443,902	\$ 6,091,583	\$ 16,188,949	\$ 22,329,764	\$ 22,632,851	\$ 28,421,347

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 Ayden exceeded liabilities and deferred inflows by \$22,632,851 as of June 30, 2013. The Town’s net position decreased by \$5,788,496 for the fiscal year ended June 30, 2013. The removal of the Ayden Housing Authority from the Town’s net position is the source of the large reduction. The largest portion (56.33%) reflects the Town’s net investment in capital assets (e.g. land,

Management Discussion and Analysis
Town of Ayden

buildings, machinery, and equipment). The Town of Ayden uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Ayden's net investment in 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 Ayden's net position, \$699,641, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,185,009 is unrestricted.

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

- While there was continued diligence in the collection of property taxes, the current fiscal year's tax collection percentage was 93.17%. This fiscal year presented a unique scenario whereby certain property was annexed into the Town limits but collection could not begin until the next fiscal year as prescribed by State statute. Had the property tax been allowed to be collected in the current fiscal year, the collection rate is estimated to have been 96.89%, which is comparable to the statewide average of 97.42%.
- Removal of the component unit of the Ayden Housing Authority from the Town's financial statements has affected the Town's unrestricted net position by a reduction of approximately \$1,300,000.
- The acquisition of various capital using unrestricted net position (fund balance) of approximately \$267,000 for the purchase of a new sanitation truck, two new police vehicles, a hydraulic flatbed truck, and two pickup trucks.

Town of Ayden's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 666,499	\$ 552,219	\$ 14,926,181	\$ 15,704,084	\$ 15,592,680	\$ 16,256,303
Operating grants and contributions	270,092	508,673	-	-	270,092	508,673
Capital grants and contributions	252,637	164,806	77,976	829,867	330,613	994,673
General revenues:						
Property taxes	1,190,108	1,119,855	-	-	1,190,108	1,119,855
Other taxes	1,282,378	1,349,652	-	-	1,282,378	1,349,652
Other	71,408	-	848	3,631	72,256	3,631
Total revenues	<u>3,733,122</u>	<u>3,695,205</u>	<u>15,005,005</u>	<u>16,537,582</u>	<u>18,738,127</u>	<u>20,232,787</u>
Expenses:						
General government	743,600	666,360	-	-	743,600	666,360
Public safety	1,565,843	1,376,675	-	-	1,565,843	1,376,675
Transportation	661,647	522,395	-	-	661,647	522,395
Environmental protection	198,438	189,537	-	-	198,438	189,537
Economic and physical development	202,990	539,699	-	-	202,990	539,699
Cultural and recreation	421,874	373,905	-	-	421,874	373,905
Interest on long-term debt	4,176	6,123	-	-	4,176	6,123
Water and sewer	-	-	2,409,206	2,394,413	2,409,206	2,394,413
Electric	-	-	12,675,340	12,788,639	12,675,340	12,788,639
Ayden Housing Authority	-	-	-	1,607,646	-	1,607,646
Total expenses	<u>3,798,568</u>	<u>3,674,694</u>	<u>15,084,546</u>	<u>16,790,698</u>	<u>18,883,114</u>	<u>20,465,392</u>
Increase (decrease) in net position before transfers	(65,446)	20,511	(79,541)	(253,116)	(144,987)	(232,605)
Transfers	417,765	458,540	(417,765)	(458,540)	-	-
Increase in net position	<u>352,319</u>	<u>479,051</u>	<u>(497,306)</u>	<u>(711,656)</u>	<u>(144,987)</u>	<u>(232,605)</u>
Net position, July 1 (consolidated)	<u>6,091,583</u>	<u>5,612,532</u>	<u>22,329,764</u>	<u>23,041,420</u>	<u>28,421,347</u>	<u>28,653,952</u>
Prior period adjustment	-	-	(5,643,509)	-	(5,643,509)	-
Net position, July 1 (restated)	<u>6,091,583</u>	<u>5,612,532</u>	<u>16,686,255</u>	<u>23,041,420</u>	<u>22,777,838</u>	<u>28,653,952</u>
Net position, June 30	<u>\$ 6,443,902</u>	<u>\$ 6,091,583</u>	<u>\$ 16,188,949</u>	<u>\$ 22,329,764</u>	<u>\$ 22,632,851</u>	<u>\$ 28,421,347</u>

Governmental activities. Governmental activities increased the Town's net position by \$352,319, accounting for a 5.4% growth in the net position for these activities for the Town of Ayden. Key elements of this increase are as follows:

- Capital assets were purchased for the Public Safety and Sanitation functions for the Town.
- Tax revenues increased slightly after the scheduled county tax reevaluation.
- Sanitation revenues remained steady.
- New revenue source in effect with the billing of fire department emergency calls.

Business-type activities. Business-type activities decreased the Town of Ayden's restated net position by \$497,306, accounting for a 2.9% reduction in the net position for these activities for the Town of Ayden. Key elements of this decrease are as follows:

- As stated prior, the Town of Ayden experienced abnormal weather conditions during the fiscal year resulting in increased revenues from utility charges and even greater increased expenses from wholesale power purchased. The net effect of the change in conditions along with a transfer out and depreciation of assets was a negative change in net position for the Electric Enterprise Fund of \$480,123.
- The Town recognized a negative change in net position of \$17,183 in the Water Sewer Fund, primarily due to the depreciation costs of \$408,060 to the water system related to the capital projects completed in recent years. The funds operations resulted in \$90,902 surplus, revenues over expenditures.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Ayden. At the end of the current fiscal year, Town of Ayden's fund balance available in the General Fund was \$1,741,167, while total fund balance reached \$2,214,181. The governing body of the Town of Ayden has determined that the Town should maintain an available fund balance of 10% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 40.9% of General Fund expenditures, while total fund balance represents 52% of the same amount.

At June 30, 2013, the governmental funds of Town of Ayden reported a combined fund balance of \$2,357,022 with a net decrease in fund balance of \$29,389. Included in this change in fund balance are increases in fund balance in the General, Special Revenue, and Capital Projects Funds.

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

- Three amendments were made to the Town's General Fund budget. Two were made to accommodate capital purchases using Fund Balance Appropriated and one was to recognize donations to implement a canine patrol unit for public safety.
- Revenues were more than the budgeted amounts primarily due to conservative revenue estimates that coincided with holding expenditures in check to comply with its budgetary requirements.

Proprietary Funds. The Town of Ayden's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Electric Fund at the end of the fiscal year amounted to \$5,693,413, and for the Water Sewer Fund, \$1,921,794. The total change in unrestricted net position for the Electric Fund and the Water Sewer Fund was (\$298,859) and \$88,637, respectively. The change in unrestricted net position in the Electric Fund is a result of the small profits of the fund against the transfer to the General Fund. The change in unrestricted net position in the Water Sewer Fund is a result of the service charges exceeding operating costs.

Capital Asset and Debt Administration

Capital assets. The Town of Ayden's investment in capital assets for its governmental and business-type activities as of June 30, 2013, totals \$18,002,881 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Construction in progress for water and sewer capital assets of \$119,539
- Construction in progress of \$280,654 in governmental-type activities for the construction of the new District Park
- Capital additions: a new sanitation truck, two new police vehicles, a hydraulic flatbed truck, and two pickup trucks

**Town of Ayden's Capital Assets
(Net of depreciation)**

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 709,582	\$ 699,535	\$ 68,661	\$ 238,881	\$ 778,243	\$ 938,416
Construction in progress	301,154	20,500	119,539	-	420,693	20,500
Buildings and system	2,552,508	2,583,127	10,978,911	15,218,543	13,531,419	17,801,670
Equipment	137,558	176,971	1,736,300	2,026,512	1,873,858	2,203,483
Vehicles	928,817	417,501	469,851	681,457	1,398,668	1,098,958
Prior period adjustment	-	-	-	(4,340,346)	-	(4,340,346)
Total	\$ 4,629,619	\$ 3,897,634	\$ 13,373,262	\$ 13,825,047	\$ 18,002,881	\$ 17,722,681

Additional information on the Town's capital assets can be found in Note III.A.4 of the Basic Financial Statements.

Long-Term Debt. At the end of the current fiscal year, the Town of Ayden had total bonded debt outstanding of \$2,839,000, all of which represents bonds secured solely by specified revenue sources (i.e. revenue bonds). The Town does not comprise any debt backed by the full faith and credit of the government (i.e. general obligation bonds) or special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment.

**Town of Ayden's Outstanding Debt
Bonds and Installment Financing**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Revenue bonds	\$ -	\$ -	\$ 2,839,000	\$ 2,873,000	\$ 2,839,000	\$ 2,873,000
Installment financing	455,160	88,280	1,960,520	2,091,221	2,415,680	2,179,501
Total	\$ 455,160	\$ 88,280	\$ 4,799,520	\$ 4,964,221	\$ 5,254,680	\$ 5,052,501

Town of Ayden's Outstanding Debt

The Town of Ayden's total debt increased by \$202,179 (4.0%) during the past fiscal year, primarily due to the addition of \$410,000 in installment financing issued for a new fire equipment truck netted against current debt retirement.

The Town of Ayden maintains a rating of 78 by the North Carolina Municipal Advisory Council, which is equivalent to Baa/BBB rating by conventional bond rating agencies.

North Carolina General Statutes limit the amount of debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt limit for Town of Ayden is \$17,654,080, of which the Town has issued \$5,254,680, or 29.76 percent, of its limitation.

Additional information regarding the Town of Ayden's long-term debt can be found in Note III.B.6 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town of Ayden is presumably in line with that of Pitt County. Pitt County's unemployment rate is currently 10.6 percent, which is a decrease from a rate of 9.5 percent a year ago. This compares slightly unfavorable to the State's average unemployment rate of 9.3 percent and the national average rate of 7.6 percent.
- Inflation and cost of living trends in the region compare similarly to national indices.
- Interest on investments is currently paying at rates between 0.05 percent and 0.15 percent.
- Residential and commercial development has entered into a soft market on the heels of the economic downturn. Ayden is experiencing limited residential and commercial growth allowing for marginal increases in tax base and additional utility revenues. The Town of Ayden continues to have new residential subdivisions (a total of 9) and commercial prospects ready for construction.

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Town of Ayden

- Two annexations took effect on September 1, 2009 with a third that took effect in January 2013. Two additional annexations will take effect in 2014 and 2015. These annexations will provide for additional tax and utility revenues as well as considerable residential and commercial growth potential.
- Two industrial parks, complete with electric, gas, water, and sewer utilities, remain available for new business and the creation of jobs.

All of these factors were considered in preparing the Town of Ayden's budget for the 2013-2014 fiscal year.

At the end of the current fiscal year, unassigned fund balance in the General Fund was \$1,631,837. The Town of Ayden has appropriated \$376,000 of this amount for spending in the 2013-2014 fiscal year budget. It is intended that this use of available fund balance along with sales and use tax, franchise tax, other miscellaneous revenues, and certain charges to the electric fund will avoid the need to raise taxes or rates for services.

Utility rates all remained the same for the 2013-2014 budget year. Operating expenses for enterprise funds were established factoring the expected resources generated by revenues similar to the prior year rate structure. It is anticipated that consumer usage of electricity and water will remain flat for a consecutive year due to economic conditions, projected weather conditions, and a better understanding by the public as to the impact that usage has on utility bill charges.

The Cost of living of 1.5% is included in the 2013-2014 budget. Other employee benefits were not altered for the fiscal year. Overall departmental expenses were budgeted with marginal growth factoring several objectives established by the governing board during their annual goals planning session. The Town of Ayden's outlook for the 2013-2014 fiscal year can best be described as stable considering the current economic climate.

Requests for Information

This financial report is designed to provide a general overview of the Town of Ayden's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Town Manager, Town of Ayden, P.O. Box 219, Ayden, NC, 28513.

BASIC FINANCIAL STATEMENTS

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TOWN OF AYDEN, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 2,287,311	\$ 6,708,247	\$ 8,995,558
Taxes receivable, net	112,255	-	112,255
Accounts receivable, net	66,764	1,994,884	2,061,648
Due from other governments	508,951	1,747	510,698
Inventories	-	45,718	45,718
Restricted assets:			
Cash and cash equivalents	57,218	148,421	205,639
Total current assets	<u>3,032,499</u>	<u>8,899,017</u>	<u>11,931,516</u>
Non-current assets:			
Capital assets:			
Land and other non-depreciable capital assets	1,010,736	188,200	1,198,936
Other capital assets, net	<u>3,618,883</u>	<u>13,185,062</u>	<u>16,803,945</u>
Total non-current assets	<u>4,629,619</u>	<u>13,373,262</u>	<u>18,002,881</u>
Total assets	<u>7,662,118</u>	<u>22,272,279</u>	<u>29,934,397</u>
Liabilities:			
Current liabilities:			
Accounts payable	458,498	1,008,391	1,466,889
Liabilities to be paid from restricted assets	-	148,421	148,421
Current portion of compensated absences	83,908	31,939	115,847
Current portion of long-term liabilities	<u>110,794</u>	<u>166,701</u>	<u>277,495</u>
Total current liabilities	<u>653,200</u>	<u>1,355,452</u>	<u>2,008,652</u>
Long-term liabilities:			
Non-current portion of compensated absences	83,908	31,940	115,848
Due in more than one year	<u>479,085</u>	<u>4,695,938</u>	<u>5,175,023</u>
Total long-term liabilities	<u>562,993</u>	<u>4,727,878</u>	<u>5,290,871</u>
Total liabilities	<u>1,216,193</u>	<u>6,083,330</u>	<u>7,299,523</u>
Deferred Inflows of Resources:			
Prepaid taxes	<u>2,023</u>	-	<u>2,023</u>
Net Position:			
Net investment in capital assets	4,174,459	8,573,742	12,748,201
Restricted for stabilization by state statute	499,582	-	499,582
Restricted:			
Streets	57,218	-	57,218
Cultural and recreational	142,479	-	142,479
Public safety	362	-	362
Unrestricted	<u>1,569,802</u>	<u>7,615,207</u>	<u>9,185,009</u>
Total net position	<u>\$ 6,443,902</u>	<u>\$ 16,188,949</u>	<u>\$ 22,632,851</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF AYDEN, NORTH CAROLINA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 743,600	\$ 154,523	\$ 32,055	\$ -
Public safety	1,565,843	187,220	33,037	-
Transportation	661,647	-	-	252,637
Environmental protection	198,438	298,668	-	-
Economic and physical development	202,990	650	-	-
Cultural and recreational	421,874	25,438	205,000	-
Interest on long-term debt	4,176	-	-	-
Total governmental activities	<u>3,798,568</u>	<u>666,499</u>	<u>270,092</u>	<u>252,637</u>
Business-Type Activities:				
Electric	12,675,340	12,612,648	-	-
Water and sewer	2,409,206	2,313,533	-	77,976
Total business-type activities	<u>15,084,546</u>	<u>14,926,181</u>	<u>-</u>	<u>77,976</u>
Total primary government	<u>\$ 18,883,114</u>	<u>\$ 15,592,680</u>	<u>\$ 270,092</u>	<u>\$ 330,613</u>

General Revenues:

Property taxes, levied for general purposes
 Local option sales taxes
 Other taxes and licenses
 Franchise taxes
 Interest earned on investments
 Total general revenues before transfers

Transfers

Total general revenues and transfers

Change in net position

Net Position:

Net position, beginning as previously reported
 Prior Period Adjustment
 Net position, beginning, restated

End of year - June 30

The accompanying notes are an integral part of the financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (557,022)	\$ -	\$ (557,022)
(1,345,586)	-	(1,345,586)
(409,010)	-	(409,010)
100,230	-	100,230
(202,340)	-	(202,340)
(191,436)	-	(191,436)
(4,176)	-	(4,176)
<u>(2,609,340)</u>	<u>-</u>	<u>(2,609,340)</u>
-	(62,692)	(62,692)
-	(17,697)	(17,697)
<u>-</u>	<u>(80,389)</u>	<u>(80,389)</u>
<u>(2,609,340)</u>	<u>(80,389)</u>	<u>(2,689,729)</u>
1,190,108	-	1,190,108
859,168	-	859,168
59,295	-	59,295
423,210	-	423,210
12,113	848	12,961
<u>2,543,894</u>	<u>848</u>	<u>2,544,742</u>
<u>417,765</u>	<u>(417,765)</u>	<u>-</u>
<u>2,961,659</u>	<u>(416,917)</u>	<u>2,544,742</u>
352,319	(497,306)	(144,987)
6,091,583	22,329,764	28,421,347
-	(5,643,509)	(5,643,509)
<u>6,091,583</u>	<u>16,686,255</u>	<u>22,777,838</u>
<u>\$ 6,443,902</u>	<u>\$ 16,188,949</u>	<u>\$ 22,632,851</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF AYDEN, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 2,144,470	\$ 142,841	\$ 2,287,311
Taxes receivable, net	112,255	-	112,255
Accounts receivable, net	66,764	-	66,764
Due from other funds	26,568	-	26,568
Due from other governments	482,383	26,568	508,951
Restricted cash and cash equivalents	57,218	-	57,218
Total assets	<u>\$ 2,889,658</u>	<u>\$ 169,409</u>	<u>\$ 3,059,067</u>
Liabilities:			
Accounts payable and accrued liabilities	\$ 458,498	\$ -	\$ 458,498
Due to other funds	-	26,568	26,568
Total liabilities	<u>458,498</u>	<u>26,568</u>	<u>485,066</u>
Deferred Inflows of Resources:			
Property taxes receivable	112,255	-	112,255
Unavailable revenue	102,701	-	102,701
Prepaid taxes	2,023	-	2,023
Total deferred inflows of resources	<u>216,979</u>	<u>-</u>	<u>216,979</u>
Fund Balances:			
Restricted for stabilization by State statute	473,014	26,568	499,582
Restricted:			
Streets	57,218	-	57,218
Cultural and recreational	-	142,479	142,479
Public safety	-	362	362
Committed for public safety	52,112	-	52,112
Unassigned	1,631,837	(26,568)	1,605,269
Total fund balances	<u>2,214,181</u>	<u>142,841</u>	<u>2,357,022</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,889,658</u>	<u>\$ 169,409</u>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

4,629,619

Long-term debt and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.

(757,695)

Liabilities for earned revenues considered deferred inflows of resources in fund statements.

214,956

Net position of governmental activities (Exhibit A)

\$ 6,443,902

The accompanying notes are an integral part of the financial statements.

TOWN OF AYDEN, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 1,154,160	\$ -	\$ 1,154,160
Local option sales taxes	857,549	1,619	859,168
Unrestricted intergovernmental	482,505	-	482,505
Restricted intergovernmental	215,556	307,173	522,729
Permits and fees	22,335	-	22,335
Sales and services	504,501	-	504,501
Interest earned on investments	12,095	18	12,113
Miscellaneous	138,846	816	139,662
Total revenues	<u>3,387,547</u>	<u>309,626</u>	<u>3,697,173</u>
Expenditures:			
Current:			
General government	705,907	-	705,907
Public safety	1,911,007	800	1,911,807
Transportation	719,406	-	719,406
Environmental protection	298,724	-	298,724
Economic and physical development	175,398	-	175,398
Cultural and recreational	404,288	291,501	695,789
Debt service:			
Principal repayments	43,120	-	43,120
Interest and fees	4,176	-	4,176
Total expenditures	<u>4,262,026</u>	<u>292,301</u>	<u>4,554,327</u>
Revenues over (under) expenditures	<u>(874,479)</u>	<u>17,325</u>	<u>(857,154)</u>
Other Financing Sources (Uses):			
Long-term debt issued	410,000	-	410,000
Transfers from other funds	417,765	-	417,765
Total other financing sources (uses)	<u>827,765</u>	<u>-</u>	<u>827,765</u>
Net change in fund balances	(46,714)	17,325	(29,389)
Fund Balances:			
Beginning of year - July 1	<u>2,260,895</u>	<u>125,516</u>	<u>2,386,411</u>
End of year - June 30	<u>\$ 2,214,181</u>	<u>\$ 142,841</u>	<u>\$ 2,357,022</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF AYDEN, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Net change in fund balances - total governmental funds (Exhibit D) \$ (29,389)

Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected or is expected to be collected within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:

Property taxes 35,948

Expenses related to compensated absences, other post-employment benefits, and unfunded pension obligations that do not require current financial resources are not reported as expenditures in the governmental funds statement. (19,345)

Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets. 1,022,326

Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement. (290,341)

Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities. 43,120

Proceeds from the issuance of debt are reported as revenues in the governmental fund statements. However, in the Statement of Activities, proceeds from the issuance of debt are not a revenue, rather they are an increase in liabilities. (410,000)

Change in net position of governmental activities (Exhibit B) \$ 352,319

The accompanying notes are an integral part of the financial statements.

TOWN OF AYDEN, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND NET POSITION - BUDGET AND ACTUAL -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance from Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 1,126,164	\$ 1,126,164	\$ 1,154,160	\$ 27,996
Local option sales taxes	829,476	829,476	857,549	28,073
Unrestricted intergovernmental	490,200	490,200	482,505	(7,695)
Restricted intergovernmental	215,259	215,909	215,556	(353)
Permits and fees	21,000	21,000	22,335	1,335
Sales and services	434,765	464,765	504,501	39,736
Investment earnings	15,000	15,000	12,095	(2,905)
Miscellaneous	66,600	86,600	138,846	52,246
Total revenues	<u>3,198,464</u>	<u>3,249,114</u>	<u>3,387,547</u>	<u>138,433</u>
Expenditures:				
General government	741,340	725,340	705,907	19,433
Public safety	1,822,751	1,934,601	1,911,007	23,594
Transportation	758,565	746,765	719,406	27,359
Environmental protection	191,009	304,609	298,724	5,885
Economic and physical development	182,782	182,782	175,398	7,384
Cultural and recreation	397,267	411,267	404,288	6,979
Debt service:				
Principal repayments	43,120	43,120	43,120	-
Interest and fees	57,299	47,399	4,176	43,223
Total expenditures	<u>4,194,133</u>	<u>4,395,883</u>	<u>4,262,026</u>	<u>133,857</u>
Revenues over (under) expenditures	<u>(995,669)</u>	<u>(1,146,769)</u>	<u>(874,479)</u>	<u>272,290</u>
Other Financing Sources (Uses):				
Transfers from other funds	417,765	417,765	417,765	-
Long-term debt issued	410,000	410,000	410,000	-
Appropriated fund balance	167,904	319,004	-	(319,004)
Total other financing sources (uses)	<u>995,669</u>	<u>1,146,769</u>	<u>827,765</u>	<u>(319,004)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(46,714)</u>	<u>\$ (46,714)</u>
Fund Balance:				
Beginning of year - July 1			<u>2,260,895</u>	
End of year - June 30			<u>\$ 2,214,181</u>	

The accompanying notes are an integral part of the financial statements.

TOWN OF AYDEN, NORTH CAROLINA

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 5,055,175	\$ 1,653,072	\$ 6,708,247
Accounts receivable, net	1,685,517	309,367	1,994,884
Due from other governments	-	1,747	1,747
Inventories	34,941	10,777	45,718
Restricted cash and cash equivalents	148,421	-	148,421
Total current assets	<u>6,924,054</u>	<u>1,974,963</u>	<u>8,899,017</u>
Non-current assets:			
Land and other non-depreciable assets	52,161	136,039	188,200
Other capital assets, net	1,735,162	11,449,900	13,185,062
Total non-current assets	<u>1,787,323</u>	<u>11,585,939</u>	<u>13,373,262</u>
Total assets	<u>8,711,377</u>	<u>13,560,902</u>	<u>22,272,279</u>
Liabilities and Net Position:			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	994,828	13,563	1,008,391
Liabilities to be paid from restricted assets	148,421	-	148,421
Compensated absences - current	23,561	8,378	31,939
Current portion of long-term debt	-	166,701	166,701
Total current liabilities	<u>1,166,810</u>	<u>188,642</u>	<u>1,355,452</u>
Non-current liabilities:			
Compensated absences - non-current	23,562	8,378	31,940
Non-current portion of long-term debt	40,269	4,655,669	4,695,938
Total non-current liabilities	<u>63,831</u>	<u>4,664,047</u>	<u>4,727,878</u>
Total liabilities	<u>1,230,641</u>	<u>4,852,689</u>	<u>6,083,330</u>
Net Position:			
Net investment in capital assets	1,787,323	6,786,419	8,573,742
Unrestricted	<u>5,693,413</u>	<u>1,921,794</u>	<u>7,615,207</u>
Total net position	<u>\$ 7,480,736</u>	<u>\$ 8,708,213</u>	<u>\$ 16,188,949</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF AYDEN, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 12,612,648	\$ 2,313,533	\$ 14,926,181
Operating Expenses:			
Electrical operations	1,853,691	-	1,853,691
Electrical power purchases	10,614,085	-	10,614,085
Water operations	-	1,828,086	1,828,086
Depreciation	207,564	408,060	615,624
Total operating expenses	12,675,340	2,236,146	14,911,486
Operating income (loss)	(62,692)	77,387	14,695
Non-Operating Revenues (Expenses):			
Interest earned on investments	334	514	848
Interest and fees	-	(173,060)	(173,060)
Total non-operating revenues (expenses)	334	(172,546)	(172,212)
Income (loss) before capital contributions and transfers	(62,358)	(95,159)	(157,517)
Capital contributions	-	77,976	77,976
Income (loss) before transfers	(62,358)	(17,183)	(79,541)
Transfers:			
Transfers out	(417,765)	-	(417,765)
Total transfers	(417,765)	-	(417,765)
Change in net position	(480,123)	(17,183)	(497,306)
Net Position:			
Beginning of year - July 1	7,960,859	8,725,396	16,686,255
End of year - June 30	<u>\$ 7,480,736</u>	<u>\$ 8,708,213</u>	<u>\$ 16,188,949</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF AYDEN, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 12,476,726	\$ 2,280,860	\$ 14,757,586
Cash paid for goods and services	(11,423,645)	(1,327,972)	(12,751,617)
Cash paid to employees for services	(982,286)	(493,499)	(1,475,785)
Net cash provided (used) by operating activities	<u>70,795</u>	<u>459,389</u>	<u>530,184</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers (to) from other funds	(417,765)	-	(417,765)
Net cash provided (used) by non-capital financing activities	<u>(417,765)</u>	<u>-</u>	<u>(417,765)</u>
Cash Flows from Capital and Related Financing Activities:			
Capital grants	-	77,976	77,976
Acquisition and construction of capital assets	(26,300)	(137,539)	(163,839)
Principal paid on long-term debt	-	(164,701)	(164,701)
Interest and fees	-	(173,060)	(173,060)
Net cash provided (used) by capital and related financing activities	<u>(26,300)</u>	<u>(397,324)</u>	<u>(423,624)</u>
Cash Flows from Investing Activities:			
Interest on investments	<u>334</u>	<u>514</u>	<u>848</u>
Net cash provided (used) by investing activities	<u>334</u>	<u>514</u>	<u>848</u>
Net increase (decrease) in cash and cash equivalents	(372,936)	62,579	(310,357)
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>5,576,532</u>	<u>1,590,493</u>	<u>7,167,025</u>
End of year - June 30	<u>\$ 5,203,596</u>	<u>\$ 1,653,072</u>	<u>\$ 6,856,668</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (62,692)	\$ 77,387	\$ 14,695
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	207,564	408,060	615,624
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(139,876)	(32,673)	(172,549)
(Increase) decrease in inventories	(3,388)	(1,914)	(5,302)
Increase (decrease) in accounts payable and accrued liabilities	56,380	1,421	57,801
Increase (decrease) in customer deposits	3,954	-	3,954
Increase (decrease) in OPEB payable	6,799	5,742	12,541
Increase (decrease) in compensated absences	2,054	1,366	3,420
Total	<u>133,487</u>	<u>382,002</u>	<u>515,489</u>
Net cash provided (used) by operating activities	<u>\$ 70,795</u>	<u>\$ 459,389</u>	<u>\$ 530,184</u>
Non-Cash Transactions:			
Capital assets disposed of during the year:			
Historical costs	\$ 71,038	\$ 7,568	\$ 78,606
Accumulated depreciation	<u>(71,038)</u>	<u>(7,568)</u>	<u>(78,606)</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Ayden (the “Town”), North Carolina, conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town is a municipal corporation, which is governed by an elected Mayor and a five-member Council. As required by generally accepted accounting principles, these financial statements present the Town.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government (the Town). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. 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 *enterprise* – 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 and investment earnings, result from non-exchange transactions or ancillary activities.

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

The Town reports the following major governmental funds:

General Fund. This is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following nonmajor governmental funds:

Library Fund. This fund accounts for the accumulation of resources to be used for long-term improvements to the library.

Police Unauthorized Substance Tax. This fund accounts for the use of restricted funds for drug enforcement activities.

Safe Routes to School Grant Fund. These funds account for the use of restricted grant funds for the construction of sidewalks in the Town.

District Park Fund. These funds account for the use of restricted grant funds and committed local funds for the construction of a new district park for the Town.

The Town reports the following major enterprise funds:

Electric Fund. This fund is used to account for the Town's electrical operations.

Water and Sewer Fund. This fund is used to account for the Town's water and sewer 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. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, 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, entitlements, 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.

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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. Operating expenses for the enterprise funds include the cost of 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, if general long-term debt, 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 are materially past due and are not considered to be an available resource to finance the operations of the current year.

Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Pitt County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Ayden. For those motor vehicles registered, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Pitt County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, which are unearned at year-end, are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 Fund, Library Permanent Fund, Police Unauthorized Substance Tax Special Revenue Fund, and the enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Safe Routes to School Grant Fund, District Park Fund, and enterprise capital project funds. All budgets are prepared using the modified accrual basis of accounting, which is consistent with the accounting system used to record transactions.

Expenditures may not legally exceed appropriations at the departmental level for the General Fund, special revenue funds, and enterprise funds and total expenditures for capital project funds. Any revisions that alter the total expenditures for capital project funds and expenditures at the departmental level for all other funds must be approved by the governing board. The Town Manager is authorized to transfer appropriations within a department. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

Deposits and Investments

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

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Investment earnings are allocated to all funds based on the cash balance outstanding at the end of each month. All cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Restricted Assets

Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

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 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2012. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

Allowance for Doubtful Accounts

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

Inventory

The Town's inventories are maintained for supplies and parts for the Electric Fund and the Water and Sewer Fund. The Town accounts for inventories using the consumption method, under which inventory items are considered expenditures when used rather than purchased. The Town's inventories are valued at the lower of cost or market.

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. A minimum capitalization cost for all assets is \$5,000. Purchased or constructed capital assets are recorded at original cost or estimated historical cost. Donated assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' estimated useful lives are not capitalized.

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Interest incurred during the construction phase of proprietary fund type capital assets is reflected in the capitalized value of the asset constructed. Capital assets of the Town are depreciated on a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Furniture and office equipment	10 years
Maintenance and construction equipment	5 to 10 years
Building and improvements	10 to 50 years
Electric system	40 years
Water and sewer system	40 years
Automobiles and trucks	5 to 10 years

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 no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, 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 three items that meet the criterion for this category: prepaid taxes, unavailable revenue, and property taxes receivable.

Long-Term Obligations

In the government-wide financial statements and in 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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expenses in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave 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 sick leave policies of the Town provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither entity has any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position

Net position in 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, laws or regulations of other governments, or imposed by law through State statutes.

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-Spendable 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.

TOWN OF AYDEN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Restricted Fund Balance

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<i>Restricted for Stabilization by State Statute</i> - portion of fund balance that is restricted by State statute [G.S. 159-8(a)].	<u>\$ 473,014</u>	<u>\$ 26,568</u>	<u>\$ 499,582</u>
<i>Restricted for Streets</i> - Powell Bill - portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures.	\$ 57,218	\$ -	\$ 57,218
<i>Restricted for Cultural and Recreational</i> - portion of fund balance that represents permanent funds for the public library.	-	142,479	142,479
<i>Restricted for Public Safety</i> - portion of fund balance that is restricted by revenue source for police via the unauthorized substance tax.	<u>-</u>	<u>362</u>	<u>362</u>
Total restricted fund balances/net assets	<u>\$ 57,218</u>	<u>\$ 142,841</u>	<u>\$ 200,059</u>

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Ayden's governing body (highest level of decision-making authority). Any changes or removal of specific purpose require majority action by the Board of Commissioners. Once adopted, the limitation imposed by the ordinance remains until a similar action is taken to remove or revise the limitation. As of June 30, 2013, the Town had \$52,112 of the General Fund balance committed to the Ayden Volunteer Fire Association.

Assigned Fund Balance

The portion of fund balance that the Town of Ayden intends to use for specific purposes.

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 Ayden has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: debt proceeds, federal funds, State funds, local non-Town funds, and 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 of Ayden has also adopted a minimum fund balance policy for the General Fund, which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. Any portion of the General Fund balance in excess of 10% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

Fund Balance Available for Appropriation

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	\$ 2,214,181
Less:	
Stabilization by State statute	<u>473,014</u>
Fund balance available for appropriation	<u>\$ 2,687,195</u>

F. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

G. Stewardship, Compliance, and Accountability

For the fiscal year ended June 30, 2013, the expenditures made in the Town of Ayden's Electric Fund exceeded the authorized appropriations made by the governing board by \$370,395 for electrical power purchases. Management will more closely monitor budgetary compliance.

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

2. Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the Town and the Authority 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 or the Authority. 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 and the Authority, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the Authority, or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town or the Authority under the Pooling Method, the potential exists for under collateralization and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town does not have a 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, 2013, the carrying amount of the Town's deposits was \$5,848,922 and the bank balance was \$5,957,662. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$5,207,662 in deposits was covered by collateral held under the Pooling Method. At June 30, 2013, the Town had \$800 cash on hand.

Investments

At June 30, 2013, the Town had \$3,351,475 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.

TOWN OF AYDEN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Receivables

Receivables at Exhibit A at June 30, 2013 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>
Governmental Activities:			
Property taxes due	\$ -	\$ 167,295	\$ -
Refuse receivables	66,876	-	-
Other receivables	65,904	-	-
Sales tax refunds due	-	-	42,334
Sales tax distribution	-	-	337,348
Other amounts due	-	-	129,269
Allowance for doubtful accounts	<u>(66,016)</u>	<u>(55,040)</u>	<u>-</u>
Total governmental activities	<u>\$ 66,764</u>	<u>\$ 112,255</u>	<u>\$ 508,951</u>

	<u>Electric</u>	<u>Water and Sewer</u>	<u>Total</u>
Business-Type Activities:			
Accounts receivable	\$ 2,563,336	\$ 570,852	\$ 3,134,188
Allowance for doubtful accounts	<u>(877,819)</u>	<u>(261,485)</u>	<u>(1,139,304)</u>
Total business-type activities	<u>\$ 1,685,517</u>	<u>\$ 309,367</u>	<u>\$ 1,994,884</u>

TOWN OF AYDEN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance</u> <u>July 01, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 699,535	\$ 10,047	\$ -	\$ 709,582
Construction in progress	<u>20,500</u>	<u>280,654</u>	<u>-</u>	<u>301,154</u>
Total non-depreciable capital assets	<u>720,035</u>	<u>290,701</u>	<u>-</u>	<u>1,010,736</u>
Depreciable Capital Assets:				
Buildings	1,417,242	9,500	(5,340)	1,421,402
Other improvements	2,527,114	85,459	(3,517)	2,609,056
Equipment	711,846	6,275	-	718,121
Vehicles and motor equipment	<u>1,634,335</u>	<u>630,391</u>	<u>-</u>	<u>2,264,726</u>
Total depreciable capital assets	<u>6,290,537</u>	<u>731,625</u>	<u>(8,857)</u>	<u>7,013,305</u>
Less Accumulated Depreciation:				
Buildings	630,863	38,338	(5,340)	663,861
Other improvements	730,366	87,240	(3,517)	814,089
Equipment	534,875	45,688	-	580,563
Vehicles and motor equipment	<u>1,216,834</u>	<u>119,075</u>	<u>-</u>	<u>1,335,909</u>
Total accumulated depreciation	<u>3,112,938</u>	<u>\$ 290,341</u>	<u>\$ (8,857)</u>	<u>3,394,422</u>
Total depreciable capital assets, net	<u>3,177,599</u>			<u>3,618,883</u>
Governmental activity capital assets, net	<u>\$ 3,897,634</u>			<u>\$ 4,629,619</u>

TOWN OF AYDEN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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

General government	\$ 37,282
Public safety	104,804
Transportation	69,974
Economic and physical development	24,677
Environmental protection	27,592
Cultural and recreational	<u>26,012</u>
Total depreciation expense	<u>\$ 290,341</u>

Capital assets for the proprietary funds of the Town at June 30, 2013 are as follows:

	Balance July 01, 2012	Additions	Retirements	Balance June 30, 2013
Business-Type Activities:				
Electric Fund:				
Non-Depreciable Capital Assets:				
Land	\$ 52,161	\$ -	\$ -	\$ 52,161
Total capital assets not being depreciated	<u>52,161</u>	<u>-</u>	<u>-</u>	<u>52,161</u>
Depreciable Capital Assets:				
Plant and distribution systems	4,652,819	-	(50,101)	4,602,718
Equipment	2,569,403	-	(20,937)	2,548,466
Vehicles	<u>1,184,285</u>	<u>26,300</u>	<u>-</u>	<u>1,210,585</u>
Total depreciable capital assets	<u>8,406,507</u>	<u>26,300</u>	<u>(71,038)</u>	<u>8,361,769</u>
Less Accumulated Depreciation:				
Plant and distribution systems	4,028,700	72,306	(50,101)	4,050,905
Furniture and maintenance equipment	1,555,251	74,095	(20,937)	1,608,409
Vehicles	<u>906,130</u>	<u>61,163</u>	<u>-</u>	<u>967,293</u>
Total accumulated depreciation	<u>6,490,081</u>	<u>\$ 207,564</u>	<u>\$ (71,038)</u>	<u>6,626,607</u>
Total depreciable capital assets, net	<u>1,916,426</u>			<u>1,735,162</u>
Electric Fund capital assets, net	<u>1,968,587</u>			<u>1,787,323</u>

TOWN OF AYDEN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

	Balance July 01, 2012	Additions	Retirements	Balance June 30, 2013
Business-Type Activities:				
Water and Sewer Fund:				
Non-Depreciable Capital Assets:				
Land	16,500	\$ -	\$ -	16,500
Construction in progress	-	119,539	-	119,539
Total non-depreciable capital assets	16,500	119,539	-	136,039
 Depreciable Capital Assets:				
Plant and distribution systems	14,519,757	-	(7,118)	14,512,639
Equipment	1,601,969	-	(450)	1,601,519
Vehicles	455,749	18,000	-	473,749
Total depreciable capital assets	16,577,475	18,000	(7,568)	16,587,907
 Less Accumulated Depreciation:				
Plant and distribution systems	3,782,523	310,136	(7,118)	4,085,541
Furniture and maintenance equipment	750,512	55,214	(450)	805,276
Vehicles	204,480	42,710	-	247,190
Total accumulated depreciation	4,737,515	\$ 408,060	\$ (7,568)	5,138,007
 Total depreciable capital assets, net	 11,839,960			 11,449,900
 Water and Sewer capital assets, net	 11,856,460			 11,585,939
 Total Enterprise Fund capital assets, net	 \$ 13,825,047			 \$ 13,373,262

Construction Commitments

The government has three active construction projects as of June 30, 2013. At year-end, the government has bid out the construction phases of the projects and, therefore, show commitments with contractors.

TOWN OF AYDEN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2013, is composed of the following elements:

	<u>Governmental</u> <u>Activities</u>	<u>Electric</u> <u>Fund</u>	<u>Water and</u> <u>Sewer Fund</u>	<u>Total</u> <u>Business-Type</u> <u>Activities</u>
Capital assets	\$ 4,629,619	\$ 1,787,323	\$ 11,585,939	\$ 13,373,262
Long-term debt	<u>(455,160)</u>	<u>-</u>	<u>(4,799,520)</u>	<u>(4,799,520)</u>
Net investment in capital assets	<u>\$ 4,174,459</u>	<u>\$ 1,787,323</u>	<u>\$ 6,786,419</u>	<u>\$ 8,573,742</u>

B. Liabilities

Payables

Payables at Exhibit A at June 30, 2013 were as follows:

	<u>Vendors</u>	<u>Salaries and</u> <u>Benefits</u>	<u>Total</u>
Governmental Activities:			
Total governmental activities	<u>\$ 291,982</u>	<u>\$ 166,516</u>	<u>\$ 458,498</u>
Business-Type Activities:			
Electric	\$ 961,905	\$ 32,923	\$ 994,828
Water and sewer	<u>-</u>	<u>13,563</u>	<u>13,563</u>
Total business-type activities	<u>\$ 961,905</u>	<u>\$ 46,486</u>	<u>\$ 1,008,391</u>

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town contributes to the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute 6% of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.88% and 6.94% for the period July 1, 2012 through September 30, 2011, respectively, of annual covered payroll. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77% for the period October 1, 2012 through June 30, 2013, respectively, of annual covered payroll. The contribution requirements of members and of the Town are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$187,305, \$181,570, and \$169,986, respectively. The contributions made by the Town equaled the required contributions for each year.

Law Enforcement Officers' Special Separation Allowance

Plan Description. The Town 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% 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. There are no separate financial statements issued for the Separation Allowance.

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits and terminated plan	1
Members entitled to, but not yet receiving, benefits	-
Active plan members	<u>17</u>
Total	<u><u>18</u></u>

Summary of Significant Accounting Policies

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

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

TOWN OF AYDEN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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. For the current year, the Town contributed \$11,923 or 4.95% of annual covered payroll. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2011, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses), and (b) projected salary, increase ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2011, was 19 years.

Annual Pension Cost and Net Pension Obligation. The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 29,182
Interest on net pension obligation	2,661
Adjustment to annual required contribution	<u>(3,312)</u>
Annual pension cost	28,531
Contributions made	<u>11,923</u>
Decrease in net pension obligation	16,608
Net pension obligation:	
Beginning of year - July 1	<u>53,216</u>
End of year - June 30	<u>\$ 69,824</u>

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 33,404	85.54%	\$ 51,934
2012	28,531	95.71%	53,216
2013	28,531	41.79%	69,824

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Funded Status and Funding Progress. As of December 31, 2012, 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 \$294,663. The covered payroll (annual payroll of active employees covered by the plan) was \$724,120, and the ratio of the UAAL to the covered payroll was 40.69 percent. 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 are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (the "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 Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Plan. 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 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2013 were \$42,948, which consisted of \$38,091 from the Town and \$4,857 from the law enforcement officers.

Other Post-Employment Benefits - Healthcare Benefits

Plan Description. In addition to providing pension benefits, the Town has elected to provide healthcare and dental care benefits, through a single-employer defined benefit plan, to retirees of the Town who are at least age 55 and have at least 30 years of service, are at least 60 with at least 25 years of service, or are at least 62 with at least 20 year of service with the North Carolina Local Governmental Employees' Retirement System. Such insurance is provided until the retiree reaches age 65 and is eligible for Medicare. The Town pays 100% of the retiree premium costs. Retirees can purchase coverage for their dependents at the Town's group rates. Currently, 4 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2013, the Town made payments for post-retirement health benefit premiums of \$27,488. The Town purchases insurance from a private carrier for healthcare coverage. A separate report was not issued for the plan.

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Membership of the Plan consisted of the following at December 31, 2010, the date of the latest actuarial valuation:

	General Employees
Retirees and dependents receiving benefits	4
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>71</u>
Total	<u><u>75</u></u>

Funding Policy. The Town pays 100% of the cost of coverage for the healthcare benefits paid to qualified retirees under a Town resolution that can be amended by the Town Board. 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 1.75% of annual covered payroll. For the current year, the Town contributed \$27,488, or 1.01% of annual covered payroll. The Town purchases insurance from a private carrier for healthcare coverage. The Town's required contributions, under a Town resolution, for employees not engaged in law enforcement and for law enforcement officers represented 1.75% and 1.75% of covered payroll, respectively. There were no contributions made by employees. The Town's obligation to contribute to the Plan is established and may be amended by the Town's Board.

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

TOWN OF AYDEN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Annual OPEB Cost and Net 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 30 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:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Annual required contribution	\$ 28,593	\$ 19,062	\$ 47,655
Interest on net OPEB obligation	2,583	1,723	4,306
Adjustments to annual required contribution	<u>(2,468)</u>	<u>(1,646)</u>	<u>(4,114)</u>
Annual OPEB cost (expense)	28,708	19,139	47,847
Contributions made	<u>(20,891)</u>	<u>(6,597)</u>	<u>(27,488)</u>
Increase (decrease) in net OPEB obligation	7,817	12,542	20,359
Net OPEB obligation:			
Beginning of year - July 1	<u>57,078</u>	<u>50,577</u>	<u>107,655</u>
End of year - June 30	<u>\$ 64,895</u>	<u>\$ 63,119</u>	<u>\$ 128,014</u>

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

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 47,757	20.40%	\$ 94,797
2012	47,757	52.14%	107,655
2013	47,847	57.45%	128,014

Fund Status and Funding Progress. As of December 31, 2010, 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 \$410,470. The covered payroll (annual payroll of active employees covered by the plan) was \$2,718,840, and the ratio of the UAAL to the covered payroll was 15.1 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

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.50 to 5.00 percent annually. Both rates included a 3.00 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 five-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, 2010, was 30 years.

Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefits are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Deferred Outflows and Inflows of Resources

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

	<u>Unavailable</u> <u>Revenues</u>	<u>Unearned</u> <u>Revenues</u>
Unavailable revenue (General Fund)	\$ 102,701	\$ -
Taxes receivable (General Fund)	112,255	-
Prepaid taxes (General Fund)	<u>-</u>	<u>2,023</u>
Total	<u>\$ 214,956</u>	<u>\$ 2,023</u>

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 two 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 \$2 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to the statutory limits, and employee health coverage up to a \$1 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$1 million and \$1 million up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town does have limited flood insurance; with a per occurrence limit and maximum annual aggregate of \$5 million for property located in Flood Zones B, C, or X. The Town has no coverage for property not located in these zones.

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 \$200,000, and the Tax Collector is bonded for \$25,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

Long-Term Obligations

Installment Purchases

As authorized by State law (G.S. 160A-20 and 153A-158.1), the Town financed various property and equipment acquisitions to meet the capital needs of the Town. The installment purchases were issued pursuant to a deed of trust for real estate and a lien on title for other property.

TOWN OF AYDEN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Governmental Activities

The Town's installment purchase obligations payable at June 30, 2013 are comprised of the following:

Serviced by the Town's General Fund:

Fire equipment truck note executed in April 2013 for a 6-year period at 1.61% with annual installments of \$72,235; secured by fire truck	\$ 410,000
Fire/rescue building executed in April 1999 for a 15-year period at 4.73% with annual installments of \$47,926; secured by real estate	<u>45,160</u>
Total installment notes payable - governmental activities	<u>\$ 455,160</u>

Annual debt service requirements to maturity for the Town's governmental activities installment note purchases are as follows:

Year Ending	Governmental Activities		
June 30	Principal	Interest	Total
2014	\$ 110,794	\$ 8,737	\$ 119,531
2015	66,691	5,544	72,235
2016	67,765	4,471	72,236
2017	68,856	3,380	72,236
2018	69,964	2,271	72,235
2019	71,090	1,145	72,235
Total	\$ 455,160	\$ 25,548	\$ 480,708

Business-Type Activities

The Town's installment purchase obligations payable at June 30, 2013 are comprised of the following:

Serviced by the Town's Water and Sewer Fund:

State revolving loan executed in fiscal year 2008 for a 20-year period at 2.265% with annual installments of \$130,701 beginning in 2009; secured by distribution system (see note below)	<u>\$ 1,960,520</u>
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TOWN OF AYDEN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Annual debt service requirements to maturity for the Town's business-type activities installment note purchases are as follows:

Year Ending	Business-Type Activities			
	June 30	Principal	Interest	Total
2014	\$	130,701	\$ 47,366	\$ 178,067
2015		130,702	44,406	175,108
2016		130,701	41,455	172,156
2017		130,702	38,485	169,187
2018		130,701	35,525	166,226
2019-2023		653,507	118,415	771,922
2024-2028		653,506	44,406	697,912
Total	\$	<u>1,960,520</u>	<u>\$ 370,058</u>	<u>\$ 2,330,578</u>

The Town's revenue bond obligations payable at June 30, 2013 are comprised of the following:

Serviced by the Town's Water and Sewer Fund:

USDA loan executed in fiscal year 2008 for a 40-year period at 4.375% with annual installments of \$159,915 beginning in 2011; interest only until 2011; secured by distribution system

\$ 2,839,000

TOWN OF AYDEN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Annual debt service requirements to maturity for the Town's business-type activities revenue bonds are as follows:

Year Ending	Business-Type Activities		
	Principal	Interest	Total
June 30			
2014	\$ 36,000	\$ 124,206	\$ 160,206
2015	37,000	122,631	159,631
2016	39,000	121,013	160,013
2017	41,000	119,306	160,306
2018	42,000	117,513	159,513
2019-2023	240,000	558,250	798,250
2024-2028	299,000	500,806	799,806
2029-2033	371,000	429,406	800,406
2034-2038	460,000	340,813	800,813
2039-2043	568,000	231,131	799,131
2044-2048	706,000	95,331	801,331
Total	<u>\$ 2,839,000</u>	<u>\$ 2,760,406</u>	<u>\$ 5,599,406</u>

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

The Town has been in compliance with the covenants as to rates, fees, rentals, and charges in Section 5.01 of the Bond Order, authorizing the issuance of the water and sewer revenue bonds, USDA loan, since its adoption in 2006. Section 5.01 of the Bond Order requires the debt service coverage ratio to be no less than 110% for such fiscal year and 100% of the subordinated indebtedness debt service requirement for such fiscal year. The debt service coverage ratio calculation for the year ended June 30, 2013 is as follows:

Operating revenues	\$	2,313,533
Operating expenses*		<u>1,828,086</u>
Operating income		485,447
Non-operating revenues (expenses)**		<u>514</u>
Income available for debt service	\$	<u>485,961</u>
Debt service, principal and interest paid (revenue bond only)	\$	<u>159,684</u>
Debt service, principal and interest paid (subordinated indebtedness)	\$	<u>178,067</u>
Debt service coverage ratio		<u>304%</u>
Debt service coverage ratio (subordinated indebtedness)		<u>273%</u>

* Per rate covenants, this does not include the depreciation expense of \$408,060.

** Per rate covenants, this does not include interest and fees paid of \$173,060.

The Town has pledged future water and sewer net revenues to repay the water and sewer system revenue bond issued in March 2006. Proceeds from the bond provided financing for the sewer extension project for the Town. The bonds are payable solely from water and sewer net revenues and are payable through 2050. The total principal and interest remaining to be paid on the bonds is \$5,599,406. Principal and interest paid for the current year was \$159,684. The Town had water and sewer net revenues of \$485,447.

TOWN OF AYDEN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Changes in Long-Term Debt

The following is a summary of changes in the Town's long-term obligations for the fiscal year ended June 30, 2013:

	<u>July 01, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2013</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
Installment purchases	\$ 88,280	\$ 410,000	\$ (43,120)	\$ 455,160	\$ 110,794
Compensated absences	172,896	75,041	(80,121)	167,816	83,908
Other post-employment benefits	57,078	28,708	(20,891)	64,895	-
Net pension obligation	<u>53,216</u>	<u>28,531</u>	<u>(11,923)</u>	<u>69,824</u>	<u>-</u>
Total governmental activities	<u>\$ 371,470</u>	<u>\$ 542,280</u>	<u>\$ (156,055)</u>	<u>\$ 757,695</u>	<u>\$ 194,702</u>
Business-Type Activities:					
Electric Fund:					
Other post-employment benefits	\$ 33,470	\$ 13,397	\$ (6,598)	\$ 40,269	\$ -
Compensated absences	<u>45,069</u>	<u>19,778</u>	<u>(17,724)</u>	<u>47,123</u>	<u>23,561</u>
Total business-type activities	<u>\$ 78,539</u>	<u>\$ 33,175</u>	<u>\$ (24,322)</u>	<u>\$ 87,392</u>	<u>\$ 23,561</u>
Water Sewer Fund:					
Installment purchases	\$ 2,091,221	\$ -	\$ (130,701)	\$ 1,960,520	\$ 130,701
Revenue bonds	2,873,000	-	(34,000)	2,839,000	36,000
Other post-employment benefits	17,108	5,742	-	22,850	-
Compensated absences	<u>15,390</u>	<u>7,674</u>	<u>(6,308)</u>	<u>16,756</u>	<u>8,378</u>
Total business-type activities	<u>\$ 4,996,719</u>	<u>\$ 13,416</u>	<u>\$ (171,009)</u>	<u>\$ 4,839,126</u>	<u>\$ 175,079</u>

Compensated absences, pension obligations, and other post-employment benefits typically have been liquidated in the General Fund for governmental activities.

At June 30, 2013, the Town had a legal debt margin of \$12,399,400.

TOWN OF AYDEN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Interfund Balances and Activities

Transfers to/from funds for the year ended June 30, 2013 were as follows:

<u>Transfers From</u>	<u>General Fund</u>	<u>Total</u>	<u>Purpose</u>
Electric Fund	\$ 417,765	\$ 417,765	Tax Payments
Total	<u>\$ 417,765</u>	<u>\$ 417,765</u>	

Balance Due To/From Other Funds

Balances due to/from other funds at June 30, 2013 consist of the following:

Due to the General Fund from the Capital Project Fund for project costs:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
General Fund	NCDOT Safe Routes to School	\$ 26,568
		<u>\$ 26,568</u>

3. Joint Ventures

Contentnea Metropolitan Sewer District

The Town, in conjunction with the Town of Grifton and the Town of Winterville, participates in the Contentnea Metropolitan Sewer District (District). Each Town appoints two members to the seven-member Board with one at-large member. The District is a joint venture established to provide sewer treatment services to the local to the local governments. The participating governments are bound by purchase of service contracts with the District, and the District has the responsibility to determine and levy sewer use charges on the municipalities to apportion all operation and maintenance costs associated with treatment operations. This District has a bonded indebtedness of \$4,176,000, and the three towns are assessed with their pro-rata share of the operating expenses and debt service requirements. Ayden's assessed share of operation expenses for the year ended June 30, 2013, was \$493,563, or 31.7%, of total operation expenses of the District. Complete financial statements for the sewer district may be obtained from the District's administrative office at State Road 1910, P.O. Box 477, Grifton, North Carolina 28530.

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

4. Joint Governed Organization

North Carolina Eastern Municipal Power Agency

The Town is a member of the North Carolina Eastern Municipal Power Agency (NCEMPA). The NCEMPA was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. The members who receive power from the NCEMPA have signed power sales agreements to purchase a specified share of the power generated by the NCEMPA. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2013 were \$10,716,256.

Neuse Regional Water and Sewer Authority

The Town, with seven other entities, participates in the Neuse Regional Water and Sewer Authority (Authority), a development stage enterprise. The Authority was formed to enable its members to finance construction, own, operate, and maintain regional water treatment and transmission facilities. The Town appoints one of the fifteen-member governing board of the Authority. The Authority started operations in fiscal year 2008. The eight members are committed to monthly purchases of treated water in an amount equivalent to 75% of their calendar year 2002 monthly water requirements by volume. Except for the water sales purchase requirements, no participant has any obligation, entitlement, or residual interest. The Town began purchasing treated water in September 2008.

5. Major Utility Customer

In 2013, the Town had electrical revenue of \$3,023,375 from one customer, which accounted for 24% of total electric revenue.

6. Summary Disclosure of Significant Commitments and 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 monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

7. Claims and Judgments

At June 30, 2013, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town's Attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

8. Prior Period Adjustment

During the current fiscal year, the Town determined that the Ayden Housing Authority was no longer a blended component unit of the Town due to GASB Statement 61. Beginning net position for business-type activities was restated by \$5,643,509.

9. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 required that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

REQUIRED SUPPLEMENTAL 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 Other Post-Employment Benefits
- Schedule of Employer Contributions for Other Post-Employment Benefits
- Notes to the Required Schedules for Other Post-Employment Benefits

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TOWN OF AYDEN, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2013**

Schedule of Funding Progress

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
2003	\$ -	\$ 137,419	\$ 137,419	0.00%	\$ 486,537	28.24%
2004	-	182,280	182,280	0.00%	427,857	42.60%
2005	-	217,325	217,325	0.00%	515,986	42.12%
2006	-	220,493	220,493	0.00%	638,342	34.54%
2007	-	199,689	199,689	0.00%	606,654	32.92%
2008	-	226,426	226,426	0.00%	719,886	31.45%
2009	-	304,286	304,286	0.00%	755,581	40.27%
2010	-	260,383	260,383	0.00%	738,591	35.25%
2011	-	247,028	247,028	0.00%	627,761	39.35%
2012	-	294,663	294,663	0.00%	724,120	40.69%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2005	\$ 17,050	70.00%
2006	17,130	167.00%
2007	19,079	150.00%
2008	21,193	134.83%
2009	19,429	147.07%
2010	24,724	115.58%
2011	33,571	85.12%
2012	30,358	94.13%
2013	29,182	40.86%

Notes to the Required Schedules:

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

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25%-7.85%
*Includes inflation at	3.00%
Cost-of-living adjustments	N/A

TOWN OF AYDEN, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2013**

Schedule of Funding Progress

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
2008	\$ -	\$ 496,990	\$ 496,990	0.00%	\$ 2,862,487	17.40%
2010	-	410,470	410,470	0.00%	2,718,840	15.10%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ 45,933	39.09%
2010	45,933	37.31%
2011	47,655	20.42%
2012	47,655	73.23%
2013	47,655	57.68%

Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated.
 Additional information as of the latest valuation follows:

Valuation date	12/31/2010	
Actuarial cost method	Projected unit credit	
Amortization method	Level percent of pay open	
Remaining amortization period	30 years	
Asset valuation method	Market value	
Actuarial assumptions:		
Investment rate of return *	4.00%	* Includes inflation at 3.00%
Medical cost trend rate	10.50-5.00%	
Year of ultimate trend rate	2018	

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS SECTION

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MAJOR GOVERNMENTAL FUND

General Fund

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

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TOWN OF AYDEN, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over /Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 1,121,164	\$ 1,149,668	\$ 28,504	\$ 1,103,813
Penalties and interest	5,000	4,492	(508)	5,729
Total	1,126,164	1,154,160	27,996	1,109,542
Local Option Sales Taxes:				
Sales and use taxes	829,476	857,549	28,073	860,151
Unrestricted Intergovernmental:				
Franchise taxes	425,000	423,210	(1,790)	411,409
Beer and wine tax	25,000	20,074	(4,926)	21,529
Cable TV franchise	38,000	36,420	(1,580)	37,451
Other taxes and licenses	2,200	2,801	601	3,393
Total	490,200	482,505	(7,695)	473,782
Restricted Intergovernmental:				
Powell Bill allocation	145,740	150,587	4,847	147,256
Grants	70,169	64,969	(5,200)	183,394
Total	215,909	215,556	(353)	330,650
Permits and Fees:				
Court facility fees	20,000	21,685	1,685	21,641
Building permits	1,000	650	(350)	1,425
Total	21,000	22,335	1,335	23,066
Sales and Services:				
Sanitation revenues	295,000	298,668	3,668	293,725
Cemetery lot sales	13,500	29,700	16,200	14,000
Rents	8,000	8,186	186	9,402
Recreation fees	10,000	24,622	14,622	14,066
Fire protection services	138,265	143,325	5,060	88,396
Total	464,765	504,501	39,736	419,589
Investment Earnings	15,000	12,095	(2,905)	15,697
Miscellaneous:				
Other	86,600	138,846	52,246	109,564
Total	86,600	138,846	52,246	109,564
Total revenues	3,249,114	3,387,547	138,433	3,342,041

TOWN OF AYDEN, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over /Under	Actual
Expenditures:				
General Government:				
Governing Body:				
Mayor and commissioners	29,116	29,102	14	29,281
Other operating expenditures	174,417	173,010	1,407	189,986
Capital outlay	-	-	-	7,198
Total	203,533	202,112	1,421	226,465
Administration:				
Salaries and employee benefits	58,906	58,676	230	55,277
Other operating expenditures	158,114	152,964	5,150	127,347
Total	217,020	211,640	5,380	182,624
Finance:				
Salaries and employee benefits	20,492	20,355	137	21,425
Other operating expenditures	9,110	5,588	3,522	7,760
Total	29,602	25,943	3,659	29,185
Taxes:				
Salaries and employee benefits	59,120	58,485	635	62,050
Other operating expenditures	11,400	9,925	1,475	7,708
Total	70,520	68,410	2,110	69,758
Public Buildings:				
Salaries and employee benefits	47,756	47,301	455	48,634
Other operating expenditures	88,190	85,426	2,764	79,892
Capital outlay	6,900	6,637	263	13,107
Total	142,846	139,364	3,482	141,633
Central Services:				
Salaries and employee benefits	13,469	13,105	364	13,027
Other operating expenditures	48,350	45,333	3,017	38,770
Total	61,819	58,438	3,381	51,797
Total general government	725,340	705,907	19,433	701,462
Public Safety:				
Police:				
Salaries and employee benefits	1,120,218	1,118,117	2,101	988,071
Other operating expenditures	176,950	172,826	4,124	167,696
Capital outlay	54,000	53,800	200	-
Total	1,351,168	1,344,743	6,425	1,155,767

TOWN OF AYDEN, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013		Variance Over /Under	2012
	Budget	Actual		Actual
Fire Departments:				
Salaries and employee benefits	27,858	27,836	22	38,356
Other operating expenditures	45,405	45,252	153	45,589
Capital outlay	204,420	204,403	17	16,969
Total	277,683	277,491	192	100,914
Rural Fire Departments:				
Salaries and employee benefits	25,155	25,154	1	21,362
Other operating expenditures	75,595	59,216	16,379	39,534
Capital outlay	205,000	204,403	597	16,969
Total	305,750	288,773	16,977	77,865
Total public safety	1,934,601	1,911,007	23,594	1,334,546
Transportation:				
Streets:				
Salaries and employee benefits	395,336	391,044	4,292	349,506
Other operating expenditures	160,679	139,207	21,472	94,087
Powell Bill expenditures	61,280	61,011	269	32,380
Capital outlay	129,470	128,144	1,326	105,765
Total	746,765	719,406	27,359	581,738
Total transportation	746,765	719,406	27,359	581,738
Environmental Protection:				
Sanitation:				
Salaries and employee benefits	101,109	98,875	2,234	105,329
Other operating expenditures	78,400	74,749	3,651	68,665
Capital outlay	125,100	125,100	-	-
Total	304,609	298,724	5,885	173,994
Total environmental protection	304,609	298,724	5,885	173,994
Economic and Physical Development:				
Planning:				
Salaries and employee benefits	123,232	118,595	4,637	70,510
Other operating expenditures	59,550	56,803	2,747	68,224
Total	182,782	175,398	7,384	138,734
Total economic and physical development	182,782	175,398	7,384	138,734

TOWN OF AYDEN, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over /Under	Actual
Cultural and Recreational:				
Recreation:				
Salaries and employee benefits	170,828	170,680	148	166,337
Other operating expenditures	132,885	131,802	1,083	74,201
Capital outlay	9,500	9,500	-	15,790
Total	313,213	311,982	1,231	256,328
Libraries:				
Salaries and benefits	73,114	70,999	2,115	66,701
Other operating expenditures	24,940	21,307	3,633	20,268
Total	98,054	92,306	5,748	86,969
Total cultural and recreation	411,267	404,288	6,979	343,297
Debt Service:				
Principal retirement	43,120	43,120	-	41,173
Interest and fees	47,399	4,176	43,223	6,123
Total	90,519	47,296	43,223	47,296
Total expenditures	4,395,883	4,262,026	133,857	3,321,067
Revenues over (under) expenditures	(1,146,769)	(874,479)	272,290	20,974
Other Financing Sources (Uses):				
Long-term debt issued	410,000	410,000	-	-
Transfers from (to) other funds:				
Capital project funds	-	-	-	(45,000)
Special revenue funds	-	-	-	22,389
Enterprise funds	417,765	417,765	-	413,540
Appropriated fund balance	319,004	-	(319,004)	-
Total other financing sources (uses)	1,146,769	827,765	(319,004)	390,929
Net change in fund balance	\$ -	(46,714)	\$ (46,714)	411,903
Fund Balance:				
Beginning of year - July 1		2,260,895		1,848,992
End of year - June 30		\$ 2,214,181		\$ 2,260,895

NONMAJOR GOVERNMENTAL FUNDS

Library Fund

Police Unauthorized Substance Tax

District Park Fund

Safe Routes to Schools Grant Fund

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TOWN OF AYDEN, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

	<u>Permanent Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>		<u>Total</u>
	<u>Library Fund</u>	<u>Police Unauthorized Substance Tax</u>	<u>District Park Fund</u>	<u>Safe Routes to School Grant Fund</u>	
Assets:					
Cash and cash equivalents	\$ 37,461	\$ 362	\$ 105,018	\$ -	\$ 142,841
Due from other government	-	-	-	26,568	26,568
Total assets	<u>\$ 37,461</u>	<u>\$ 362</u>	<u>\$ 105,018</u>	<u>\$ 26,568</u>	<u>\$ 169,409</u>
Liabilities and Fund Balances:					
Liabilities:					
Due to General Fund	\$ -	\$ -	\$ -	\$ 26,568	\$ 26,568
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,568</u>	<u>26,568</u>
Fund Balances:					
Restricted	37,461	362	105,018	-	142,841
Stabilization by State statute	-	-	-	26,568	26,568
Unassigned	-	-	-	(26,568)	(26,568)
Total fund balances	<u>37,461</u>	<u>362</u>	<u>105,018</u>	<u>-</u>	<u>142,841</u>
Total liabilities and fund balances	<u>\$ 37,461</u>	<u>\$ 362</u>	<u>\$ 105,018</u>	<u>\$ 26,568</u>	<u>\$ 169,409</u>

TOWN OF AYDEN, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Permanent Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>		
	<u>Library Fund</u>	<u>Police Unauthorized Substance Tax</u>	<u>District Park Fund</u>	<u>Safe Routes to School Grant Fund</u>	<u>Total</u>
Revenues:					
Restricted intergovernmental	\$ -	\$ 123	\$ 205,000	\$ 102,050	\$ 307,173
Sales tax revenue	-	-	-	1,619	1,619
Investment earnings	18	-	-	-	18
Miscellaneous revenue	816	-	-	-	816
Total revenues	<u>834</u>	<u>123</u>	<u>205,000</u>	<u>103,669</u>	<u>309,626</u>
Expenditures:					
Public safety	-	800	-	-	800
Cultural and recreational	800	-	187,032	103,669	291,501
Total expenditures	<u>800</u>	<u>800</u>	<u>187,032</u>	<u>103,669</u>	<u>292,301</u>
Fund Balances:					
Beginning of year - July 1	<u>37,427</u>	<u>1,039</u>	<u>87,050</u>	<u>-</u>	<u>125,516</u>
End of year - June 30	<u>\$ 37,461</u>	<u>\$ 362</u>	<u>\$ 105,018</u>	<u>\$ -</u>	<u>\$ 142,841</u>

PERMANENT FUND

Permanent funds account for specific revenues that are permanently restricted to expenditure for particular purposes.

Library Fund – The fund accounts for the accumulation of resources to be used for long-term improvements to the Library.

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TOWN OF AYDEN, NORTH CAROLINA

LIBRARY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2013

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Investment earnings	\$ 50	\$ 18	\$ (32)	\$ 22
Miscellaneous revenue	-	816	816	-
Total revenues	<u>50</u>	<u>834</u>	<u>784</u>	<u>22</u>
Expenditures:				
Cultural and recreation:				
Supplies	<u>1,150</u>	<u>800</u>	<u>350</u>	<u>867</u>
Total expenditures	<u>1,150</u>	<u>800</u>	<u>350</u>	<u>867</u>
Revenues over (under) expenditures	<u>(1,100)</u>	<u>34</u>	<u>1,134</u>	<u>(845)</u>
Other Financing Sources (Uses):				
Appropriated fund balance	<u>1,100</u>	-	<u>(1,100)</u>	-
Total other financing sources (uses)	<u>1,100</u>	-	<u>(1,100)</u>	-
Net change in fund balance	<u>\$ -</u>	<u>34</u>	<u>\$ 34</u>	<u>(845)</u>
Fund Balance:				
Beginning of year - July 1		<u>37,427</u>		<u>38,272</u>
End of year - June 30		<u>\$ 37,461</u>		<u>\$ 37,427</u>

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds account for specific revenue sources that are legally restricted to expenditure for particular purposes.

Police Unauthorized Substance Tax – This fund accounts for the use of restricted funds for drug enforcement activities.

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TOWN OF AYDEN, NORTH CAROLINA

**POLICE UNAUTHORIZED SUBSTANCE TAX
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	<u>2013</u>			<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Restricted intergovernmental :				
Unauthorized substance tax	\$ 1,000	\$ 123	\$ (877)	\$ 169
Total revenues	<u>1,000</u>	<u>123</u>	<u>(877)</u>	<u>169</u>
Expenditures:				
Program expenses	<u>1,000</u>	<u>800</u>	<u>200</u>	<u>-</u>
Total expenditures	<u>1,000</u>	<u>800</u>	<u>200</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(677)</u>	<u>\$ (677)</u>	<u>169</u>
Fund Balance:				
Beginning of year - July 1		<u>1,039</u>		<u>870</u>
End of year - June 30		<u>\$ 362</u>		<u>\$ 1,039</u>

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NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS

Capital project funds are used to account for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

District Park Fund – These funds account for the use of restricted grant funds and committed local funds for the construction of a new district park for the Town.

Safe Routes to Schools Grant Fund – These funds account for the use of restricted grant funds for the construction of sidewalks in the Town.

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TOWN OF AYDEN, NORTH CAROLINA

DISTRICT PARK FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
Parks and Recreation Trust Fund Grant	\$ 500,000	\$ -	\$ 205,000	\$ 205,000
Total revenues	<u>500,000</u>	<u>-</u>	<u>205,000</u>	<u>205,000</u>
Expenditures:				
Construction	480,000	-	112,454	112,454
Professional services	72,000	2,950	63,551	66,501
Program expenses	1,000	-	980	980
Land acquisition	10,000	-	10,047	10,047
Contingency	27,000	-	-	-
Total expenditures	<u>590,000</u>	<u>2,950</u>	<u>187,032</u>	<u>189,982</u>
Revenues over (under) expenditures	<u>(90,000)</u>	<u>(2,950)</u>	<u>17,968</u>	<u>15,018</u>
Other Financing Sources (Uses):				
Transfers from General Fund	45,000	45,000	-	45,000
Transfers from Water Sewer Fund	20,000	20,000	-	20,000
Transfers from Electric Fund	25,000	25,000	-	25,000
Total other financing sources (uses)	<u>90,000</u>	<u>90,000</u>	<u>-</u>	<u>90,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 87,050</u>	<u>\$ 17,968</u>	<u>\$ 105,018</u>

TOWN OF AYDEN, NORTH CAROLINA

**SAFE ROUTES TO SCHOOL GRANT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
CDBG Grant	\$ 286,750	\$ 17,550	\$ 102,050	\$ 119,600
Sales tax refund	-	-	1,619	1,619
Total revenues	<u>286,750</u>	<u>17,550</u>	<u>103,669</u>	<u>121,219</u>
Expenditures:				
Construction	125,634	-	95,798	95,798
Professional services	53,345	17,550	7,560	25,110
Program expenses	1,250	-	311	311
Contingency	<u>106,521</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>286,750</u>	<u>17,550</u>	<u>103,669</u>	<u>121,219</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ENTERPRISE FUNDS

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing board is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the periodic determination of net income is appropriated for accountability purposes.

Electric Fund – This fund accounts for the operations of the Town’s electrical activities.

Water and Sewer Fund – This fund accounts for the operations of the Town’s water and sewer system.

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TOWN OF AYDEN, NORTH CAROLINA

**ENTERPRISE FUND - ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	2013		Variance Over/Under	2012
	Budget	Actual		Actual
Revenues:				
Charges for services:				
Electric charges		\$ 12,277,196		\$ 11,776,466
Service charges		335,452		368,128.00
Total operating revenues	\$ 12,538,500	12,612,648	\$ 74,148	12,144,594
Non-operating revenues:				
Interest earned on investments		334		439
FEMA Grant		-		718,906
Total non-operating revenues	400	334	(66)	719,345
Total revenues	12,538,900	12,612,982	74,082	12,863,939
Expenditures:				
Electrical operations:				
Salaries and benefits		993,105		1,011,425
Operating expenses		366,091		998,752
Maintenance and repairs		132,212		153,788
Contracted services		44,307		34,116
Total	1,709,170	1,535,715	173,455	2,198,081
Consumer billing and collection:				
Salaries and benefits		188,773		211,820
Operating expenses		51,874		23,032
Contracted services		70,530		58,594
Total	329,350	311,177	18,173	293,446
Electrical power purchases	10,243,690	10,614,085	(370,395)	10,113,342
Capital outlay	30,000	26,300	3,700	-
Total expenditures	12,312,210	12,487,277	(175,067)	12,604,869
Revenues over (under) expenditures	226,690	125,705	(100,985)	259,070

TOWN OF AYDEN, NORTH CAROLINA

ENTERPRISE FUND - ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Transfers out:				
General Fund	(417,765)	(417,765)	-	(413,540)
District Park Capital Project Fund	-	-	-	(25,000)
Appropriated fund balance	191,075	-	(191,075)	-
Total other financing sources (uses)	<u>(226,690)</u>	<u>(417,765)</u>	<u>(191,075)</u>	<u>(438,540)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (292,060)	\$ (292,060)	\$ (179,470)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (292,060)		
Reconciling items:				
Capital outlay, capitalized		26,300		
Increase in other post-employment benefits		(6,799)		
Depreciation		<u>(207,564)</u>		
Change in net position		<u>\$ (480,123)</u>		

TOWN OF AYDEN, NORTH CAROLINA

**ENTERPRISE FUND - WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACUTAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Charges for services:				
Water charges		\$ 1,129,029		\$ 1,083,207
Sewer charges		1,178,804		1,127,901
Water and sewer tap		5,700		1,550
Total operating revenues	\$ 2,247,100	2,313,533	\$ 66,433	2,212,658
Non-operating revenues:				
Interest earned on investments	1,500	514	(986)	617
Total revenues	2,248,600	2,314,047	65,447	2,213,275
Expenditures:				
Operations:				
Salaries and benefits		514,170		488,707
Operating expenses		199,810		190,318
Utilities		33,633		26,704
Maintenance and repairs		37,893		62,989
Contracted services		1,036,838		1,041,360
Total operations	1,862,271	1,822,344	39,927	1,810,078
Capital outlay	20,000	18,000	2,000	-
Debt service:				
Principal repayments	164,702	164,701	1	163,701
Interest and fees	176,020	173,060	2,960	177,464
Total	340,722	337,761	2,961	341,165
Total expenditures	2,222,993	2,178,105	44,888	2,151,243
Revenues over (under) expenditures	25,607	135,942	110,335	62,032
Other Financing Sources (Uses):				
Transfers out - West Avenue Capital Project Fund	(45,040)	(45,040)	-	(20,000)
Contingency	(45,567)	-	45,567	-
Appropriated fund balance	65,000	-	(65,000)	-
Total other financing sources (uses)	(25,607)	(45,040)	(19,433)	(20,000)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 90,902	\$ 90,902	\$ 42,032

TOWN OF AYDEN, NORTH CAROLINA

**ENTERPRISE FUND - WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACUTAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	<u>2013</u>			<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 90,902		
Reconciling items:				
Capital outlay, capitalized		18,000		
Principal repayments		164,701		
Increase in other post-employment benefits		(5,742)		
Depreciation		(408,060)		
Capital contributions from water/sewer capital project		77,976		
Transfer to capital project funds		<u>45,040</u>		
Change in net position		\$ <u>(17,183)</u>		

TOWN OF AYDEN, NORTH CAROLINA

CWMTF WEST AVENUE CAPITAL PROJECT FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
Revenues:				
CWMTF Grant	\$ 180,160	\$ -	\$ 76,229	\$ 76,229
Sales tax reimbursement	-	-	1,747	1,747
Total revenue	<u>180,160</u>	<u>-</u>	<u>77,976</u>	<u>77,976</u>
Expenditures:				
Construction	148,730	-	91,220	91,220
Professional services	42,331	-	27,997	27,997
Program expenses	2,000	-	322	322
Contingency	32,139	-	-	-
Total expenditures	<u>225,200</u>	<u>-</u>	<u>119,539</u>	<u>119,539</u>
Revenues over (under) expenditures	(45,040)	-	(41,563)	(41,563)
Other Financing Sources (Uses):				
Transfer from other funds	<u>45,040</u>	<u>-</u>	<u>45,040</u>	<u>45,040</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,477</u>	<u>\$ 3,477</u>

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OTHER SCHEDULES

This section contains additional information on property taxes.

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

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TOWN OF AYDEN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2013

<u>Fiscal Year</u>	<u>Uncollected Balance July 01, 2012</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2013</u>
2012-2013	\$ -	\$ 1,197,941	\$ 1,116,143	\$ 81,798
2011-2012	53,765	-	26,122	27,643
2010-2011	17,058	-	2,561	14,497
2009-2010	10,408	-	499	9,909
2008-2009	7,459	-	174	7,285
2007-2008	5,082	-	(123)	5,205
2006-2007	6,156	-	75	6,081
2005-2006	4,715	-	54	4,661
2004-2005	5,062	-	(121)	5,183
2003-2004	5,071	-	38	5,033
2002-2003	5,206	-	5,206	-
Total	<u>\$ 119,982</u>	<u>\$ 1,197,941</u>	<u>\$ 1,150,628</u>	<u>167,295</u>

Less: Allowance for uncollectible accounts:

General Fund

(55,040)

Ad valorem taxes receivable, net - General Fund

\$ 112,255**Reconciliation of Collections and Credits with Revenues:**

Ad valorem - General Fund

\$ 1,154,160

Reconciling items:

Penalties and interest

(4,491)

Adjustments

(4,247)

Amounts written off for tax year 2002-2003 per Statute of limitations

5,206

Total

\$ 1,150,628

TOWN OF AYDEN, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR YEAR ENDED JUNE 30, 2013

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 217,873,954	\$ 0.54	\$ 1,176,519	\$ 1,022,069	\$ 154,450
Add adjustments (net)	2,802,052	0.54	15,132	17,821	(2,689)
Add interest and penalties	-		6,290	6,290	-
Total property valuation	<u>\$ 220,676,006</u>		1,197,941	1,046,180	151,761
Uncollected taxes at June 30, 2013			<u>81,798</u>	<u>50,963</u>	<u>30,835</u>
Current Year's Taxes Collected			<u>\$ 1,116,143</u>	<u>\$ 995,217</u>	<u>\$ 120,926</u>
Current Levy Collection Percentage			<u>93.17%</u>	<u>95.13%</u>	<u>79.68%</u>

STATISTICAL SECTION

The Statistical Section includes unaudited schedules showing relevant information on the Town of Ayden presented in the following five categories:

- **Financial Trend Data** – Tables 1-4

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

- **Revenue Capacity Data** – Tables 5-8

These tables contain information to help the reader assess the government's most significant local revenue source – the property tax, while also high-lighting water charges revenue.

- **Debt Capacity** – Tables 9-13

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

- **Demographic and Economic Information** – Tables 14-16

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

- **Operating Information** – Tables 17-18

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

Where possible and relevant, ten years of data is included as extracted from current and prior years of financial reports and other supplemental information relevant to the Town. The data is rounded to significant digits to more clearly illustrate existing trends.

The information in this section does not provide full and adequate disclosure of financial information for prior years required by generally accepted accounting principles. Such information is provided for supplementary analysis purposes and should be relied on only for the purpose specified.

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Schedule 1

Town of Ayden, NC
 Net Position by Component
 Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Net investment in capital assets	\$ 2,222,171	\$ 3,972,532	\$ 4,720,026	\$ 6,373,819	\$ 2,695,825	\$ 3,043,431	\$ 3,108,602	\$ 3,765,711	\$ 3,809,354	\$ 4,174,459
Restricted for Stabilization	-	-	-	-	-	-	-	645,041	588,086	499,582
Restricted	39,746	10,816	4,907	19,961	51,116	36,877	43,192	82,979	53,037	200,059
Unrestricted	1,995,300	1,878,712	2,411,745	2,540,046	2,537,922	2,233,862	2,193,970	1,118,802	1,641,106	1,569,802
Total governmental activities net position	\$ 4,257,217	\$ 5,862,060	\$ 7,136,678	\$ 8,933,826	\$ 5,284,863	\$ 5,314,170	\$ 5,345,764	\$ 5,612,533	\$ 6,091,583	\$ 6,443,902
Business-type activities										
Net investment in capital assets	9,621,639	9,327,315	8,896,051	8,444,668	13,395,995	14,253,221	14,179,025	13,811,977	13,201,172	8,573,742
Unrestricted	7,515,701	8,212,440	8,143,705	8,260,036	8,627,050	8,860,149	8,942,044	9,229,443	9,128,592	7,615,207
Total business-type activities net position	\$ 17,137,340	\$ 17,539,755	\$ 17,039,756	\$ 16,704,704	\$ 22,023,045	\$ 23,113,370	\$ 23,121,069	\$ 23,041,420	\$ 22,329,764	\$ 16,186,949
Primary government										
Net investment in capital assets	11,843,810	13,299,847	13,616,077	14,818,487	16,091,820	17,296,652	17,287,627	17,577,688	17,010,526	12,748,201
Restricted for Stabilization	-	-	-	-	-	-	-	645,041	588,086	499,582
Restricted	39,746	10,816	4,907	19,961	51,116	36,877	43,192	82,979	53,037	200,059
Unrestricted	9,511,001	10,091,152	10,555,450	10,800,082	11,164,972	11,094,011	11,136,014	10,348,245	10,769,698	9,185,009
Total primary government net position	\$ 21,394,557	\$ 23,401,815	\$ 24,176,434	\$ 25,638,530	\$ 27,307,908	\$ 28,427,540	\$ 28,466,833	\$ 28,653,953	\$ 28,421,347	\$ 22,632,851

Schedule 2

Town of Ayden, NC

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities:										
General government	\$ 541,924	\$ 668,920	\$ 744,538	\$ 796,318	\$ 834,122	\$ 897,834	\$ 717,193	\$ 804,013	\$ 666,360	\$ 743,600
Public Safety	1,052,366	1,121,393	1,263,996	1,288,288	1,298,902	1,476,039	1,581,125	1,641,574	1,376,675	1,568,843
Transportation	561,450	501,165	621,228	682,953	564,179	589,607	577,273	572,786	522,395	661,647
Environmental Protection	109,300	162,760	169,017	-	482,313	216,049	218,476	215,400	189,537	198,438
Econ and Physical Development	490,343	510,482	441,976	540,314	142,335	221,846	623,233	351,730	539,699	202,990
Cultural and Recreational	303,193	270,009	345,155	324,392	330,631	350,999	328,809	389,589	373,905	421,874
Interest on long-term debt	4,245	20,742	23,028	27,678	25,261	19,940	14,932	4,562	6,123	4,176
Total governmental activities expenses	3,062,821	3,255,471	3,608,937	3,659,943	3,677,743	3,772,314	4,061,041	3,985,654	3,674,694	3,798,568
Business-type activities:										
Electric	9,077,587	9,999,326	10,877,052	10,953,863	11,404,031	12,100,905	12,054,697	12,401,694	12,788,639	12,675,340
Water and Sewer	1,168,651	1,391,587	1,539,899	1,456,068	1,593,183	1,999,041	2,264,929	2,347,075	2,394,413	2,409,206
Total business-type activities expenses	10,246,238	11,390,913	12,416,951	12,409,931	12,997,214	14,099,946	14,319,626	14,748,769	15,183,052	15,084,546
Total primary government expenses	\$ 13,309,059	\$ 14,646,384	\$ 16,025,888	\$ 16,069,874	\$ 16,674,957	\$ 17,872,260	\$ 18,380,667	\$ 18,734,423	\$ 18,857,746	\$ 18,883,114
Program Revenues										
Governmental activities:										
Charges for services:										
Refuse collection	\$ 253,685	\$ 268,643	\$ 203,650	\$ 252,184	\$ 221,044	\$ 286,877	\$ 293,987	\$ 292,668	\$ 293,725	\$ 298,668
Other public works	-	18,850	-	-	-	-	-	-	-	-
Parks and recreation	6,824	3,380	4,668	4,594	4,907	7,842	6,937	9,533	14,066	25,438
Other activities	474,372	91,612	91,786	128,954	216,337	135,703	202,795	277,519	244,428	342,393
Operating grants and contributions	35,393	17,050	181,806	217,761	459,460	409,728	903,974	472,246	508,673	270,092
Capital grants and contributions	421,179	2,070,502	872,084	1,499,480	12,089	-	-	362,721	164,806	252,637
Total governmental activities program revenues	1,191,453	2,470,037	1,353,994	2,102,973	913,837	840,150	1,407,693	1,414,687	1,225,698	1,189,228
Business-type activities:										
Charges for services:										
Electric	10,498,016	10,096,324	11,234,783	11,176,362	11,817,675	11,942,214	11,894,652	12,712,314	12,144,594	12,612,648
Water and Sewer	1,089,799	1,336,581	1,509,096	1,536,875	1,704,140	2,155,895	2,063,820	2,189,864	2,212,658	2,313,533
Operating grants and contributions	281,407	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	210,904	-	133,430	5,116,447	1,511,507	736,922	304,898	829,867	77,976
Total business-type activities program revenues	11,869,222	11,643,809	12,743,879	12,846,667	18,638,262	15,609,616	14,695,394	15,207,076	15,187,119	15,004,157
Total primary government program revenues	\$ 13,060,675	\$ 14,113,846	\$ 14,097,873	\$ 14,949,640	\$ 19,552,099	\$ 16,449,766	\$ 16,103,087	\$ 16,621,763	\$ 16,412,817	\$ 16,193,385

Schedule 2

Town of Ayden, NC

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (Expense)/Revenue										
Governmental activities	\$ (1,871,368)	\$ (785,434)	\$ (2,254,943)	\$ (1,556,970)	\$ (2,763,306)	\$ (2,932,164)	\$ (2,653,348)	\$ (2,570,966)	\$ (2,448,997)	\$ (2,609,340)
Business-type activities	1,422,951	24,946	282,969	204,368	5,415,725	1,461,941	309,522	329,334	(256,747)	(80,389)
Total primary government net expense	<u>\$ (448,417)</u>	<u>\$ (760,488)</u>	<u>\$ (1,971,974)</u>	<u>\$ (1,352,602)</u>	<u>\$ 2,651,819</u>	<u>\$ (1,470,223)</u>	<u>\$ (2,343,826)</u>	<u>\$ (2,241,632)</u>	<u>\$ (2,705,744)</u>	<u>\$ (2,689,729)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 769,175	\$ 915,661	\$ 938,777	\$ 972,094	\$ 989,788	\$ 1,075,748	\$ 1,087,803	\$ 1,091,098	\$ 1,119,855	\$ 1,190,108
Sales taxes	738,164	895,532	885,164	955,831	977,213	841,834	798,442	822,208	860,151	859,168
Franchise taxes	13,433	357,208	432,674	402,349	364,637	411,101	410,173	420,888	411,409	423,210
Restricted grants and contributions	-	159,403	-	-	-	-	-	-	-	-
Investment earnings	63,356	145,784	317,060	438,844	414,803	158,566	32,650	22,598	15,719	12,113
Miscellaneous	38,639	28,478	132,886	-	(3,834,156)	69,222	47,876	67,093	62,373	59,295
Transfers	242,927	99,050	823,000	585,000	202,657	405,000	307,997	413,850	458,540	417,765
Total governmental activities	<u>1,865,694</u>	<u>2,601,116</u>	<u>3,529,561</u>	<u>3,354,118</u>	<u>(885,058)</u>	<u>2,961,471</u>	<u>2,684,941</u>	<u>2,837,735</u>	<u>2,928,047</u>	<u>2,961,659</u>
Business-type activities:										
Investment earnings	10,333	19,603	40,032	45,560	105,273	33,384	6,174	4,867	3,631	848
Transfers	(242,927)	(99,050)	(823,000)	(585,000)	(202,657)	(405,000)	(307,997)	(413,850)	(458,540)	(417,765)
Total business-type activities	<u>(232,594)</u>	<u>(79,447)</u>	<u>(782,968)</u>	<u>(539,420)</u>	<u>(97,384)</u>	<u>(371,616)</u>	<u>(301,823)</u>	<u>(408,983)</u>	<u>(454,909)</u>	<u>(416,917)</u>
Total primary government	<u>\$ 1,633,100</u>	<u>\$ 2,521,669</u>	<u>\$ 2,746,593</u>	<u>\$ 2,814,698</u>	<u>\$ (982,442)</u>	<u>\$ 2,589,855</u>	<u>\$ 2,383,118</u>	<u>\$ 2,428,752</u>	<u>\$ 2,473,138</u>	<u>\$ 2,544,742</u>
Change in Net Position										
Governmental activities	\$ (5,674)	\$ 1,815,682	\$ 1,274,618	\$ 1,797,148	\$ (3,648,964)	\$ 29,307	\$ 31,593	\$ 266,769	\$ 479,050	\$ 352,319
Business-type activities	1,190,357	(54,501)	(499,999)	(335,052)	5,318,341	1,090,325	7,699	(79,649)	(711,656)	(497,306)
Total primary government change in net position	<u>\$ 1,184,683</u>	<u>\$ 1,761,181</u>	<u>\$ 774,619</u>	<u>\$ 1,462,096</u>	<u>\$ 1,669,377</u>	<u>\$ 1,119,632</u>	<u>\$ 39,292</u>	<u>\$ 187,120</u>	<u>\$ (232,606)</u>	<u>\$ (144,987)</u>

Schedule 3
Town of Ayden, NC
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Non-spendable	n/a	\$ -	\$ -	\$ -						
Restricted for Stabilization	n/a	506,278	588,086	473,014						
Restricted	n/a	43,837	53,037	57,218						
Committed	n/a	5,684	4,567	52,112						
Assigned	n/a	-	-	-						
Unassigned	n/a	1,293,193	1,615,205	1,631,837						
Reserved	\$ 1,141,137	\$ 837,132	\$ 536,044	\$ 684,602	\$ 637,290	\$ 445,241	\$ 479,137	n/a	n/a	n/a
Unreserved	953,370	890,418	1,626,212	1,526,718	1,824,911	1,786,349	1,723,855	n/a	n/a	n/a
Total general fund	\$ 2,094,507	\$ 1,727,550	\$ 2,162,256	\$ 2,211,320	\$ 2,462,201	\$ 2,231,590	\$ 2,202,992	\$ 1,848,992	\$ 2,260,895	\$ 2,214,181
All Other Governmental Funds										
Non-spendable	n/a	\$ -	\$ -	\$ -						
Restricted for Stabilization	n/a	-	-	26,568						
Restricted	n/a	138,763	124,477	142,841						
Committed	n/a	39,142	1,039	-						
Assigned	n/a	-	-	-						
Unassigned	n/a	(84,182)	-	(26,568)						
Reserved	\$ 119,027	\$ 267,082	\$ 767	\$ -	\$ -	\$ -	\$ -	n/a	n/a	n/a
Unreserved, reported in:										
Special revenue funds	(122,694)	(373,025)	50,891	177,975	11,177	1,832	21,498	n/a	n/a	n/a
Permanent funds	44,307	45,709	40,221	31,127	37,244	38,365	38,155	n/a	n/a	n/a
Total all other governmental funds	\$ 40,640	\$ (60,234)	\$ 91,879	\$ 209,102	\$ 48,421	\$ 40,197	\$ 59,653	\$ 93,723	\$ 125,516	\$ 142,841

Schedule 4
Town of Ayden
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Ad valorem taxes	\$ 767,776	\$ 909,041	\$ 938,777	\$ 953,000	\$ 1,003,695	\$ 1,081,075	\$ 1,084,408	\$ 1,084,382	\$ 1,109,542	\$ 1,154,160
Local option sales taxes	738,164	895,532	885,164	955,831	977,213	841,834	798,442	822,208	860,151	859,168
Other taxes	13,433	17,380	-	-	-	-	-	-	-	-
Unrestricted intergov.	358,541	357,208	432,674	402,349	431,619	480,323	458,049	487,981	473,782	482,505
Restricted intergov.	443,311	2,235,030	1,088,794	1,717,241	471,549	409,728	903,474	872,806	692,397	522,729
Permits and fees	51,581	60,709	31,096	25,233	26,053	26,300	27,914	26,001	23,066	22,335
Sales and services	316,909	295,125	237,543	283,969	254,195	329,078	409,997	395,471	419,589	504,501
Investment earnings	63,356	145,784	317,060	438,844	414,803	158,566	32,650	22,598	15,719	12,113
Other revenues	37,744	255,590	168,488	107,119	199,878	112,627	104,401	158,248	109,564	139,662
Total revenues	2,790,815	5,171,399	4,099,596	4,883,586	3,779,005	3,439,531	3,819,335	3,869,695	3,703,810	3,697,173
Expenditures										
General Government	519,927	652,601	721,953	785,727	941,225	928,607	745,159	767,812	701,462	699,270
Public Safety	957,297	1,101,487	1,434,909	1,266,366	1,342,237	1,417,913	1,498,495	1,557,023	1,334,546	1,449,201
Transportation	527,016	699,451	642,287	718,909	665,950	892,344	694,941	828,940	581,738	591,262
Environmental Protection	109,381	2,322,209	1,236,144	1,422,041	163,785	166,685	169,083	196,804	173,994	173,624
Econ and Phy. Development	478,032	167,399	143,923	680,380	281,031	204,110	605,497	362,051	514,954	175,398
Cultural and Rec.	228,421	258,223	297,554	350,380	335,363	326,352	304,115	771,717	364,664	686,289
Debt service										
Interest	4,245	20,742	2,227	27,678	25,261	19,962	14,932	10,562	6,123	4,176
Principal	45,801	44,793	92,926	143,178	136,611	127,413	104,252	108,566	41,173	43,120
Capital outlay	-	-	-	-	-	-	-	-	-	731,987
Total expenditures	2,870,120	5,256,905	4,571,923	5,394,659	3,891,463	4,083,386	4,136,474	4,603,475	3,718,654	4,554,327
Excess (deficiency) of revenues over expenditures	(79,305)	(95,506)	(472,327)	(511,073)	(112,458)	(643,855)	(317,139)	(733,780)	(1,484)	(857,154)
Other Financing Sources (Uses)										
Proceeds from borrowing	-	-	236,506	92,000	-	-	-	-	-	410,000
Transfers in	256,179	279,470	854,130	662,514	205,693	416,177	337,997	453,895	503,540	417,765
Transfers out	(13,252)	(54,470)	(31,130)	(77,514)	(3,036)	(11,177)	(30,000)	(40,045)	(45,000)	-
Total other financing sources (uses)	242,927	225,000	1,059,506	677,000	202,657	405,000	307,997	413,850	458,540	827,765
Net change in fund balances	\$ 163,622	\$ 129,494	\$ 587,179	\$ 165,927	\$ 90,199	\$ (238,855)	\$ (9,142)	\$ (319,930)	\$ 443,696	\$ (29,389)
Debt service as a percentage of noncapital expenditures	1.87%	1.92%	2.58%	4.75%	4.79%	4.08%	3.04%	3.14%	1.37%	1.24%

Schedule 5
 Town of Ayden, NC
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years

Fiscal Year Ending	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Motor Vehicles	Other					
2004	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2005	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2006	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2007	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2009	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2010	\$ 966,890		\$ 133,418	\$ 45,669	\$ 34,846	\$ 1,111,131	0.50	n/a	n/a
2011	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2013	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

NOTE: Information for 2002-2009, 2011-2013 was not readily available from Pitt County for statement preparation.

Source: Pitt County Tax Assessors Office

Schedule 6
Town of Ayden, NC
Direct and Overlapping Property Tax Rates,
Last Ten Fiscal Years

Year	City Direct Rates				Overlapping Rates			
	Year Taxes Payable	Basic Rate		Total Direct	Rescue District	Fire District	County	
2004	\$	0.550	\$	\$	0.0400	0.0375	\$	0.700
2005		0.520	-	-	0.0400	0.0375		0.700
2006		0.520	-	-	0.0400	0.0375		0.700
2007		0.520	-	-	0.0400	0.0375		0.710
2008		0.500	-	-	0.0440	0.0375		0.665
2009		0.500	-	-	0.0440	0.0300		0.665
2010		0.500	-	-	0.0440	0.0300		0.665
2011		0.500	-	-	0.0440	0.0425		0.665
2012		0.500	-	-	0.0460	0.0475		0.665
2013		0.540	-	-	0.0460	0.0475		0.680

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

Source: Pitt County Tax Assessor

Schedule 7
Town of Ayden, NC
Principal Taxpayers
Current Year and Nine Years Ago

Employer	2013			2004		
	Taxable Assessed	Rank	Percentage of Total City Tax. Ass. Val.	Taxable Assessed	Rank	Percentage of Total City Tax. Ass. Val.
	Value			Value		
The Rosemyr Corporation	\$ 3,727,517	1	1.69%	\$ 2,150,120	1	1.56%
Hillco LTD (Britthaven)	2,189,213	2	0.99%	1,669,180	4	1.21%
Walmart Real Estate Business Trust	1,596,946	3	0.72%	-		0.00%
Greenbriar Apts.	1,590,560	4	0.72%	1,394,920	5	1.01%
Eastern Area Management LLC	1,335,942	5	0.61%	-		0.00%
Carolina DH IX LLC	1,272,363	6	0.58%	-		0.00%
LJF Inc	1,259,769	7	0.57%	-		0.00%
Ayden Plaza LLC	1,259,486	8	0.57%	-		0.00%
Fairmont Village Apts.	1,239,796	9	0.56%	1,762,460	3	1.28%
Judson Pope LLC	1,095,878	10	0.50%	-		0.00%
Carolina Telephone & Telegraph	-		0.00%	1,687,895	2	1.22%
Gilmcher Centers LTD Partnership	-		0.00%	1,089,270	6	0.79%
Individual Trust	-		0.00%	1,010,480	7	0.73%
WG Pollard, Jr.	-		0.00%	779,830	8	0.56%
Briarcliff Manor Apts.	-		0.00%	700,860	9	0.51%
Cardinal Pointe LTD Partnership	-		0.00%	673,320	10	0.49%
Total	<u>\$ 16,567,470</u>		<u>7.51%</u>	<u>\$ 12,918,335</u>		<u>9.36%</u>

Source: Ayden Tax Collector

Schedule 8
Town of Ayden, NC
Property Tax Levies and Collections,
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections of Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 759,218	\$ 716,337	94.35%	\$ 47,250	\$ 685,988	90.35%
2005	906,227	863,876	95.33%	40,113	823,551	90.88%
2006	923,394	878,165	95.10%	46,068	834,379	90.36%
2007	965,331	904,959	93.75%	37,346	829,435	85.92%
2008	983,442	937,217	95.30%	60,011	898,144	91.33%
2009	1,079,656	1,037,808	96.12%	46,786	990,447	91.74%
2010	1,093,333	1,047,361	95.80%	41,002	989,246	90.48%
2011	1,087,394	1,037,439	95.41%	42,162	972,689	89.45%
2012	1,123,507	1,069,742	95.21%	40,694	990,454	88.16%
2013	1,197,941	1,116,143	93.17%	34,485	983,333	82.09%

Schedule 9

Town of Ayden, NC

Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years

Fiscal Year Ending	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Installment Purchases	Tax Incremental Bonds	Lease Revenue Bonds	Special Assessment Bonds	Revenue Bonds	Installment Purchases	Capital Loans	Capital Leases				
2004	\$ 40,000	\$ 370,044	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81,650	\$ 491,694	0.63%	\$ 106	
2005	25,000	488,895	-	-	-	-	60,871	-	55,915	630,681	0.76%	135	
2006	10,000	647,475	-	-	-	-	74,106	-	28,726	760,307	0.89%	158	
2007	-	606,297	-	-	-	-	37,723	-	-	644,020	0.74%	132	
2008	-	469,686	-	-	-	2,937,000	-	1,852,655	-	5,259,341	6.08%	1,082	
2009	-	342,271	-	-	-	2,937,000	-	2,483,324	-	5,762,595	6.62%	1,178	
2010	-	238,019	-	-	-	2,937,000	-	2,352,623	-	5,527,642	6.28%	1,118	
2011	-	129,453	-	-	-	2,906,000	-	2,221,922	-	5,257,375	5.90%	1,050	
2012	-	88,280	-	-	-	2,873,000	-	2,091,221	-	5,052,501	5.65%	1,006	
2013	-	455,160	-	-	-	2,839,000	-	1,960,520	-	5,254,680	5.87%	1,136	

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

Schedule 10
Town of Ayden, NC
Ratios of General Bonded Debt Outstanding,
Last Ten Fiscal Years

Fiscal Year Ending	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Redevelopment Bonds	Total		
2004	\$ 40,000	\$ -	\$ 40,000	0.05%	\$ 8.62
2005	25,000	-	25,000	0.03%	5.36
2006	10,000	-	10,000	0.01%	2.07
2007	-	-	-	-	-
2008	-	-	-	-	-
2009	-	-	-	-	-
2010	-	-	-	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-

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

Schedule 11
 Town of Ayden, NC
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2013

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Direct General Obligation Debt			
Town of Ayden, NC	\$ -	100.000%	\$ -
Subtotal, direct debt			-
Overlapping General Obligation Debt			
CMSD	\$ 81,000	31.700%	\$ 25,677
Subtotal, overlapping debt			25,677
Total direct and overlapping debt			\$ 25,677

Schedule 12
Town of Ayden, NC
Legal Debt Margin Information,
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year Ending 2013

Assessed value	\$ 220,676,006
Debt limit (8% of assessed value)	17,654,080
Debt applicable to limit:	
General obligation bonds	-
Certificates of Participation	-
Installment Purchases	455,160
Notes/Bonds Payable	4,799,520
Total net debt applicable to limit	<u>5,254,680</u>
Legal debt margin	<u>\$ 12,399,400</u>

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$ 11,043,173	\$ 14,099,723	\$ 14,206,062	\$ 14,851,251	\$ 15,129,887	\$ 17,158,519	\$ 17,404,088	\$ 17,309,580	\$ 17,881,165	\$ 17,654,080
Total net debt applicable to limit	491,694	630,681	760,307	644,020	5,259,341	5,762,595	5,527,642	5,386,828	5,052,501	5,254,680
Legal debt margin	\$ 10,551,479	\$ 13,469,042	\$ 13,445,755	\$ 14,207,231	\$ 9,870,546	\$ 11,395,924	\$ 11,876,446	\$ 11,922,752	\$ 12,828,664	\$ 12,399,400
Total net debt applicable to the limit as a percentage of debt limit	4.45%	4.47%	5.35%	4.34%	34.76%	33.58%	31.76%	31.12%	28.26%	29.76%

Schedule 13
Town of Ayden, NC
Pledged-Revenue Coverage
Last Ten Fiscal Years

Water Revenue Bonds						
Fiscal Year Ending	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2004	n/a	n/a	n/a	n/a	n/a	n/a
2005	n/a	n/a	n/a	n/a	n/a	n/a
2006	n/a	n/a	n/a	n/a	n/a	n/a
2007	n/a	n/a	n/a	n/a	n/a	n/a
2008	\$ 1,675,530	\$ 1,593,183	\$ 82,347	\$ -	\$ -	-
2009	2,062,239	1,570,681	491,558	-	95,754	513%
2010	2,051,727	1,584,986	466,741	-	128,494	363%
2011	2,178,059	1,693,895	484,164	31,000	128,494	304%
2012	2,211,108	1,810,078	401,030	33,000	127,138	250%
2013	2,307,833	1,822,344	485,489	34,000	125,684	304%

Note: Debt Service is represented by current portion of Revenue Bond Debt

Schedule 14
Town of Ayden, NC
Demographic and Economic Statistics,
Last Ten Fiscal Years

Year	Population (1)	Per Capita Personal Income (1)	Personal Income (thousands of dollars)	County Public School Enrollment (2)	County Unemployment Rate (4)
2004	4,642	\$ 16,911	\$ 78,502	21,229	5.7%
2005	4,661	17,813	83,028	21,582	5.8%
2006	4,827	17,797	85,906	22,030	5.2%
2007	4,861	17,797	86,511	22,498	5.1%
2008	4,892	17,797	87,063	22,994	6.6%
2009	4,923	17,797	87,615	23,235	10.3%
2010	4,943	17,797	87,971	22,886	10.1%
2011	5,008	17,797	89,127	23,240	10.8%
2012	5,022	17,797	89,377	23,386	10.0%
2013	5,032	17,797	89,555	23,495	9.5%

* June 2013 data

Notes: Provided by the US Census Bureau Quick Facts

Provided by Pitt County Board of Education

NC Employment Security Commission. Annual Average for prior calendar years for Pitt County

Schedule 15
Town of Ayden, NC
Principal Employers,
Current Year and Nine Years Ago

<u>Employer</u>	2013			2004		
	FT Employees	Rank	Percentage of Total City Employment	FT Employees	Rank	Percentage of Total City Employment
Weyerhaeuser	199	1	n/a	n/a	1	0.00%
Minges Bottling Group	157	2	n/a	n/a	2	0.00%
Carolina Catfish	125	3	n/a	n/a	3	0.00%
Ayden Court	90	4	n/a	n/a	4	0.00%
Town of Ayden	67	5	n/a	n/a	5	0.00%
Growers Gin	31	6	n/a	n/a	6	0.00%
CMI Plastics	30	7	n/a	n/a	7	0.00%
Harvest Time Foods	26	8	n/a	n/a	8	0.00%
Russ Pest Control	17	9	n/a	n/a	9	0.00%
Free Will Baptist Press	14	10	n/a	n/a	10	0.00%
Total	756		n/a	n/a		n/a

Source: Staff contact with employers

NOTE: Information for 2004 was not readily available for statement preparation.

Schedule 16
Town of Ayden, NC
Full-time Equivalent City Government Employees by Function/Program,
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General government										
Administration	n/a	2	2	3	3	3	3	2	2	2
Finance	n/a	3	3	3	3	3	3	3	3	3
Tax Collector	n/a	1	1	1	1	1	1	1	1	1
Garage	n/a	1	1	1	1	1	1	1	1	1
Buildings	n/a	2	2	2	2	2	2	2	2	2
Public Safety										
Sworn Officers	n/a	16	17	18	17	17	18	16	17	18
Civilians	n/a	4	5	5	4	4	4	4	4	3
Transportation	n/a	10	10	10	8	9	8	8	7	7
Refuse collection	n/a	2	3	3	3	3	3	2	3	3
Economic & Physical Dev.	n/a	2	2	2	3	3	3	3	3	3
Cultural and Recreation	n/a	4	4	4	4	4	4	4	4	4
Electric Operations	n/a	9	12	14	13	12	11	11	11	12
Billing and Collections	n/a	3	3	3	2	3	3	3	2	2
Water And Sewer Operations	n/a	6	7	7	6	6	6	6	6	6
Total	n/a	65	72	76	70	71	70	66	66	67

SOURCE: Town Finance Department as of 6/30/13

NOTE: Information for 2004 was not readily available at statement preparation.

Schedule 17
 Town of Ayden, NC
 Capital Asset Statistics by Function/Program,
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	3	3	3	3	3	3	3	3	3	3
Fire stations	1	1	1	1	1	1	1	1	1	1
Refuse collection										
Collection trucks	2	2	2	3	2	2	2	2	2	3
Other public works										
Streets (miles)	29.3	29.5	29.5	30	30	30	30	30	30	31
Highways (miles)*	4.3	4.3	4.3	4.3	4	4	4	4	4	4.0
Streetlights	565	570	575	580	585	585	590	595	601	611
Traffic signals	5	5	5	5	5	5	5	5	5	5
Parks and recreation										
Acresage**	9	9	9	9	9	9	9	9**	9**	9**
Playgrounds	2	2	2	2	2	2	2	2**	2**	2**
Baseball/softball diamonds	1	1	1	1	1	1	1	1	1	1
Soccer/football fields	1	1	1	1	1	1	1	1**	1**	1**
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0
Fire hydrants	227	227	227	230	230	233	237	241	248	251
Wastewater										
Sanitary sewers (miles)	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Storm sewers (miles)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Treatment capacity (thousands of gallons)	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650

Sources: Various Town departments.

* NC Highway 11

** Additional land has been purchased but is not a functional park yet

Schedule 18
Town of Ayden, NC
Operating Indicators by Function/Program,
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Zoning Compliances Issued	n/a	n/a	n/a	n/a	n/a	n/a	91	81	99	90
Cemetery Lots/Plots Sold	n/a	n/a	n/a	n/a	n/a	n/a	30	18	21	21
Police										
Traffic Citations	n/a	n/a	n/a	n/a	n/a	n/a	2,215	1,536	1,058	1,072
Physical Arrests	n/a	n/a	n/a	n/a	n/a	n/a	603	546	453	511
Fire stations										
Emergency Responses (Town)	n/a	n/a	n/a	n/a	n/a	n/a	145	165	244	141
Emergency Responses (Rural)	n/a	n/a	n/a	n/a	n/a	n/a	120	142	130	118
Refuse collection										
Refuse Collected (Tons)	n/a	n/a	n/a	n/a	n/a	n/a	1,337	1,448	1,421	1,819
Recycling Collected (Tons)	n/a	n/a	n/a	n/a	n/a	n/a	105	109	107	149
Tires / White Goods (Tons)	n/a	n/a	n/a	n/a	n/a	n/a	6	4	4	4
Other public works										
Streets Resurfaced (Linear Ft.)	n/a	n/a	n/a	n/a	n/a	n/a	2,460	3,350	4,070	2,875
Graves Opened/Closed	n/a	n/a	n/a	n/a	n/a	n/a	39	32	32	38
Parks and recreation										
Program Participants	n/a	n/a	n/a	n/a	n/a	n/a	267	287	304	360
Facility Rentals	n/a	n/a	n/a	n/a	n/a	n/a	58	84	88	95
Library										
Total Visitors	n/a	n/a	n/a	n/a	n/a	n/a	10,622	9,667	9,209	9,950
New Library Patrons	n/a	n/a	n/a	n/a	n/a	n/a	387	280	267	279
Book Checkouts	n/a	n/a	n/a	n/a	n/a	n/a	6,681	5,980	5,881	5,922
Internet Patrons	n/a	n/a	n/a	n/a	n/a	n/a	3,382	2,928	3,257	4,677
Billing and Collections										
New Account Connections	n/a	n/a	n/a	n/a	n/a	n/a	705	630	708	663
Electric Operations										
New Underground / Overhead Services	n/a	n/a	n/a	n/a	n/a	n/a	35	29	21	23.0
Water / Sewer Operations										
Water Taps / Impact Fees	n/a	n/a	n/a	n/a	n/a	n/a	19	16	9	18
Sewer Taps / Impact Fees	n/a	n/a	n/a	n/a	n/a	n/a	14	12	2	7

Sources: Various Town departments.

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COMPLIANCE AND INTERNAL CONTROL SECTION

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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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*

Independent Auditor's Report

To the Board of Commissioners
Town of Ayden, 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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ayden, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Ayden's basic financial statements, and have issued our report thereon dated November 21, 2013.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all efficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as 2013-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Ayden's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 an instance of non-compliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings, Reponses, and Questioned Costs as item 2013-001.

Town of Ayden's Response to Finding

The Town of Ayden's response to the finding identified in our audit is described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements; and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, North Carolina
November 21, 2013

TOWN OF AYDEN, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	Yes
• Significant deficiency identified that is not considered to be a material weakness	None reported
Non-compliance material to financial statements noted?	No

2. Findings Related to the Audit of the Basic Financial Statements

Finding 2013-001:

Criteria: Management should have a system in place to reduce the likelihood that violations of General Statutes occur and go undetected.

Condition: In the current year, there was a violation of the General Statutes regarding the Electric Fund being over budget.

Context: While reviewing financial statements and budget reports, we noted the condition described above.

Effect: Lack of monitoring over budgetary compliance.

Cause: The Town was in violation of certain North Carolina General Statutes.

Recommendation: Implement additional monitoring controls, such as reviewing monthly budget to actual reports, to identify areas where revenues and expenses may be close to budgeted amounts.

Name of Contact Person: Chris Tucker, Finance Director

Corrective Action/Management Response: Management agrees with the finding. Management will more closely monitor budgetary compliance.

TOWN OF AYDEN, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

None reported in the prior year.