

**TOWN OF AYDEN  
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2015**



**TOWN OF AYDEN**

**AYDEN, NORTH CAROLINA**

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

Prepared by: Finance Department  
Finance Officer: Alicia Simpson

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**TOWN OF AYDEN, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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## **INTRODUCTORY SECTION**

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March 8, 2016

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, 2015.

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 5,059 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 89,852. The Town is approximately 16 miles north of Kinston, home to the NC Global Trans-Park, which has a

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

population of 21,392. The total population of Pitt County is 175,354. Topography is from relatively flat to gently rolling, facilitating easy development. Ayden's population has grown 3% since the 2010 census.

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, are for 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. The Town is part owner in the North Carolina Eastern Municipal Power Agency (NCEMPA) and is 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 he sees fit. Transfers between departments may not exceed ten percent of the department being reduced; otherwise special approval from the governing board is required. Interfund transfers, not expressly adopted in the budget ordinance, and the use of contingency require governing 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, Mayne Pharma, NAACO, Grady-White Boats and Patheon. Kinston possesses several medium sized 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 40th 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. The Town Board shares this view and will work with NCEMPA to lower rates to customers as the wholesale costs of electricity are lowered as a result of the anticipated sale of assets to Duke Energy. This sale is expected to happen during the 2015-2016 fiscal year and any necessary rate reductions will occur at that time.

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 million gallons daily. 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.

#### 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, 2015 of \$12,748,621.

The Town has completed a significant improvement project related to its two electrical substations. These upgrades will allow the substations to operate in a manner that will provide higher reliability and added redundancy to the system as a whole. The Town was fortunate to be able to complete this project under budget and without the need to borrow additional funds.

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 there is no debt on the property. The Town

will likely incur significant additional operating costs to staff, operate and maintain the facilities in future fiscal years and plans to add these costs during each annual budget process as programming for the park's operations are developed.

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 funds 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 million gallons daily. 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, 2015. In its regularly scheduled board meetings, the Town Board approved 2 ordinances that changed the Town's budget or fee schedule.

#### MAJOR INITIATIVES

With respect to major initiatives, Fiscal Year 2014-2015 was a success by any measure. The completion of the District Park in the early part of the fiscal year provided a unique blend of recreational opportunities to the citizens of Ayden. These opportunities range from the traditional soccer and football fields to the innovative outlets such as disc golf and splash pads. The Park has been well received by the citizens.

A less noticeable, but equally important initiative, was the upgrades to our electrical substations. These improvements will improve the quality and reliability of electricity to our customers for years to come.

The Board continues to use the document "Ayden Community Vision 2030: Building on Our Heritage" to guide it in its decision making and planning process. This document 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](http://www.ayden.com), as well as in 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, 2014. The Town has received fourteen Certificates of Achievement (for fiscal years ending 1995-1998, 2000-2002, and 2008-2014). 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 & 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.

In closing, we remain...

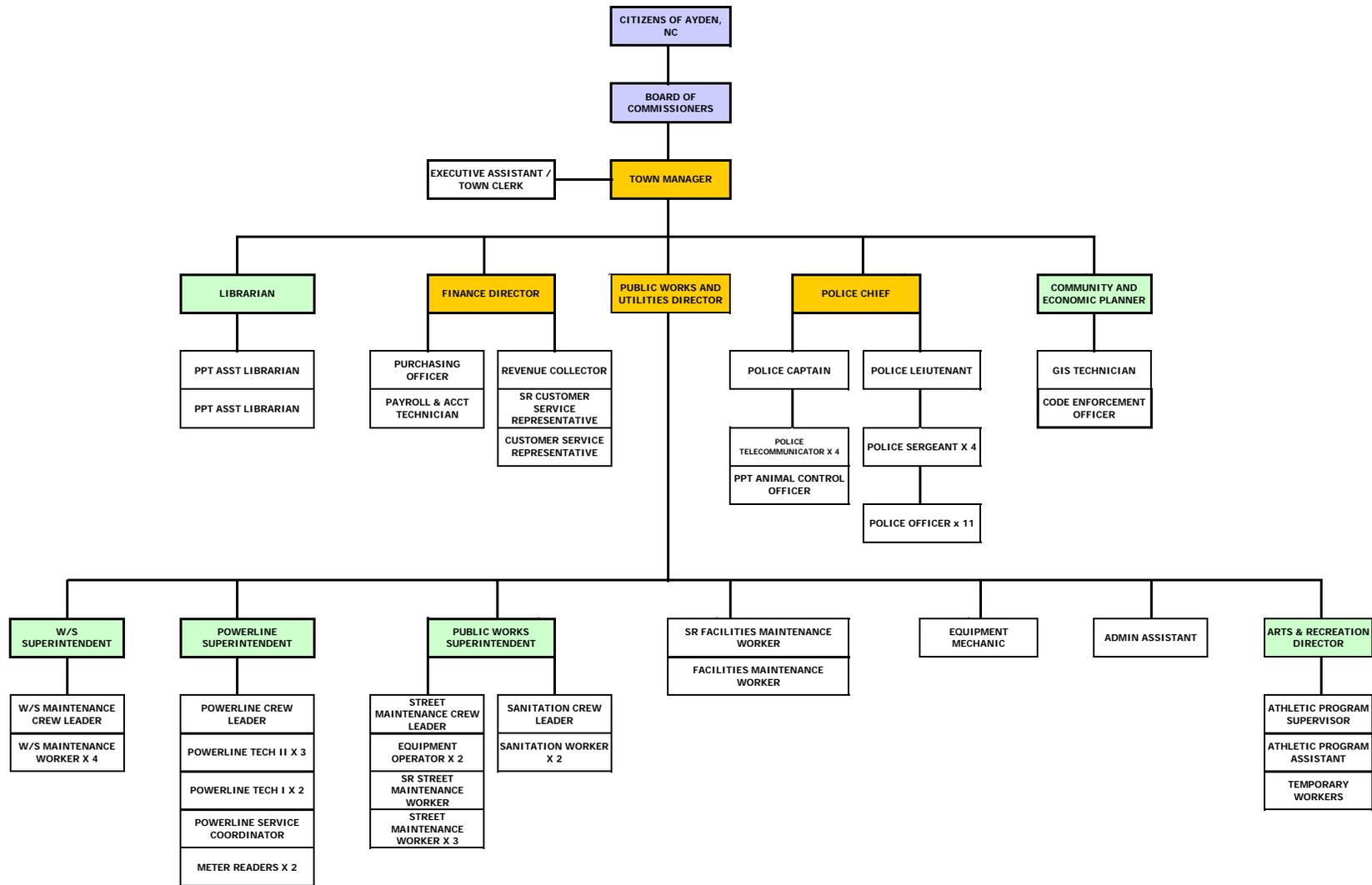
Respectfully yours,



Alicia Simpson  
Finance Director  
Town of Ayden



Leonard O. Barefoot  
Interim Manager  
Town of Ayden



: MANAGEMENT TEAM  
 : DEPARTMENT HEAD

# **Town of Ayden, North Carolina**

## **LIST OF PRINCIPAL OFFICIALS**

### **Town Council**

#### Mayor

Stephen W. Tripp

#### Commissioners

Donald Skinner (Mayor Pro-Tem)

Mary Alice Davenport

Michael Harris

Ivory Mewborn

Phyllis Ross

Donald Skinner

### **Town Manager**

Lenoard O. Barefoot, Interim

### **Finance Officer**

Alicia Simpson

### **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, 2014**

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, 2015, 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 General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2015, 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 and the Other Post-Employment Benefit Schedules of Funding Progress and Schedules of Employer Contributions, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and 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 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, and other schedules 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, and other schedules 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.

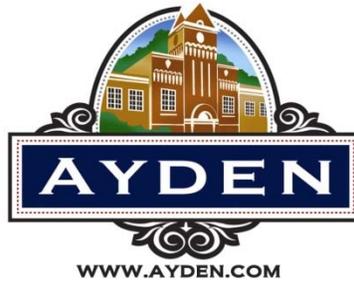
### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2016 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  
March 8, 2016

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## TOWN OF AYDEN, NORTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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, 2015. 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

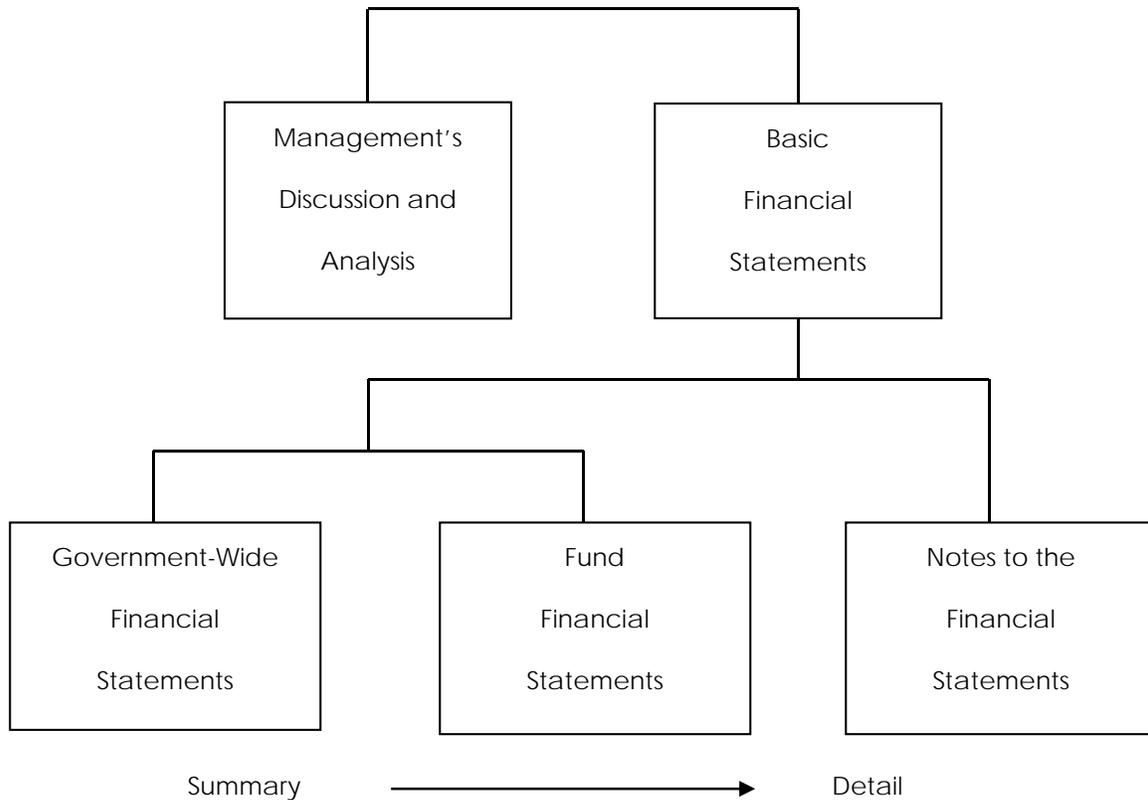
- The assets and deferred outflows of resources of the Town of Ayden exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$22,535,611 (*net position*).
- The government's total net position increased by \$378,726 primarily due to increases in the business-type activities' net position.
- At the close of the current fiscal year, the Town of Ayden's governmental funds reported combined ending fund balances of \$2,633,488, a positive change of \$237,108 from the restated prior year balance. Approximately 44.6 percent of this total amount, or \$1,175,478, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,352,380, or 36.0 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. A positive change in the business-type accounts of \$323,680 was the result of this year's activities.
- The Town of Ayden's total debt principal decreased by \$273,111 during the current fiscal year.
- The Town of Ayden's total bonded debt at the end of the fiscal year was \$2,766,000. The Town's total debt principal obligation at the end of the fiscal year was \$4,782,174.

#### 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 three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **Supplemental Information** is provided to show details about the Town'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 two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services, such as public safety, parks and recreation, and general administration. Property taxes and State and Federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and electric services offered by the Town of Ayden.

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 two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between 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 22 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 55 of this report.

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

**Government-Wide Financial Analysis**

**Town of Ayden’s Net Position**

**Figure 2**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 3,190,338	\$ 3,523,060	\$ 7,804,416	\$ 8,450,976	\$ 10,994,754	\$ 11,974,036
Capital assets	4,801,013	5,166,213	14,357,837	13,172,318	19,158,850	18,338,531
Deferred outflows of resources	<u>126,121</u>	<u>-</u>	<u>87,644</u>	<u>-</u>	<u>213,765</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>8,117,472</u>	<u>8,689,273</u>	<u>22,249,897</u>	<u>21,623,294</u>	<u>30,367,369</u>	<u>30,312,567</u>
Long-term liabilities outstanding	486,400	563,146	4,412,281	4,571,616	4,898,681	5,134,762
Other liabilities	445,359	930,582	1,662,388	1,352,244	2,107,747	2,282,826
Deferred inflows of resources	<u>486,944</u>	<u>-</u>	<u>338,386</u>	<u>-</u>	<u>825,330</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>1,418,703</u>	<u>1,493,728</u>	<u>6,413,055</u>	<u>5,923,860</u>	<u>7,831,758</u>	<u>7,417,588</u>
Net position:						
Net investment in capital assets	4,483,955	4,743,747	9,892,721	8,539,499	14,376,676	13,283,246
Restricted	910,612	805,284	-	-	910,612	805,284
Unrestricted	<u>1,304,202</u>	<u>1,646,514</u>	<u>5,944,121</u>	<u>7,159,925</u>	<u>7,248,323</u>	<u>8,806,439</u>
Total net position	<u>\$ 6,698,769</u>	<u>\$ 7,195,545</u>	<u>\$ 15,836,842</u>	<u>\$ 15,699,424</u>	<u>\$ 22,535,611</u>	<u>\$ 22,894,969</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 as of June 30, 2015. The Town’s net position increased by \$378,726 for the fiscal year ended June 30, 2015. The largest portion (63.80%) 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, \$910,612, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,248,323 is unrestricted.

Management Discussion and Analysis  
Town of Ayden

Also, the Town of Ayden implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$454,298. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town's management.

The Town's financial operations influenced the total unrestricted governmental net position when the decision was made to cash fund the capital purchases of vehicles and to fund the improvements of the sub-stations with internal funds rather than a long-term borrowing.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 668,633	\$ 669,780	\$ 15,482,884	\$ 15,496,321	\$ 16,151,517	\$ 16,166,101
Operating grants and contributions	55,148	839,769	-	-	55,148	839,769
Capital grants and contributions	419,311	209,472	-	92,097	419,311	301,569
General revenues:						
Property taxes	1,247,917	1,265,139	-	-	1,247,917	1,265,139
Other taxes	1,374,412	1,262,493	-	-	1,374,412	1,262,493
Other	60,984	69,456	102	21,676	61,086	91,132
Total revenues	<u>3,826,405</u>	<u>4,316,109</u>	<u>15,482,986</u>	<u>15,610,094</u>	<u>19,309,391</u>	<u>19,926,203</u>
<b>Expenses:</b>						
General government	661,639	726,966	-	-	661,639	726,966
Public safety	1,627,515	1,630,617	-	-	1,627,515	1,630,617
Transportation	669,403	591,579	-	-	669,403	591,579
Environmental protection	235,489	220,042	-	-	235,489	220,042
Economic and physical development	472,657	207,294	-	-	472,657	207,294
Cultural and recreation	501,867	599,715	-	-	501,867	599,715
Interest on long-term debt	27,309	8,917	-	-	27,309	8,917
Water and sewer	-	-	2,709,417	2,630,572	2,709,417	2,630,572
Electric	-	-	12,025,369	13,048,383	12,025,369	13,048,383
Total expenses	<u>4,195,879</u>	<u>3,985,130</u>	<u>14,734,786</u>	<u>15,678,955</u>	<u>18,930,665</u>	<u>19,664,085</u>
Change in net position before transfers	(369,474)	330,979	748,200	(68,861)	378,726	262,118
Transfers	424,520	420,664	(424,520)	(420,664)	-	-
Change in net position	<u>55,046</u>	<u>751,643</u>	<u>323,680</u>	<u>(489,525)</u>	<u>378,726</u>	<u>262,118</u>
Net position, July 1	7,195,545	6,443,902	15,699,424	16,188,949	22,894,969	22,632,851
Restatement	(551,822)	-	(186,262)	-	(738,084)	-
Net position, July 1, as restated	<u>6,643,723</u>	<u>6,443,902</u>	<u>15,513,162</u>	<u>16,188,949</u>	<u>22,156,885</u>	<u>22,632,851</u>
Net position, June 30	<u>\$ 6,698,769</u>	<u>\$ 7,195,545</u>	<u>\$ 15,836,842</u>	<u>\$ 15,699,424</u>	<u>\$ 22,535,611</u>	<u>\$ 22,894,969</u>

**Governmental Activities.** Governmental activities increased the Town's net position by \$55,046. Key elements of this increase are the completion of spending in a grant funded project begun substantially completed in FYE14 and a modest increase in spending in FYE15.

**Business-Type Activities.** Business-type activities increased the Town of Ayden's net position by \$323,680, accounting for an 85.5% improvement in the net position for these activities for the Town of Ayden. Key elements of this increase are decreases in Electric Fund operations and power purchase expenditures.

### **Financial Analysis of the Town's Funds**

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

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

The General Fund is the chief operating fund of the Town of Ayden. At the end of the current fiscal year, the Town of Ayden's fund balance available in the General Fund was \$1,695,550, while total fund balance reached \$2,491,593. 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 36.0% of General Fund expenditures, while total fund balance represents 66.3% of the same amount.

At June 30, 2015, the governmental funds of the Town of Ayden reported a combined governmental fund balance of \$2,633,488. The governmental funds for the Town include the General Fund, one Permanent Fund, and a couple special revenue funds.

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

**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 \$4,247,728 and for the Water Sewer Fund, \$1,696,393. The total change in unrestricted net position for the Electric Fund and the Water Sewer Fund was \$581,755 and (\$258,075), respectively. The change in unrestricted net position in each of these funds is a result of funding improvements to the substations and small capital outlay using current funds without the use of long term debt.

### **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, 2015 totals \$19,158,850 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

**Figure 4**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$ 709,582	\$ 709,582	\$ 68,661	\$ 68,661	\$ 778,243	\$ 778,243
Construction in progress	-	-	1,748,214	63,765	1,748,214	63,765
Buildings and systems	3,097,373	3,234,671	10,486,325	10,841,772	13,583,698	14,076,443
Equipment	295,345	357,798	1,536,163	1,636,104	1,831,508	1,993,902
Vehicles	698,713	864,162	518,474	5,602,026	1,217,187	6,466,188
Total	<u>\$ 4,801,013</u>	<u>\$ 5,166,213</u>	<u>\$ 14,357,837</u>	<u>\$ 18,212,328</u>	<u>\$ 19,158,850</u>	<u>\$ 23,378,541</u>

Additional information on the Town's capital assets can be found in Note 3.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 \$2,766,000, 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**

**Figure 5**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Revenue bonds	\$ -	\$ -	\$ 2,766,000	\$ 2,803,000	\$ 2,766,000	\$ 2,803,000
Installment financing	317,058	422,466	1,699,116	1,829,819	2,016,174	2,252,285
Total	<u>\$ 317,058</u>	<u>\$ 422,466</u>	<u>\$ 4,465,116</u>	<u>\$ 4,632,819</u>	<u>\$ 4,782,174</u>	<u>\$ 5,055,285</u>

**Town of Ayden's Outstanding Debt**

The Town of Ayden's total debt principal decreased by \$273,111 during the current fiscal year.

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 general obligation 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 \$13,657,598, of which the Town has issued \$4,782,174 or 35.01 percent, of its limitation.

Additional information regarding the Town of Ayden's long-term debt can be found in Note 3.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 2015 was 6.9 percent, which remains constant with the rate from a year ago. This compares slightly unfavorable to the State's average unemployment rate of 5.8 percent and the national average rate of 5.3 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 took effect in 2014 and 2015. Annexations 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 2015-2016 fiscal year.

At the end of the current fiscal year, unassigned fund balance in the General Fund was \$1,352,380. The Town of Ayden has appropriated \$59,351 of this amount for spending in the 2015-2016 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 at the adoption of the budget for the 2015-2016 fiscal 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.

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 2015-2016 fiscal year can best be described as stable considering the current economic climate.

### **Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

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## TOWN OF AYDEN, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 1,864,002	\$ 5,601,896	\$ 7,465,898
Taxes receivable, net	92,960	-	92,960
Accounts receivable, net	21,960	1,826,334	1,848,294
Due from other governments	774,083	-	774,083
Inventories	-	73,283	73,283
Restricted assets:			
Cash and cash equivalents	237,540	164,064	401,604
Total current assets	2,990,545	7,665,577	10,656,122
Non-current assets:			
Net pension asset	199,793	138,839	338,632
Capital assets:			
Land and other non-depreciable capital assets	709,582	1,816,875	2,526,457
Other capital assets, net	4,091,431	12,540,962	16,632,393
Total non-current assets	5,000,806	14,496,676	19,497,482
Total assets	7,991,351	22,162,253	30,153,604
<b>Deferred Outflows of Resources:</b>			
Pension deferrals	5,269	3,662	8,931
Contributions to pension plan in current fiscal year	120,852	83,982	204,834
Total deferred outflows of resources	126,121	87,644	213,765
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	265,600	1,296,265	1,561,865
Liabilities to be paid from restricted assets	-	164,064	164,064
Current portion of compensated absences	72,611	32,358	104,969
Current portion of long-term liabilities	107,148	169,701	276,849
Total current liabilities	445,359	1,662,388	2,107,747
Long-term liabilities:			
Non-current portion of compensated absences	72,611	32,357	104,968
Due in more than one year	413,789	4,379,924	4,793,713
Total long-term liabilities	486,400	4,412,281	4,898,681
Total liabilities	931,759	6,074,669	7,006,428
<b>Deferred Inflows of Resources:</b>			
Pension deferrals	486,944	338,386	825,330
<b>Net Position:</b>			
Net investment in capital assets	4,483,955	9,892,721	14,376,676
Restricted for stabilization by State statute	531,177	-	531,177
Restricted:			
Streets	237,540	-	237,540
Cultural and recreational	36,358	-	36,358
Public safety	1,497	-	1,497
Economic and physical development	104,040	-	104,040
Unrestricted	1,304,202	5,944,121	7,248,323
Total net position	\$ 6,698,769	\$ 15,836,842	\$ 22,535,611

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, 2015

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 661,639	\$ 189,122	\$ 19,911	\$ -
Public safety	1,627,515	125,285	35,237	-
Transportation	669,403	-	-	154,026
Environmental protection	235,489	287,604	-	-
Economic and physical development	472,657	6,197	-	265,285
Cultural and recreational	501,867	60,425	-	-
Interest on long-term debt	27,309	-	-	-
Total governmental activities	<u>4,195,879</u>	<u>668,633</u>	<u>55,148</u>	<u>419,311</u>
<b>Business-Type Activities:</b>				
Electric	12,025,369	13,031,644	-	-
Water and sewer	<u>2,709,417</u>	<u>2,451,240</u>	-	-
Total business-type activities	<u>14,734,786</u>	<u>15,482,884</u>	-	-
Total primary government	<u>\$ 18,930,665</u>	<u>\$ 16,151,517</u>	<u>\$ 55,148</u>	<u>\$ 419,311</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, 2015**

	<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>Functions/Programs:</b>			
<b>Primary Government:</b>			
<b>Governmental Activities:</b>			
General government	\$ (452,606)	\$ -	\$ (452,606)
Public safety	(1,466,993)	-	(1,466,993)
Transportation	(515,377)	-	(515,377)
Environmental protection	52,115	-	52,115
Economic and physical development	(201,175)	-	(201,175)
Cultural and recreational	(441,442)	-	(441,442)
Interest on long-term debt	(27,309)	-	(27,309)
Total governmental activities	(3,052,787)	-	(3,052,787)
<b>Business-Type Activities:</b>			
Electric	-	1,006,275	1,006,275
Water and sewer	-	(258,177)	(258,177)
Total business-type activities	-	748,098	748,098
Total primary government	(3,052,787)	748,098	(2,304,689)
<b>General Revenues:</b>			
Property taxes, levied for general purposes	1,247,917	-	1,247,917
Local option sales taxes	981,370	-	981,370
Other taxes and licenses	53,789	-	53,789
Franchise taxes	393,042	-	393,042
Interest earned on investments	7,195	102	7,297
Total general revenues before transfers	2,683,313	102	2,683,415
Transfers	424,520	(424,520)	-
Total general revenues and transfers	3,107,833	(424,418)	2,683,415
Change in net position	55,046	323,680	378,726
<b>Net Position:</b>			
Net position - July 1	7,195,545	15,699,424	22,894,969
Restatement	(551,822)	(186,262)	(738,084)
Net position - July 1, as restated	6,643,723	15,513,162	22,156,885
End of year - June 30	\$ 6,698,769	\$ 15,836,842	\$ 22,535,611

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

## TOWN OF AYDEN, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<u>Major General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,722,107	\$ 141,895	\$ 1,864,002
Taxes receivable, net	92,960	-	92,960
Accounts receivable, net	21,960	-	21,960
Due from other governments	774,083	-	774,083
Restricted cash and cash equivalents	237,540	-	237,540
Total assets	<u>\$ 2,848,650</u>	<u>\$ 141,895</u>	<u>\$ 2,990,545</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	<u>\$ 264,097</u>	<u>\$ -</u>	<u>\$ 264,097</u>
<b>Deferred Inflows of Resources:</b>			
Property taxes receivable	<u>92,960</u>	<u>-</u>	<u>92,960</u>
<b>Fund Balances:</b>			
Non-spendable	264,866	-	264,866
Restricted for stabilization by State statute	531,177	-	531,177
Restricted:			
Streets	237,540	-	237,540
Cultural and recreational	-	36,358	36,358
Public safety	-	1,497	1,497
Economic and physical development	-	104,040	104,040
Committed for public safety	46,279	-	46,279
Assigned	59,351	-	59,351
Unassigned	<u>1,352,380</u>	<u>-</u>	<u>1,352,380</u>
Total fund balances	<u>2,491,593</u>	<u>141,895</u>	<u>2,633,488</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,848,650</u>	<u>\$ 141,895</u>	
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			4,801,013
Long-term debt and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.			(667,662)
Net pension asset			199,793
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.			120,852
Pension related deferrals			(481,675)
Liabilities for earned revenues considered deferred inflows of resources in fund statements.			<u>92,960</u>
Net position of governmental activities (Exhibit A)			<u>\$ 6,698,769</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, 2015

	<b>Major General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Ad valorem taxes	\$ 1,258,499	\$ -	\$ 1,258,499
Local option sales taxes	981,370	-	981,370
Unrestricted intergovernmental	446,831	-	446,831
Restricted intergovernmental	208,515	265,944	474,459
Permits and fees	12,073	-	12,073
Sales and services	499,443	-	499,443
Interest earned on investments	7,191	4	7,195
Miscellaneous	156,695	422	157,117
Total revenues	<u>3,570,617</u>	<u>266,370</u>	<u>3,836,987</u>
<b>Expenditures:</b>			
Current:			
General government	638,246	-	638,246
Public safety	1,525,013	-	1,525,013
Transportation	604,576	-	604,576
Environmental protection	215,054	-	215,054
Economic and physical development	187,289	266,245	453,534
Cultural and recreational	455,685	1,077	456,762
Debt service:			
Principal repayments	105,408	-	105,408
Interest and fees	25,806	-	25,806
Total expenditures	<u>3,757,077</u>	<u>267,322</u>	<u>4,024,399</u>
Revenues over (under) expenditures	<u>(186,460)</u>	<u>(952)</u>	<u>(187,412)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	424,520	52,500	477,020
Transfers to other funds	(52,500)	-	(52,500)
Total other financing sources (uses)	<u>372,020</u>	<u>52,500</u>	<u>424,520</u>
Net change in fund balances	<u>185,560</u>	<u>51,548</u>	<u>237,108</u>
<b>Fund Balances:</b>			
Beginning of year - July 1	2,022,248	90,347	2,112,595
Restatement	283,785	-	283,785
Beginning of year - July 1, as restated	<u>2,306,033</u>	<u>90,347</u>	<u>2,396,380</u>
End of year - June 30	<u>\$ 2,491,593</u>	<u>\$ 141,895</u>	<u>\$ 2,633,488</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, 2015**

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) \$ 237,108

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 (10,582)

Expenses related to compensated absences, other post-employment benefits, unfunded pension obligations, and accrued interest that do not require current financial resources are not reported as expenditures in the governmental funds statement. (18,694)

Pension expense (13,846)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities. 120,852

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. 8,928

Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement. (374,128)

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. 105,408

Change in net position of governmental activities (Exhibit B) \$ 55,046

*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, 2015

	Budgeted Amounts		Actual	Variance from Final Budget Over/Under
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,162,000	\$ 1,162,000	\$ 1,258,499	\$ 96,499
Local option sales taxes	840,000	840,000	981,370	141,370
Unrestricted intergovernmental	481,000	481,000	446,831	(34,169)
Restricted intergovernmental	229,500	229,500	208,515	(20,985)
Permits and fees	22,000	22,000	12,073	(9,927)
Sales and services	478,657	478,657	499,443	20,786
Investment earnings	6,000	6,000	7,191	1,191
Miscellaneous	114,800	114,800	156,695	41,895
Total revenues	<u>3,333,957</u>	<u>3,333,957</u>	<u>3,570,617</u>	<u>236,660</u>
<b>Expenditures:</b>				
General government	670,016	675,016	638,246	36,770
Public safety	1,537,488	1,537,488	1,525,013	12,475
Transportation	790,124	860,124	604,576	255,548
Environmental protection	214,311	214,311	215,054	(743)
Economic and physical development	188,664	188,664	187,289	1,375
Cultural and recreation	547,190	547,190	455,685	91,505
Debt service:				
Principal repayments	58,925	105,408	105,408	-
Interest and fees	72,289	25,806	25,806	-
Total expenditures	<u>4,079,007</u>	<u>4,154,007</u>	<u>3,757,077</u>	<u>396,930</u>
Revenues over (under) expenditures	<u>(745,050)</u>	<u>(820,050)</u>	<u>(186,460)</u>	<u>633,590</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	649,520	649,520	424,520	(225,000)
Transfers to other funds	(52,500)	(52,500)	(52,500)	-
Long-term debt issued	25,000	25,000	-	(25,000)
Appropriated fund balance	<u>123,030</u>	<u>198,030</u>	<u>-</u>	<u>(198,030)</u>
Total other financing sources (uses)	<u>745,050</u>	<u>820,050</u>	<u>372,020</u>	<u>(448,030)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>185,560</u>	<u>\$ 185,560</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			2,022,248	
Restatement			<u>283,785</u>	
Beginning of year - July 1, as restated			<u>2,306,033</u>	
End of year - June 30			<u>\$ 2,491,593</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, 2015

	<b>Major Enterprise Funds</b>		
	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 4,018,585	\$ 1,583,311	\$ 5,601,896
Accounts receivable, net	1,517,579	308,755	1,826,334
Inventories	59,314	13,969	73,283
Restricted cash and cash equivalents	164,064	-	164,064
Total current assets	<u>5,759,542</u>	<u>1,906,035</u>	<u>7,665,577</u>
Non-current assets:			
Net pension asset	98,203	40,636	138,839
Land and other non-depreciable assets	1,800,375	16,500	1,816,875
Other capital assets, net	1,572,120	10,968,842	12,540,962
Total non-current assets	<u>3,470,698</u>	<u>11,025,978</u>	<u>14,496,676</u>
Total assets	<u>9,230,240</u>	<u>12,932,013</u>	<u>22,162,253</u>
<b>Deferred Outflows of Resources:</b>			
Pension deferrals	2,590	1,072	3,662
Contributions to pension plan in current fiscal year	59,402	24,580	83,982
Total deferred outflows of resources	<u>61,992</u>	<u>25,652</u>	<u>87,644</u>
<b>Liabilities and Net Position:</b>			
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	1,174,917	121,348	1,296,265
Liabilities to be paid from restricted assets	164,064	-	164,064
Compensated absences - current	21,309	11,049	32,358
Current portion of long-term debt	-	169,701	169,701
Total current liabilities	<u>1,360,290</u>	<u>302,098</u>	<u>1,662,388</u>
Non-current liabilities:			
Compensated absences - non-current	21,308	11,049	32,357
Non-current portion of long-term debt	51,065	4,328,859	4,379,924
Total non-current liabilities	<u>72,373</u>	<u>4,339,908</u>	<u>4,412,281</u>
Total liabilities	<u>1,432,663</u>	<u>4,642,006</u>	<u>6,074,669</u>
<b>Deferred Inflows of Resources:</b>			
Pension deferrals	239,346	99,040	338,386
<b>Net Position:</b>			
Net investment in capital assets	3,372,495	6,520,226	9,892,721
Unrestricted	4,247,728	1,696,393	5,944,121
Total net position	<u>\$ 7,620,223</u>	<u>\$ 8,216,619</u>	<u>\$ 15,836,842</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, 2015

	<b>Major Enterprise Funds</b>		
	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Charges for services	\$ 13,031,644	\$ 2,451,240	\$ 15,482,884
<b>Operating Expenses:</b>			
Electrical operations	1,930,850	-	1,930,850
Electrical power purchases	9,927,239	-	9,927,239
Water operations	-	2,115,527	2,115,527
Depreciation	167,280	413,891	581,171
Total operating expenses	<u>12,025,369</u>	<u>2,529,418</u>	<u>14,554,787</u>
Operating income (loss)	<u>1,006,275</u>	<u>(78,178)</u>	<u>928,097</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest earned on investments	-	102	102
Interest and fees	-	(179,999)	(179,999)
Total non-operating revenues (expenses)	<u>-</u>	<u>(179,897)</u>	<u>(179,897)</u>
Income (loss) before transfers	1,006,275	(258,075)	748,200
<b>Transfers:</b>			
Transfers out	<u>(424,520)</u>	<u>-</u>	<u>(424,520)</u>
Change in net position	<u>581,755</u>	<u>(258,075)</u>	<u>323,680</u>
<b>Net Position:</b>			
Beginning of year - July 1	7,170,214	8,529,210	15,699,424
Restatement	<u>(131,746)</u>	<u>(54,516)</u>	<u>(186,262)</u>
Beginning of year - July 1, as restated	<u>7,038,468</u>	<u>8,474,694</u>	<u>15,513,162</u>
End of year - June 30	<u>\$ 7,620,223</u>	<u>\$ 8,216,619</u>	<u>\$ 15,836,842</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, 2015

	<u>Enterprise Funds</u>		
	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 13,223,364	\$ 2,443,684	\$ 15,667,048
Cash paid for goods and services	(10,615,233)	(1,515,196)	(12,130,429)
Cash paid to employees for services	(1,095,686)	(523,963)	(1,619,649)
Net cash provided (used) by operating activities	<u>1,512,445</u>	<u>404,525</u>	<u>1,916,970</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Transfers (to) from other funds	<u>(424,520)</u>	<u>-</u>	<u>(424,520)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(1,766,690)	-	(1,766,690)
Principal paid on long-term debt	-	(167,703)	(167,703)
Interest and fees	-	(164,075)	(164,075)
Net cash provided (used) by capital and related financing activities	<u>(1,766,690)</u>	<u>(331,778)</u>	<u>(2,098,468)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	<u>-</u>	<u>102</u>	<u>102</u>
Net increase (decrease) in cash and cash equivalents	(678,765)	72,849	(605,916)
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	<u>4,861,414</u>	<u>1,510,462</u>	<u>6,371,876</u>
End of year - June 30	<u>\$ 4,182,649</u>	<u>\$ 1,583,311</u>	<u>\$ 5,765,960</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	<u>\$ 1,006,275</u>	<u>\$ (78,178)</u>	<u>\$ 928,097</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	167,280	413,891	581,171
Pension expense	6,807	2,816	9,623
Changes in assets and liabilities:			
(Increase) decrease in deferred pension outflows	(59,402)	(24,580)	(83,982)
(Increase) decrease in accounts receivable	188,830	(7,556)	181,274
(Increase) decrease in inventories	-	(1,791)	(1,791)
Increase (decrease) in accounts payable and accrued liabilities	199,951	90,906	290,857
Increase (decrease) in customer deposits	2,890	-	2,890
Increase (decrease) in OPEB payable	6,123	5,764	11,887
Increase (decrease) in compensated absences	(6,309)	3,253	(3,056)
Total	<u>506,170</u>	<u>482,703</u>	<u>988,873</u>
Net cash provided (used) by operating activities	<u>\$ 1,512,445</u>	<u>\$ 404,525</u>	<u>\$ 1,916,970</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, 2015

### 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, 2015

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.

The Town reports the following major enterprise funds:

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

**Water and Sewer Fund.** This fund is used to account for the Town's water and sewer operations.

### C. Measurement Focus and Basis of Accounting

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

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

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

# TOWN OF AYDEN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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. Sales taxes are considered a shared revenue for the Town of Ayden because the tax is levied by Pitt County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there 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, 2015

### **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 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).

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, 2015**

### **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 \$237,540 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 \$164,064 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, 2014. 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, 2015

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 two items that meet this criterion: deferrals of pension expense that result from the implementation of GASB Statement 68 and contributions made to the pension plan in the 2015 fiscal year. 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: property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

### 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.

# TOWN OF AYDEN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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.

### **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.

*Long-Term Receivable* – portion of fund balance that is not an available resource because it represents the amount not expected to be converted to cash during the subsequent fiscal year.

**TOWN OF AYDEN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Restricted Fund Balance**

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

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<i>Restricted for Stabilization by State Statute</i> - portion of fund balance that is restricted by State statute [G.S. 159-8(a)].	\$ 531,177	\$ -	\$ 531,177
<i>Restricted for Streets - Powell Bill</i> - portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures	237,540	-	237,540
<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	-	36,358	36,358
<i>Restricted for Public Safety</i> - portion of fund balance that is restricted by revenue source for police via the unauthorized substance tax	-	1,497	1,497
<i>Restricted for Economic and Physical Development</i> - portion of fund balance that is restricted by revenue source for economic development of the Catalyst program	-	104,040	104,040
Total restricted fund balances/net position	<u>\$ 768,717</u>	<u>\$ 141,895</u>	<u>\$ 910,612</u>

**Committed Fund Balance**

The portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Ayden's governing body (highest level of decision-making authority). Any changes or removal of specific purpose require majority action by the Board of Commissioners. Once adopted, the limitation imposed by the ordinance remains until a similar action is taken to remove or revise the limitation. As of June 30, 2015, the Town had \$46,279 of the General Fund balance committed to public safety for the operation of the Ayden Volunteer Fire Association.

# TOWN OF AYDEN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 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.

*Subsequent Year's Expenditures* – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The Town's governing body approves the appropriation; however, the budget ordinance authorizes the Budget Officer to modify the appropriations within departments as he deems necessary.

### Unassigned Fund Balance

The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General fund is the only fund that reports a positive unassigned fund balance. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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	\$ 2,491,593
Less:	
Non-spendable	264,866
Stabilization by State statute	<u>531,177</u>
Fund balance available for appropriation	<u>\$ 1,695,550</u>

# TOWN OF AYDEN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### **Pensions**

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

### **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.

## **2. Stewardship, Compliance, and Accountability**

### **Non-Compliance with North Carolina General Statutes**

The Town is in violation of N.C. General Statute 159-32 which requires that all monies received by officers and employees be deposited daily unless the governing board has approved that a deposit does not have to be made until the amount on hand is over \$250. Deposits over \$250 are not being made in a timely manner according to State Statute. Management concurs and would point out that this was a singular situation of a donation check that, based on the motion of the Board, required some time to review and decide on accounting treatment of the funds.

The Town is also in violation of N.C. General Statute 159-33 which requires all units of local governments in North Carolina to submit a semi-annual Cash and Investment Report (LGC-203) to the Local Government Commission by January 25th and July 25th of each year. The Local Government Commission also requires the Annual Financial Information Report (AFIR) to be submitted within four months of the fiscal year end, which was October 31, 2015. The LGC-203 and the AFIR are not being filed on a timely basis as required. Management concurs. Management will begin monitoring the required filings to ensure timely submissions.

The Town is also in violation of N.C. General Statute 159-28 which requires that obligations of the unit be pre-audited in accordance with the Local Government Budget and Fiscal Control Act. The budget for the project was not entered in the accounting system. Instances of expenditures over appropriations were also noted. Monitoring over purchase orders was not being performed. Management concurs. Management also adds that this will be resolved in the next fiscal year.

# TOWN OF AYDEN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 3. 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, 2015, the carrying amount of the Town's deposits was \$4,772,654 and the bank balance was \$4,937,813. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$4,187,813 in deposits was covered by collateral held under the Pooling Method. At June 30, 2015, the Town had \$16,199 cash on hand.

##### Investments

At June 30, 2015, the Town had \$3,078,649 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, 2015**

**Receivables**

Receivables at Exhibit A at June 30, 2015 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>
<b>Governmental Activities:</b>			
Property taxes due	\$ -	\$ 170,536	\$ 42,751
Refuse receivables	78,403	-	-
Other receivables	30,105	-	-
Sales tax refunds due	-	-	125,963
Sales tax distribution	-	-	340,503
Other amounts due	-	-	264,866
Allowance for doubtful accounts	(86,548)	(77,576)	-
Total governmental activities	<u>\$ 21,960</u>	<u>\$ 92,960</u>	<u>\$ 774,083</u>
	<u>Electric</u>	<u>Water and Sewer</u>	<u>Total</u>
<b>Business-Type Activities:</b>			
Accounts receivable	\$ 2,511,239	\$ 616,655	\$ 3,127,894
Allowance for doubtful accounts	(993,660)	(307,900)	(1,301,560)
Total business-type activities	<u>\$ 1,517,579</u>	<u>\$ 308,755</u>	<u>\$ 1,826,334</u>

**TOWN OF AYDEN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Capital Assets**

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Governmental Activities:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 709,582	\$ -	\$ -	\$ 709,582
<b>Depreciable Capital Assets:</b>				
Buildings	1,421,402	-	-	1,421,402
Other improvements	3,418,525	8,928	-	3,427,453
Equipment	986,492	-	-	986,492
Vehicles and motor equipment	2,362,344	-	-	2,362,344
Total depreciable capital assets	<u>8,188,763</u>	<u>8,928</u>	<u>-</u>	<u>8,197,691</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	699,471	35,002	-	734,473
Other improvements	905,785	111,224	-	1,017,009
Equipment	628,694	62,453	-	691,147
Vehicles and motor equipment	1,498,182	165,449	-	1,663,631
Total accumulated depreciation	<u>3,732,132</u>	<u>\$ 374,128</u>	<u>\$ -</u>	<u>4,106,260</u>
Total depreciable capital assets, net	<u>4,456,631</u>			<u>4,091,431</u>
Governmental activities capital assets, net	<u>\$ 5,166,213</u>			<u>\$ 4,801,013</u>

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

General government	\$ 34,280
Public safety	133,044
Transportation	94,319
Economic and physical development	26,380
Environmental protection	26,483
Cultural and recreational	59,622
Total depreciation expense	<u>\$ 374,128</u>

**TOWN OF AYDEN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

Capital assets for the proprietary funds of the Town at June 30, 2015 are as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Business-Type Activities:</b>				
<b>Electric Fund:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 52,161	\$ -	\$ -	\$ 52,161
Construction in progress	<u>63,755</u>	<u>1,684,459</u>	<u>-</u>	<u>1,748,214</u>
Total non-depreciable capital assets	<u>115,916</u>	<u>1,684,459</u>	<u>-</u>	<u>1,800,375</u>
<b>Depreciable Capital Assets:</b>				
Plant and distribution systems	4,602,718	-	-	4,602,718
Equipment	2,548,466	12,333	-	2,560,799
Vehicles	<u>1,218,104</u>	<u>69,898</u>	<u>-</u>	<u>1,288,002</u>
Total depreciable capital assets	<u>8,369,288</u>	<u>82,231</u>	<u>-</u>	<u>8,451,519</u>
<b>Less Accumulated Depreciation:</b>				
Plant and distribution systems	4,095,525	44,617	-	4,140,142
Furniture and maintenance equipment	1,674,458	66,658	-	1,741,116
Vehicles	<u>942,136</u>	<u>56,005</u>	<u>-</u>	<u>998,141</u>
Total accumulated depreciation	<u>6,712,119</u>	<u>\$ 167,280</u>	<u>\$ -</u>	<u>6,879,399</u>
Total depreciable capital assets, net	<u>1,657,169</u>			<u>1,572,120</u>
Electric Fund capital assets, net	<u>1,773,085</u>			<u>3,372,495</u>

## TOWN OF AYDEN, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	<b>Balance</b> <b>July 1, 2014</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance</b> <b>June 30, 2015</b>
<b>Business-Type Activities:</b>				
<b>Water and Sewer Fund:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	16,500	\$ -	\$ -	16,500
<b>Depreciable Capital Assets:</b>				
Plant and distribution systems	14,727,782	-	-	14,727,782
Equipment	1,619,602	-	-	1,619,602
Vehicles	586,428	-	-	586,428
Total depreciable capital assets	16,933,812	-	-	16,933,812
<b>Less Accumulated Depreciation:</b>				
Plant and distribution systems	4,393,203	310,830	-	4,704,033
Furniture and maintenance equipment	857,506	45,616	-	903,122
Vehicles	300,370	57,445	-	357,815
Total accumulated depreciation	5,551,079	\$ 413,891	\$ -	5,964,970
Total depreciable capital assets, net	11,382,733			10,968,842
Water and Sewer capital assets, net	11,399,233			10,985,342
Total Enterprise Fund capital assets, net	\$ 13,172,318			\$ 14,357,837

#### **Construction Commitments**

The Town has one active construction project at June 30, 2015. The Town has bid out the construction and engineering phases of the project and, therefore, shows commitments with contractors in the amount of \$586,628.

#### **Net Investment in Capital Assets**

The total net investment in capital assets at June 30, 2015, is composed of the following elements:

	<b>Governmental</b> <b>Activities</b>	<b>Electric</b> <b>Fund</b>	<b>Water and</b> <b>Sewer Fund</b>	<b>Total</b> <b>Business-Type</b> <b>Activities</b>
Capital assets	\$ 4,801,013	\$ 3,372,495	\$ 10,985,342	\$ 14,357,837
Long-term debt	(317,058)	-	(4,465,116)	(4,465,116)
Net investment in capital assets	\$ 4,483,955	\$ 3,372,495	\$ 6,520,226	\$ 9,892,721

**TOWN OF AYDEN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**B. Liabilities**

**Payables**

Payables at Exhibit A at June 30, 2015 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Total</u>
<b>Governmental Activities:</b>				
Total governmental activities	\$ 85,238	\$ 178,859	\$ 1,503	\$ 265,600
<b>Business-Type Activities:</b>				
Electric	\$ 1,148,344	\$ 26,573	\$ -	\$ 1,174,917
Water and sewer	95,075	10,349	15,924	121,348
Total business-type activities	<u>\$ 1,243,419</u>	<u>\$ 36,922</u>	<u>\$ 15,924</u>	<u>\$ 1,296,265</u>

**Pension Plan Obligations**

**Local Governmental Employees' Retirement System**

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

**Benefits Provided.** LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who

## TOWN OF AYDEN, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Ayden employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Ayden's contractually required contribution rate for the year ended June 30, 2015, was 7.55% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Ayden were \$204,834 for the year ended June 30, 2015.

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

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

At June 30, 2015, the Town reported an asset of \$338,632 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing updated procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Town's proportion was 0.05742%, which was an increase of 0.003% from its proportion measured as of June 30, 2013.

**TOWN OF AYDEN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

For the year ended June 30, 2015, the Town recognized pension expense of \$23,468. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 37,002
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	788,328
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,931	-
Town contributions subsequent to the measurement date	204,834	-
<b>Total</b>	<b>\$ 213,765</b>	<b>\$ 825,330</b>

\$204,834 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending</b>	<b>Amount</b>
<b>June 30</b>	<b>Amount</b>
2016	\$ (204,117)
2017	(204,117)
2018	(204,117)
2019	(204,048)
2020	-
Thereafter	-
<b>Total</b>	<b>\$ (816,399)</b>

**Actuarial Assumptions.** The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

## TOWN OF AYDEN, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	36.0%	2.5%
Global equity	40.5%	6.1%
Real estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation protection	4.5%	3.7%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

**TOWN OF AYDEN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: fixed income 2.2%, global equity 5.8%, real estate 5.2%, alternatives 9.8%, credit 6.8%, and inflation protection 3.4%.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 1,149,464	\$ (338,632)	\$ (1,591,562)

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

**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.

# TOWN OF AYDEN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

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

### Summary of Significant Accounting Policies

*Basis of Accounting.* The Town has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

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

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

**Contributions.** The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. 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, 2013, 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, 2013, was 17 years.

**TOWN OF AYDEN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**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	\$	46,231
Interest on net pension obligation		4,577
Adjustment to annual required contribution		<u>(7,733)</u>
Annual pension cost		43,075
Contributions made		<u>11,923</u>
Increase in net pension obligation		31,152
Net pension obligation:		
Beginning of year - July 1		<u>91,544</u>
End of year - June 30	\$	<u>122,696</u>

**Three-Year Trend Information**

<b>Year Ended June 30</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
2013	\$ 28,531	41.79%	\$ 69,824
2014	33,643	35.44%	91,544
2015	43,075	27.68%	122,696

**Funded Status and Funding Progress.** As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$324,263. The covered payroll (annual payroll of active employees covered by the plan) was \$800,844, and the ratio of the UAAL to the covered payroll was 40.49 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.

# TOWN OF AYDEN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

**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, 2015 were \$46,750, which consisted of \$40,453 from the Town and \$6,297 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, 2015, the Town made payments for post-retirement health benefit premiums of \$23,685. The Town purchases insurance from a private carrier for healthcare coverage. A separate report was not issued for the plan.

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

	<b>General Employees</b>
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 1.62% of annual covered payroll. For the current year, the Town contributed \$23,685, or 0.80% 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 1.62% and 1.62% of covered payroll, respectively. The Town's contributions totaled \$23,685 in fiscal year 2015. 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.

**TOWN OF AYDEN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**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.

**Annual OPEB Cost and Net Obligation.** The Town's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Annual required contribution	\$ 28,191	\$ 19,590	\$ 47,781
Interest on net OPEB obligation	3,336	2,318	5,654
Adjustments to annual required contribution	<u>(3,187)</u>	<u>(2,214)</u>	<u>(5,401)</u>
Annual OPEB cost (expense)	28,340	19,694	48,034
Contributions made	<u>(15,878)</u>	<u>(7,807)</u>	<u>(23,685)</u>
Increase (decrease) in net OPEB obligation	12,462	11,887	24,349
Net OPEB obligation:			
Beginning of year - July 1	<u>68,721</u>	<u>72,622</u>	<u>141,343</u>
End of year - June 30	<u>\$ 81,183</u>	<u>\$ 84,509</u>	<u>\$ 165,692</u>

The Town annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 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>
2013	\$ 47,847	57.45%	\$ 141,343
2014	40,251	66.89%	141,343
2015	48,034	49.31%	165,692

**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

# TOWN OF AYDEN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

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

In the December 31, 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

# TOWN OF AYDEN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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.

### Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 204,834
Change in pension proportion	8,931
Total	<u>\$ 213,765</u>

Deferred inflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Pension deferrals	\$ 825,330
Taxes receivable, net	92,960
Total	<u>\$ 918,290</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. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

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.

**TOWN OF AYDEN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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.

**Governmental Activities**

The Town's installment purchase obligations payable at June 30, 2015 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	\$ 277,675
Three Vehicles executed in November 2013 for a 2-year period at 1.72% with annual installments of \$40,060; secured by vehicles	39,383
Total installment notes payable - governmental activities	\$ 317,058

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
2016	\$ 107,148	\$ 5,148	\$ 112,296
2017	68,856	3,380	72,236
2018	69,964	2,271	72,235
2019	71,090	1,145	72,235
Total	\$ 317,058	\$ 11,944	\$ 329,002

**TOWN OF AYDEN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Business-Type Activities**

The Town's installment purchase obligations payable at June 30, 2015 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

\$ 1,699,116

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

<b>Year Ending June 30</b>	<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	130,701	26,643	157,344
2021-2025	653,506	88,812	742,318
2026-2028	392,105	17,762	409,867
Total	<u>\$ 1,699,116</u>	<u>\$ 278,276</u>	<u>\$ 1,977,392</u>

The Town's revenue bond obligations payable at June 30, 2015 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

\$ 2,766,000

**TOWN OF AYDEN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

<b>Year Ending June 30</b>	<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	46,000	113,750	159,750
2021-2025	262,000	536,769	798,769
2026-2030	326,000	474,075	800,075
2031-2035	404,000	396,244	800,244
2036-2040	501,000	299,688	800,688
2041-2045	619,000	180,338	799,338
2046-2048	442,000	39,200	481,200
Total	<u>\$ 2,766,000</u>	<u>\$ 2,513,571</u>	<u>\$ 5,279,571</u>

# TOWN OF AYDEN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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, 2015 is as follows:

Operating revenues	\$ 2,451,240
Operating expenses*	<u>2,115,527</u>
Operating income	335,713
Non-operating revenues (expenses)**	<u>102</u>
Income available for debt service	<u>\$ 335,815</u>
Debt service, principal and interest paid (revenue bond only)	<u>\$ 159,631</u>
Debt service, principal and interest paid (subordinated indebtedness)	<u>\$ 172,146</u>
Debt service coverage ratio	<u>210%</u>
Debt service coverage ratio (subordinated indebtedness)	<u>195%</u>

\* Per rate covenants, this does not include the depreciation expense of \$413,891.

\*\* Per rate covenants, this does not include interest and fees paid of \$164,075.

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. Annual principal and interest payments on the bonds are expected to require less than 50% of net revenues. The total principal and interest remaining to be paid on the bonds is \$5,279,571. Principal and interest paid for the current year was \$159,631. The Town had water and sewer net revenues of \$335,815.

# TOWN OF AYDEN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 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, 2015:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2015</u>	<u>Current Portion of Balance</u>
<b>Governmental Activities:</b>					
Installment purchases	\$ 422,466	\$ -	\$ (105,408)	\$ 317,058	\$ 107,148
Compensated absences	171,645	48,554	(74,977)	145,222	72,611
Other post-employment benefits	68,721	28,340	(15,878)	81,183	-
Net pension liability (LGERS)	386,881	-	(386,881)	-	-
Net pension obligation	<u>91,544</u>	<u>43,075</u>	<u>(11,923)</u>	<u>122,696</u>	<u>-</u>
Total governmental activities	<u>\$ 1,141,257</u>	<u>\$ 119,969</u>	<u>\$ (595,067)</u>	<u>\$ 666,159</u>	<u>\$ 179,759</u>
<b>Business-Type Activities:</b>					
<b>Electric Fund:</b>					
Other post-employment benefits	\$ 44,942	\$ 13,930	\$ (7,807)	\$ 51,065	\$ -
Net pension liability (LGERS)	190,161	-	(190,161)	-	-
Compensated absences	<u>48,926</u>	<u>21,725</u>	<u>(28,034)</u>	<u>42,617</u>	<u>21,309</u>
Total business-type activities	<u>\$ 284,029</u>	<u>\$ 35,655</u>	<u>\$ (226,002)</u>	<u>\$ 93,682</u>	<u>\$ 21,309</u>
<b>Water Sewer Fund:</b>					
Installment purchases	\$ 1,829,819	\$ -	\$ (130,703)	\$ 1,699,116	\$ 130,701
Revenue bonds	2,803,000	-	(37,000)	2,766,000	39,000
Other post-employment benefits	27,680	5,764	-	33,444	-
Net pension liability (LGERS)	78,687	-	(78,687)	-	-
Compensated absences	<u>18,845</u>	<u>12,240</u>	<u>(8,987)</u>	<u>22,098</u>	<u>11,049</u>
Total business-type activities	<u>\$ 4,758,031</u>	<u>\$ 18,004</u>	<u>\$ (255,377)</u>	<u>\$ 4,520,658</u>	<u>\$ 180,750</u>

Compensated absences, pension liabilities, and OPEB liabilities for governmental activities have typically been liquidated in the General Fund. The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

At June 30, 2015, the Town had a legal debt margin of \$13,657,598.

**TOWN OF AYDEN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**C. Interfund Balances and Activities**

Transfers to/from funds for the year ended June 30, 2015 were as follows:

<u>Transfers From</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>	<u>Purpose</u>
General Fund	\$ -	\$ 52,500	\$ 52,500	Fund project costs
Electric Fund	424,520	-	424,520	Tax payments
Total	<u>\$ 424,520</u>	<u>\$ 52,500</u>	<u>\$ 477,020</u>	

**4. Joint Venture**

**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 \$14,632,643, 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, 2015, was \$705,125 or 33.00%, 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.

**5. Jointly 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, 2015 were \$9,951,991.

**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

# TOWN OF AYDEN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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.

### **6. Major Utility Customer**

In 2015, the Town had electrical revenue of \$2,988,892 from one customer, which accounted for 24% of total electric revenue.

### **7. 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.

### **8. Claims and Judgments**

At June 30, 2015, 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.

### **9. Change in Accounting Principles/Restatement**

#### **Restatement of Pension Liability**

The Town implemented Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$268,037 and \$186,262, respectively.

#### **Restatement of Long-Term Receivable**

The Town restated fund balance in the General Fund during the current year to adjust for a long-term receivable that have previously been reported as deferred inflows of resources. The restatement increased fund balance for governmental activities by \$283,785 and decreased net position for governmental activities by \$283,785.

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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
- Town's Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Town of Ayden's Contributions for Local Government Employees' Retirement System

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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, 2015

## Schedule of Funding Progress

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
		Liability (AAL) - Projected Unit Credit (b)					
12/31/2005	\$ -	\$ 217,325		\$ 217,325	0.00%	\$ 515,986	42.12%
12/31/2006	-	220,493		220,493	0.00%	638,342	34.54%
12/31/2007	-	199,689		199,689	0.00%	606,654	32.92%
12/31/2008	-	226,426		226,426	0.00%	719,886	31.45%
12/31/2009	-	304,286		304,286	0.00%	755,581	40.27%
12/31/2010	-	260,383		260,383	0.00%	738,591	35.25%
12/31/2011	-	247,028		247,028	0.00%	627,761	39.35%
12/31/2012	-	294,663		294,663	0.00%	724,120	40.69%
12/31/2013	-	325,463		325,463	0.00%	826,205	39.39%
12/31/2014	-	324,263		324,263	0.00%	800,844	40.49%

## Schedule of Employer Contributions

Year Ended June 30	Annual	
	Required Contribution	Percentage Contributed
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%
2015	46,231	25.79%

## 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	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	16 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, 2015

**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)
12/31/2008	\$ -	\$ 496,990	\$ 496,990	0.00%	\$ 2,862,487	17.40%
12/31/2010	-	410,470	410,470	0.00%	2,718,840	15.10%
12/31/2013	-	496,702	496,702	0.00%	2,953,450	16.80%

**Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2011	\$ 47,655	20.42%
2012	47,655	73.23%
2013	47,655	57.68%
2014	40,022	67.27%
2015	47,781	49.57%

**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	

**TOWN OF AYDEN, NORTH CAROLINA****TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TWO FISCAL YEARS\*****LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset) (%)	0.05742%	0.05440%
Proportion of the net pension liability (asset) (\$)	\$ (338,632)	\$ 655,729
Covered-employee payroll	\$ 2,825,548	\$2,621,704
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-11.98%	25.01%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

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

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

**TOWN OF AYDEN, NORTH CAROLINA****TOWN OF AYDEN'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TWO FISCAL YEARS****LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 204,834	\$ 201,431
Contributions in relation to the contractually required contribution	<u>204,834</u>	<u>201,431</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$2,858,529	\$ 2,825,548
Contributions as a percentage of covered-employee payroll	7.17%	7.13%

**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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over /Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes	\$ 1,158,000	\$ 1,249,369	\$ 91,369	\$ 1,268,092
Penalties and interest	4,000	9,130	5,130	5,760
Total	1,162,000	1,258,499	96,499	1,273,852
<b>Local Option Sales Taxes:</b>				
Sales and use taxes	840,000	981,370	141,370	843,903
<b>Unrestricted Intergovernmental:</b>				
Franchise taxes	422,000	393,042	(28,958)	418,296
Beer and wine tax	22,000	23,914	1,914	21,837
Cable TV franchise	34,000	27,382	(6,618)	35,920
Other taxes and licenses	3,000	2,493	(507)	3,050
Total	481,000	446,831	(34,169)	479,103
<b>Restricted Intergovernmental:</b>				
Powell Bill allocation	150,000	154,026	4,026	153,600
Grants	79,500	54,489	(25,011)	74,810
Total	229,500	208,515	(20,985)	228,410
<b>Permits and Fees:</b>				
Court facility fees	21,000	5,876	(15,124)	15,882
Building permits	1,000	6,197	5,197	2,240
Total	22,000	12,073	(9,927)	18,122
<b>Sales and Services:</b>				
Sanitation revenues	300,000	287,604	(12,396)	300,794
Cemetery lot sales	18,000	14,500	(3,500)	28,425
Rents	9,000	12,051	3,051	8,982
Recreation fees	36,000	60,003	24,003	41,284
Fire protection services	115,657	125,285	9,628	131,398
Total	478,657	499,443	20,786	510,883
<b>Investment Earnings</b>	6,000	7,191	1,191	8,645

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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over /Under	Actual
<b>Miscellaneous:</b>				
Other	114,800	175,614	60,814	140,350
Total revenues	3,333,957	3,589,536	255,579	3,503,268
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Mayor and commissioners	29,066	28,894	172	29,066
Other operating expenditures	145,675	154,756	(9,081)	144,431
Total	174,741	183,650	(8,909)	173,497
<b>Administration:</b>				
Salaries and employee benefits	38,192	49,664	(11,472)	84,373
Other operating expenditures	139,350	124,066	15,284	142,191
Total	177,542	173,730	3,812	226,564
<b>Finance:</b>				
Salaries and employee benefits	21,225	35,029	(13,804)	21,266
Other operating expenditures	8,100	48,832	(40,732)	2,992
Total	29,325	83,861	(54,536)	24,258
<b>Taxes:</b>				
Salaries and employee benefits	61,454	61,746	(292)	64,456
Other operating expenditures	5,700	5,103	597	5,225
Total	67,154	66,849	305	69,681
<b>Public Buildings:</b>				
Salaries and employee benefits	48,640	19,343	29,297	28,163
Other operating expenditures	93,975	46,359	47,616	95,765
Capital outlay	20,000	2,226	17,774	14,250
Total	162,615	67,928	94,687	138,178
<b>Central Services:</b>				
Salaries and employee benefits	14,064	12,028	2,036	13,602
Other operating expenditures	49,575	50,200	(625)	45,976
Total	63,639	62,228	1,411	59,578
Total general government	675,016	638,246	36,770	691,756

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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over /Under	2014
	Budget	Actual		Actual
<b>Public Safety:</b>				
<b>Police:</b>				
Salaries and employee benefits	1,227,487	1,204,871	22,616	1,149,855
Other operating expenditures	157,907	162,061	(4,154)	161,997
Capital outlay	-	-	-	64,402
Total	<u>1,385,394</u>	<u>1,366,932</u>	<u>18,462</u>	<u>1,376,254</u>
<b>Fire Departments:</b>				
Salaries and employee benefits	29,994	27,513	2,481	34,246
Other operating expenditures	47,950	61,169	(13,219)	47,877
Total	<u>77,944</u>	<u>88,682</u>	<u>(10,738)</u>	<u>82,123</u>
<b>Rural Fire Departments:</b>				
Salaries and employee benefits	25,000	27,439	(2,439)	24,957
Other operating expenditures	49,150	41,960	7,190	54,733
Total	<u>74,150</u>	<u>69,399</u>	<u>4,751</u>	<u>79,690</u>
Total public safety	<u>1,537,488</u>	<u>1,525,013</u>	<u>12,475</u>	<u>1,538,067</u>
<b>Transportation:</b>				
<b>Streets:</b>				
Salaries and employee benefits	428,224	418,066	10,158	372,351
Other operating expenditures	194,900	13,772	181,128	150,330
Powell Bill expenditures	190,000	172,738	17,262	127,356
Capital outlay	47,000	-	47,000	52,084
Total	<u>860,124</u>	<u>604,576</u>	<u>255,548</u>	<u>702,121</u>
Total transportation	<u>860,124</u>	<u>604,576</u>	<u>255,548</u>	<u>702,121</u>
<b>Environmental Protection:</b>				
<b>Sanitation:</b>				
Salaries and employee benefits	138,761	127,433	11,328	127,849
Other operating expenditures	75,550	87,621	(12,071)	66,629
Total	<u>214,311</u>	<u>215,054</u>	<u>(743)</u>	<u>194,478</u>
Total environmental protection	<u>214,311</u>	<u>215,054</u>	<u>(743)</u>	<u>194,478</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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over /Under	Actual
<b>Economic and Physical Development:</b>				
<b>Planning:</b>				
Salaries and employee benefits	153,359	149,995	3,364	112,691
Other operating expenditures	35,305	37,294	(1,989)	60,966
Capital outlay	-	-	-	8,515
Total	188,664	187,289	1,375	182,172
Total economic and physical development	188,664	187,289	1,375	182,172
<b>Cultural and Recreational:</b>				
<b>Recreation:</b>				
Salaries and employee benefits	198,330	188,319	10,011	177,744
Other operating expenditures	177,500	111,004	66,496	239,712
Capital outlay	55,000	59,078	(4,078)	234,238
Total	430,830	358,401	72,429	651,694
Total cultural and recreation	547,190	455,685	91,505	747,673
<b>Libraries:</b>				
Salaries and benefits	92,270	81,083	11,187	75,937
Other operating expenditures	24,090	16,201	7,889	20,042
Total	116,360	97,284	19,076	95,979
Total cultural and recreation	547,190	455,685	91,505	747,673
<b>Debt Service:</b>				
Principal retirement	105,408	105,408	-	43,120
Interest and fees	25,806	25,806	-	76,591
Total	131,214	131,214	-	119,711
Total expenditures	4,154,007	3,757,077	396,930	4,175,978
Revenues over (under) expenditures	(820,050)	(167,541)	652,509	(672,710)
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	25,000	-	(25,000)	78,100
Transfers from (to) other funds:				
Capital project funds	-	-	-	(54,185)
Special revenue funds	(52,500)	(52,500)	-	-
Enterprise funds	649,520	424,520	(225,000)	456,862
Appropriated fund balance	198,030	-	(198,030)	-
Total other financing sources (uses)	820,050	372,020	(448,030)	480,777

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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over /Under	Actual
Net change in fund balance	-	204,479	204,479	(191,933)
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>				
Current year lease payments	-	(18,919)	(18,919)	-
Net change in fund balance	<u>\$ -</u>	<u>185,560</u>	<u>\$ 185,560</u>	<u>(191,933)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		2,022,248		2,214,181
Restatement		283,785		-
Beginning of year - July 1, as restated		<u>2,306,033</u>		<u>2,214,181</u>
End of year - June 30		<u>\$ 2,491,593</u>		<u>\$ 2,022,248</u>

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**NONMAJOR GOVERNMENTAL FUNDS**

**Library Fund**

**Police Unauthorized Substance Tax**

**CDBG Catalyst Fund**

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## TOWN OF AYDEN, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015

	<u>Permanent Fund</u>	<u>Special Revenue Funds</u>		
	<u>Library Fund</u>	<u>Police Unauthorized Substance Tax</u>	<u>CDBG Catalyst Fund</u>	<u>Total</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 36,358	\$ 1,497	\$ 104,040	\$ 141,895
<b>Fund Balances:</b>				
Restricted	\$ 36,358	\$ 1,497	\$ 104,040	\$ 141,895

## TOWN OF AYDEN, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Permanent Fund</u>	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Library Fund</u>	<u>Police Unauthorized Substance Tax</u>	<u>CDBG Catalyst Fund</u>	
<b>Revenues:</b>				
Restricted intergovernmental	\$ -	\$ 659	\$ 265,285	\$ 265,944
Investment earnings	4	-	-	4
Miscellaneous revenue	422	-	-	422
Total revenues	<u>426</u>	<u>659</u>	<u>265,285</u>	<u>266,370</u>
<b>Expenditures:</b>				
Economic and physical development	-	-	266,245	266,245
Cultural and recreational	1,077	-	-	1,077
Total expenditures	<u>1,077</u>	<u>-</u>	<u>266,245</u>	<u>267,322</u>
Revenues over (under) expenditures	(651)	659	(960)	(952)
<b>Other Financing Sources (Uses):</b>				
Transfers in - General Fund	-	-	52,500	52,500
Net change in fund balances	(651)	659	51,540	51,548
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>37,009</u>	<u>838</u>	<u>52,500</u>	<u>90,347</u>
End of year - June 30	<u>\$ 36,358</u>	<u>\$ 1,497</u>	<u>\$ 104,040</u>	<u>\$ 141,895</u>

## **PERMANENT FUND**

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

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

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## TOWN OF AYDEN, NORTH CAROLINA

## LIBRARY FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCE - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2015

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

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 4	\$ 4	\$ 4
Miscellaneous revenue	400	422	22	425
Total revenues	<u>400</u>	<u>426</u>	<u>26</u>	<u>429</u>
<b>Expenditures:</b>				
Cultural and recreation:				
Supplies	<u>1,150</u>	<u>1,077</u>	<u>73</u>	<u>881</u>
Revenues over (under) expenditures	(750)	(651)	99	(452)
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	<u>750</u>	<u>-</u>	<u>(750)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(651)</u>	<u>\$ (651)</u>	<u>(452)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>37,009</u>		<u>37,461</u>
End of year - June 30		<u>\$ 36,358</u>		<u>\$ 37,009</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, 2015  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	<u>2015</u>			<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Revenues:</b>				
Restricted intergovernmental:				
Unauthorized substance tax	\$ -	\$ 659	\$ 659	\$ 476
Net change in fund balance	<u>\$ -</u>	659	<u>\$ 659</u>	476
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>838</u>		<u>362</u>
End of year - June 30		<u>\$ 1,497</u>		<u>\$ 838</u>

## TOWN OF AYDEN, NORTH CAROLINA

**CDBG CATALYST  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Restricted intergovernmental :				
CDBG Catalyst Program	\$ 500,000	\$ 4,725	\$ 265,285	\$ 270,010
Other non-local funds	2,500	-	-	-
Total revenues	<u>502,500</u>	<u>4,725</u>	<u>265,285</u>	<u>270,010</u>
<b>Expenditures:</b>				
Program expenses	<u>607,500</u>	<u>4,725</u>	<u>266,245</u>	<u>270,970</u>
Revenues over (under) expenditures	(105,000)	-	(960)	(960)
<b>Other Financing Sources (Uses):</b>				
Transfer from General Fund	<u>105,000</u>	<u>52,500</u>	<u>52,500</u>	<u>105,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 52,500</u>	<u>\$ 51,540</u>	<u>\$ 104,040</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.

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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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	<u>2015</u>		<u>Variance Over/Under</u>	<u>2014</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Revenues:</b>				
Charges for services:				
Electric charges		\$ 12,671,922		\$ 12,834,231
Service charges		429,697		302,728
Total operating revenues	\$ 12,890,000	13,101,619	\$ 211,619	13,136,959
Non-operating revenues:				
Interest earned on investments	-	-		66
Insurance proceeds	-	-		21,500
Total non-operating revenues	-	-	-	21,566
Total revenues	12,890,000	13,101,619	211,619	13,158,525
<b>Expenditures:</b>				
Electrical operations:				
Salaries and benefits		1,024,387		1,032,512
Operating expenses		402,675		481,686
Maintenance and repairs		179,766		171,306
Contracted services		16,153		41,708
Total	1,666,625	1,622,981	43,644	1,727,212
Consumer billing and collection:				
Salaries and benefits		204,554		190,527
Operating expenses		73,490		57,970
Contracted services		75,401		73,691
Total	365,705	353,445	12,260	322,188
Electrical power purchases	10,443,150	9,927,239	515,911	10,830,894
Capital outlay	230,000	89,436	140,564	83,620
Debt service:	90,000	-	90,000	-
Total expenditures	12,795,480	11,993,101	802,379	12,963,914

**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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	<u>2015</u>			<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues over (under) expenditures	<u>94,520</u>	<u>1,108,518</u>	<u>1,013,998</u>	<u>194,611</u>
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	150,000	-	(150,000)	-
Transfers out:				
General Fund	(549,520)	(424,520)	125,000	(420,664)
Appropriated fund balance	<u>305,000</u>	<u>-</u>	<u>(305,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(94,520)</u>	<u>(424,520)</u>	<u>(330,000)</u>	<u>(420,664)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 683,998</u>	<u>\$ 683,998</u>	<u>\$ (226,053)</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 683,998		
Reconciling items:				
Capital outlay, capitalized		82,231		
Change in compensated absences		6,309		
Change in other post-employment benefits		(6,123)		
Depreciation		(167,280)		
Bad debt expense		(69,975)		
Contributions made to pension plan in the current fiscal year		59,402		
Pension expense		<u>(6,807)</u>		
Change in net position		<u>\$ 581,755</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, 2015**

	<b>Project</b>	<b>Actual</b>		
	<b>Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Expenditures:</b>				
Construction	\$ 1,972,000	\$ -	\$ 1,607,508	\$ 1,607,508
Engineering	155,000	63,755	76,951	140,706
Contingency	173,000	-	-	-
Total expenditures	<u>2,300,000</u>	<u>63,755</u>	<u>1,684,459</u>	<u>1,748,214</u>
Revenues over (under) expenditures	<u>(2,300,000)</u>	<u>(63,755)</u>	<u>(1,684,459)</u>	<u>(1,748,214)</u>
<b>Other Financing Sources (Uses):</b>				
Loan proceeds	1,500,000	-	-	-
Town contribution	800,000	-	-	-
Total other financing sources (uses)	<u>2,300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (63,755)</u>	<u>\$ (1,684,459)</u>	<u>\$ (1,748,214)</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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Charges for services:				
Water charges		\$ 1,221,496		\$ 1,146,277
Sewer charges		1,250,164		1,205,385
Water and sewer tap		4,745		7,700
Total operating revenues	\$ 2,543,000	2,476,405	\$ (66,595)	2,359,362
Non-operating revenues:				
Interest earned on investments	-	102	102	110
Total revenues	2,543,000	2,476,507	(66,493)	2,359,472
<b>Expenditures:</b>				
Operations:				
Salaries and benefits		518,749		546,875
Operating expenses		197,373		194,441
Utilities		-		34,958
Maintenance and repairs		54,717		187,710
Contracted services		1,357,435		1,077,985
Total operations	2,213,885	2,128,274	85,611	2,041,969
Capital outlay	-	-	-	130,762
Debt service:				
Principal repayments	167,705	167,703	2	166,700
Interest and fees	167,040	164,075	2,965	168,612
Total	334,745	331,778	2,967	335,312
Contingency	29,370	-	29,370	-
Total expenditures	2,578,000	2,460,052	117,948	2,508,043

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, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues over (under) expenditures	<u>(35,000)</u>	<u>16,455</u>	<u>51,455</u>	<u>(148,571)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers (out) - West Avenue Capital Project Fund	(100,000)	-	100,000	(30)
Appropriated fund balance	<u>135,000</u>	<u>-</u>	<u>(135,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>35,000</u>	<u>-</u>	<u>(35,000)</u>	<u>(30)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 16,455</u>	<u>\$ 16,455</u>	<u>\$ (148,601)</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 16,455		
Reconciling items:				
Bad debt expense		(25,165)		
Accrued interest expense		(15,924)		
Principal repayments		167,703		
Increase in compensated absences		(3,253)		
Increase in other post-employment benefits		(5,764)		
Depreciation		(413,891)		
Contributions made to pension plan in the current fiscal year		24,580		
Pension expense		<u>(2,816)</u>		
Change in net position		<u>\$ (258,075)</u>		

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## **OTHER SCHEDULES**

This section contains additional information on property taxes.

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

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## TOWN OF AYDEN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2015

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2014</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2015</u>
2014-2015	\$ -	\$ 1,245,006	\$ 1,196,354	\$ 48,652
2013-2014	60,003	-	26,499	33,504
2012-2013	38,819	-	9,805	29,014
2011-2012	22,522	-	3,831	18,691
2010-2011	12,655	-	1,578	11,077
2009-2010	9,085	-	388	8,697
2008-2009	6,791	-	667	6,124
2007-2008	4,898	-	99	4,799
2006-2007	5,619	-	79	5,540
2005-2006	4,508	-	70	4,438
2004-2005	4,867	-	4,867	-
Total	<u>\$ 169,767</u>	<u>\$ -</u>	<u>\$ 1,244,237</u>	<u>170,536</u>
Less: Allowance for uncollectible accounts:				
General Fund				<u>(77,576)</u>
Ad valorem taxes receivable, net - General Fund				<u>\$ 92,960</u>
<b>Reconciliation of Collections and Credits with Revenues:</b>				
Ad valorem - General Fund				\$ 1,258,499
Reconciling items:				
Penalties and interest				(9,130)
Adjustments				(265)
Amounts written off for tax year 2004-2005 per Statute of Limitations				<u>(4,867)</u>
Total				<u>\$ 1,244,237</u>

## TOWN OF AYDEN, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY  
FOR YEAR ENDED JUNE 30, 2015

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 231,405,370	\$ 0.54	\$ 1,249,589	\$ 1,090,294	\$ 159,295
Add adjustments (net)	(908,226)	0.54	(4,904)	(4,904)	-
Add interest and penalties	-		321	321	-
Total property valuation	<u>\$ 230,497,144</u>		1,245,006	1,085,711	159,295
Uncollected taxes at June 30, 2015			<u>48,652</u>	<u>48,551</u>	<u>101</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 1,196,354</u>	<u>\$ 1,037,160</u>	<u>\$ 159,194</u>
<b>Current Levy Collection Percentage</b>			<u>96.09%</u>	<u>95.53%</u>	<u>99.94%</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									
	2006	2007	2008	2009	2010	2011	2012	2013*	2014*	2015*
Governmental activities										
Net investment in capital assets	\$ 4,720,026	\$ 6,373,819	\$ 2,695,825	\$ 3,043,431	\$ 3,108,602	\$ 3,765,711	\$ 3,809,354	\$ 4,174,459	\$ 4,743,747	\$ 4,483,955
Restricted for stabilization	-	-	-	-	-	645,041	588,086	499,582	636,185	531,177
Restricted	4,907	19,961	51,116	36,877	43,192	82,979	53,037	200,059	169,099	379,435
Unrestricted	<u>2,411,745</u>	<u>2,540,046</u>	<u>2,537,922</u>	<u>2,233,862</u>	<u>2,193,970</u>	<u>1,118,802</u>	<u>1,641,106</u>	<u>1,569,802</u>	<u>1,646,514</u>	<u>1,304,202</u>
Total governmental activities net position	<u>\$ 7,136,678</u>	<u>\$ 8,933,826</u>	<u>\$ 5,284,863</u>	<u>\$ 5,314,170</u>	<u>\$ 5,345,764</u>	<u>\$ 5,612,533</u>	<u>\$ 6,091,583</u>	<u>\$ 6,443,902</u>	<u>\$ 7,195,545</u>	<u>\$ 6,698,769</u>
Business-type activities										
Net investment in capital assets	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	9,892,721
Unrestricted	<u>8,143,705</u>	<u>8,260,036</u>	<u>8,627,050</u>	<u>8,860,149</u>	<u>8,942,044</u>	<u>9,229,443</u>	<u>9,128,592</u>	<u>7,615,207</u>	<u>7,159,925</u>	<u>5,944,121</u>
Total business-type activities net position	<u>\$ 17,039,756</u>	<u>\$ 16,704,704</u>	<u>\$ 22,023,045</u>	<u>\$ 23,113,370</u>	<u>\$ 23,121,069</u>	<u>\$ 23,041,420</u>	<u>\$ 22,329,764</u>	<u>\$ 16,188,949</u>	<u>\$ 15,699,424</u>	<u>\$ 15,836,842</u>
Primary government										
Net investment in capital assets	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	14,376,676
Restricted for stabilization	-	-	-	-	-	645,041	588,086	499,582	636,185	531,177
Restricted	4,907	19,961	51,116	36,877	43,192	82,979	53,037	200,059	169,099	379,435
Unrestricted	<u>10,555,450</u>	<u>10,800,082</u>	<u>11,164,972</u>	<u>11,094,011</u>	<u>11,136,014</u>	<u>10,348,245</u>	<u>10,769,698</u>	<u>9,185,009</u>	<u>8,806,439</u>	<u>7,248,323</u>
Total primary government net position	<u>\$ 24,176,434</u>	<u>\$ 25,638,530</u>	<u>\$ 27,307,908</u>	<u>\$ 28,427,540</u>	<u>\$ 28,466,833</u>	<u>\$ 28,653,953</u>	<u>\$ 28,421,347</u>	<u>\$ 22,632,851</u>	<u>\$ 22,894,969</u>	<u>\$ 22,535,611</u>

\* 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									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Expenses</b>										
Governmental activities:										
General government	\$ 744,538	\$ 796,318	\$ 834,122	\$ 897,834	\$ 717,193	\$ 804,013	\$ 666,360	\$ 743,600	\$ 726,966	\$ 661,639
Public safety	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	1,627,515
Transportation	621,228	682,953	564,179	589,607	577,273	572,786	522,395	661,647	591,579	669,403
Environmental Protection	169,017	-	482,313	216,049	218,476	215,400	189,537	198,438	220,042	235,489
Econ and Physical Development	441,976	540,314	142,335	221,846	623,233	351,730	539,699	202,990	207,294	472,657
Cultural and Recreational	345,155	324,392	330,631	350,999	328,809	389,589	373,905	421,874	599,715	501,867
Interest on long-term debt	23,028	27,678	25,261	19,940	14,932	10,562	6,123	4,176	8,917	27,309
Total governmental activities expenses	<u>3,608,937</u>	<u>3,659,943</u>	<u>3,677,743</u>	<u>3,772,314</u>	<u>4,061,041</u>	<u>3,985,654</u>	<u>3,674,694</u>	<u>3,798,568</u>	<u>3,985,130</u>	<u>4,195,879</u>
Business-type activities:										
Electric	10,877,052	10,953,863	11,404,031	12,100,905	12,054,697	12,401,694	12,788,639	12,675,340	13,048,383	12,025,369
Water and Sewer	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	2,709,417
Total business-type activities expenses	<u>12,416,951</u>	<u>12,409,931</u>	<u>12,997,214</u>	<u>14,099,946</u>	<u>14,319,626</u>	<u>14,748,769</u>	<u>15,183,052</u>	<u>15,084,546</u>	<u>15,678,955</u>	<u>14,734,786</u>
Total primary government expenses	<u>\$ 16,025,888</u>	<u>\$ 16,069,874</u>	<u>\$ 16,674,957</u>	<u>\$ 17,872,260</u>	<u>\$ 18,380,667</u>	<u>\$ 18,734,423</u>	<u>\$ 18,857,746</u>	<u>\$ 18,883,114</u>	<u>\$ 19,664,085</u>	<u>\$ 18,930,665</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Refuse collection	\$ 203,650	\$ 252,184	\$ 221,044	\$ 286,877	\$ 293,987	\$ 292,668	\$ 293,725	\$ 298,668	\$ 300,794	\$ 287,604
Parks and recreation	4,668	4,594	4,907	7,842	6,937	9,533	14,066	25,438	41,709	60,003
Other activities	91,786	128,954	216,337	135,703	202,795	277,519	244,428	342,393	327,277	321,026
Operating grants and contributions	181,806	217,761	459,460	409,728	903,974	472,246	508,673	270,092	839,769	55,148
Capital grants and contributions	872,084	1,499,480	12,089	-	-	362,721	164,806	252,637	209,472	419,311
Total governmental activities program revenues	<u>1,353,994</u>	<u>2,102,973</u>	<u>913,837</u>	<u>840,150</u>	<u>1,407,693</u>	<u>1,414,687</u>	<u>1,225,698</u>	<u>1,189,228</u>	<u>1,719,021</u>	<u>1,143,092</u>
Business-type activities:										
Charges for services:										
Electric	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	13,031,644
Water and Sewer	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	2,451,240
Capital grants and contributions	-	133,430	5,116,447	1,511,507	736,922	304,898	829,867	77,976	92,097	-
Total business-type activities program revenues	<u>12,743,879</u>	<u>12,846,667</u>	<u>18,638,262</u>	<u>15,609,616</u>	<u>14,695,394</u>	<u>15,207,076</u>	<u>15,187,119</u>	<u>15,004,157</u>	<u>15,588,418</u>	<u>15,482,884</u>
Total primary government program revenues	<u>\$ 14,097,873</u>	<u>\$ 14,949,640</u>	<u>\$ 19,552,099</u>	<u>\$ 16,449,766</u>	<u>\$ 16,103,087</u>	<u>\$ 16,621,763</u>	<u>\$ 16,412,817</u>	<u>\$ 16,193,385</u>	<u>\$ 17,307,439</u>	<u>\$ 16,625,976</u>

## Schedule 2

## Town of Ayden, NC

## Changes in Net Position

## Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (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)	\$ (3,052,787)
Business-type activities	282,969	204,368	5,415,725	1,461,941	309,522	329,334	(256,747)	(80,389)	(90,537)	748,098
Total primary government net expense	<u>\$ (1,971,974)</u>	<u>\$ (1,352,602)</u>	<u>\$ 2,651,819</u>	<u>\$ (1,470,223)</u>	<u>\$ (2,343,826)</u>	<u>\$ (2,241,632)</u>	<u>\$ (2,705,744)</u>	<u>\$ (2,689,729)</u>	<u>\$ (2,356,646)</u>	<u>\$ (2,304,689)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 938,777	\$ 972,094	\$ 989,788	\$ 1,075,748	\$ 1,087,803	\$ 1,091,098	\$ 1,119,855	\$ 1,190,108	\$ 1,265,139	\$ 1,247,917
Sales taxes	885,164	955,831	977,213	841,834	798,442	822,208	860,151	859,168	844,197	981,370
Franchise taxes	432,674	402,349	364,637	411,101	410,173	420,888	411,409	423,210	418,296	393,042
Investment earnings	317,060	438,844	414,803	158,566	32,650	22,598	15,719	12,113	8,649	7,195
Miscellaneous	132,886	-	(3,834,156)	69,222	47,876	67,093	62,373	59,295	60,807	53,789
Transfers	823,000	585,000	202,657	405,000	307,997	413,850	458,540	417,765	420,664	424,520
Total governmental activities	<u>3,529,561</u>	<u>3,354,118</u>	<u>(885,058)</u>	<u>2,961,471</u>	<u>2,684,941</u>	<u>2,837,735</u>	<u>2,928,047</u>	<u>2,961,659</u>	<u>3,017,752</u>	<u>3,107,833</u>
Business-type activities:										
Investment earnings	40,032	45,580	105,273	33,384	6,174	4,867	3,631	848	176	102
Miscellaneous	-	-	-	-	-	-	-	-	21,500	-
Transfers	(823,000)	(585,000)	(202,657)	(405,000)	(307,997)	(413,850)	(458,540)	(417,765)	(420,664)	(424,520)
Total business-type activities	<u>(782,968)</u>	<u>(539,420)</u>	<u>(97,384)</u>	<u>(371,616)</u>	<u>(301,823)</u>	<u>(408,983)</u>	<u>(454,909)</u>	<u>(416,917)</u>	<u>(398,988)</u>	<u>(424,418)</u>
Total primary government	<u>\$ 2,746,593</u>	<u>\$ 2,814,698</u>	<u>\$ (982,442)</u>	<u>\$ 2,589,855</u>	<u>\$ 2,383,118</u>	<u>\$ 2,428,752</u>	<u>\$ 2,473,138</u>	<u>\$ 2,544,742</u>	<u>\$ 2,618,764</u>	<u>\$ 2,683,415</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 1,274,618	\$ 1,797,148	\$ (3,648,964)	\$ 29,307	\$ 31,593	\$ 266,769	\$ 479,050	\$ 352,319	\$ 751,643	\$ 55,046
Business-type activities	(499,999)	(335,052)	5,318,341	1,090,325	7,699	(79,649)	(711,656)	(497,306)	(489,525)	323,680
Total primary government change in net position	<u>\$ 774,619</u>	<u>\$ 1,462,096</u>	<u>\$ 1,669,377</u>	<u>\$ 1,119,632</u>	<u>\$ 39,292</u>	<u>\$ 187,120</u>	<u>\$ (232,606)</u>	<u>\$ (144,987)</u>	<u>\$ 262,118</u>	<u>\$ 378,726</u>

Schedule 3

Town of Ayden, NC

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Nonspendable	n/a	n/a	n/a	n/a	n/a	\$ -	\$ -	\$ -	\$ -	\$ 264,866
Restricted for Stabilization	n/a	n/a	n/a	n/a	n/a	506,278	588,086	473,014	472,266	531,177
Restricted	n/a	n/a	n/a	n/a	n/a	43,837	53,037	57,218	83,477	237,540
Committed	n/a	n/a	n/a	n/a	n/a	5,684	4,567	52,112	65,582	46,279
Assigned	n/a	n/a	n/a	n/a	n/a	-	-	-	-	59,351
Unassigned	n/a	n/a	n/a	n/a	n/a	1,293,193	1,615,205	1,631,837	1,400,923	1,352,380
Reserved	\$ 536,044	\$ 684,602	\$ 637,290	\$ 445,241	\$ 479,137	n/a	n/a	n/a	n/a	n/a
Unreserved	1,626,212	1,526,718	1,824,911	1,786,349	1,723,855	n/a	n/a	n/a	n/a	n/a
Total general fund	<u>\$ 2,162,256</u>	<u>\$ 2,211,320</u>	<u>\$ 2,462,201</u>	<u>\$ 2,231,590</u>	<u>\$ 2,202,992</u>	<u>\$ 1,848,992</u>	<u>\$ 2,260,895</u>	<u>\$ 2,214,181</u>	<u>\$ 2,022,248</u>	<u>\$ 2,491,593</u>
All Other Governmental Funds										
Restricted for Stabilization	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	138,763	124,477	142,841	85,622	141,895
Committed	n/a	n/a	n/a	n/a	n/a	39,142	1,039	-	-	-
Unassigned	n/a	n/a	n/a	n/a	n/a	(84,182)	-	(26,568)	(158,900)	-
Reserved	\$ 767	\$ -	\$ -	\$ -	\$ -	n/a	n/a	n/a	n/a	n/a
Unreserved, reported in:										
Special revenue funds	50,891	177,975	11,177	1,832	21,498	n/a	n/a	n/a	n/a	n/a
Permanent funds	40,221	31,127	37,244	38,365	38,155	n/a	n/a	n/a	n/a	n/a
Total all other governmental funds	<u>\$ 91,879</u>	<u>\$ 209,102</u>	<u>\$ 48,421</u>	<u>\$ 40,197</u>	<u>\$ 59,653</u>	<u>\$ 93,723</u>	<u>\$ 125,516</u>	<u>\$ 142,841</u>	<u>\$ 90,347</u>	<u>\$ 141,895</u>

GASB Statement 54 established new fund balance classifications in fiscal year 2011.

As of fiscal year 2011, fund balance classifications were non-spendable, restricted, committed, assigned, and unassigned.

## Schedule 4

## Town of Ayden

## Changes in Fund Balances of Governmental Funds,

## Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Revenues</b>										
Ad valorem taxes	\$ 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	\$ 1,258,499
Local option sales taxes	885,164	955,831	977,213	841,834	798,442	822,208	860,151	859,168	843,903	981,370
Other taxes	-	-	-	-	-	-	-	-	294	-
Unrestricted Intergov.	432,674	402,349	431,619	480,323	458,049	487,981	473,782	482,505	479,103	446,831
Restricted intergov.	1,088,794	1,717,241	471,549	409,728	903,474	872,806	692,397	522,729	584,371	474,459
Permits and fees	31,096	25,233	26,053	26,300	27,914	26,001	23,066	22,335	18,122	12,073
Sales and services	237,543	283,969	254,195	329,078	409,997	395,471	419,589	504,501	510,883	499,443
Investment earnings	317,060	438,844	414,803	158,566	32,650	22,598	15,719	12,113	8,649	7,195
Other revenues	168,488	107,119	199,878	112,627	104,401	158,248	109,564	139,662	140,775	157,117
Total revenues	<u>4,099,596</u>	<u>4,883,586</u>	<u>3,779,005</u>	<u>3,439,531</u>	<u>3,819,335</u>	<u>3,869,695</u>	<u>3,703,810</u>	<u>3,697,173</u>	<u>3,859,952</u>	<u>3,836,987</u>
<b>Expenditures</b>										
General government	721,953	785,727	941,225	928,607	745,159	767,812	701,462	699,270	677,506	636,020
Public safety	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	1,525,013
Transportation	642,287	718,909	665,950	892,344	694,941	828,940	581,738	591,262	505,430	604,576
Environmental protection	1,236,144	1,422,041	163,785	166,685	169,083	196,804	173,994	173,624	194,478	215,054
Econ and phy. development	143,923	680,380	281,031	204,110	605,497	362,051	514,954	175,398	178,382	453,534
Cultural and rec.	297,554	350,380	335,363	326,352	304,115	771,717	364,664	686,289	572,167	397,684

Schedule 4

Town of Ayden

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt service										
Interest	\$ 2,227	\$ 27,678	\$ 25,261	\$ 19,962	\$ 14,932	\$ 10,562	\$ 6,123	\$ 4,176	\$ 8,917	\$ 25,806
Principal	92,926	143,178	136,611	127,413	104,252	108,566	41,173	43,120	110,794	105,408
Capital outlay	-	-	-	-	-	-	-	731,987	881,804	61,304
Total expenditures	<u>4,571,923</u>	<u>5,394,659</u>	<u>3,891,463</u>	<u>4,083,386</u>	<u>4,136,474</u>	<u>4,603,475</u>	<u>3,718,654</u>	<u>4,554,327</u>	<u>4,603,143</u>	<u>4,024,399</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(472,327)</u>	<u>(511,073)</u>	<u>(112,458)</u>	<u>(643,855)</u>	<u>(317,139)</u>	<u>(733,780)</u>	<u>(14,844)</u>	<u>(857,154)</u>	<u>(743,191)</u>	<u>(187,412)</u>
<b>Other Financing Sources (Uses)</b>										
Proceeds from borrowing	236,506	92,000	-	-	-	-	-	410,000	78,100	-
Transfers in	854,130	662,514	205,693	416,177	337,997	453,895	503,540	417,765	511,047	477,020
Transfers out	<u>(31,130)</u>	<u>(77,514)</u>	<u>(3,036)</u>	<u>(11,177)</u>	<u>(30,000)</u>	<u>(40,045)</u>	<u>(45,000)</u>	-	<u>(90,383)</u>	<u>(52,500)</u>
Total other financing sources (uses)	<u>1,059,506</u>	<u>677,000</u>	<u>202,657</u>	<u>405,000</u>	<u>307,997</u>	<u>413,850</u>	<u>458,540</u>	<u>827,765</u>	<u>498,764</u>	<u>424,520</u>
Net change in fund balances	<u>\$ 587,179</u>	<u>\$ 165,927</u>	<u>\$ 90,199</u>	<u>\$ (238,855)</u>	<u>\$ (9,142)</u>	<u>\$ (319,930)</u>	<u>\$ 443,696</u>	<u>\$ (29,389)</u>	<u>\$ (244,427)</u>	<u>\$ 237,108</u>
Debt service as a percentage of noncapital expenditures	2.58%	4.75%	4.79%	4.08%	3.04%	3.14%	1.37%	1.24%	3.22%	3.31%

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					
2006	n/a	n/a	n/a	n/a	n/a	n/a	\$ 0.52	n/a	n/a
2007	n/a	n/a	n/a	n/a	n/a	n/a	0.52	n/a	n/a
2008	n/a	n/a	n/a	n/a	n/a	n/a	0.50	n/a	n/a
2009	n/a	n/a	n/a	n/a	n/a	n/a	0.50	n/a	n/a
2010	n/a	n/a	n/a	n/a	n/a	n/a	0.50	n/a	n/a
2011	n/a	n/a	n/a	n/a	n/a	n/a	0.50	n/a	n/a
2012	n/a	n/a	n/a	n/a	n/a	n/a	0.50	n/a	n/a
2013	n/a	n/a	n/a	n/a	n/a	n/a	0.54	n/a	n/a
2014	\$ 1,608,409	\$ 631,308	\$ 226,612	\$ 95,980	\$ 38,423	\$ 2,523,886	0.54	\$ 2,562,309	98.50%
2015	1,522,205	745,906	284,462	94,584	36,741	2,610,416	0.54	2,647,157	98.61%

NOTE: Information for 2006-2013 was not readily available 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
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
2015	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

Employer	Fiscal Year					
	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Tax. Ass. Val.	Taxable Assessed Value	Rank	Percentage of Total City Tax. Ass. Val.
The Rosemyr Corporation	\$ 3,727,517	1	1.62%	\$ 2,705,700	1	1.55%
Hillco LTD (Britthaven)	2,189,213	2	0.95%	2,002,180	3	0.99%
Ayden Gold and Country Club	1,755,359	3				
Walmart Real Estate Business Trust	1,596,946	4	0.69%	-		0.00%
Greenbriar Apts.	1,590,560	5	0.69%	1,610,455	5	0.93%
Eastern Area Management LLC	1,335,942	6	0.58%	-		0.00%
Walgreens of North Carolina Inc.	1,272,363	7	0.55%	-		0.00%
Ayden Plaza LLC	1,259,486	8	0.55%	-		0.00%
Fairmont Village Apts.	1,239,796	9	0.54%	2,224,698	2	1.28%
Judson Pope LLC	1,095,878	10	0.48%	1,110,410	9	0.00%
Carolina Telephone & Telegraph	-		0.00%	1,650,913	4	1.01%
WG Pollard, Jr.	-		0.00%	1,556,390	6	0.78%
Joyce Harris	-		0.00%	1,254,380	7	0.72%
Ashton Spring Housing Association	-		0.00%	1,113,000	8	0.64%
Briarcliff Manor Apts.	-		0.00%	991,247	10	0.57%
Gilmcher Centers LTD Partnership	-		0.00%			0.55%
<b>Total</b>	<b>\$ 17,063,060</b>		<b>6.64%</b>	<b>\$ 16,219,373</b>		<b>9.02%</b>

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
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%
2015	1,245,006	1,141,635	91.70%	47,888	1,019,756	81.91%

Schedule 9  
Town of Ayden, NC  
Ratios of Outstanding Debt by Type,  
Last Ten Fiscal Years

Fiscal Year Ending	Governmental Activities					Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Installment Purchases	Sales			Revenue Bonds	Installment Purchases	Capital Loans	Capital Leases			
			Tax Increment Bonds	Lease Revenue Bonds	Special Assessment Bonds							
2006	\$ 10,000	\$ 647,475	\$ -	\$ -	\$ -	\$ 74,106	\$ -	\$ 28,726	\$ 760,307	0.89%	\$ 158	
2007	-	606,297	-	-	-	37,723	-	-	644,020	0.74%	132	
2008	-	469,686	-	-	-	2,937,000	-	1,852,655	5,259,341	6.08%	1,082	
2009	-	342,271	-	-	-	2,937,000	-	2,483,324	5,762,595	6.62%	1,178	
2010	-	238,019	-	-	-	2,937,000	-	2,352,623	5,527,642	6.28%	1,118	
2011	-	129,453	-	-	-	2,906,000	-	2,221,922	5,257,375	5.90%	1,050	
2012	-	88,280	-	-	-	2,873,000	-	2,091,221	5,052,501	5.65%	1,006	
2013	-	455,160	-	-	-	2,839,000	-	1,960,520	5,254,680	5.87%	1,044	
2004	-	422,466	-	-	-	2,803,000	-	1,829,819	5,055,285	5.88%	1,001	
2015	-	317,058	-	-	-	2,766,000	-	1,699,116	4,782,174	5.01%	945	

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

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

Fiscal Year Ending	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Redevelopment Bonds	Total		
2006	\$ 10,000	\$ -	\$ 10,000	\$ -	\$ 2.07
2007	-	-	-	-	-
2008	-	-	-	-	-
2009	-	-	-	-	-
2010	-	-	-	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	-	-	-	-	-
2015	-	-	-	-	-

**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, 2015

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Direct General Obligation Debt</b>			
Town of Ayden, NC			
Installment Purchase Debt	\$ 422,466	100.000%	\$ 317,058
Subtotal, direct debt			317,058
<b>Overlapping General Obligation Debt</b>			
CMSD	-	0.000%	-
Subtotal, overlapping debt			-
<b>Total direct and overlapping debt</b>	<u>\$ -</u>		<u>\$ 317,058</u>

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

Legal Debt Margin Calculation for Fiscal Year Ending 2015

Assessed value	\$ 230,497,144
Debt limit (8% of assessed value)	<u>18,439,772</u>
Debt applicable to limit:	
General obligation bonds	-
Certificates of Participation	-
Installment Purchases	317,058
Notes/Bonds Payable	<u>4,465,116</u>
Total net debt applicable to limit	<u>4,782,174</u>
Legal debt margin	<u>\$ 13,657,598</u>

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt limit	\$ 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	\$ 18,439,772
Total net debt applicable to limit	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	4,782,174
Legal debt margin	\$ 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	\$ 13,657,598
Total net debt applicable to the limit as a percentage of debt limit	<u>5.35%</u>	<u>4.34%</u>	<u>34.76%</u>	<u>33.58%</u>	<u>31.76%</u>	<u>31.12%</u>	<u>28.26%</u>	<u>29.76%</u>	<u>26.98%</u>	<u>25.93%</u>

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

Fiscal Year Ending	Water Revenue Bonds						Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2006	n/a	n/a	n/a	n/a	n/a	n/a	
2007	n/a	n/a	n/a	n/a	n/a	n/a	
2008	\$ 1,675,530	\$ 1,593,183	\$ 82,347	\$ -	\$ -	-	
2009	2,062,239	1,570,681	491,558	-	95,754	513%	
2010	2,051,727	1,584,986	466,741	-	128,494	363%	
2011	2,178,059	1,693,895	484,164	31,000	128,494	304%	
2012	2,211,108	1,810,078	401,030	33,000	127,138	250%	
2013	2,313,533	1,828,086	485,447	34,000	125,684	304%	
2014	2,359,362	2,048,888	310,474	36,000	124,206	194%	
2015	2,476,405	2,116,348	360,057	36,000	123,631	226%	

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**

<u>Year</u>	<u>Population (1)</u>	<u>Per Capita Personal Income (1)</u>	<u>Personal Income (thousands of dollars)</u>	<u>County Public School Enrollment (2)</u>	<u>County Unemployment Rate (3)</u>
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	23,845	6.9%
2015	5,059	18,880	95,514	23,900	6.9%

\* June 2015 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>	2015			2006		
	<u>FT Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>FT Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Weyerhaeuser	171	1	n/a	200	1	0.00%
Minges Bottling Group	150	2	n/a	85	3	0.00%
Carolina Catfish	120	3	n/a	128	2	0.00%
Ayden Court	92	4	n/a	50	5	0.00%
Town of Ayden	69	5	n/a	72	4	0.00%
Wal-Mart	36	6	n/a	n/a		0.00%
Growers Gin	31	7	n/a	33	6	0.00%
CMI Plastics	55	8	n/a	n/a		0.00%
Harvest Time Foods	26	9	n/a	27	8	0.00%
Russ Pest Control	13	10	n/a	n/a		0.00%
Free Will Baptist Press	n/a			25	9	
BJ Machine Works	n/a			32	7	
CLP/GTP				25	10	
Total	<u>763</u>		<u>n/a</u>	<u>n/a</u>		<u>n/a</u>

Source: Staff contact with employers

**Schedule 16**

**Town of Ayden, NC**

**Full-Time Equivalent City Government Employees by Function/Program,  
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General government										
Administration	2	3	3	3	3	2	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	17	18	17	17	18	16	17	18	18	18
Civilians	5	5	4	4	4	4	4	3	4	4
Transportation	10	10	8	9	8	8	7	7	8	8
Refuse collection	3	3	3	3	3	2	3	3	3	3
Economic & Physical Dev.	2	2	3	3	3	3	3	3	3	3
Cultural and Recreation	4	4	4	4	4	4	4	4	4	4
Electric Operations	12	14	13	12	11	11	11	12	12	12
Billing and Collections	3	3	2	3	3	3	2	2	2	2
Water And Sewer Operations	7	7	6	6	6	6	6	6	6	6
Total	72	76	70	71	70	66	66	67	69	69

**SOURCE:** Town Finance Department as of 6/30/15

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
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	3	2	2	2	2	2	3	3	3
Other public works										
Streets (miles)	29.5	30	30	30	30	30	30	31	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	575	580	585	585	590	595	601	611	613	625
Traffic signals	5	5	5	5	5	5	5	5	5	5
Parks and recreation										
Acreage**	9	9	9	9	9	9**	9**	9**	61	61
Playgrounds	2	2	2	2	2	2**	2**	2**	3	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**	3	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	230	230	233	237	241	248	251	252	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**

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
General Government										
Zoning Compliances Issued	n/a	n/a	n/a	n/a	91	81	99	90	88	83
Cemetery Lots/Plots Sold	n/a	n/a	n/a	n/a	30	18	21	21	26	24
Police										
Traffic Citations	n/a	n/a	n/a	n/a	2,215	1,536	1,058	1,072	1,158	738
Physical Arrests	n/a	n/a	n/a	n/a	603	546	453	511	472	285
Fire stations										
Emergency Responses (Town)	n/a	n/a	n/a	n/a	145	165	244	141	208	170
Emergency Responses (Rural)	n/a	n/a	n/a	n/a	120	142	130	118	144	127
Refuse collection										
Refuse Collected (Tons)	n/a	n/a	n/a	n/a	1,337	1,448	1,421	1,819	1,799	2,242
Recycling Collected (Tons)	n/a	n/a	n/a	n/a	105	109	107	149	136	140
Tires / White Goods (Tons)	n/a	n/a	n/a	n/a	6	4	4	4	4	5
Other public works										
Streets Resurfaced (Linear Ft.)	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	39	32	32	38	40	55
Parks and recreation										
Program Participants	n/a	n/a	n/a	n/a	267	287	304	360	402	1,156
Facility Rentals	n/a	n/a	n/a	n/a	58	84	88	95	108	108
Library										
Total Visitors	n/a	n/a	n/a	n/a	10,622	9,667	9,209	9,950	9,978	8,913
New Library Patrons	n/a	n/a	n/a	n/a	387	280	267	279	242	279
Book Checkouts	n/a	n/a	n/a	n/a	6,681	5,980	5,881	5,922	6,003	5,514
Internet Patrons	n/a	n/a	n/a	n/a	3,382	2,928	3,257	4,677	4,921	4,652
Billing and Collections										
New Account Connections	n/a	n/a	n/a	n/a	705	630	708	663	642	647
Electric Operations										
New Underground / Overhead Services	n/a	n/a	n/a	n/a	35	29	21	23	19	22
Water / Sewer Operations										
Water Taps / Impact Fees	n/a	n/a	n/a	n/a	19	16	9	18	12	12
Sewer Taps / Impact Fees	n/a	n/a	n/a	n/a	14	12	2	7	4	15

**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, 2015, 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 March 8, 2016.

### **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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2015-001, 2015-002, 2015-003, 2015-004, 2015-005, 2015-006, 2015-007, 2015-008, and 2015-009 to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Ayden's financial statements are free from 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 instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Responses as items 2015-005, 2015-006, and 2015-007.

## **Town of Ayden's Responses to Findings**

Town of Ayden's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **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  
March 8, 2016

**TOWN OF AYDEN, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2015**

**1. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	Yes

# TOWN OF AYDEN, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2015

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

#### **Finding 2015-001:**

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

**Condition:** Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board requires a level of technical expertise not possessed by Town personnel.

**Context:** The external auditor prepared a draft of the basic financial statements, all required note disclosures, and supplemental schedules.

**Effect:** Errors could occur in financial reporting.

**Cause:** There are limited Town resources as it relates to the preparation of full accrual, full disclosure year-end financial statements.

**Recommendation:** The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above appears prohibitive. Therefore, the Town should exercise due care in reviewing the financial statements drafted by the external auditor as the Town is responsible for the accuracy of the audited financial statements.

**Name of Contact Person:** Alicia Simpson, Finance Officer

**Management Response/Corrective Action:** The Town will exercise due care in reviewing the financial statements drafted by the external auditor as the Town is responsible for the accuracy of the audited financial statements. The Town also plans to make sure the staff has access to both training and technical resources and, with time, the level of expertise will grow. The turnover of seasoned staff in 2015 had a negative impact that is being addressed.

# TOWN OF AYDEN, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2015

### **Finding 2015-002:**

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

**Condition:** A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. The existence of such material adjustments indicates that the Town's system of controls did not detect and prevent such errors. We have provided management with a report of these adjustments.

**Context:** The external auditor identified significant audit adjustments during the audit.

**Effect:** Errors could occur in financial reporting.

**Cause:** There are limited Town resources as it relates to the preparation of all necessary year-end adjustments for financial reporting purposes.

**Recommendation:** Management should examine the adjustments required as a result of our audit and assess the cost/benefit of improving the internal control system to prevent the adjustments in the future, given the units available resources. Management should acknowledge inherent limitations in the internal control system caused by limited resources and modify their oversight function accordingly.

**Name of Contact Person:** Alicia Simpson, Finance Officer

**Management Response/Corrective Action:** Management is aware that year-end audit adjustments are typically required. Management will examine controls in place to see if they can be strengthened, given available resources and, thus, reducing the number of audit adjustments required at year-end. In the areas where the cost/benefit does not justify improving the control system, management will exercise due caution in performing their oversight function. And, as noted in Finding #001, the turnover of seasoned staff and the hiring of a new Finance Officer impacted the 2015 results that, with training, should be markedly improved in future years.

# TOWN OF AYDEN, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2015

### **Finding 2015-003:**

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

**Condition:** Due to the limited number of personnel in the Town office, there are inherent limitations to segregation of duties among Town personnel. There is a lack of segregation of duties with regards to cash receipts, cash disbursements, and journal entries. We also noted a lack of management review of subsidiary ledgers to the general ledger throughout financial reporting.

**Context:** While obtaining an understanding of the major systems of internal control, we noted the condition described above.

**Effect:** Errors in financial reporting could occur and not be detected.

**Cause:** There are a limited number of personnel for certain functions.

**Recommendation:** Access to the accounting modules of the Town should be limited to specific Town personnel as much as possible depending on their duties. Alternative controls should be used to compensate for any lack of segregation of duties with final review and approval from management. The Town Commissioners should provide some of these controls to minimize the lack of segregation of duties.

**Name of Contact Person:** Alicia Simpson, Finance Officer

**Management Response/Corrective Action:** Management is aware of the weakness and plans to look at the potential to rearrange duties, realign existing staff, and/or possibly create an additional position to allow for segregation of duties. Again, the turnover of existing, seasoned staff at both the Manager and Finance Officer positions in the past two years exacerbated this problem, and the current manager is aware and working to address and identify a solution to improve and strengthen the financial operations of the Town.

## TOWN OF AYDEN, NORTH CAROLINA

### SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2015

**Finding 2015-004:**

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

**Condition:** Cash reconciliations were not prepared and balanced to the general ledger in a timely manner.

**Context:** While performing procedures on cash balances, we discovered that bank accounts were not reconciled to the general ledger on a timely basis.

**Effect:** Lack of timely reconciliations greatly increases the risk of improper financial reporting.

**Cause:** There are a limited number of personnel for operating functions. The Finance Officer has many roles and responsibilities that must be done on a daily basis which takes time away from daily financial functions.

**Recommendation:** Require that finance personnel prepare cash reconciliations and balance to the general ledger control accounts on a monthly basis.

**Name of Contact Person:** Alicia Simpson, Finance Officer

**Management Response/Corrective Action:** Management will implement control procedures to require staff to reconcile cash accounts on a monthly basis and reconcile those reports to the general ledger control account as part of the month-end closing procedures. The Town will find additional help for the Finance Officer in her daily duties by the reassignment of duties within current staff or the potential creation of an additional position with accounting strength to assist in the performance of financial duties, such as the reconciliation of cash accounts. During the 2014-2015 fiscal year, the turnover of seasoned staff simply exacerbated this situation, but management is aware and addressing.

## TOWN OF AYDEN, NORTH CAROLINA

### SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2015

**Finding 2015-005:**

**Criteria:** N.C. General Statute 159-32 requires that all monies received by officers and employees be deposited daily unless the governing board has approved that a deposit does not have to be made until the amount on hand is over \$250. Regardless, a deposit must be made on the last business day of the month.

**Condition:** Funds received during the fiscal year remained undeposited at June 30, 2015.

**Context:** While performing walkthrough procedures, we noted the condition described above.

**Effect:** Deposits over \$250 are not being made in a timely manner according to State Statute.

**Cause:** Management was unsure of the treatment of a donated check.

**Recommendation:** Cash deposits should be made in accordance with Town policies that should align with State Statutes.

**Name of Contact Person:** Alicia Simpson, Finance Officer

**Management Response/Corrective Action:** Management concurs and would point out that this was a singular situation of a donation check that, based on the motion of the Board, required some time to review and decide on accounting treatment of the funds. At no time were the funds in jeopardy as the check was held in a locked cabinet until a decision could be made as to treatment of the funds from a balance sheet perspective.

# TOWN OF AYDEN, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2015

### **Finding 2015-006:**

**Criteria:** N.C. General Statute 159-33 requires all units of local governments in North Carolina to submit a semi-annual Cash and Investment Report (LGC-203) to the Local Government Commission by January 25th and July 25th of each year. The Local Government Commission also requires the Annual Financial Information Report (AFIR) to be submitted within four months of the fiscal year end, which was October 31, 2015.

**Condition:** Filings of the LGC-203 and the AFIR to the Local Government Commission were not made as required by State Statute.

**Context:** During inquiries with the Finance Officer, we discovered that the Town filed the LGC-203 for the month of June 2015 after the required submission date. The Town has not filed the AFIR and will not file until after the audit report is complete and accepted by the Local Government Commission.

**Effect:** LGC-203 and the AFIR were not filed on a timely basis as required.

**Cause:** There are a limited number of personnel for operating functions. The Finance Officer has many roles and responsibilities that must be done on a daily basis which takes time away from daily financial functions.

**Recommendation:** Management should assist with the preparation of the required filings to ensure filings are being made when the due date nears.

**Name of Contact Person:** Alicia Simpson, Finance Officer

**Management Response/Corrective Action:** Management concurs. Management will begin monitoring the required filings to ensure timely submissions. The late June filing was approved by the existing manager at the time when filing was due; it was delayed, at his recommendation, until the auditors were in place. This decision led to a greater than anticipated delay. This semi-annual filing has now been accomplished along with the December 2015 report which was timely filed.

# TOWN OF AYDEN, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2015

### **Finding 2015-007:**

**Criteria:** N.C. General Statute 159-28 requires that obligations of the unit be pre-audited in accordance with the Local Government Budget and Fiscal Control Act.

**Condition:** We noted a violation of the General Statutes regarding pre-audit procedures. A budget was not entered in the accounting system for a multi-year project fund. Expenditures in the fund were not monitored and in compliance with pre-audit standards. We also noted that purchase orders in this fund were created subsequent to invoices being received.

**Context:** While performing disbursement procedures, we noted the condition described above.

**Effect:** The Town was in violation of North Carolina General Statute 159-28. The statute requires the pre-audit of expenditures.

**Cause:** The budget for the project was not entered in the accounting system. Monitoring over purchase orders was not being performed.

**Recommendation:** We recommend that the Town pre-audit the expenditures for proper budgetary compliance before expending the Town's funds. Multi-year budgets with actual revenues and expenditures to date should be carried over into current fiscal year to ensure budgetary compliance.

**Name of Contact Person:** Alicia Simpson, Finance Officer

**Management Response/Corrective Action:** Management concurs with the recommendation. Management also adds that this was a timing issue and will be resolved in the next fiscal year. The budget was always sufficient to cover the expenditures, but the prior staff in place at the creation of the fund simply neglected to set it as a multi-year fund which would not require manual recreation of balances at the start of each subsequent fiscal year. Purchase orders should not be issued after the acquisition of goods and/or services but rather in advance. The situation noted here could have been avoided with the issuance of a blanket purchase order at the start of the fiscal year as several instances related to the purchase of gravel/rip rap for an ongoing project. Staff should have known there would be several instances where material would be purchased and created a blanket order with partial payments as material was ordered.

## TOWN OF AYDEN, NORTH CAROLINA

### SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2015

**Finding 2015-008:**

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

**Condition:** The Town's current accounting system appears to have become obsolete with untimely access to technical support.

**Context:** While generating various types of reports, technical support was needed.

**Effect:** Lack of technical support and software upgrades increases the risk of improper financial reporting.

**Cause:** Turnover in Finance has caused questions to arise regarding the functionality of the accounting software.

**Recommendation:** We recommend that the Town assess the accounting system and make sure that timely technical support is available.

**Name of Contact Person:** Alicia Simpson, Finance Officer

**Management Response/Corrective Action:** Management will be exploring options during the next year to determine the cost impact of updated software. It is a fact that the current software is no longer supported by the vendor and that few users exist across the state. This leads to a situation where there is very little support in place should Town staff have questions. A common feature of newer products is the access to a help desk which would provide a layer of additional help when questions arise.

## TOWN OF AYDEN, NORTH CAROLINA

### SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2015

**Finding 2015-009:**

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

**Condition:** Checks were being held for future expenditures that did not occur in the current fiscal year.

**Context:** While performing bank reconciliation procedures the condition described above was noted.

**Effect:** Checks being issued out of sequence in the incorrect fiscal year increases the likelihood of errors in financial reporting.

**Cause:** Finance officer was unaware of the risk of error that can arise from the issuance of checks out of sequence.

**Recommendation:** We recommend that the Town implement controls to ensure sequential issuance of checks.

**Name of Contact Person:** Alicia Simpson, Finance Officer

**Management Response/Corrective Action:** This situation was a singular, isolated situation where checks were actually issued with incorrect dates after the Finance Officer position had been vacant for several months and new staff was working to set up budget, close the fiscal year, and bring functions of the department current. When staff was made aware of the proper accounting protocol, checks were voided and reissued to the correct period. This situation should not reoccur in the 2015-2016 year.

**TOWN OF AYDEN, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

None.

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