

**TOWN OF AYDEN
NORTH CAROLINA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

TOWN OF AYDEN

AYDEN, NORTH CAROLINA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

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

TOWN OF AYDEN, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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INTRODUCTORY SECTION

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December 5, 2014

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 its each fiscal year by a certified public accountant. This report is published to fulfill that requirement for the fiscal year ended June 30, 2014.

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 unqualified 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 4,992 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 86,142. The Town is

"ONE OF AMERICA'S BEST SMALL COMMUNITIES TO RAISE A FAMILY" ~ U.S. MEDIA GROUP, 2013

approximately 16 miles north of Kinston, home to the NC Global Trans-Park, which has a population of 21,471. The total population of Pitt County is 172,569. 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 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, 4 civilian dispatchers, and 2 canines. The department is led by the 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

Carolinas' 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 completed 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 2013-2014 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, 2014 of \$13,678,833.

The Town has begun a significant improvement project to its two electrical substations. As the equipment at these substations gets closer to the end of its useful life, the Town has chosen a project that will mix new and refurbished equipment, in a manner that will provide higher reliability and added redundancy to the system as a whole. The Town has chosen a combination of loan proceeds and a local contribution to fund the project. The expected term of debt is ten years.

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 the Ayden District Park within the city limits to provide better recreation amenities to its citizenry. The land purchase provided matching funds towards the grant that assisted in the development of walking and riding trails,

athletic fields, playgrounds, and the 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, 2014. In its regularly scheduled board meetings, the Town Board approved 10 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, 2013. The Town has received thirteen Certificates of Achievement (for fiscal years ending 1995-1998, 2000-2002, and 2008-2013). 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 support in the management of the Town of Ayden's finances.

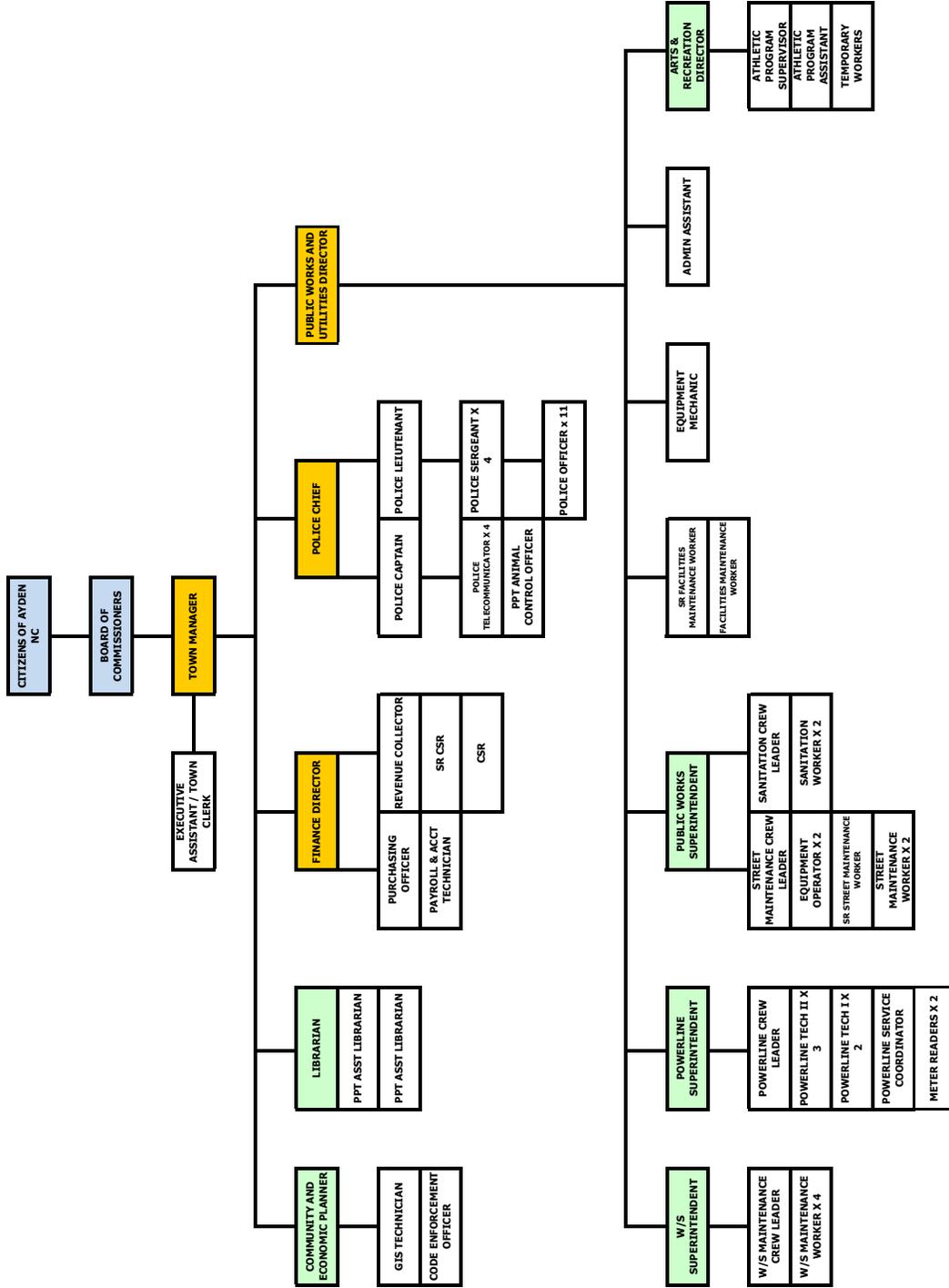
With sincere personal regards, I remain...

Respectfully yours,

TOWN OF AYDEN

A handwritten signature in black ink, appearing to read "Chris Tucker", written over the printed name and title.

Christopher M. Tucker
Finance Director



: MANAGEMENT TEAM
 : DEPARTMENT HEAD
 (v) : VACANT POSITION

Town of Ayden, North Carolina

LIST OF PRINCIPAL OFFICIALS

Town Council

Mayor

Stephen W. Tripp

Commissioners

Ivory Mewborn (Mayor Pro-Tem)

Donald Skinner

Mary Alice Davenport

Phyllis Ross

Michael Harris

Town Manager

Brandon W. Holland

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, 2013

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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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, 2014, 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ayden's financial statements. The introductory section, combining and individual fund financial statements, budgetary schedules, other schedules, and statistical section, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by U.S. Office and Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

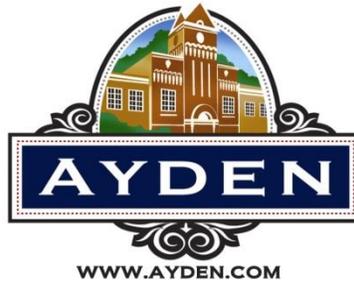
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014 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
December 5, 2014

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TOWN OF AYDEN, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

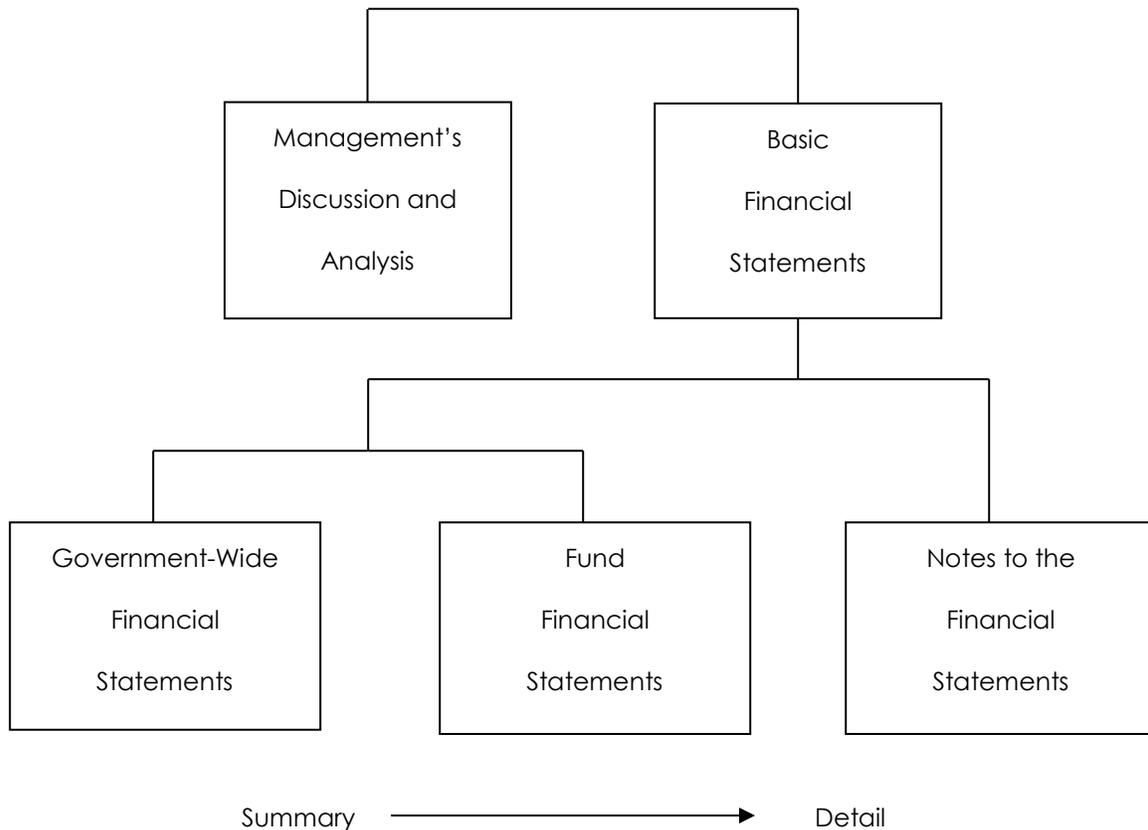
- The assets and deferred outflows of resources of the Town of Ayden exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$22,894,969 (*net position*).
- The government's total net position increased by \$262,118, primarily due to increases in the Governmental Activities net position.
- At the close of the current fiscal year, the Town of Ayden's governmental funds reported combined ending fund balances of \$2,112,595, a negative change of \$244,427 from prior year. Approximately 38.1 percent of this total amount, or \$805,284, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,400,923, or 33.6 percent, of total General Fund expenditures for the fiscal year.
- The Town of Ayden experienced normal weather conditions during the fiscal year resulting in meeting expected revenues from utility charges and expected expenses from wholesale power purchased. However, due to a transfer out and depreciation of assets, a negative change in net position occurred for the Electric Enterprise Fund in the amount of \$310,522.
- The Town of Ayden's total debt principal decreased by \$199,395 during the current fiscal year. The Town issued new debt of \$78,100 for vehicles, while retiring \$277,495 in principal.
- The Town of Ayden's total bonded debt at the end of the fiscal year was \$2,803,000. The Town's total debt principal obligation at the end of the fiscal year was \$5,055,285.

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 the 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 53 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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 3,523,060	\$ 3,032,499	\$ 8,450,976	\$ 8,899,017	\$ 11,974,036	\$ 11,931,516
Capital assets	<u>5,166,213</u>	<u>4,629,619</u>	<u>13,172,318</u>	<u>13,373,262</u>	<u>18,338,531</u>	<u>18,002,881</u>
Total assets and deferred outflows of resources	<u>8,689,273</u>	<u>7,662,118</u>	<u>21,623,294</u>	<u>22,272,279</u>	<u>30,312,567</u>	<u>29,934,397</u>
Long-term liabilities outstanding	563,146	562,993	4,571,626	4,727,878	5,134,772	5,290,871
Other liabilities	930,582	653,200	1,352,244	1,355,452	2,282,826	2,008,652
Deferred inflows of resources	<u>-</u>	<u>2,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,023</u>
Total liabilities and deferred inflows of resources	<u>1,493,728</u>	<u>1,218,216</u>	<u>5,923,870</u>	<u>6,083,330</u>	<u>7,417,598</u>	<u>7,301,546</u>
Net position:						
Net investment in capital assets	4,743,747	4,174,459	8,539,499	8,573,742	13,283,246	12,748,201
Restricted	805,284	699,641	-	-	805,284	699,641
Unrestricted	<u>1,646,514</u>	<u>1,569,802</u>	<u>7,159,925</u>	<u>7,615,207</u>	<u>8,806,439</u>	<u>9,185,009</u>
Total net position	<u>\$ 7,195,545</u>	<u>\$ 6,443,902</u>	<u>\$ 15,699,424</u>	<u>\$ 16,188,949</u>	<u>\$ 22,894,969</u>	<u>\$ 22,632,851</u>

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 \$22,894,969 as of June 30, 2014. The Town's net position increased by \$262,118 for the fiscal year ended June 30, 2014. The largest portion (58.1%) reflects the Town's net investment in capital assets (e.g. land, 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, \$805,284, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,806,439 is unrestricted.

Two significant scenarios of the Town's financial operations influenced the total unrestricted governmental net position:

- The capitalization of Phase 1 of the Ayden District Park added \$543,642 to the assets of Governmental Activities. Additionally, the capitalization of the Safe Routes to Schools Sidewalk Project added \$179,070 to the assets of Governmental Activities. The Town also added \$452,746 to the capital assets of Governmental Activities.
- The budget of the three major operating funds (General, Electric, and Water and Sewer) had significant fund balance appropriations in order to assist in the purchase of capital. The original appropriations were as follows: \$441,000 for the General Fund, \$667,500 for the Electric Fund and \$337,415 in the Water and Sewer Fund. Upon review of the impact of these appropriations and determined future needs, an organizational effort to limit expenditures resulted in a reduced use of these appropriations. As such, these three funds experienced losses at the income statement level that affect the overall net position of the Town.

**Town of Ayden's Changes in Net Position
Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 669,780	\$ 666,499	\$ 15,496,321	\$ 14,926,181	\$ 16,166,101	\$ 15,592,680
Operating grants and contributions	839,769	270,092	-	-	839,769	270,092
Capital grants and contributions	209,472	252,637	92,097	77,976	301,569	330,613
General revenues:						
Property taxes	1,265,139	1,190,108	-	-	1,265,139	1,190,108
Other taxes	1,262,493	1,282,378	-	-	1,262,493	1,282,378
Other	69,456	71,408	21,676	848	91,132	72,256
Total revenues	<u>4,316,109</u>	<u>3,733,122</u>	<u>15,610,094</u>	<u>15,005,005</u>	<u>19,926,203</u>	<u>18,738,127</u>
Expenses:						
General government	726,966	743,600	-	-	726,966	743,600
Public safety	1,630,617	1,565,843	-	-	1,630,617	1,565,843
Transportation	591,579	661,647	-	-	591,579	661,647
Environmental protection	220,042	198,438	-	-	220,042	198,438
Economic and physical development	207,294	202,990	-	-	207,294	202,990
Cultural and recreation	599,715	421,874	-	-	599,715	421,874
Interest on long-term debt	8,917	4,176	-	-	8,917	4,176
Water and sewer	-	-	2,630,572	2,409,206	2,630,572	2,409,206
Electric	-	-	13,048,383	12,675,340	13,048,383	12,675,340
Total expenses	<u>3,985,130</u>	<u>3,798,568</u>	<u>15,678,955</u>	<u>15,084,546</u>	<u>19,664,085</u>	<u>18,883,114</u>
Change in net position before transfers	330,979	(65,446)	(68,861)	(79,541)	262,118	(144,987)
Transfers	420,664	417,765	(420,664)	(417,765)	-	-
Change in net position	751,643	352,319	(489,525)	(497,306)	262,118	(144,987)
Net position, July 1	<u>6,443,902</u>	<u>6,091,583</u>	<u>16,188,949</u>	<u>16,686,255</u>	<u>22,632,851</u>	<u>22,777,838</u>
Net position, June 30	<u>\$ 7,195,545</u>	<u>\$ 6,443,902</u>	<u>\$ 15,699,424</u>	<u>\$ 16,188,949</u>	<u>\$ 22,894,969</u>	<u>\$ 22,632,851</u>

Governmental Activities. Governmental activities increased the Town's net position by \$751,643, accounting for a 11.7% growth in the net position for these activities for the Town of Ayden. Key elements of this increase are as follows:

- Capitalization of two capital project funds and other capital additions
- Significant grant funding led to increased revenues.
- Tax revenues remained steady.

Business-Type Activities. Business-type activities decreased the Town of Ayden's net position by \$489,525, accounting for a 3.0% 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 budgeted and made a transfer out, that along with the depreciation of assets created a negative change in net position for the Electric Enterprise Fund of \$310,522.
- The Town recognized a negative change in net position of \$179,003 in the Water and Sewer Fund, primarily due to depreciation costs of \$413,072 to the water system related to the capital projects completed in recent years. Reconciling items and the capital contributions from the completed CWMTF capital project helped reduce the negative impact.

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, the Town of Ayden's fund balance available in the General Fund was \$1,549,982, while total fund balance reached \$2,022,248. 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 unassigned fund balance of 33.6% of General Fund expenditures, while total fund balance represents 48.5% of the same amount.

At June 30, 2014, the governmental funds of the Town of Ayden reported a combined fund balance of \$2,112,595, with a net decrease in fund balance of \$244,427. The Governmental Funds for the Town include the General Fund, one Permanent Fund, several Special Revenue Funds 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.

- Two amendments were made to the Town's General Fund budget. One was made to accommodate a small interfund transfer to close out a capital project and the other was to increase the fund balance appropriation in order to fund a capital addition.
- 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 \$5,397,129 and for the Water Sewer Fund, \$1,762,796. The total change in unrestricted net position for the Electric Fund and the Water Sewer Fund was (\$296,284) and (\$158,998), 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 and Sewer Fund is a result of the several capital additions and an emergency repair project funded by fund balance.

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, 2014 totals \$18,338,531 (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:

- Completion of Construction in Progress for water and sewer capital assets of \$215,143
- Completion of Construction in Progress of \$543,642 to governmental activities for the construction of Phase 1 of the Ayden District Park
- Completion of Construction in Progress of \$179,070 to governmental activities for the construction of sidewalks in Town
- Capital additions: small bucket truck, two tractors, two crew pickups, backhoe, air handler replacement, two police cruisers, mower, street resurfacing, and the District Park splashpad

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 709,582	\$ 709,582	\$ 68,661	\$ 68,661	\$ 778,243	\$ 778,243
Construction in progress	-	301,154	63,755	119,539	63,755	420,693
system	3,234,671	2,552,508	10,841,772	10,978,911	14,076,443	13,531,419
Equipment	357,798	137,558	1,636,104	1,736,300	1,993,902	1,873,858
Vehicles	864,162	928,817	562,026	469,851	1,426,188	1,398,668
Total	<u>\$5,166,213</u>	<u>\$4,629,619</u>	<u>\$13,172,318</u>	<u>\$13,373,262</u>	<u>\$18,338,531</u>	<u>\$18,002,881</u>

Additional information on the Town's capital assets can be found in Note II.A 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 \$2,803,000, 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 Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2013	2013
Revenue bonds	\$ -	\$ -	\$ 2,803,000	\$ 2,839,000	\$ 2,803,000	\$ 2,839,000
Installment financing	422,466	455,160	1,829,819	1,960,520	2,252,285	2,415,680
Total	\$ 422,466	\$ 455,160	\$ 4,632,819	\$ 4,799,520	\$ 5,055,285	\$ 5,254,680

Town of Ayden's Outstanding Debt

The Town of Ayden's total debt principal decreased by \$199,395 during the current fiscal year. The Town issued new debt of \$78,100 for vehicles, while retiring \$277,494 in principal.

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 the Town of Ayden is \$18,734,118, of which the Town has issued \$5,055,285, or 27 percent of its limitation.

Additional information regarding the Town of Ayden's long-term debt can be found in Note II.B 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 for June 2014 was 6.9 percent, which improves from a rate of 9.0 percent a year ago. This compares slightly unfavorable to the State's average unemployment rate of 6.4 percent and the national average rate of 6.1 percent.
- Inflation and cost-of-living trends in the region compare similarly to national indices.
- Interest on investments is currently paying at rates between 0.01 percent and 0.13 percent.
- Residential and commercial development has entered into a soft market on the heels of the economic downturn. The Town of 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.
- 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 2014-2015 fiscal year.

At the end of the current fiscal year, unassigned fund balance in the General Fund was \$1,400,923. The Town of Ayden has appropriated \$117,000 of this amount for spending in the 2014-2015 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.

Electric utility rates remained the same for the 2014-2015 budget year. Operating expenses for this fund were established factoring the expected resources generated by revenues similar to the prior year rate structure. Water and Sewer rates will experience a significant increase due to the increased operational and debt service expenses for NRWASA and CMSD. 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.

There was no cost of living adjustment included in the 2014-2015 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 2014-2015 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, PO Box 219, Ayden, NC 28513.

BASIC FINANCIAL STATEMENTS

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TOWN OF AYDEN, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 2,132,579	\$ 6,210,702	\$ 8,343,281
Taxes receivable, net	103,542	-	103,542
Accounts receivable, net	93,204	2,007,608	2,100,812
Due from other governments	1,110,258	-	1,110,258
Inventories	-	71,492	71,492
Cash and cash equivalents	<u>83,477</u>	<u>161,174</u>	<u>244,651</u>
Total current assets	<u>3,523,060</u>	<u>8,450,976</u>	<u>11,974,036</u>
Non-current assets:			
Capital assets:			
Land and other non-depreciable capital assets	709,582	132,416	841,998
Other capital assets, net	<u>4,456,631</u>	<u>13,039,902</u>	<u>17,496,533</u>
Total non-current assets	<u>5,166,213</u>	<u>13,172,318</u>	<u>18,338,531</u>
Total assets	<u>8,689,273</u>	<u>21,623,294</u>	<u>30,312,567</u>
Liabilities:			
Current liabilities:			
Accounts payable	739,352	989,484	1,728,836
Liabilities to be paid from restricted assets	-	161,174	161,174
Current portion of compensated absences	85,822	33,885	119,707
Current portion of long-term liabilities	<u>105,408</u>	<u>167,701</u>	<u>273,109</u>
Total current liabilities	<u>930,582</u>	<u>1,352,244</u>	<u>2,282,826</u>
Long-term liabilities:			
Non-current portion of compensated absences	85,823	33,886	119,709
Due in more than one year	<u>477,323</u>	<u>4,537,740</u>	<u>5,015,063</u>
Total long-term liabilities	<u>563,146</u>	<u>4,571,626</u>	<u>5,134,772</u>
Total liabilities	<u>1,493,728</u>	<u>5,923,870</u>	<u>7,417,598</u>
Net Position:			
Net investment in capital assets	4,743,747	8,539,499	13,283,246
Restricted for stabilization by State statute	636,185	-	636,185
Restricted:			
Streets	83,477	-	83,477
Cultural and recreational	84,784	-	84,784
Public safety	838	-	838
Unrestricted	<u>1,646,514</u>	<u>7,159,925</u>	<u>8,806,439</u>
Total net position	<u>\$ 7,195,545</u>	<u>\$ 15,699,424</u>	<u>\$ 22,894,969</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, 2014**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 726,966	\$ 190,639	\$ 40,617	\$ -
Public safety	1,630,617	134,398	499,539	-
Transportation	591,579	-	-	209,472
Environmental protection	220,042	300,794	-	-
Economic and physical development	207,294	2,240	-	-
Cultural and recreational	599,715	41,709	299,613	-
Interest on long-term debt	8,917	-	-	-
Total governmental activities	<u>3,985,130</u>	<u>669,780</u>	<u>839,769</u>	<u>209,472</u>
Business-Type Activities:				
Electric	13,048,383	13,136,959	-	-
Water and sewer	<u>2,630,572</u>	<u>2,359,362</u>	-	<u>92,097</u>
Total business-type activities	<u>15,678,955</u>	<u>15,496,321</u>	-	<u>92,097</u>
Total primary government	<u>\$ 19,664,085</u>	<u>\$ 16,166,101</u>	<u>\$ 839,769</u>	<u>\$ 301,569</u>

General Revenues:

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

Transfers

Total general revenues and transfers

Change in net position

Net Position:

Net position - July 1

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
\$ (495,710)	\$ -	\$ (495,710)
(996,680)	-	(996,680)
(382,107)	-	(382,107)
80,752	-	80,752
(205,054)	-	(205,054)
(258,393)	-	(258,393)
(8,917)	-	(8,917)
<u>(2,266,109)</u>	<u>-</u>	<u>(2,266,109)</u>
-	88,576	88,576
<u>-</u>	<u>(179,113)</u>	<u>(179,113)</u>
<u>-</u>	<u>(90,537)</u>	<u>(90,537)</u>
<u>(2,266,109)</u>	<u>(90,537)</u>	<u>(2,356,646)</u>
1,265,139	-	1,265,139
844,197	-	844,197
60,807	-	60,807
418,296	-	418,296
-	21,500	21,500
8,649	176	8,825
<u>2,597,088</u>	<u>21,676</u>	<u>2,618,764</u>
<u>420,664</u>	<u>(420,664)</u>	<u>-</u>
<u>3,017,752</u>	<u>(398,988)</u>	<u>2,618,764</u>
751,643	(489,525)	262,118
<u>6,443,902</u>	<u>16,188,949</u>	<u>22,632,851</u>
<u>\$ 7,195,545</u>	<u>\$ 15,699,424</u>	<u>\$ 22,894,969</u>

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

TOWN OF AYDEN, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 1,953,890	\$ 178,689	\$ 2,132,579
Taxes receivable, net	103,542	-	103,542
Accounts receivable, net	93,204	-	93,204
Due from other funds	294	-	294
Due from other governments	946,339	163,919	1,110,258
Restricted cash and cash equivalents	83,477	-	83,477
Total assets	<u>\$ 3,180,746</u>	<u>\$ 342,608</u>	<u>\$ 3,523,354</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 487,385	\$ 251,967	\$ 739,352
Due to other funds	-	294	294
Total liabilities	<u>487,385</u>	<u>252,261</u>	<u>739,646</u>
Deferred Inflows of Resources:			
Property taxes receivable	103,542	-	103,542
Unavailable revenue	567,571	-	567,571
Total deferred inflows of resources	<u>671,113</u>	<u>-</u>	<u>671,113</u>
Fund Balances:			
Restricted for stabilization by State statute	472,266	163,919	636,185
Restricted:			
Streets	83,477	-	83,477
Cultural and recreational	-	84,784	84,784
Public safety	-	838	838
Committed for public safety	65,582	-	65,582
Unassigned	1,400,923	(159,194)	1,241,729
Total fund balances	<u>2,022,248</u>	<u>90,347</u>	<u>2,112,595</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,180,746</u>	<u>\$ 342,608</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.			5,166,213
Long-term debt and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.			(754,376)
Liabilities for earned revenues considered deferred inflows of resources in fund statements.			<u>671,113</u>
Net position of governmental activities (Exhibit A)			<u>\$ 7,195,545</u>

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, 2014

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 1,273,852	\$ -	\$ 1,273,852
Local option sales taxes	843,903	294	844,197
Unrestricted intergovernmental	479,103	-	479,103
Restricted intergovernmental	228,410	355,961	584,371
Permits and fees	18,122	-	18,122
Sales and services	510,883	-	510,883
Interest earned on investments	8,645	4	8,649
Miscellaneous	140,350	425	140,775
Total revenues	<u>3,503,268</u>	<u>356,684</u>	<u>3,859,952</u>
Expenditures:			
Current:			
General government	691,756	-	691,756
Public safety	1,538,067	-	1,538,067
Transportation	702,121	-	702,121
Environmental protection	194,478	-	194,478
Economic and physical development	182,172	4,725	186,897
Cultural and recreational	747,673	422,440	1,170,113
Debt service:			
Principal repayments	110,794	-	110,794
Interest and fees	8,917	-	8,917
Total expenditures	<u>4,175,978</u>	<u>427,165</u>	<u>4,603,143</u>
Revenues over (under) expenditures	<u>(672,710)</u>	<u>(70,481)</u>	<u>(743,191)</u>
Other Financing Sources (Uses):			
Long-term debt issued	78,100	-	78,100
Transfers from other funds	456,862	54,185	511,047
Transfers to other funds	(54,185)	(36,198)	(90,383)
Total other financing sources (uses)	<u>480,777</u>	<u>17,987</u>	<u>498,764</u>
Net change in fund balances	(191,933)	(52,494)	(244,427)
Fund Balances:			
Beginning of year - July 1	<u>2,214,181</u>	<u>142,841</u>	<u>2,357,022</u>
End of year - June 30	<u>\$ 2,022,248</u>	<u>\$ 90,347</u>	<u>\$ 2,112,595</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, 2014**

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) \$ (244,427)

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	(8,713)
Grant funding	464,870

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. (29,375)

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. 874,304

Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement. (337,710)

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. 110,794

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. (78,100)

Change in net position of governmental activities (Exhibit B) \$ 751,643

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

TOWN OF AYDEN, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance from
	Original	Final		Final Budget
				Over/Under
Revenues:				
Ad valorem taxes	\$ 1,188,934	\$ 1,188,934	\$ 1,273,852	\$ 84,918
Local option sales taxes	838,427	838,427	843,903	5,476
Unrestricted intergovernmental	492,300	492,300	479,103	(13,197)
Restricted intergovernmental	218,749	219,699	228,410	8,711
Permits and fees	23,000	23,000	18,122	(4,878)
Sales and services	469,400	474,750	510,883	36,133
Investment earnings	13,000	13,000	8,645	(4,355)
Miscellaneous	95,458	104,958	140,350	35,392
Total revenues	<u>3,339,268</u>	<u>3,355,068</u>	<u>3,503,268</u>	<u>148,200</u>
Expenditures:				
General government	721,380	706,380	691,756	14,624
Public safety	1,537,905	1,559,165	1,538,067	21,098
Transportation	748,020	720,475	702,121	18,354
Environmental protection	196,225	195,225	194,478	747
Economic and physical development	227,514	205,514	182,172	23,342
Cultural and recreation	637,781	760,016	747,673	12,343
Debt service:				
Principal repayments	58,925	60,090	110,794	(50,704)
Interest and fees	60,474	60,474	8,917	51,557
Total expenditures	<u>4,188,224</u>	<u>4,267,339</u>	<u>4,175,978</u>	<u>91,361</u>
Revenues over (under) expenditures	<u>(848,956)</u>	<u>(912,271)</u>	<u>(672,710)</u>	<u>239,561</u>
Other Financing Sources (Uses):				
Transfers from other funds	420,664	420,664	456,862	36,198
Transfers to other funds	(52,500)	(54,185)	(54,185)	-
Long-term debt issued	86,000	86,000	78,100	(7,900)
Appropriated fund balance	394,792	459,792	-	(459,792)
Total other financing sources (uses)	<u>848,956</u>	<u>912,271</u>	<u>480,777</u>	<u>(431,494)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(191,933)</u>	<u>\$ (191,933)</u>
Fund Balance:				
Beginning of year - July 1			<u>2,214,181</u>	
End of year - June 30			<u>\$ 2,022,248</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, 2014

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 4,700,240	\$ 1,510,462	\$ 6,210,702
Accounts receivable, net	1,706,409	301,199	2,007,608
Inventories	59,314	12,178	71,492
Restricted cash and cash equivalents	161,174	-	161,174
Total current assets	<u>6,627,137</u>	<u>1,823,839</u>	<u>8,450,976</u>
Non-current assets:			
Land and other non-depreciable assets	115,916	16,500	132,416
Other capital assets, net	1,657,169	11,382,733	13,039,902
Total non-current assets	<u>1,773,085</u>	<u>11,399,233</u>	<u>13,172,318</u>
Total assets	<u>8,400,222</u>	<u>13,223,072</u>	<u>21,623,294</u>
Liabilities and Net Position:			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	974,966	14,518	989,484
Liabilities to be paid from restricted assets	161,174	-	161,174
Compensated absences - current	24,463	9,422	33,885
Current portion of long-term debt	-	167,701	167,701
Total current liabilities	<u>1,160,603</u>	<u>191,641</u>	<u>1,352,244</u>
Non-current liabilities:			
Compensated absences - non-current	24,463	9,423	33,886
Non-current portion of long-term debt	44,942	4,492,798	4,537,740
Total non-current liabilities	<u>69,405</u>	<u>4,502,221</u>	<u>4,571,626</u>
Total liabilities	<u>1,230,008</u>	<u>4,693,862</u>	<u>5,923,870</u>
Net Position:			
Net investment in capital assets	1,773,085	6,766,414	8,539,499
Unrestricted	<u>5,397,129</u>	<u>1,762,796</u>	<u>7,159,925</u>
Total net position	<u>\$ 7,170,214</u>	<u>\$ 8,529,210</u>	<u>\$ 15,699,424</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, 2014

	<u>Enterprise Funds</u>		
	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 13,136,959	\$ 2,359,362	\$ 15,496,321
Operating Expenses:			
Electrical operations	2,055,876	-	2,055,876
Electrical power purchases	10,830,894	-	10,830,894
Water operations	-	2,048,888	2,048,888
Depreciation	161,613	413,072	574,685
Total operating expenses	<u>13,048,383</u>	<u>2,461,960</u>	<u>15,510,343</u>
Operating income (loss)	<u>88,576</u>	<u>(102,598)</u>	<u>(14,022)</u>
Non-Operating Revenues (Expenses):			
Interest earned on investments	66	110	176
Insurance proceeds	21,500	-	21,500
Interest and fees	-	(168,612)	(168,612)
Total non-operating revenues (expenses)	<u>21,566</u>	<u>(168,502)</u>	<u>(146,936)</u>
Income (loss) before capital contributions and transfers	110,142	(271,100)	(160,958)
Capital contributions	<u>-</u>	<u>92,097</u>	<u>92,097</u>
Income (loss) before transfers	110,142	(179,003)	(68,861)
Transfers:			
Transfers out	<u>(420,664)</u>	<u>-</u>	<u>(420,664)</u>
Change in net position	(310,522)	(179,003)	(489,525)
Net Position:			
Beginning of year - July 1	<u>7,480,736</u>	<u>8,708,213</u>	<u>16,188,949</u>
End of year - June 30	<u>\$ 7,170,214</u>	<u>\$ 8,529,210</u>	<u>\$ 15,699,424</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, 2014

	<u>Enterprise Funds</u>		
	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from customers	\$ 13,150,320	\$ 2,369,276	\$ 15,519,596
Cash paid for goods and services	(11,903,854)	(1,516,977)	(13,420,831)
Cash paid to employees for services	(1,020,675)	(525,438)	(1,546,113)
Net cash provided (used) by operating activities	<u>225,791</u>	<u>326,861</u>	<u>552,652</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers (to) from other funds	(420,664)	-	(420,664)
Net cash provided (used) by non-capital financing activities	<u>(420,664)</u>	<u>-</u>	<u>(420,664)</u>
Cash Flows from Capital and Related Financing Activities:			
Capital grants	-	92,097	92,097
Acquisition and construction of capital assets	(147,375)	(226,366)	(373,741)
Principal paid on long-term debt	-	(166,700)	(166,700)
Interest and fees	-	(168,612)	(168,612)
Net cash provided (used) by capital and related financing activities	<u>(147,375)</u>	<u>(469,581)</u>	<u>(616,956)</u>
Cash Flows from Investing Activities:			
Interest on investments	66	110	176
Net cash provided (used) by investing activities	<u>66</u>	<u>110</u>	<u>176</u>
Net increase (decrease) in cash and cash equivalents	(342,182)	(142,610)	(484,792)
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>5,203,596</u>	<u>1,653,072</u>	<u>6,856,668</u>
End of year - June 30	<u>\$ 4,861,414</u>	<u>\$ 1,510,462</u>	<u>\$ 6,371,876</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	<u>\$ 88,576</u>	<u>\$ (102,598)</u>	<u>\$ (14,022)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	161,613	413,072	574,685
Non-operating revenues	21,500	-	21,500
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(20,892)	9,914	(10,978)
(Increase) decrease in inventories	(24,373)	(1,401)	(25,774)
Increase (decrease) in accounts payable and accrued liabilities	(19,862)	955	(18,907)
Increase (decrease) in customer deposits	12,753	-	12,753
Increase (decrease) in OPEB payable	4,673	4,830	9,503
Increase (decrease) in compensated absences	1,803	2,089	3,892
Total	<u>137,215</u>	<u>429,459</u>	<u>566,674</u>
Net cash provided (used) by operating activities	<u>\$ 225,791</u>	<u>\$ 326,861</u>	<u>\$ 552,652</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, 2014

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, 2014

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.

CDBG Catalyst Fund. This fund accounts for the use of restricted funds for the revitalization of several homes and make significant improvements to a Town facility that serves the designated Block area.

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.

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

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

As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there 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, 2014

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

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

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, 2014

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 in the amount of \$83,477 are 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 of \$161,174 are 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, 2013. 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, 2014

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 Net 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 Net 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 two items that meet the criterion for this category: 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 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, 2014

Compensated Absences

The vacation policies of the Town provide for the accumulation of up to thirty (30) days earned vacation leave, with such leave being fully vested when earned. Any excess amounts of vacation leave roll to sick leave time. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government wide statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the 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, 2014

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)].	\$ 472,266	\$ 163,919	\$ 636,185
<i>Restricted for Streets</i> - Powell Bill - portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures	\$ 83,477	\$ -	\$ 83,477
<i>Restricted for Cultural and Recreational</i> - portion of fund balance that represents permanent funds for the public library and restricted funds for recreation center improvements	-	84,784	84,784
<i>Restricted for Public Safety</i> - portion of fund balance that is restricted by revenue source for police via the unauthorized substance tax	-	838	838
Total restricted fund balances/net position	\$ 83,477	\$ 85,622	\$ 169,099

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, 2014, the Town had \$65,582 of the General Fund balance committed to public safety for the operation of the Ayden Volunteer Fire Association.

Assigned Fund Balance

The portion of fund balance that the Town of Ayden intends to use for specific purposes. The Town's governing body has the authority to assign fund balance. The Manager and Finance Officer, as granted in the officially adopted budget ordinance, have been granted limited authority to assign fund balance.

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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	\$ 2,022,248
Less:	
Stabilization by State statute	<u>472,266</u>
Fund balance available for appropriation	<u>\$ 1,549,982</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.

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, the carrying amount of the Town's deposits was \$5,305,768 and the bank balance was \$5,322,132. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$4,572,132 in deposits was covered by collateral held under the Pooling Method. At June 30, 2014, the Town had \$800 cash on hand.

Investments

At June 30, 2014, the Town had \$3,281,364 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, 2014**

Receivables

Receivables at Exhibit A at June 30, 2014 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>
Governmental Activities:			
Property taxes due	\$ -	\$ 169,767	\$ -
Refuse receivables	68,357	-	-
Other receivables	93,932	-	-
Sales tax refunds due	-	-	73,499
Sales tax distribution	-	-	305,270
Other amounts due	-	-	731,489
Allowance for doubtful accounts	<u>(69,085)</u>	<u>(66,225)</u>	<u>-</u>
Total governmental activities	<u>\$ 93,204</u>	<u>\$ 103,542</u>	<u>\$ 1,110,258</u>

	<u>Electric</u>	<u>Water and Sewer</u>	<u>Total</u>
Business-Type Activities:			
Accounts receivable	\$ 2,630,067	\$ 583,934	\$ 3,214,001
Allowance for doubtful accounts	<u>(923,658)</u>	<u>(282,735)</u>	<u>(1,206,393)</u>
Total business-type activities	<u>\$ 1,706,409</u>	<u>\$ 301,199</u>	<u>\$ 2,007,608</u>

TOWN OF AYDEN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Capital Assets

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

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 709,582	\$ -	\$ -	\$ 709,582
Construction in progress	301,154	421,558	(722,712)	-
Total non-depreciable capital assets	<u>1,010,736</u>	<u>421,558</u>	<u>(722,712)</u>	<u>709,582</u>
Depreciable Capital Assets:				
Buildings	1,421,402	-	-	1,421,402
Other improvements	2,609,056	809,469	-	3,418,525
Equipment	718,121	268,371	-	986,492
Vehicles and motor equipment	2,264,726	97,618	-	2,362,344
Total depreciable capital assets	<u>7,013,305</u>	<u>1,175,458</u>	<u>-</u>	<u>8,188,763</u>
Less Accumulated Depreciation:				
Buildings	663,861	35,610	-	699,471
Other improvements	814,089	91,696	-	905,785
Equipment	580,563	48,131	-	628,694
Vehicles and motor equipment	1,335,909	162,273	-	1,498,182
Total accumulated depreciation	<u>3,394,422</u>	<u>\$ 337,710</u>	<u>\$ -</u>	<u>3,732,132</u>
Total depreciable capital assets, net	<u>3,618,883</u>			<u>4,456,631</u>
Governmental activity capital assets, net	<u>\$ 4,629,619</u>			<u>\$ 5,166,213</u>

TOWN OF AYDEN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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

General government	\$ 34,305
Public safety	135,232
Transportation	86,149
Economic and physical development	25,564
Environmental protection	28,912
Cultural and recreational	<u>27,548</u>
Total depreciation expense	<u>\$ 337,710</u>

Capital assets for the proprietary funds of the Town at June 30, 2014 are as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
Business-Type Activities:				
Electric Fund:				
Non-Depreciable Capital Assets:				
Land	\$ 52,161	\$ -	\$ -	\$ 52,161
Construction in progress	<u>-</u>	<u>63,755</u>	<u>-</u>	<u>63,755</u>
Total non-depreciable capital assets	<u>52,161</u>	<u>63,755</u>	<u>-</u>	<u>115,916</u>
Depreciable Capital Assets:				
Plant and distribution systems	4,602,718	-	-	4,602,718
Equipment	2,548,466	-	-	2,548,466
Vehicles	<u>1,210,585</u>	<u>83,620</u>	<u>(76,101)</u>	<u>1,218,104</u>
Total depreciable capital assets	<u>8,361,769</u>	<u>83,620</u>	<u>(76,101)</u>	<u>8,369,288</u>
Less Accumulated Depreciation:				
Plant and distribution systems	4,050,905	44,620	-	4,095,525
Furniture and maintenance equipment	1,608,409	66,049	-	1,674,458
Vehicles	<u>967,293</u>	<u>50,944</u>	<u>(76,101)</u>	<u>942,136</u>
Total accumulated depreciation	<u>6,626,607</u>	<u>\$ 161,613</u>	<u>\$ (76,101)</u>	<u>6,712,119</u>
Total depreciable capital assets, net	<u>1,735,162</u>			<u>1,657,169</u>
Electric Fund capital assets, net	<u>1,787,323</u>			<u>1,773,085</u>

TOWN OF AYDEN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
Business-Type Activities:				
Water and Sewer Fund:				
Non-Depreciable Capital Assets:				
Land	16,500	\$ -	\$ -	16,500
Construction in progress	119,539	95,604	(215,143)	-
Total non-depreciable capital assets	136,039	95,604	(215,143)	16,500
Depreciable Capital Assets:				
Plant and distribution systems	14,512,639	215,143	-	14,727,782
Equipment	1,601,519	18,083	-	1,619,602
Vehicles	473,749	112,679	-	586,428
Total depreciable capital assets	16,587,907	345,905	-	16,933,812
Less Accumulated Depreciation:				
Plant and distribution systems	4,085,541	307,662	-	4,393,203
Furniture and maintenance equipment	805,276	52,230	-	857,506
Vehicles	247,190	53,180	-	300,370
Total accumulated depreciation	5,138,007	\$ 413,072	\$ -	5,551,079
Total depreciable capital assets, net	11,449,900			11,382,733
Water and Sewer capital assets, net	11,585,939			11,399,233
Total Enterprise Fund capital assets, net	\$ 13,373,262			\$ 13,172,318

Construction Commitments

The government has three active construction projects as of June 30, 2014. At year-end, the government has bid out the construction phases of the projects and, therefore, shows commitments with contractors.

TOWN OF AYDEN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2014, is composed of the following elements:

	Governmental Activities	Electric Fund	Water and Sewer Fund	Total Business-Type Activities
Capital assets	\$ 5,166,213	\$ 1,773,085	\$ 11,399,233	\$ 13,172,318
Long-term debt	(422,466)	-	(4,632,819)	(4,632,819)
Net investment in capital assets	\$ 4,743,747	\$ 1,773,085	\$ 6,766,414	\$ 8,539,499

B. Liabilities

Payables

Payables at Exhibit A at June 30, 2014 were as follows:

	Vendors	Salaries and Benefits	Total
Governmental Activities:			
Total governmental activities	\$ 555,007	\$ 184,345	\$ 739,352
Business-Type Activities:			
Electric	\$ 936,682	\$ 38,284	\$ 974,966
Water and sewer	-	14,518	14,518
Total business-type activities	\$ 936,682	\$ 52,802	\$ 989,484

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, 2014

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 7.07% and 7.28% for the period July 1, 2013 through June 30, 2014, 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, 2014, 2013, and 2012 were \$203,201, \$187,305, and \$181,570, 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, 2013, 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	18
Total	<u>19</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, 2014

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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. 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 1.44% 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, 2012, 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, 2012, was 18 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	\$ 35,841
Interest on net pension obligation	3,491
Adjustment to annual required contribution	<u>(5,689)</u>
Annual pension cost	33,643
Contributions made	<u>11,923</u>
Decrease in net pension obligation	21,720
Net pension obligation:	
Beginning of year - July 1	<u>69,824</u>
End of year - June 30	<u><u>\$ 91,544</u></u>

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 29,857	95.71%	\$ 53,216
2013	28,531	41.79%	69,824
2014	33,643	35.44%	91,544

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$325,463. The covered payroll (annual payroll of active employees covered by the plan) was \$826,205, and the ratio of the UAAL to the covered payroll was 39.39 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 makes contributions to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 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, 2014 were \$44,599, which consisted of \$39,452 from the Town and \$5,147 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, four retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2014, the Town made payments for post-retirement health benefit premiums of \$26,922. 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, 2014

Membership of the Plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

	<u>General Employees</u>
Retirees and dependents receiving benefits	4
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>69</u>
Total	<u>73</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 1.36% of annual covered payroll. For the current year, the Town contributed \$26,922, or 0.92% 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 1.36% and 1.36% 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, 2014**

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	\$ 24,013	\$ 16,009	\$ 40,022
Interest on net OPEB obligation	3,073	2,048	5,121
Adjustments to annual required contribution	<u>(2,935)</u>	<u>(1,957)</u>	<u>(4,892)</u>
Annual OPEB cost (expense)	24,151	16,100	40,251
Contributions made	<u>(20,325)</u>	<u>(6,597)</u>	<u>(26,922)</u>
Increase (decrease) in net OPEB obligation	3,826	9,503	13,329
Net OPEB obligation:			
Beginning of year - July 1	<u>64,895</u>	<u>63,119</u>	<u>128,014</u>
End of year - June 30	<u>\$ 68,721</u>	<u>\$ 72,622</u>	<u>\$ 141,343</u>

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

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 47,757	52.14%	\$ 128,014
2013	47,847	57.45%	141,343
2014	40,251	66.89%	141,343

Fund Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$496,702. The covered payroll (annual payroll of active employees covered by the plan) was \$2,953,450, and the ratio of the UAAL to the covered payroll was 16.8 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

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 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, 2013, 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 one hundred eighty (180) days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial. In addition to the Death Benefit Plan, the Town has elected to provide additional death benefit coverage for all eligible employees through the North Carolina League of Municipality. The additional benefit equals twice an employee's annual salary.

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Deferred Outflows and Inflows of Resources

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

	Unavailable Revenues
Unavailable revenue (General Fund)	\$ 567,571
Taxes receivable (General Fund)	103,542
Total	<u>\$ 671,113</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 coverage of \$2 million per occurrence, auto liability coverage of \$2 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to the statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. 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. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town 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, 2014**

Governmental Activities

The Town's installment purchase obligations payable at June 30, 2014 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	\$ 344,366
Three Vehicles executed in November 2013 for a 2-year period at 1.72% with annual installments of \$40,060; secured by vehicles	<u>78,100</u>
Total installment notes payable - governmental activities	<u><u>\$ 422,466</u></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
2015	\$ 105,408	\$ 6,887	\$ 112,295
2016	107,147	5,148	112,295
2017	68,856	3,380	72,236
2018	69,964	2,271	72,235
2019	<u>71,091</u>	<u>1,145</u>	<u>72,236</u>
Total	<u><u>\$ 422,466</u></u>	<u><u>\$ 18,831</u></u>	<u><u>\$ 441,297</u></u>

Business-Type Activities

The Town's installment purchase obligations payable at June 30, 2014 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	<u><u>\$ 1,829,819</u></u>
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TOWN OF AYDEN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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
2015	\$ 130,701	\$ 44,406	\$ 175,107
2016	130,701	41,445	172,146
2017	130,701	38,485	169,186
2018	130,701	35,525	166,226
2019	130,701	29,604	160,305
2020-2024	653,506	103,613	757,119
2025-2029	522,808	29,603	552,411
Total	<u>\$ 1,829,819</u>	<u>\$ 322,681</u>	<u>\$ 2,152,500</u>

The Town's revenue bond obligations payable at June 30, 2014 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

\$ 2,803,000

TOWN OF AYDEN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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			
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	44,000	115,675	159,675
2020-2024	251,000	547,750	798,750
2025-2029	312,000	487,725	799,725
2030-2034	387,000	413,175	800,175
2035-2039	480,000	320,688	800,688
2040-2044	593,000	206,281	799,281
2045-2049	577,000	64,444	641,444
Total	<u>\$ 2,803,000</u>	<u>\$ 2,636,201</u>	<u>\$ 5,439,201</u>

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014 is as follows:

Operating revenues	\$ 2,359,362
Operating expenses*	<u>2,048,888</u>
Operating income	310,474
Non-operating revenues (expenses)**	<u>110</u>
Income available for debt service	<u>\$ 310,584</u>
Debt service, principal and interest paid (revenue bond only)	<u>\$ 159,631</u>
Debt service, principal and interest paid (subordinated indebtedness)	<u>\$ 175,107</u>
Debt service coverage ratio	<u>195%</u>
Debt service coverage ratio (subordinated indebtedness)	<u>177%</u>

* Per rate covenants, this does not include the depreciation expense of \$413,000

** Per rate covenants, this does not include interest and fees paid of \$168,612.

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 \$5,439,201. Principal and interest paid for the current year was \$159,631. The Town had water and sewer net revenues of \$310,584.

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
Installment purchases	\$ 455,160	\$ 78,100	\$ (110,794)	\$ 422,466	\$ 105,408
Compensated absences	167,816	101,649	(97,820)	171,645	85,822
Other post-employment benefits	64,895	24,151	(20,325)	68,721	-
Net pension obligation	69,824	33,643	(11,923)	91,544	-
Total governmental activities	\$ 757,695	\$ 237,543	\$ (240,862)	\$ 754,376	\$ 191,230
Business-Type Activities:					
Electric Fund:					
Other post-employment benefits	\$ 40,269	\$ 11,270	\$ (6,597)	\$ 44,942	\$ -
Compensated absences	47,123	35,409	(33,606)	48,926	24,463
Total business-type activities	\$ 87,392	\$ 46,679	\$ (40,203)	\$ 93,868	\$ 24,463
Water Sewer Fund:					
Installment purchases	\$ 1,960,519	\$ -	\$ (130,700)	\$ 1,829,819	\$ 130,701
Revenue bonds	2,839,000	-	(36,000)	2,803,000	37,000
Other post-employment benefits	22,850	4,830	-	27,680	-
Compensated absences	16,756	11,691	(9,602)	18,845	9,422
Total business-type activities	\$ 4,839,125	\$ 16,521	\$ (176,302)	\$ 4,679,344	\$ 177,123

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

At June 30, 2014, the Town had a legal debt margin of \$13,678,833.

TOWN OF AYDEN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

C. Interfund Balances and Activities

Transfers to/from funds for the year ended June 30, 2014 were as follows:

<u>Transfers From</u>	<u>General Fund</u>	<u>Capital Project Funds</u>	<u>Water and Sewer Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>	<u>Purpose</u>
General Fund	\$ -	\$ 1,685	\$ -	\$ 52,500	\$ 54,185	Fund project costs
Capital Project Funds	36,198	-	-	-	36,198	Project close
Electric Fund	420,664	-	-	-	420,664	Tax payments
Total	<u>\$ 456,862</u>	<u>\$ 1,685</u>	<u>\$ -</u>	<u>\$ 52,500</u>	<u>\$ 511,047</u>	

D. Due To/From Other Funds

Balances of due to/from other at June 30, 2014 consist of the following:

Due to the General Fund from the Capital Project Fund for cash shortage due to a corresponding intergovernmental receivable:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
General Fund	NCDOT Safe Routes to School	<u>\$ 294</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 \$14,478,000, 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 \$528,246, or 30.47%, 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, 2014

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, 2014 were \$10,935,050.

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 2014, the Town had electrical revenue of \$3,137,111 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, 2014, 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.

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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, 2014

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)
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%
2013	-	325,463	325,463	0.00%	826,205	39.39%

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%
2014	35,841	33.27%

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	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25%-7.85%
*Includes inflation at	3.00%
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, 2014**

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%
2013	-	496,702	496,702	0.00%	2,953,450	16.80%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$ 45,933	37.31%
2011	47,655	20.42%
2012	47,655	73.23%
2013	47,655	57.68%
2014	40,022	67.27%

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	12/31/2013	
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	7.75%-5.00%	
Year of ultimate trend rate	2019	

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over /Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 1,183,934	\$ 1,268,092	\$ 84,158	\$ 1,149,668
Penalties and interest	5,000	5,760	760	4,492
Total	<u>1,188,934</u>	<u>1,273,852</u>	<u>84,918</u>	<u>1,154,160</u>
Local Option Sales Taxes:				
Sales and use taxes	<u>838,427</u>	<u>843,903</u>	<u>5,476</u>	<u>857,549</u>
Unrestricted Intergovernmental:				
Franchise taxes	429,000	418,296	(10,704)	423,210
Beer and wine tax	22,300	21,837	(463)	20,074
Cable TV franchise	38,000	35,920	(2,080)	36,420
Other taxes and licenses	3,000	3,050	50	2,801
Total	<u>492,300</u>	<u>479,103</u>	<u>(13,197)</u>	<u>482,505</u>
Restricted Intergovernmental:				
Powell Bill allocation	148,754	153,600	4,846	150,587
Grants	70,945	74,810	3,865	64,969
Total	<u>219,699</u>	<u>228,410</u>	<u>8,711</u>	<u>215,556</u>
Permits and Fees:				
Court facility fees	22,000	15,882	(6,118)	21,685
Building permits	1,000	2,240	1,240	650
Total	<u>23,000</u>	<u>18,122</u>	<u>(4,878)</u>	<u>22,335</u>
Sales and Services:				
Sanitation revenues	300,000	300,794	794	298,668
Cemetery lot sales	17,500	28,425	10,925	29,700
Rents	8,000	8,982	982	8,186
Recreation fees	31,500	41,284	9,784	24,622
Fire protection services	117,750	131,398	13,648	143,325
Total	<u>474,750</u>	<u>510,883</u>	<u>36,133</u>	<u>504,501</u>
Investment Earnings	<u>13,000</u>	<u>8,645</u>	<u>(4,355)</u>	<u>12,095</u>
Miscellaneous:				
Other	104,958	140,350	35,392	138,846
Total	<u>104,958</u>	<u>140,350</u>	<u>35,392</u>	<u>138,846</u>
Total revenues	<u>3,355,068</u>	<u>3,503,268</u>	<u>148,200</u>	<u>3,387,547</u>

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over /Under	Actual
Expenditures:				
General Government:				
Governing Body:				
Mayor and commissioners	29,066	29,066	-	29,102
Other operating expenditures	145,541	144,431	1,110	173,010
Total	174,607	173,497	1,110	202,112
Administration:				
Salaries and employee benefits	84,420	84,373	47	58,676
Other operating expenditures	143,078	142,191	887	152,964
Total	227,498	226,564	934	211,640
Finance:				
Salaries and employee benefits	21,445	21,266	179	20,355
Other operating expenditures	7,210	2,992	4,218	5,588
Total	28,655	24,258	4,397	25,943
Taxes:				
Salaries and employee benefits	64,682	64,456	226	58,485
Other operating expenditures	6,695	5,225	1,470	9,925
Total	71,377	69,681	1,696	68,410
Public Buildings:				
Salaries and employee benefits	31,522	28,163	3,359	47,301
Other operating expenditures	97,290	95,765	1,525	85,426
Capital outlay	14,250	14,250	-	6,637
Total	143,062	138,178	4,884	139,364
Central Services:				
Salaries and employee benefits	13,926	13,602	324	13,105
Other operating expenditures	47,255	45,976	1,279	45,333
Total	61,181	59,578	1,603	58,438
Total general government	706,380	691,756	14,624	705,907
Public Safety:				
Police:				
Salaries and employee benefits	1,150,613	1,149,855	758	1,118,117
Other operating expenditures	162,883	161,997	886	172,826
Capital outlay	65,000	64,402	598	53,800
Total	1,378,496	1,376,254	2,242	1,344,743

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over /Under	Actual
Fire Departments:				
Salaries and employee benefits	34,259	34,246	13	27,836
Other operating expenditures	47,910	47,877	33	45,252
Capital outlay	-	-	-	204,403
Total	82,169	82,123	46	277,491
Rural Fire Departments:				
Salaries and employee benefits	25,050	24,957	93	25,154
Other operating expenditures	73,450	54,733	18,717	59,216
Capital outlay	-	-	-	204,403
Total	98,500	79,690	18,810	288,773
Total public safety	1,559,165	1,538,067	21,098	1,911,007
Transportation:				
Streets:				
Salaries and employee benefits	373,306	372,351	955	391,044
Other operating expenditures	154,115	150,330	3,785	139,207
Powell Bill expenditures	140,294	127,356	12,938	146,470
Capital outlay	52,760	52,084	676	42,685
Total	720,475	702,121	18,354	719,406
Total transportation	720,475	702,121	18,354	719,406
Environmental Protection:				
Sanitation:				
Salaries and employee benefits	128,545	127,849	696	98,875
Other operating expenditures	66,680	66,629	51	74,749
Capital outlay	-	-	-	125,100
Total	195,225	194,478	747	298,724
Total environmental protection	195,225	194,478	747	298,724
Economic and Physical Development:				
Planning:				
Salaries and employee benefits	128,119	112,691	15,428	118,595
Other operating expenditures	68,795	60,966	7,829	56,803
Capital outlay	8,600	8,515	85	-
Total	205,514	182,172	23,342	175,398
Total economic and physical development	205,514	182,172	23,342	175,398

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over /Under	Actual
Cultural and Recreational:				
Recreation:				
Salaries and employee benefits	178,174	177,744	430	170,680
Other operating expenditures	242,865	239,712	3,153	131,802
Capital outlay	234,535	234,238	297	9,500
Total	<u>655,574</u>	<u>651,694</u>	<u>3,880</u>	<u>311,982</u>
Libraries:				
Salaries and benefits	82,272	75,937	6,335	70,999
Other operating expenditures	22,170	20,042	2,128	21,307
Total	<u>104,442</u>	<u>95,979</u>	<u>8,463</u>	<u>92,306</u>
Total cultural and recreation	<u>760,016</u>	<u>747,673</u>	<u>12,343</u>	<u>404,288</u>
Debt Service:				
Principal retirement	60,090	110,794	(50,704)	43,120
Interest and fees	60,474	8,917	51,557	4,176
Total	<u>120,564</u>	<u>119,711</u>	<u>853</u>	<u>47,296</u>
Total expenditures	<u>4,267,339</u>	<u>4,175,978</u>	<u>91,361</u>	<u>4,262,026</u>
Revenues over (under) expenditures	<u>(912,271)</u>	<u>(672,710)</u>	<u>239,561</u>	<u>(874,479)</u>
Other Financing Sources (Uses):				
Long-term debt issued	86,000	78,100	(7,900)	410,000
Transfers from (to) other funds:				
Capital project funds	(54,185)	(54,185)	-	-
Enterprise funds	420,664	456,862	36,198	417,765
Appropriated fund balance	459,792	-	(459,792)	-
Total other financing sources (uses)	<u>912,271</u>	<u>480,777</u>	<u>(431,494)</u>	<u>827,765</u>
Net change in fund balance	<u>\$ -</u>	<u>(191,933)</u>	<u>\$ (191,933)</u>	<u>(46,714)</u>
Fund Balance:				
Beginning of year - July 1		<u>2,214,181</u>		<u>2,260,895</u>
End of year - June 30		<u>\$ 2,022,248</u>		<u>\$ 2,214,181</u>

NONMAJOR GOVERNMENTAL FUNDS

Library Fund

Police Unauthorized Substance Tax

CDBG Catalyst Fund

District Park Fund

Safe Routes to School Grant Fund

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TOWN OF AYDEN, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	Permanent Fund	Special Revenue Funds		Capital Project Funds		Total
	Library Fund	Police Unauthorized Substance Tax	CDBG Catalyst Fund	District Park Fund	Safe Routes to School Grant Fund	
Assets:						
Cash and cash equivalents	\$ 37,009	\$ 838	\$ 47,775	\$ 93,067	\$ -	\$ 178,689
Due from other government	-	-	4,725	158,900	294	163,919
Total assets	<u>\$ 37,009</u>	<u>\$ 838</u>	<u>\$ 52,500</u>	<u>\$ 251,967</u>	<u>\$ 294</u>	<u>\$ 342,608</u>
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 251,967	\$ -	\$ 251,967
Due to General Fund	-	-	-	-	294	294
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>251,967</u>	<u>294</u>	<u>252,261</u>
Fund Balances:						
Stabilization by State statute	-	-	4,725	158,900	294	163,919
Restricted	37,009	838	47,775	-	-	85,622
Unassigned	-	-	-	(158,900)	(294)	(159,194)
Total fund balances	<u>37,009</u>	<u>838</u>	<u>52,500</u>	<u>-</u>	<u>-</u>	<u>90,347</u>
Total liabilities and fund balances	<u>\$ 37,009</u>	<u>\$ 838</u>	<u>\$ 52,500</u>	<u>\$ 251,967</u>	<u>\$ 294</u>	<u>\$ 342,608</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, 2014

	Permanent	Special		Capital Project Funds		Total
	Fund	Revenue Funds		District	Safe Routes	
	Library	Police	CDBG	Park	to School	
	Fund	Unauthorized	Catalyst	Fund	Grant Fund	
		Substance Tax	Fund			
Revenues:						
Restricted intergovernmental	\$ -	\$ 476	\$ 4,725	\$ 294,888	\$ 55,872	\$ 355,961
Sales tax revenue	-	-	-	-	294	294
Investment earnings	4	-	-	-	-	4
Miscellaneous revenue	425	-	-	-	-	425
Total revenues	429	476	4,725	294,888	56,166	356,684
Expenditures:						
Economic and physical development	-	-	4,725	-	-	4,725
Cultural and recreational	881	-	-	363,708	57,851	422,440
Total expenditures	881	-	4,725	363,708	57,851	427,165
Revenues over (under) expenditures	(452)	476	-	(68,820)	(1,685)	(70,481)
Other Financing Sources (Uses):						
Transfers out - General Fund	-	-	-	(36,198)	-	(36,198)
Transfers in - General Fund	-	-	52,500	-	1,685	54,185
Total other financing sources (uses)	-	-	52,500	(36,198)	1,685	17,987
Net change in fund balances	(452)	476	52,500	(105,018)	-	(52,494)
Fund Balances:						
Beginning of year - July 1	37,461	362	-	105,018	-	142,841
End of year - June 30	\$ 37,009	\$ 838	\$ 52,500	\$ -	\$ -	\$ 90,347

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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Investment earnings	\$ 25	\$ 4	\$ (21)	\$ 18
Miscellaneous revenue	750	425	(325)	816
Total revenues	<u>775</u>	<u>429</u>	<u>(346)</u>	<u>834</u>
Expenditures:				
Cultural and recreation:				
Supplies	1,150	881	269	800
Total expenditures	<u>1,150</u>	<u>881</u>	<u>269</u>	<u>800</u>
Revenues over (under) expenditures	<u>(375)</u>	<u>(452)</u>	<u>(77)</u>	<u>34</u>
Other Financing Sources (Uses):				
Appropriated fund balance	375	-	(375)	-
Total other financing sources (uses)	<u>375</u>	<u>-</u>	<u>(375)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(452)</u>	<u>\$ (452)</u>	<u>34</u>
Fund Balance:				
Beginning of year - July 1		<u>37,461</u>		<u>37,427</u>
End of year - June 30		<u>\$ 37,009</u>		<u>\$ 37,461</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.

CDBG Catalyst Fund – This fund accounts for the use of restricted funds for the revitalization of several homes and make significant improvements to a Town facility that serves the designated Block area.

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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, 2014
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Restricted intergovernmental:				
Unauthorized substance tax	\$ -	\$ 476	\$ 476	\$ 123
Total revenues	<u>-</u>	<u>476</u>	<u>476</u>	<u>123</u>
Expenditures:				
Program expenses	-	-	-	800
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>800</u>
Net change in fund balance	\$ <u>-</u>	476	\$ <u>476</u>	(677)
Fund Balance:				
Beginning of year - July 1		<u>362</u>		<u>1,039</u>
End of year - June 30		<u>\$ 838</u>		<u>\$ 362</u>

TOWN OF AYDEN, NORTH CAROLINA

CDBG CATALYST

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental :				
CDBG Catalyst Program	\$ 500,000	\$ 4,725	\$ (495,275)	\$ -
Other non-local funds	2,500	-	(2,500)	-
Total revenues	<u>502,500</u>	<u>4,725</u>	<u>(497,775)</u>	<u>-</u>
Expenditures:				
Program expenses	<u>607,500</u>	<u>4,725</u>	<u>602,775</u>	<u>-</u>
Total expenditures	<u>607,500</u>	<u>4,725</u>	<u>602,775</u>	<u>-</u>
Revenues over (under) expenditures	<u>(105,000)</u>	<u>-</u>	<u>105,000</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfer from General Fund	<u>105,000</u>	<u>52,500</u>	<u>(52,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>105,000</u>	<u>52,500</u>	<u>(52,500)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>52,500</u>	<u>\$ 52,500</u>	<u>-</u>
Fund Balance:				
Beginning of year - July 1		<u>-</u>		<u>-</u>
End of year - June 30		<u>\$ 52,500</u>		<u>\$ -</u>

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, 2014

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Restricted intergovernmental:				
Parks and Recreation Trust Fund Grant	\$ 500,000	\$ 205,000	\$ 294,888	\$ 499,888
Total revenues	<u>500,000</u>	<u>205,000</u>	<u>294,888</u>	<u>499,888</u>
Expenditures:				
Construction	474,515	112,454	362,059	474,513
Professional services	68,150	66,501	1,649	68,150
Program expenses	1,000	980	-	980
Land acquisition	<u>10,050</u>	<u>10,047</u>	<u>-</u>	<u>10,047</u>
Total expenditures	<u>553,715</u>	<u>189,982</u>	<u>363,708</u>	<u>553,690</u>
Revenues over (under) expenditures	<u>(53,715)</u>	<u>15,018</u>	<u>(68,820)</u>	<u>(53,802)</u>
Other Financing Sources (Uses):				
Transfers to General Fund	(36,285)	-	(36,198)	(36,198)
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	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total other financing sources (uses)	<u>53,715</u>	<u>90,000</u>	<u>(36,198)</u>	<u>53,802</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 105,018</u>	<u>\$ (105,018)</u>	<u>\$ -</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, 2014

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Restricted intergovernmental:				
NCDOT Grant	\$ 175,473	\$ 119,600	\$ 55,872	\$ 175,472
Sales tax refund	1,913	1,619	294	1,913
Total revenues	<u>177,386</u>	<u>121,219</u>	<u>56,166</u>	<u>177,385</u>
Expenditures:				
Construction	133,271	95,798	37,472	133,270
Professional services	45,489	25,110	20,379	45,489
Program expenses	311	311	-	311
Total expenditures	<u>179,071</u>	<u>121,219</u>	<u>57,851</u>	<u>179,070</u>
Revenues over (under) expenditures	<u>(1,685)</u>	<u>-</u>	<u>(1,685)</u>	<u>(1,685)</u>
Other Financing Sources (Uses):				
Transfers from General Fund	<u>1,685</u>	<u>-</u>	<u>1,685</u>	<u>1,685</u>
Total other financing sources (uses)	<u>1,685</u>	<u>-</u>	<u>1,685</u>	<u>1,685</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.

Electric Substation Capital Project Fund – This fund accounts for facility improvements on the Town’s electric substations.

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

CWMTF West Avenue Capital Project Fund – This fund accounts for wastewater infrastructure improvements within the Town.

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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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013
	Budget	Actual		Actual
Revenues:				
Charges for services:				
Electric charges		\$ 12,792,381		\$ 12,277,196
Service charges		344,578		335,452.00
Total operating revenues	\$ 13,039,500	13,136,959	\$ 97,459	12,612,648
Non-operating revenues:				
Interest earned on investments	401	66		334
Insurance proceeds	21,500	21,500		-
Total non-operating revenues	21,901	21,566	(335)	334
Total revenues	13,061,401	13,158,525	97,124	12,612,982
Expenditures:				
Electrical operations:				
Salaries and benefits		1,032,512		993,105
Operating expenses		481,686		366,091
Maintenance and repairs		171,306		132,212
Contracted services		41,708		44,307
Total	1,830,625	1,727,212	103,413	1,535,715
Consumer billing and collection:				
Salaries and benefits		190,527		188,773
Operating expenses		57,970		51,874
Contracted services		73,691		70,530
Total	330,612	322,188	8,424	311,177
Electrical power purchases	11,000,000	10,830,894	169,106	10,614,085
Capital outlay	417,000	83,620	333,380	26,300
Total expenditures	13,578,237	12,963,914	614,323	12,487,277
Revenues over (under) expenditures	(516,836)	194,611	711,447	125,705

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Other Financing Sources (Uses):				
Long-term debt issued	270,000	-	(270,000)	-
Transfers out:				
General Fund	(420,664)	(420,664)	-	(417,765)
Appropriated fund balance	<u>667,500</u>	<u>-</u>	<u>(667,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>516,836</u>	<u>(420,664)</u>	<u>(937,500)</u>	<u>(417,765)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (226,053)</u>	<u>\$ (226,053)</u>	<u>\$ (292,060)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (226,053)		
Reconciling items:				
Capital outlay, capitalized		83,620		
Change in compensated absences		(1,803)		
Change in other post-employment benefits		(4,673)		
Depreciation		<u>(161,613)</u>		
Change in net position		<u>\$ (310,522)</u>		

TOWN OF AYDEN, NORTH CAROLINA

ELECTRIC SUBSTATION CAPITAL PROJECT FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Project	Actual		
	<u>Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Loan Proceeds	\$ 1,500,000	\$ -	\$ -	\$ -
Town Contribution	800,000	-	-	-
Total revenue	<u>2,300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Construction	1,972,000	-	-	-
Engineering	155,000	-	63,755	63,755
Contingency	173,000	-	-	-
Total expenditures	<u>2,300,000</u>	<u>-</u>	<u>63,755</u>	<u>63,755</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (63,755)</u>	<u>\$ (63,755)</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Charges for services:				
Water charges		\$ 1,146,277		\$ 1,129,029
Sewer charges		1,205,385		1,178,804
Water and sewer tap		7,700		5,700
Total operating revenues	\$ 2,292,000	2,359,362	\$ 67,362	2,313,533
Non-operating revenues:				
Interest earned on investments	500	110	(390)	514
Total revenues	2,292,500	2,359,472	66,972	2,314,047
Expenditures:				
Operations:				
Salaries and benefits		546,875		514,170
Operating expenses		194,441		199,810
Utilities		34,958		33,633
Maintenance and repairs		187,710		37,893
Contracted services		1,077,985		1,036,838
Total operations	2,096,201	2,041,969	54,232	1,822,344
Capital outlay	169,000	130,762	38,238	18,000
Debt service:				
Principal repayments	166,702	166,700	2	164,701
Interest and fees	168,612	168,612	-	173,060
Total	335,314	335,312	2	337,761
Total expenditures	2,600,515	2,508,043	92,472	2,178,105
Revenues over (under) expenditures	(308,015)	(148,571)	159,444	135,942
Other Financing Sources (Uses):				
Transfers (out) - West Avenue Capital Project Fund	(30)	(30)	-	(45,040)
Contingency	(29,370)	-	29,370	-
Appropriated fund balance	337,415	-	(337,415)	-
Total other financing sources (uses)	308,015	(30)	(308,045)	(45,040)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (148,601)	\$ (148,601)	\$ 90,902

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Reconciliation from Budgetary Basis				
(Modified Accrual) to Full Accrual:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (148,601)		
Reconciling items:				
Capital outlay, capitalized		130,762		
Principal repayments		166,700		
Increase in compensated absences		(2,089)		
Increase in other post-employment benefits		(4,830)		
Depreciation		(413,072)		
Capital contributions from water/sewer capital project		92,097		
Transfer to capital project funds		30		
Change in net position		\$ (179,003)		

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, 2014

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
Revenues:				
CWMTF Grant	\$ 180,160	\$ 76,229	\$ 92,097	\$ 168,326
Sales tax reimbursement	-	1,747	-	1,747
Total revenue	180,160	77,976	92,097	170,073
Expenditures:				
Construction	178,000	91,220	80,868	172,088
Professional services	44,000	27,997	14,736	42,733
Program expenses	1,000	322	-	322
Contingency	2,200	-	-	-
Total expenditures	225,200	119,539	95,604	215,143
Revenues over (under) expenditures	(45,040)	(41,563)	(3,507)	(45,070)
Other Financing Sources (Uses):				
Transfer from other funds	45,040	45,040	30	45,070
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 3,477	\$ (3,477)	\$ -

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, 2014

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2013</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-2014	\$ -	\$ 1,271,512	\$ 1,211,509	\$ 60,003
2012-2013	81,798	-	42,979	38,819
2011-2012	27,643	-	5,121	22,522
2010-2011	14,497	-	1,842	12,655
2009-2010	9,909	-	824	9,085
2008-2009	7,285	-	494	6,791
2007-2008	5,205	-	307	4,898
2006-2007	6,081	-	462	5,619
2005-2006	4,661	-	153	4,508
2004-2005	5,183	-	316	4,867
2003-2004	5,033	-	5,033	-
Total	<u>\$ 167,295</u>	<u>\$ 1,271,512</u>	<u>\$ 1,269,040</u>	<u>169,767</u>
Less: Allowance for uncollectible accounts:				
General Fund				<u>(66,225)</u>
Ad valorem taxes receivable, net - General Fund				<u>\$ 103,542</u>
Reconciliation of Collections and Credits with Revenues:				
Ad valorem - General Fund				\$ 1,273,852
Reconciling items:				
Adjustments				221
Amounts written off for tax year 2003-2004 per Statute of Limitations				<u>(5,033)</u>
Total				<u>\$ 1,269,040</u>

TOWN OF AYDEN, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR YEAR ENDED JUNE 30, 2014

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 243,124,444	\$ 0.54	\$ 1,312,872	\$ 1,113,841	\$ 199,031
Add adjustments (net)	(8,947,963)	0.54	(48,319)	(46,339)	(1,980)
Add interest and penalties	-		6,959	6,959	-
Total property valuation	<u>\$ 234,176,481</u>		1,271,512	1,074,461	197,051
Uncollected taxes at June 30, 2014			<u>60,003</u>	<u>51,924</u>	<u>8,079</u>
Current Year's Taxes Collected			<u>\$ 1,211,509</u>	<u>\$ 1,022,537</u>	<u>\$ 188,972</u>
Current Levy Collection Percentage			<u>95.28%</u>	<u>95.17%</u>	<u>95.90%</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 highlighting 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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2014*
Governmental activities										
Net investment in capital assets	\$ 3,972,532	\$ 4,720,026	\$ 6,373,819	\$ 2,695,825	\$ 3,043,431	\$ 3,109,602	\$ 3,765,711	\$ 3,809,354	\$ 4,174,459	\$ 4,743,747
Restricted for stabilization	-	-	-	-	-	-	645,041	588,086	499,582	636,185
Restricted	10,816	4,907	19,961	51,116	36,877	43,192	82,979	53,037	200,059	169,099
Unrestricted	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	1,646,514
Total governmental activities net position	\$ 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	\$ 7,195,545
Business-type activities										
Net investment in capital assets	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	8,539,499
Unrestricted	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	7,159,925
Total business-type activities net position	\$ 17,539,755	\$ 17,039,756	\$ 16,704,704	\$ 22,023,045	\$ 23,113,370	\$ 23,121,069	\$ 23,041,420	\$ 22,329,764	\$ 16,188,949	\$ 15,699,424
Primary government										
Net investment in capital assets	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	13,283,246
Restricted for stabilization	-	-	-	-	-	-	645,041	588,086	499,582	636,185
Restricted	10,816	4,907	19,961	51,116	36,877	43,192	82,979	53,037	200,059	169,099
Unrestricted	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	8,806,439
Total primary government net position	\$ 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	\$ 22,894,969

* Beginning in FYE13 the Town no longer reports the assets of the Ayden Housing Authority as a component unit.

Schedule 2
 Town of Ayden, NC
 Changes in Net Position
 Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 668,920	\$ 744,538	\$ 796,318	\$ 834,122	\$ 897,834	\$ 717,193	\$ 804,013	\$ 666,360	\$ 743,600	\$ 726,966
Public safety	1,121,393	1,263,995	1,288,288	1,298,902	1,476,039	1,581,125	1,641,574	1,376,675	1,565,843	1,630,617
Transportation	501,165	621,228	682,953	564,179	589,607	577,273	572,786	522,395	661,647	591,579
Environmental Protection	162,760	169,017	-	482,313	216,049	218,476	215,400	189,537	198,438	220,042
Econ and Physical Development	510,482	441,976	540,314	142,335	221,846	623,233	351,730	539,689	202,990	207,294
Cultural and Recreational	270,009	345,155	324,392	330,631	350,999	328,809	389,589	373,905	421,874	599,715
Interest on long-term debt	20,742	23,028	27,678	25,261	19,940	14,932	10,562	6,123	4,176	8,917
Total governmental activities expenses	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	3,985,130
Business-type activities:										
Electric	9,999,326	10,877,052	10,853,863	11,404,031	12,100,905	12,054,697	12,401,694	12,788,639	12,675,340	13,048,383
Water and Sewer	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	2,630,572
Total business-type activities expenses	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	15,678,955
Total primary government expenses	\$ 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	\$ 19,664,085
Program Revenues										
Governmental activities:										
Charges for services:										
Refuse collection	\$ 288,643	\$ 203,650	\$ 252,184	\$ 221,044	\$ 286,877	\$ 293,987	\$ 292,668	\$ 293,725	\$ 298,668	\$ 300,794
Other public works	18,850	-	-	-	-	-	-	-	-	-
Parks and recreation	3,380	4,668	4,594	4,907	7,842	6,937	9,533	14,066	25,438	41,709
Other activities	91,612	91,786	128,954	216,337	135,703	202,795	277,519	244,428	342,393	327,277
Operating grants and contributions	17,050	181,806	217,761	459,460	409,728	903,974	472,246	508,673	270,092	839,769
Capital grants and contributions	2,070,502	872,084	1,499,480	12,089	-	-	362,721	164,806	252,637	209,472
Total governmental activities program revenues	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	1,719,021
Business-type activities:										
Charges for services:										
Electric	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	13,136,959
Water and Sewer	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	2,359,362
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	210,904	-	133,430	5,116,447	1,511,507	736,922	304,898	829,867	77,976	92,097
Total business-type activities program revenues	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	15,588,418
Total primary government program revenues	\$ 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	\$ 17,307,439

Schedule 2

Town of Ayden, NC

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense)/Revenue										
Governmental activities	\$ (785,434)	\$ (2,254,943)	\$ (1,556,970)	\$ (2,763,906)	\$ (2,932,164)	\$ (2,653,348)	\$ (2,570,966)	\$ (2,448,997)	\$ (2,609,340)	\$ (2,266,109)
Business-type activities	24,946	282,969	204,368	5,415,725	1,461,941	309,522	329,334	(256,747)	(60,389)	(90,537)
Total primary government net expense	\$ (760,488)	\$ (1,971,974)	\$ (1,352,602)	\$ 2,651,819	\$ (1,470,223)	\$ (2,343,826)	\$ (2,241,632)	\$ (2,705,744)	\$ (2,669,729)	\$ (2,356,646)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 915,661	\$ 938,777	\$ 972,094	\$ 989,788	\$ 1,075,748	\$ 1,087,803	\$ 1,091,098	\$ 1,119,855	\$ 1,190,108	\$ 1,265,139
Sales taxes	895,532	885,164	955,831	977,213	841,834	798,442	822,208	860,151	859,168	844,197
Franchise taxes	357,208	432,674	402,349	364,637	411,101	410,173	420,888	411,409	423,210	418,296
Restricted grants and contributions	159,403	-	-	-	-	-	-	-	-	-
Investment earnings	145,784	317,060	438,844	414,803	158,566	32,650	22,598	15,719	12,113	8,649
Miscellaneous	28,478	132,886	-	(3,834,156)	69,222	47,876	67,093	62,373	59,295	60,807
Transfers	99,050	823,000	585,000	202,657	405,000	307,997	413,850	458,540	417,765	420,664
Total governmental activities	2,601,116	3,529,561	3,354,118	(885,058)	2,961,471	2,684,941	2,837,735	2,928,047	2,961,659	3,017,752
Business-type activities:										
Investment earnings	19,603	40,032	45,580	105,273	33,384	6,174	4,867	3,631	848	176
Miscellaneous	-	-	-	-	-	-	-	-	-	21,500
Transfers	(99,050)	(823,000)	(585,000)	(202,657)	(405,000)	(307,997)	(413,850)	(458,540)	(417,765)	(420,664)
Total business-type activities	(79,447)	(782,968)	(539,420)	(97,384)	(371,616)	(301,823)	(408,983)	(454,909)	(416,917)	(398,988)
Total primary government	\$ 2,521,669	\$ 2,746,593	\$ 2,814,698	\$ (982,442)	\$ 2,589,855	\$ 2,383,118	\$ 2,428,752	\$ 2,473,138	\$ 2,544,742	\$ 2,618,764
Change in Net Assets										
Governmental activities	\$ 1,815,682	\$ 1,274,618	\$ 1,797,148	\$ (3,648,964)	\$ 29,307	\$ 31,593	\$ 266,769	\$ 479,050	\$ 362,319	\$ 751,643
Business-type activities	(64,501)	(499,999)	(335,052)	5,318,341	1,090,325	7,699	(79,649)	(711,656)	(497,306)	(489,525)
Total primary government change in net position	\$ 1,761,181	\$ 774,619	\$ 1,462,096	\$ 1,669,377	\$ 1,119,632	\$ 39,292	\$ 187,120	\$ (232,606)	\$ (144,987)	\$ 262,118

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Nonspendable	n/a	n/a	n/a	n/a	n/a	n/a	\$ -	\$ -	\$ -	\$ -
Restricted for Stabilization	n/a	n/a	n/a	n/a	n/a	n/a	506,278	588,086	473,014	472,266
Restricted	n/a	n/a	n/a	n/a	n/a	n/a	43,837	53,037	57,218	83,477
Committed	n/a	n/a	n/a	n/a	n/a	n/a	5,684	4,567	52,112	65,582
Assigned	n/a	n/a	n/a	n/a	n/a	n/a	-	-	-	-
Unassigned	n/a	n/a	n/a	n/a	n/a	n/a	1,293,193	1,615,205	1,631,837	1,400,923
Reserved	\$ 837,132	\$ 536,044	\$ 684,602	\$ 637,290	\$ 445,241	\$ 479,137	n/a	n/a	n/a	n/a
Unreserved	890,418	1,626,212	1,526,718	1,824,911	1,786,349	1,723,855	n/a	n/a	n/a	n/a
Total general fund	\$ 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	\$ 2,022,248
All Other Governmental Funds										
Nonspendable	n/a	n/a	n/a	n/a	n/a	n/a	\$ -	\$ -	\$ -	\$ -
Restricted for Stabilization	n/a	n/a	n/a	n/a	n/a	n/a	-	-	26,568	163,625
Restricted	n/a	n/a	n/a	n/a	n/a	n/a	138,763	124,477	142,841	85,622
Committed	n/a	n/a	n/a	n/a	n/a	n/a	38,142	1,039	-	-
Assigned	n/a	n/a	n/a	n/a	n/a	n/a	-	-	-	-
Unassigned	n/a	n/a	n/a	n/a	n/a	n/a	(84,182)	-	(26,568)	(158,900)
Reserved	\$ 267,082	\$ 767	\$ -	\$ -	\$ -	\$ -	n/a	n/a	n/a	n/a
Unreserved, reported in:										
Special revenue funds	(373,025)	50,891	177,975	11,177	1,832	21,498	n/a	n/a	n/a	n/a
Permanent funds	45,709	40,221	31,127	37,244	38,365	38,155	n/a	n/a	n/a	n/a
Total all other governmental funds	\$ (60,234)	\$ 91,879	\$ 209,102	\$ 48,421	\$ 40,197	\$ 59,653	\$ 93,723	\$ 125,516	\$ 142,841	\$ 90,347

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Ad valorem taxes	\$ 909,041	\$ 938,777	\$ 953,000	\$ 1,003,695	\$ 1,081,075	\$ 1,084,408	\$ 1,084,382	\$ 1,109,542	\$ 1,154,160	\$ 1,273,852
Local option sales taxes	895,532	885,164	955,831	977,213	841,834	798,442	822,208	860,151	859,168	843,903
Other taxes	17,380	-	-	-	-	-	-	-	-	294
Unrestricted Intergov.	357,208	432,674	402,349	431,619	480,323	458,049	487,981	473,782	482,505	479,103
Restricted intergov.	2,235,030	1,088,794	1,717,241	471,549	409,728	903,474	872,806	692,397	522,729	584,371
Permits and fees	60,709	31,096	25,233	26,053	26,300	27,914	26,001	23,066	22,335	18,122
Sales and services	295,125	237,543	283,969	254,195	329,078	409,997	395,471	419,589	504,501	510,883
Investment earnings	145,784	317,060	438,844	414,803	158,566	32,650	22,598	15,719	12,113	8,649
Other revenues	255,590	168,488	107,119	199,878	112,627	104,401	158,248	109,564	139,662	140,775
Total revenues	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	3,859,952
Expenditures										
General government	652,601	721,953	785,727	941,225	928,607	745,159	767,812	701,462	699,270	677,506
Public safety	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	1,473,665
Transportation	699,451	642,287	718,909	665,950	892,344	694,941	828,940	581,738	591,262	505,430
Environmental protection	2,322,209	1,236,144	1,422,041	163,785	166,685	169,083	196,804	173,994	173,624	194,478
Econ and phy. development	167,399	143,923	680,380	281,031	204,110	605,497	362,051	514,954	175,398	178,382
Cultural and rec.	258,223	297,554	350,380	335,363	326,352	304,115	771,717	364,664	686,289	572,167

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt service										
Interest	\$ 20,742	\$ 2,227	\$ 27,678	\$ 25,261	\$ 19,962	\$ 14,932	\$ 10,562	\$ 6,123	\$ 4,176	\$ 8,917
Principal	44,793	92,926	143,178	136,611	127,413	104,252	108,566	41,173	43,120	110,794
Capital outlay	-	-	-	-	-	-	-	-	731,987	881,804
Total expenditures	5,266,905	4,571,923	5,394,659	3,891,463	4,083,386	4,136,474	4,603,475	3,718,654	4,554,327	4,603,143
Excess (Deficiency) of Revenues over Expenditures	(95,506)	(472,327)	(511,073)	(112,458)	(643,855)	(317,139)	(733,780)	(14,844)	(857,154)	(743,191)
Other Financing Sources (Uses)										
Proceeds from borrowing	-	236,506	92,000	-	-	-	-	-	410,000	78,100
Transfers in	279,470	854,130	662,514	205,693	416,177	337,997	453,895	503,540	417,765	511,047
Transfers out	(54,470)	(31,130)	(77,514)	(3,036)	(11,177)	(30,000)	(40,045)	(45,000)	-	(90,383)
Total other financing sources (uses)	225,000	1,059,506	677,000	202,657	405,000	307,997	413,850	458,540	827,765	498,764
Net change in fund balances	\$ 129,494	\$ 587,179	\$ 165,927	\$ 90,199	\$ (238,855)	\$ (9,142)	\$ (319,930)	\$ 443,696	\$ (29,389)	\$ (244,427)
Debt service as a percentage of noncapital expenditures	1.92%	2.58%	4.75%	4.79%	4.08%	3.04%	3.14%	1.37%	1.24%	3.22%

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					
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
2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

NOTE: Information for 2005-2009, 2011-2014 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 Taxes Payable	City Direct Rates			Overlapping Rates		
	Basic Rate	Total Direct	Rescue District	Fire District	County	
2005	\$ 0.520	\$ 0.520	\$ 0.0400	0.0375	\$ 0.700	
2006	0.520	0.520	0.0400	0.0375	0.700	
2007	0.520	0.520	0.0400	0.0375	0.710	
2008	0.500	0.500	0.0440	0.0375	0.665	
2009	0.500	0.500	0.0440	0.0300	0.665	
2010	0.500	0.500	0.0440	0.0300	0.665	
2011	0.500	0.500	0.0440	0.0425	0.665	
2012	0.500	0.500	0.0460	0.0475	0.665	
2013	0.540	0.540	0.0460	0.0475	0.680	
2014	0.540	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

	Fiscal Year					
	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total City Tax. Ass. Val.	Taxable Assessed Value	Rank	Percentage of Total City Tax. Ass. Val.
Employer						
The Rosemyr Corporation	\$ 3,727,517	1	1.59%	\$ 2,705,700	1	1.55%
Hillico LTD (Britthaven)	2,189,213	2	0.93%	1,720,640	4	0.99%
Walmart Real Estate Business Trust	1,596,946	3	0.68%	-	-	0.00%
Greenbriar Apts.	1,590,560	4	0.68%	1,613,104	5	0.93%
Eastern Area Management LLC	1,335,942	5	0.57%	-	-	0.00%
Walgreens of North Carolina Inc.	1,272,363	6	0.54%	-	-	0.00%
LJF Inc	1,259,769	7	0.54%	-	-	0.00%
Ayden Plaza LLC	1,259,486	8	0.54%	-	-	0.00%
Fairmont Village Apts.	1,239,796	9	0.53%	2,230,339	2	1.28%
Judson Pope LLC	1,095,878	10	0.47%	-	-	0.00%
Carolina Telephone & Telegraph	-	-	0.00%	1,753,882	2	1.01%
WG Pollard, Jr.	-	-	0.00%	1,359,530	6	0.78%
Individual Trust	-	-	0.00%	1,254,380	7	0.72%
Individual Trust	-	-	0.00%	1,110,410	8	0.64%
Briarcliff Manor Apts.	-	-	0.00%	992,108	9	0.57%
Gilmcher Centers LTD Partnership	-	-	0.00%	950,680	10	0.55%
Total	\$ 16,567,470		7.07%	\$ 15,690,773		9.02%

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
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%
2014	1,271,512	1,211,509	95.28%	57,531	1,099,273	86.45%

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		
2005	\$ 25,000	-	\$ 25,000	-	5.36
2006	10,000	-	10,000	-	2.07
2007	-	-	-	-	-
2008	-	-	-	-	-
2009	-	-	-	-	-
2010	-	-	-	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	-	-	-	-	-

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, 2014

<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			
Installment Purchase Debt	\$ 422,466	100.000%	\$ 422,466
Subtotal, direct debt			422,466
Overlapping General Obligation Debt			
CMSD	-	0.000%	-
Subtotal, overlapping debt			-
Total direct and overlapping debt	\$ -		\$ 422,466

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

Legal Debt Margin Calculation for Fiscal Year Ending 2014

Assessed value	\$	234,176,481
Debt limit (8% of assessed value)		18,734,118
Debt applicable to limit:		
General obligation bonds		-
Certificates of Participation		-
Installment Purchases		422,466
Notes/Bonds Payable		4,632,619
Total net debt applicable to limit		<u>5,055,285</u>
Legal debt margin	\$	<u>13,678,833</u>

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 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	\$ 18,734,118
Total net debt applicable to limit	630,681	760,307	644,020	5,259,341	5,762,595	5,527,642	5,386,828	5,052,501	5,254,680	5,055,285
Legal debt margin	\$ 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	\$ 13,678,833

Total net debt applicable to limit as a percentage of debt limit	4.47%	5.35%	4.34%	34.76%	33.58%	31.76%	31.12%	28.26%	29.76%	26.98%
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Schedule 13
Town of Ayden, NC
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ending	Water Revenue Bonds									
	Utility Service Charges		Less: Operating Expenses		Net Available Revenue		Debt Service		Coverage	
							Principal	Interest		
2005	n/a	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	n/a
2007	n/a	n/a	n/a	n/a	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	-	95,754	128,494	513%	513%
2010	2,051,727	1,584,986	466,741	-	128,494	-	128,494	128,494	363%	363%
2011	2,178,059	1,693,895	484,164	31,000	128,494	31,000	128,494	127,138	304%	304%
2012	2,211,108	1,810,078	401,030	33,000	127,138	33,000	127,138	125,684	250%	250%
2013	2,313,533	1,828,086	485,447	34,000	125,684	34,000	125,684	123,631	304%	304%
2014	2,359,362	2,048,888	310,474	36,000	123,631	36,000	123,631		194%	194%

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 (3)
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%
2014	5,048	17,018	85,907	23,495	6.9%

* June 2014 data

- Notes:
- 1 Provided by the US Census Bureau Quick Facts
 - 2 Provided by Pitt County Board of Education
 - 3 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>	2014			2005		
	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	69	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	758		n/a	n/a		n/a

Source: Staff contact with employers

NOTE: Information for 2005 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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Administration	2	2	3	3	3	3	2	2	2	2
Finance	3	3	3	3	3	3	3	3	3	3
Tax Collector	1	1	1	1	1	1	1	1	1	1
Garage	1	1	1	1	1	1	1	1	1	1
Buildings	2	2	2	2	2	2	2	2	2	2
Public Safety										
Sworn Officers	16	17	18	17	17	18	16	17	18	18
Civilians	4	5	5	4	4	4	4	4	3	4
Transportation	10	10	10	8	9	8	8	7	7	8
Refuse collection	2	3	3	3	3	3	2	3	3	3
Economic & Physical Dev.	2	2	2	3	3	3	3	3	3	3
Cultural and Recreation	4	4	4	4	4	4	4	4	4	4
Electric Operations	9	12	14	13	12	11	11	11	12	12
Billing and Collections	3	3	3	2	3	3	3	2	2	2
Water And Sewer Operations	6	7	7	6	6	6	6	6	6	6
Total	65	72	76	70	71	70	66	66	67	69

SOURCE: Town Finance Department as of 6/30/14

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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	3	2	2	2	2	2	3	3
Other public works										
Streets (miles)	29.5	29.5	30	30	30	30	30	30	31	31
Highways (miles)*	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Streetlights	570	575	580	585	585	590	595	601	611	613
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**	61
Playgrounds	2	2	2	2	2	2	2**	2**	2**	3
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**	3
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	230	230	233	237	241	248	251	252
Wastewater										
Sanitary sewers (miles)	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Zoning Compliances Issued	n/a	n/a	n/a	n/a	n/a	91	81	99	90	88
Cemetery Lots/Plots Sold	n/a	n/a	n/a	n/a	n/a	30	18	21	21	26
Police										
Traffic Citations	n/a	n/a	n/a	n/a	n/a	2,215	1,536	1,058	1,072	1,158
Physical Arrests	n/a	n/a	n/a	n/a	n/a	603	546	453	511	472
Fire stations										
Emergency Responses (Town)	n/a	n/a	n/a	n/a	n/a	145	165	244	141	208
Emergency Responses (Rural)	n/a	n/a	n/a	n/a	n/a	120	142	130	118	144
Refuse collection										
Refuse Collected (Tons)	n/a	n/a	n/a	n/a	n/a	1,337	1,448	1,421	1,819	1,799
Recycling Collected (Tons)	n/a	n/a	n/a	n/a	n/a	105	109	107	149	136
Tires / White Goods (Tons)	n/a	n/a	n/a	n/a	n/a	6	4	4	4	4
Other public works										
Streets Resurfaced (Linear Ft.)	n/a	n/a	n/a	n/a	n/a	2,460	3,350	4,070	2,875	2,770
Graves Opened/Closed	n/a	n/a	n/a	n/a	n/a	39	32	32	38	40
Parks and recreation										
Program Participants	n/a	n/a	n/a	n/a	n/a	267	287	304	360	402
Facility Rentals	n/a	n/a	n/a	n/a	n/a	58	84	88	95	108
Library										
Total Visitors	n/a	n/a	n/a	n/a	n/a	10,622	9,667	9,209	9,950	9,978
New Library Patrons	n/a	n/a	n/a	n/a	n/a	387	280	267	279	242
Book Checkouts	n/a	n/a	n/a	n/a	n/a	6,681	5,980	5,881	5,922	6,003
Internet Patrons	n/a	n/a	n/a	n/a	n/a	3,382	2,928	3,257	4,677	4,921
Billing and Collections										
New Account Connections	n/a	n/a	n/a	n/a	n/a	705	630	708	663	642
Electric Operations										
New Underground / Overhead Services	n/a	n/a	n/a	n/a	n/a	35	29	21	23	19.0
Water / Sewer Operations										
Water Taps / Impact Fees	n/a	n/a	n/a	n/a	n/a	19	16	9	18	12.0
Sewer Taps / Impact Fees	n/a	n/a	n/a	n/a	n/a	14	12	2	7	4.0

Sources: Various Town departments.

COMPLIANCE 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 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, as of and for the year ended June 30, 2014, 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 December 5, 2014.

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 opinion 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

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 no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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
December 5, 2014

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

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

Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In accordance with OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

Honorable Mayor and
Board of Commissioners
Town of Ayden, North Carolina

Report On Compliance for Each Major State Program

We have audited the Town of Ayden's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Ayden's major State programs for the year ended June 30, 2014. The Town of Ayden's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Ayden's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Town of Ayden's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of the Town of Ayden's compliance.

Opinion On Each Major State Program

In our opinion, the Town of Ayden complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2014.

Report On Internal Control Over Compliance

Management of the Town of Ayden is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Ayden's internal control over compliance with the types of requirements that could have a direct and material effect on each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Ayden's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
December 5, 2014

TOWN OF AYDEN, NORTH CAROLINA

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	No

State Awards

Internal control over major State programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major State programs:	Unmodified
Any findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?	No
Identification of major State programs:	
N.C. Department of Environment and Natural Resources - Parks and Recreation Trust Fund	

TOWN OF AYDEN, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Finding: 2013-001

Status: Corrected

TOWN OF AYDEN, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Program Name</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Federal Programs:			
U.S. Department of Transportation			
Federal Highway Administration			
Passed-Through N.C. Department of Transportation:			
Highway Planning and Construction Cluster			
Recreational Trails Program	20.219	\$ 55,872	\$ -
Total U.S. Department of Transportation		<u>55,872</u>	<u>-</u>
U.S. Dept. of Housing and Urban Development			
Passed-Through the North Carolina Dept. of Commerce			
Division of Community Assistance:			
CDBG State-Administered CDBG Cluster	14.228	4,725	-
Total CDBG-State-Administered Cluster		<u>4,725</u>	<u>-</u>
Total Federal expenditures		<u>60,597</u>	<u>-</u>
 State Programs:			
N.C. Department of Insurance:			
Office of the State Fire Marshall:			
Volunteer Fire Department Fund	N/A	-	14,600
Total N.C. Department of Insurance		<u>-</u>	<u>14,600</u>
N.C. Department of Environment and Natural Resources:			
Division of Water Quality:			
Clean Water Management Trust Fund	DENR-4	-	92,097
Division of Parks and Recreation:			
Parks and Recreation Trust Fund	N/A	-	294,888
Total N.C. Department of Environment and Natural Resources		<u>-</u>	<u>386,985</u>
N.C. Department of Transportation:			
Powell Bill	N/A	-	127,356
Governor's Highway Safety Program	N/A	-	3,637
Governor's Highway Safety Program	N/A	-	15,679
Total N.C. Department of Transportation:		<u>-</u>	<u>146,672</u>
Total State expenditures		<u>-</u>	<u>548,257</u>
Total Federal expenditures		<u>\$ 60,597</u>	
Total State expenditures			<u>\$ 548,257</u>

Note 1 - Basis of Presentation

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

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