

**TOWN OF AYDEN
NORTH CAROLINA**

Financial Statements and
Supplementary Information

For The Year Ended June 30, 2016

Governing Board

Stephen W. Tripp, Mayor

Ivory Mewborn

Mary Alice Davenport

Michael Harris

Donald Skinner

Phyllis Ross

Town Officials

Steven L. Harrell, Town Manager

Sarah Radcliff, Town Clerk

Alicia Simpson, Finance Director

TOWN OF AYDEN, NORTH CAROLINA
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FINANCIAL SECTION



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Independent Auditors' Report

To the Honorable Mayor
and Members of the Board of Commissioners
Town of Ayden
Ayden, North Carolina

Report on the Financial Statements

We were engaged to audit 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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate evidence to provide a basis for opinion.

Basis for Disclaimer of Opinion

The Town is reporting accounts payable balances of approximately \$1.9 million on the statement of net position and balance sheet at June 30, 2016. We were unable to obtain reports from the Town substantiating these balances because the Town's accounting software would not produce them after year-end. We were unable to obtain sufficient appropriate audit evidence about accounts payable and thus expenses, expenditures, net position and fund balances by other auditing procedures.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements referred to above.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages 5 through 12, the Other Postemployment Benefits Schedule of Funding Progress and Schedule of Employer Contributions on page 58, respectively and the Local Government Employees’ Retirement System’s Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions on pages 60 and 61, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

We were engaged for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Ayden, North Carolina. The combining and individual fund statements, budgetary schedules and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, 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. Because of the significance of the matters described previously, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2017 on our consideration of the Town of Ayden’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the 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.

Rivco & Associates LLP

Raleigh, North Carolina
January 29, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS



TOWN OF AYDEN, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

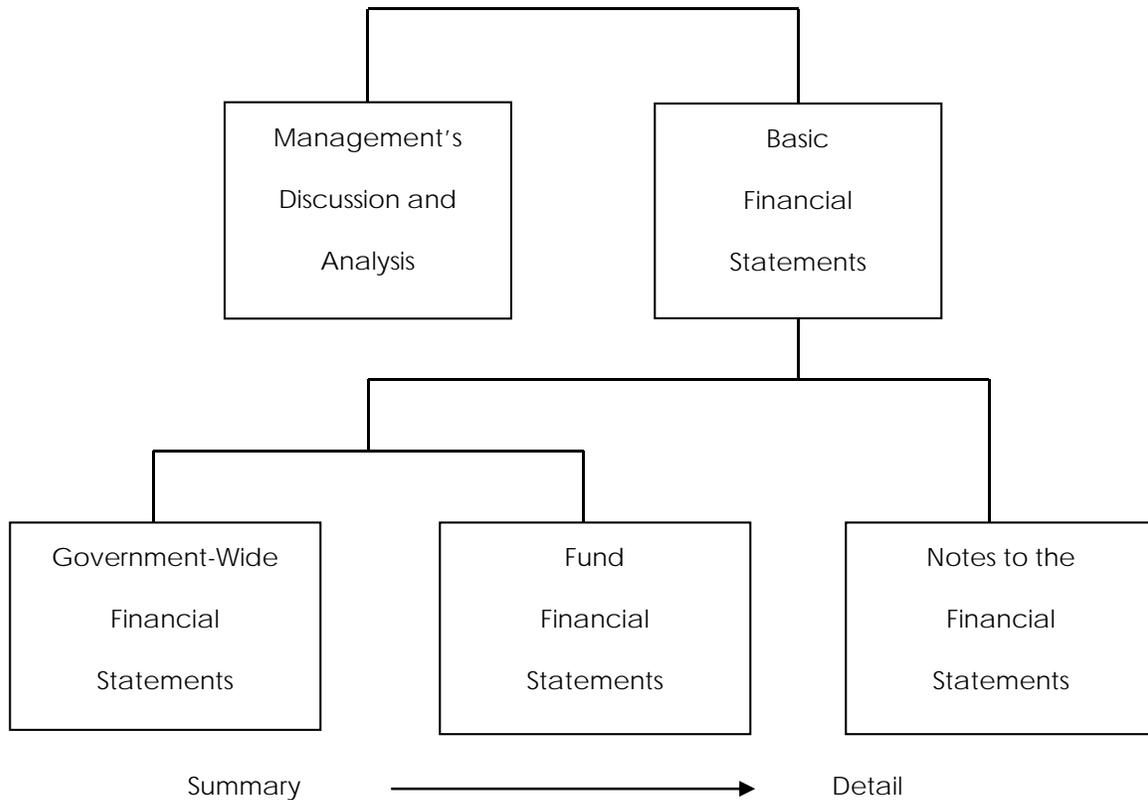
- The assets and deferred outflows of resources of the Town of Ayden exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$21,913,583 (*net position*).
- The government's total net position decreased by \$622,028 primarily due to increase in the business-type activities' net position.
- At the close of the current fiscal year, the Town of Ayden's governmental funds reported combined ending fund balances of \$2,008,292, a negative change of \$625,196 from the restated prior year balance. Approximately 51 percent of this total amount, or \$1,116,809, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$773,658 or 20.0 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. The business-type accounts experienced a negative change of \$130,566, which was the result of this year's activities.
- The Town of Ayden's total debt principal increased by \$158,060 during the current fiscal year.
- The Town of Ayden's total bonded debt at the end of the fiscal year was \$2,727,000. The Town's total debt principal obligation at the end of the fiscal year was \$4,940,234.

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

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

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **Supplemental Information** is provided to show details about the Town'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 23 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 58 of this report.

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

Government-Wide Financial Analysis

Town of Ayden’s Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other	\$ 2,527,495	\$ 2,990,545	\$ 7,599,618	\$ 7,665,577	\$ 10,127,113	\$ 10,656,122
Capital Assets	5,233,416	5,000,806	14,345,774	14,496,676	19,579,190	19,497,482
Total Assets	7,760,911	7,991,351	21,945,392	22,162,253	29,706,303	30,153,604
Long-term liabilities	956,853	486,400	4,356,253	4,412,281	5,313,106	4,898,681
Other liabilities	625,846	443,856	1,903,526	752,194	2,529,372	1,196,050
Total liabilities	1,582,699	930,256	6,259,779	5,164,475	7,842,478	6,094,731
Net Position:						
Inv. In capital assets net of related debt	4,588,597	4,683,748	10,050,359	10,031,560	14,638,956	14,715,308
Restricted for Stabilization by State Statute	634,346	531,177	-	-	634,346	531,177
Restricted	482,463	275,395	-	-	482,463	275,395
Unrestricted	501,901	1,209,952	5,655,917	6,715,476	6,157,818	7,925,428
Total Net Position	\$ 6,207,307	\$ 6,700,272	\$ 15,706,276	\$ 16,747,036	\$ 21,913,583	\$ 23,447,308

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, 2016. The Town’s net position decreased by \$622,028 for the fiscal year ended June 30, 2016. The largest portion (72.0%) 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, \$1,113,809, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,157,818 is unrestricted.

Also, the Town of Ayden implemented GASB Statement 68. With this 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.

Management Discussion and Analysis
Town of Ayden

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 Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 751,458	\$ 668,633	\$ 13,485,477	\$ 15,482,884	\$ 14,236,935	\$ 16,151,517
Operating grants and contributions	66,571	55,148	-	-	66,571	55,148
Capital grants and contributions	372,469	419,311	-	-	372,469	419,311
General revenues:						
Property taxes	1,259,559	1,247,917	-	-	1,259,559	1,247,917
Other	1,419,497	1,435,396	109	102	1,844,017	1,435,498
Total revenues	3,869,554	3,826,405	13,485,586	15,482,986	17,779,551	19,309,391
Expenses						
General	1,235,644	661,639	-	-	1,235,644	661,639
Public safety	1,595,026	1,627,515	-	-	1,595,026	1,627,515
Transportation	700,389	669,403	-	-	700,389	669,403
Environmental protection	218,076	235,489	-	-	218,076	235,489
Economic and physical development	447,007	472,657	-	-	447,007	472,657
Cultural, recreation, and cemetery	494,183	501,867	-	-	494,183	501,867
Interest on long-term debt	95,211	27,309	-	-	95,211	2,309
Electric	-	-	10,261,525	12,025,369	10,261,525	12,025,369
Water and Sewer	-	-	2,930,107	2,709,417	2,930,107	2,709,417
Ayden Housing Authority	-	-	-	-	-	-
Total expenses	4,785,536	4,195,879	13,191,632	14,734,786	17,977,168	18,930,665
Increase (decrease) in net position before transfers	(3,595,038)	(369,474)	293,845	748,200	3,301,193	378,726
Contribution of capital assets to Enterprise Fund	-	-	-	-	-	-
Transfers	424,520	424,520	(424,520)	(424,520)	-	-
Increase (decrease) in net position	(491,462)	55,046	(130,566)	323,680	(622,028)	378,726
Net position, July 1	6,698,769	7,195,545	15,836,842	15,699,424	22,535,611	22,894,969
Restatement		(551,822)		(186,262)		(738,084)
Net position, July 1, as restated		6,643,726		15,513,162		22,156,885
Net position, June 30	\$ 6,207,307	\$ 6,698,769	\$ 15,706,276	\$ 15,836,842	\$ 21,913,583	\$ 22,535,611

Governmental Activities. Governmental activities decreased the Town's net position by \$491,462. Key elements of this decrease is the increase in spending in FYE16.

Business-Type Activities. Business-type activities decreased the Town of Ayden's net position by \$130,566. The key element of this decrease is from the completion of the Town's Electric Substation upgrades in Electric Fund operations.

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 \$773,658, while total fund balance reached \$1,917,284. 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 20.0% of General Fund expenditures, while total fund balance represents 41.0% of the same amount.

At June 30, 2016, the governmental funds of the Town of Ayden reported a combined governmental fund balance of \$2,008,292. 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 \$4,156,649 and for the Water Sewer Fund, \$1,499,268. The total change in unrestricted net position for the Electric Fund and the Water Sewer Fund was \$288,085 and (\$418,651), 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, 2016 totals \$19,579,190 (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 Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 709,582	\$ 709,582	\$ 68,661	\$ 68,661	\$ 778,243	\$ 778,243
Construction in progress	15,743	-	2,297,200	1,748,214	2,312,943	1,748,214
Buildings and systems	3,012,160	3,097,373	10,130,875	10,486,325	13,143,035	13,583,698
Equipment	244,020	295,345	1,442,522	1,536,163	1,686,542	1,831,508
Vehicles	1,251,911	698,713	406,516	518,474	1,658,427	1,217,187
Total	\$ 5,233,416	\$ 4,801,013	\$ 14,345,774	\$ 14,357,837	\$ 19,579,190	\$ 19,158,850

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 \$2,727,000, 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 Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
G.O. Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Bonds	-	-	2,727,000	2,766,000	2,727,000	2,766,000
Installment financing	644,819	317,058	1,568,415	1,699,116	2,213,234	2,016,174
Total	\$ 644,819	\$ 317,058	\$ 4,295,415	\$ 4,465,116	\$ 4,940,234	\$ 4,782,174

Town of Ayden's Outstanding Debt

The Town of Ayden's total debt principal increased by \$158,060 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 \$13,389,043, of which the Town has issued \$4,940,234 or 37.0 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 2016 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 2016-2017 fiscal year.

At the end of the current fiscal year, unassigned fund balance in the General Fund was \$891,483. The Town of Ayden has appropriated \$70,121 of this amount for spending in the 2016-2017 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 2016-2017 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 2016-2017 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

TOWN OF AYDEN, NORTH CAROLINA
Statement of Net Position
June 30, 2016

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,275,191	\$ 5,902,826	\$ 7,178,017
Taxes receivables (net)	64,471	-	64,471
Accounts receivable (net)	51,634	1,438,741	1,490,375
Due from other governments	744,744	-	744,744
Inventories	-	73,283	73,283
Restricted cash	391,455	184,768	576,223
Total current assets	2,527,495	7,599,618	10,127,113
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements and construction in progress	725,325	2,365,861	3,091,186
Other capital assets, net of depreciation	4,508,091	11,979,913	16,488,004
Total capital assets	5,233,416	14,345,774	19,579,190
Total assets	7,760,911	21,945,392	29,706,303
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	119,630	84,963	204,593
Pension deferrals	3,914	2,779	6,693
Total deferred outflows of resources	123,544	87,742	211,286
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	426,243	1,514,699	1,940,942
Customer deposits	-	184,768	184,768
Current portion of long-term liabilities	199,603	204,059	403,662
Total current liabilities	625,846	1,903,526	2,529,372
Long-term liabilities:			
Net pension liability	141,339	100,381	241,720
Due in more than one year	815,514	4,255,872	5,071,386
Total liabilities	1,582,699	6,259,779	7,842,478
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	94,449	67,079	161,528
Total deferred inflows of resources	94,449	67,079	161,528
NET POSITION			
Net investment in capital assets	4,588,597	10,050,359	14,638,956
Restricted for:			
Stabilization by State Statute	634,346	-	634,346
Streets	391,455	-	391,455
Economic and physical development	51,497	-	51,497
Cultural and recreational	37,319	-	37,319
Public safety	2,192	-	2,192
Unrestricted	501,901	5,655,917	6,157,818
Total net position	\$ 6,207,307	\$ 15,706,276	\$ 21,913,583

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

TOWN OF AYDEN, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2016

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,235,644	\$ 108,828	\$ 49,011	\$ -	\$ (1,077,805)	\$ -	\$ (1,077,805)
Public safety	1,595,026	159,973	17,560	-	(1,417,493)	-	(1,417,493)
Transportation	700,389	103,103	-	153,103	(444,183)	-	(444,183)
Environmental protection	218,076	306,944	-	-	88,868	-	88,868
Economic and physical development	447,007	3,263	-	219,366	(224,378)	-	(224,378)
Cultural and recreation	494,183	69,347	-	-	(424,836)	-	(424,836)
Interest on long-term debt	95,211	-	-	-	(95,211)	-	(95,211)
Total governmental activities	<u>4,785,536</u>	<u>751,458</u>	<u>66,571</u>	<u>372,469</u>	<u>(3,595,038)</u>	<u>-</u>	<u>(3,595,038)</u>
Business-type activities:							
Electric	10,261,525	10,974,130	-	-	-	712,605	712,605
Water and sewer	2,930,107	2,511,347	-	-	-	(418,760)	(418,760)
Total business-type activities	<u>13,191,632</u>	<u>13,485,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>293,845</u>	<u>293,845</u>
Total primary government	<u>\$ 17,977,168</u>	<u>\$ 14,236,935</u>	<u>\$ 66,571</u>	<u>\$ 372,469</u>	<u>(3,595,038)</u>	<u>293,845</u>	<u>(3,301,193)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					1,259,559	-	1,259,559
Local option sales tax					899,890	-	899,890
Other taxes					505,295	-	505,295
Unrestricted investment earnings					14,312	109	14,421
Transfers					424,520	(424,520)	-
Total general revenues and transfers					<u>3,103,576</u>	<u>(424,411)</u>	<u>2,679,165</u>
Change in net position					(491,462)	(130,566)	(622,028)
Net position, beginning					6,698,769	15,836,842	22,535,611
Net position, ending					<u>\$ 6,207,307</u>	<u>\$ 15,706,276</u>	<u>\$ 21,913,583</u>

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

TOWN OF AYDEN, NORTH CAROLINA

Exhibit 3

Balance Sheet
Governmental Funds
June 30, 2016

	<u>Major Fund</u>	<u>Total Non-</u>	<u>Total</u>
	<u>General</u>	<u>Major</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,184,994	\$ 90,197	\$ 1,275,191
Restricted cash	391,455	-	391,455
Taxes receivable - net	64,471	-	64,471
Accounts receivable	51,634	-	51,634
Due from other governments	744,744	-	744,744
Total assets	<u>\$ 2,437,298</u>	<u>\$ 90,197</u>	<u>\$ 2,527,495</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 427,054	\$ (811)	\$ 426,243
Total liabilities	<u>427,054</u>	<u>(811)</u>	<u>426,243</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes receivable	92,960	-	92,960
Total deferred inflows of resources	<u>92,960</u>	<u>-</u>	<u>92,960</u>
FUND BALANCES			
Restricted			
Stabilization by State Statute	634,346	-	634,346
Streets	391,455		391,455
Cultural and recreational	-	37,319	37,319
Public safety	-	2,192	2,192
Economic and physical development	-	51,497	51,497
Committed	47,704	-	47,704
Assigned for subsequent year's expenditures	70,121	-	70,121
Unassigned	773,658	-	773,658
Total fund balances	<u>1,917,284</u>	<u>91,008</u>	<u>2,008,292</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,437,298</u>	<u>\$ 90,197</u>	<u>\$ 2,527,495</u>

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

TOWN OF AYDEN, NORTH CAROLINA
Balance Sheet (Continued)
Governmental Funds
June 30, 2016

Exhibit 3

Amounts reported for governmental activities in the Statement of Net Position (exhibit 1) are different because:

Total Fund Balance, Governmental Funds		\$ 2,008,292
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	9,738,738	
Accumulated depreciation	<u>(4,505,322)</u>	5,233,416
Deferred outflows of resources related to pensions are not reported in the funds		
		123,544
Earned revenues considered deferred inflows of resources in fund statements		
		92,960
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:		
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year)	(1,015,117)	
Net pension liability	<u>(141,339)</u>	(1,156,456)
Deferred inflows of resources related to pensions are not reported in the funds		
		<u>(94,449)</u>
Net position of governmental activities		<u><u>\$6,207,307</u></u>

The accompanying notes to the financial statements are an integral part of these statements

TOWN OF AYDEN, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

Exhibit 4

	Major Fund	Total Non-	Total
	General Fund	Major Funds	Governmental
			Funds
REVENUES			
Ad valorem taxes	\$ 1,259,559	\$ -	\$ 1,259,559
Other taxes and licenses	899,890	-	899,890
Unrestricted intergovernmental	505,294	-	505,294
Restricted intergovernmental	216,308	220,062	436,370
Permits and fees	9,388	-	9,388
Sales and services	682,829	-	682,829
Investment earnings	14,308	4	14,312
Miscellaneous	60,661	1,248	61,909
Total revenues	3,648,237	221,314	3,869,551
EXPENDITURES			
Current:			
General government	766,556	-	766,556
Public safety	1,640,889	-	1,640,889
Transportation	724,743	-	724,743
Environmental protection	225,014	271,912	496,926
Economic and physical development	183,104	-	183,104
Cultural and recreational	523,589	289	523,878
Debt service:			
Principal	108,239	-	108,239
Interest	95,211	-	95,211
Capital Outlay	815,721		815,721
Total expenditures	5,083,066	272,201	5,355,267
Excess (deficiency) of revenues over expenditures	(1,434,829)	(50,887)	(1,485,716)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	424,520	-	424,520
Proceeds from loan	436,000	-	436,000
Total other financing sources (uses)	860,520	-	860,520
Net change in fund balance	(574,309)	(50,887)	(625,196)
Fund balances, beginning	2,491,593	141,895	2,633,488
Fund balances, ending	\$ 1,917,284	\$ 91,008	\$ 2,008,292

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

TOWN OF AYDEN, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance (Continued)
Governmental Funds
For the Year Ended June 30, 2016

Exhibit 4

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

Net changes in fund balances- total governmental funds		\$ (625,196)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 831,465	
Depreciation expense for governmental assets	<u>(399,062)</u>	432,403

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		119,630
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	(436,000)	
Principal payments on long-term debt	<u>108,239</u>	(327,761)

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

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences	-	
Pension expense	(49,149)	
Other postemployment benefits	(40,905)	
Other	<u>(484)</u>	<u>(90,538)</u>

Total changes in net position of governmental activities		<u>\$ (491,462)</u>
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The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF AYDEN, NORTH CAROLINA

Exhibit 5

General Fund

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2016**

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 1,269,200	\$ 1,269,200	\$ 1,259,559	\$ (9,641)
Other taxes and licenses	851,550	851,550	899,890	48,340
Unrestricted intergovernmental	481,550	481,550	505,294	23,744
Restricted intergovernmental	229,000	229,000	216,308	(12,692)
Permits and fees	22,000	22,000	9,388	(12,612)
Sales and services	636,457	636,457	682,829	46,372
Investment earnings	6,000	6,000	14,308	8,308
Miscellaneous	77,000	61,601	60,661	(940)
Total revenues	<u>3,572,757</u>	<u>3,557,358</u>	<u>3,648,237</u>	<u>90,879</u>
Expenditures:				
Current:				
General government	671,800	666,300	766,556	(100,256)
Public safety	1,559,496	1,559,496	1,640,889	(81,393)
Transportation	770,219	770,219	724,743	45,476
Environmental protection	209,315	209,315	225,014	(15,699)
Economic and physical development	148,447	148,447	183,104	(34,657)
Cultural and recreational	513,187	788,187	523,589	264,598
Debt service:				
Principal	72,062	72,062	108,239	(36,177)
Interest	59,152	59,152	95,211	(36,059)
Capital outlay	<u>255,940</u>	<u>255,940</u>	<u>815,721</u>	<u>(559,781)</u>
Total expenditures	<u>4,259,618</u>	<u>4,529,118</u>	<u>5,083,066</u>	<u>(553,948)</u>
Revenues over (under) expenditures	<u>(686,861)</u>	<u>(971,760)</u>	<u>(1,434,829)</u>	<u>(463,069)</u>
Other financing sources (uses):				
Transfers from other funds	648,980	648,980	424,520	(224,460)
Transfers to other funds	(52,500)	(52,500)	-	52,500
Proceeds from loan	25,000	25,000	436,000	411,000
Fund balance appropriated	65,381	355,780	-	(355,780)
Total other financing sources (uses)	<u>686,861</u>	<u>977,260</u>	<u>860,520</u>	<u>(116,740)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 5,500</u>	<u>(574,309)</u>	<u>\$ (579,809)</u>
Fund balance, beginning			<u>2,491,593</u>	
Fund balance, ending			<u>\$ 1,917,284</u>	

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

TOWN OF AYDEN, NORTH CAROLINA
Statement of Net Position
Proprietary Funds
June 30, 2016

Exhibit 6

	Major Enterprise Funds		Total
	Electric Fund	Water and Sewer Fund	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,374,009	\$ 1,528,817	\$ 5,902,826
Accounts receivable - net	1,159,553	279,188	1,438,741
Inventories	59,314	13,969	73,283
Restricted cash and cash equivalents	184,768	-	184,768
Total current assets	<u>5,777,644</u>	<u>1,821,974</u>	<u>7,599,618</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	2,349,361	16,500	2,365,861
Other capital assets, net of depreciation	1,402,298	10,577,615	11,979,913
Total Capital assets	<u>3,751,659</u>	<u>10,594,115</u>	<u>14,345,774</u>
Total noncurrent assets	<u>3,751,659</u>	<u>10,594,115</u>	<u>14,345,774</u>
Total assets	<u>9,529,303</u>	<u>12,416,089</u>	<u>21,945,392</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	60,497	24,466	84,963
Pension deferrals	1,979	800	2,779
	<u>62,476</u>	<u>25,266</u>	<u>87,742</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	1,269,850	244,849	1,514,699
Customer deposits	184,768	-	184,768
Compensated absences, current	21,309	11,049	32,358
Current portion of long-term debt	-	171,701	171,701
Total current liabilities	<u>1,475,927</u>	<u>427,599</u>	<u>1,903,526</u>
Noncurrent liabilities:			
Compensated absences, noncurrent	28,406	6,959	35,365
Other postemployment benefits	59,900	36,893	96,793
Net pension liability	71,475	28,906	100,381
Non-current portion of long-term debt	-	4,123,714	4,123,714
Total noncurrent liabilities	<u>159,781</u>	<u>4,196,472</u>	<u>4,356,253</u>
Total liabilities	<u>1,635,708</u>	<u>4,624,071</u>	<u>6,259,779</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	47,763	19,316	67,079
NET POSITION			
Net investment in capital assets	3,751,659	6,298,700	10,050,359
Unrestricted	4,156,649	1,499,268	5,655,917
Total net position	<u>\$ 7,908,308</u>	<u>\$ 7,797,968</u>	<u>\$ 15,706,276</u>

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

TOWN OF AYDEN, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2016

Exhibit 7

	<u>Major Enterprise Funds</u>		<u>Total</u>
	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	
OPERATING REVENUES			
Charges for services	\$ 10,582,969	\$ 2,511,347	\$ 13,094,316
Other operating revenues	391,161	-	391,161
Total operating revenues	<u>10,974,130</u>	<u>2,511,347</u>	<u>13,485,477</u>
OPERATING EXPENSES			
Electric operations	2,597,596	-	2,597,596
Electrical power purchases	7,499,722	-	7,499,722
Water operations	-	2,379,382	2,379,382
Depreciation	164,207	391,227	555,434
Total operating expenses	<u>10,261,525</u>	<u>2,770,609</u>	<u>13,032,134</u>
Operating income (loss)	<u>712,605</u>	<u>(259,262)</u>	<u>453,343</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	-	109	109
Interest and other charges	-	(159,498)	(159,498)
Total nonoperating revenues (expenses)	<u>-</u>	<u>(159,389)</u>	<u>(159,389)</u>
Income (loss) before contributions and trans	712,605	(418,651)	293,954
Transfer to other funds	(424,520)	-	(424,520)
Change in net position	288,085	(418,651)	(130,566)
Total net position, previously reported	7,620,223	8,216,619	15,836,842
Total net position, ending	<u>\$ 7,908,308</u>	<u>\$ 7,797,968</u>	<u>\$ 15,706,276</u>

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

TOWN OF AYDEN, NORTH CAROLINA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

Exhibit 8

	Major Enterprise Funds		Total
	Electric Fund	Water and Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 10,940,995	\$ 2,540,914	\$ 13,481,909
Cash paid for goods and services	(8,788,732)	(1,770,469)	(10,559,201)
Cash paid to or on behalf of employees for services	(1,220,109)	(495,849)	(1,715,958)
Customer deposits received	20,704	-	20,704
Other operating revenues	391,161	-	391,161
Net cash provided (used) by operating activities	1,344,019	274,596	1,618,615
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer (to) from other funds	(424,520)	-	(424,520)
Total cash flow from noncapital financing activities	(424,520)	-	(424,520)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Notes issued	-	-	-
Principal paid on bonds/loans	-	(169,701)	(169,701)
Interest paid on bonds/loans	-	(159,498)	(159,498)
Acquisition and construction of capital assets	(543,371)	-	(543,371)
Net cash provided (used) by capital and related financing activities	(543,371)	(329,199)	(872,570)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	-	109	109
Net cash provided (used) by investing activities	-	109	109
Net increase (decrease) in cash and cash equivalents	376,128	(54,494)	321,634
Balances, beginning	4,182,649	1,583,311	5,765,960
Balances, ending	\$ 4,558,777	\$ 1,528,817	\$ 6,087,594
 Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 712,605	\$ (259,262)	\$ 453,343
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	164,207	391,227	555,434
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	358,026	29,567	387,593
Decrease in net pension asset	98,203	40,636	138,839
Increase in net pension liability	71,475	28,906	100,381
Increase (decrease) in accounts payable and accrued liabilities	94,933	123,501	218,434
Increase (decrease) in customer deposits	20,704	-	20,704
(Increase) decrease in deferred outflows of resources for pensions	(484)	386	(98)
Decrease (increase) in deferred inflows of resources - pensions	(191,583)	(79,724)	(271,307)
Increase (decrease) in other postemployment benefits	8,835	3,449	12,284
Total adjustments	631,414	533,858	1,165,272
Net cash provided by operating activities	\$ 1,344,019	\$ 274,596	\$ 1,618,615

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

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Ayden (“the Town”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Ayden is a municipal corporation that is governed by an elected mayor and a Town Council which consists of a five-member Board of Commissioners. As required by generally accepted accounting principles, these financial statements include all funds that are controlled by, or financially dependent, on the Town.

B. Basis of Presentation

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

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

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

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

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

I. Summary of Significant Accounting Policies (Continued)

The Town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and various other taxes and licenses. The primary expenditures are for public safety, street maintenance, sanitation, parks and recreation and general government services.

The Town reports the following non-major governmental funds:

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

Police Unauthorized Substance Tax Fund. The Police Unauthorized Substance Tax Fund accounts for the use of restricted funds for drug enforcement activities.

CDBG Catalyst Fund. The CDBG Catalyst 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 electric 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, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

I. Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

Sales taxes and certain intergovernmental revenues, such as the 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. 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 general revenues.

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

I. Summary of Significant Accounting Policies (Continued)

The effects of interfund activity has been eliminated from the government-wide financial statements, with the exception of payments-in-lieu-of-taxes and other charges between the Town's water and sewer funds and various other functions of the Town. Elimination of these charges would distort the costs and program revenues reported for the various functions concerned.

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, Electric Fund, and Water and Sewer Fund. 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.

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

1. 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. Non-participating interest earning contracts are accounted for at cost. The NCCMT – Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, 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, 2016

I. Summary of Significant Accounting Policies (Continued)

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Town consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

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

Town of Ayden Restricted Cash

Governmental Activities:

General Fund:

	Powell funds	\$ 391,455
		391,455
Total governmental activities		391,455

Business-type Activities:

Electric Fund:

	Customer deposits	184,768
		184,768
Total Business-type Activities		184,768

Total Restricted Cash		\$ 576,223
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2015. 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.

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

I. Summary of Significant Accounting Policies (Continued)

5. Allowances for Doubtful Accounts

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

6. Inventories

The inventories of the Town consist of materials and supplies held for subsequent use in 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.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and estimated life in excess of two years. The minimum capitalization threshold is \$5,000 for all capital assets. Purchased and constructed capital assets are reported at cost or estimated historical costs. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

I. Summary of Significant Accounting Policies (Continued)

8. Deferred Outflows/Inflows of Resources

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

9. Long-Term Obligations

In the government-wide financial statements, and 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 expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In 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.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to 240 hours earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

I. Summary of Significant Accounting Policies (Continued)

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.

11. Net Position/Fund Balances

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, or laws or regulations of other governments or imposed by law through State Statute.

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:

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

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

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

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

Restricted for Cultural and Recreational – portion of fund balance that represents permanent funds for the public library and restricted funds for recreation center improvements.

Restricted for Public Safety – portion of fund balance restricted by revenue source for public safety via the unauthorized substance tax.

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

I. Summary of Significant Accounting Policies (Continued)

Restricted for Economic and Physical Development – portion of fund balance restricted by revenue source for economic development of the Catalyst program.

Committed Fund Balance –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 requires majority action by the governing body. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance – portion of fund balance that the Town of Ayden intends to use for specific purposes.

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

The Town of Ayden has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Director 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 that 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.

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

I. Summary of Significant Accounting Policies (Continued)

12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Ayden's employer contributions are recognized when due and the Town of Ayden 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.

13. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2016, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for general government activities by \$100,255, public safety activities by \$81,393, environmental protection activities by \$15,699, economic and physical development activities by \$34,657, debt service activities by \$72,236 and capital outlay activities by \$559,781. Management and the Board will more closely review the budget reports to ensure compliance in future years.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town's names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town.

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

A. Assets (Continued)

and in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits.

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. 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 has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2016, the Town's deposits had a carrying amount of \$5,000,767 and a bank balance of \$5,037,024. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2016, the Town's petty cash fund totaled \$16,199.

2. Investments

At June 30, 2016, the Town had \$2,737,274 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, 2016

III. Detail Notes on All Funds (Continued)

A. Assets (Continued)

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2016 is net of the following allowances for doubtful accounts:

	<u>Taxes</u>	<u>Accounts</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General Fund	\$ 142,047	\$ 137,876	\$ 744,744	\$ 1,024,667
Allowance for doubtful accounts	(77,576)	(86,242)	-	(163,818)
Total governmental activities	<u>\$ 64,471</u>	<u>\$ 51,634</u>	<u>\$ 744,744</u>	<u>\$ 860,849</u>
Business-Type Activities:				
Electric Fund	\$ -	\$ 2,153,186	\$ -	\$ 2,153,186
Water and Sewer Fund	-	587,088	-	587,088
Total receivables	-	2,740,274	-	2,740,274
Allowance for doubtful accounts	-	(1,301,533)	-	(1,301,533)
Total business-type activities	<u>\$ -</u>	<u>\$ 1,438,741</u>	<u>\$ -</u>	<u>\$ 1,438,741</u>

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

A. Assets (Continued)

4. Capital Assets

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

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 709,582	\$ -	\$ -	\$ 709,582
Construction in progress	-	15,743	-	15,743
Total capital assets not being depreciated	<u>709,582</u>	<u>15,743</u>	<u>-</u>	<u>725,325</u>
Capital assets being depreciated:				
Buildings and structures	1,421,402	-	-	1,421,402
Other improvements	3,427,453	63,833	-	3,491,286
Furniture, equipment, and machinery	986,492	8,896	-	995,388
Vehicles and motor equipment	2,362,344	742,993	-	3,105,337
Total capital assets being depreciated	<u>8,197,691</u>	<u>815,722</u>	<u>-</u>	<u>9,013,413</u>
Less Accumulated Depreciation:				
Buildings and structures	734,473	35,004	-	769,477
Other improvements	1,017,009	114,042	-	1,131,051
Furniture, equipment, and machinery	691,147	60,221	-	751,368
Vehicles and motor equipment	1,663,631	189,795	-	1,853,426
Total accumulated depreciation	<u>4,106,260</u>	<u>399,062</u>	<u>-</u>	<u>4,505,322</u>
Total capital assets being depreciated, net	<u>4,091,431</u>			<u>4,508,091</u>
Governmental activities capital assets, net	<u>\$ 4,801,013</u>			<u>\$ 5,233,416</u>

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

General government	\$ 36,565
Public safety	141,911
Transportation	100,605
Economic and physical development	28,138
Environmental protection	28,248
Cultural and recreation	63,595
	<u>\$ 399,062</u>

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

A. Assets (Continued)

	Balance			Balance
	<u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
Business-type activities:				
<i>Electric Fund</i>				
Capital assets not being depreciated:				
Land	\$ 52,161	\$ -	\$ -	\$ 52,161
Construction in progress	1,748,214	548,986	-	2,297,200
Total capital assets not being depreciated	<u>1,800,375</u>	<u>548,986</u>	<u>-</u>	<u>2,349,361</u>
Capital assets being depreciated:				
Plant and distribution systems	4,602,718	-	-	4,602,718
Furniture and equipment	2,560,799	-	-	2,560,799
Vehicles	1,288,002	-	-	1,288,002
Total capital assets being depreciated	<u>8,451,519</u>	<u>-</u>	<u>-</u>	<u>8,451,519</u>
Less Accumulated Depreciation:				
Plant and distribution systems	4,140,142	44,620	-	4,184,762
Furniture and equipment	1,741,116	61,140	-	1,802,256
Vehicles	998,141	64,062	-	1,062,203
Total accumulated depreciation	<u>6,879,399</u>	<u>169,824</u>	<u>-</u>	<u>7,049,221</u>
Total capital assets being depreciated, net	<u>1,572,120</u>			<u>1,402,298</u>
Electric Fund capital assets, net	<u>\$ 3,372,495</u>			<u>\$ 3,751,659</u>

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds

A. Assets (Continued)

Water and Sewer Fund

Capital assets not being depreciated:

Land	\$ 16,500	\$ -	\$ -	\$ 16,500
Total capital assets not being depreciated	<u>16,500</u>	<u>-</u>	<u>-</u>	<u>16,500</u>

Capital assets being depreciated:

Plant and distribution systems	14,727,782	-	-	14,727,782
Furniture and equipment	1,619,602	-	-	1,619,602
Vehicles	586,428	-	-	586,428
Total capital assets being depreciated	<u>16,933,812</u>	<u>-</u>	<u>-</u>	<u>16,933,812</u>

Less Accumulated Depreciation:

Water and sewer systems	4,704,033	310,830	-	5,014,863
Furniture and equipment	903,122	32,501	-	935,623
Vehicles	357,815	47,896	-	405,711
Total accumulated depreciation	<u>5,964,970</u>	<u>391,227</u>	<u>-</u>	<u>6,356,197</u>
Total capital assets being depreciated, net	<u>10,968,842</u>			<u>10,577,615</u>
Water and Sewer Fund capital assets, net	<u>10,985,342</u>			<u>10,594,115</u>

Business-type activities capital assets, net	<u>\$ 14,357,837</u>			<u>\$ 14,345,774</u>
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Construction Commitments

The government has active construction projects as of June 30, 2016. The projects and amounts expended to date are as follows:

The Town had no open construction commitments at year-end.

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town 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

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

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.

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

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

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

contractually required contribution rate for the year ended June 30, 2016, was 7.41% 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 \$204,593 for the year ended June 30, 2016.

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

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

At June 30, 2016, the Town reported a liability of \$241,720 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension 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, 2016, the Town’s proportion was 0.05386%, which was a decrease of 0.00356% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the Town recognized pension expense of \$103,202. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 56,818
Net difference between projected and actual earnings on pension plan investments	-	68,817
Changes in proportion and differences between Town contributions and proportionate share of contributions	6,693	35,893
Town contributions subsequent to the measurement date	204,593	-
Total	<u>\$ 211,286</u>	<u>\$ 161,528</u>

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

\$204,593 was reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$	(87,341)
2018		(87,341)
2019		(87,277)
2020		107,125
2021		-
Thereafter		-

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

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons.

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

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

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

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

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension liability 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:

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 1,685,547	\$ 241,720	\$ (974,672)

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

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

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

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	19
Total	19

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

2. 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, nonemployer contributing entities, the plan administrator, and plan members.

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

3. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town has not done an actuarial valuation on these benefits, because they have deemed the amount paid each year would be immaterial. For the current year, the Town paid \$11,923 or 1.35% of covered payroll. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2015, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 3.57% investment rate of return (net of administrative expenses), and (b) projected salary, increase ranging from 3.50% to 7.35% 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, 2015, was 15 years.

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

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	\$	47,064
Interest on net pension obligation		6,135
Adjustment to annual required contribution		<u>(10,782)</u>
Annual pension cost		42,417
Contributions made		<u>11,923</u>
Increase in net pension obligation		30,494
Net pension obligation:		
Beginning of year - July 1		<u>122,696</u>
End of year - June 30	\$	<u>153,190</u>

Three-Year Trend Information

Year Ended	Annual	Percentage	Net
<u>June 30</u>	<u>Cost (APC)</u>	<u>of APC</u>	<u>Pension</u>
		<u>Contributed</u>	<u>Obligation</u>
2014	\$ 33,643	35.44%	\$ 91,544
2015	43,075	27.68%	122,696
2016	42,417	28.11%	153,190

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$511,217. The covered payroll (annual payroll of active employees covered by the plan) was \$886,219, and the ratio of the UAAL to the covered payroll was 57.69% percent. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each 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, 2016 were \$68,885, which consisted of \$60,689 from the Town and \$8,196 from the law enforcement officers.

d. Other Postemployment 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, 2016, the Town made payments for post-retirement health benefit premiums of \$26,815. The Town purchases insurance from a private carrier for healthcare coverage. A separate report was not issued for the plan.

Membership of the HCB plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation.

Retirees receiving benefits	4
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members, general employees	51
Active plan members, Law enforcement	18
Total	73

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

Funding Policy. The Town pays the cost of coverage for the healthcare benefits paid to qualified retirees, ranging from 0% to 100% depending on the years of service with the Town at retirement, under a Town resolution that can be amended by the Board of Commissioners. 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 \$26,815, or 0.90% 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 \$26,815 in fiscal year 2016. There were no contributions made by employees. The Town's obligation to contribute to the Plan is established and may be amended by the Town's Board.

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

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

Annual required contribution	\$ 49,214
Interest on net OPEB obligation	6,628
Adjustment to annual required contribution	<u>(6,331)</u>
Annual OPEB cost (expense)	49,511
Contributions made	<u>(26,815)</u>
Increase (decrease) in net OPEB obligation	22,696
Net OPEB obligation, beginning of year	<u>165,692</u>
Net OPEB obligation, end of year	<u><u>\$ 188,388</u></u>

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2016 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 49,511	54.16%	\$ 188,388
2015	\$ 48,034	66.89%	\$ 165,692
2014	\$ 40,251	49.31%	\$ 141,343

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and, 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 16.82 percent. The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumption about the probability of occurrence of events 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 multiyear 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. 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. The investment rate 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.

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

2. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits.

Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. 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.

3. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 204,593
Pension deferrals	<u>6,693</u>
Total	<u>\$ 211,286</u>

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

<u>Source</u>	<u>Amount</u>
Pension deferrals	\$ 161,528
Taxes receivable, net	<u>92,960</u>
Total	<u>\$ 254,488</u>

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in 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 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.

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 Director 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.

5. Claims, Judgments and Contingent Liabilities

The Town is contingently liable in respect to other claims in the normal course of its operations. Should the Town become liable in these matters, such liability would be satisfied by budgetary appropriation in excess of insurance coverage in a subsequent year.

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations

a. Governmental Activities Long-Term Debt

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.

The Town's installment purchase obligation payable at June 30, 2016 are comprised of the following:

Note payable for a purchase of a fire equipment truck in April 2013, annual installments of \$72,235, interest at 1.61%, maturing in 2019; secured by a fire equipment truck.	\$ 208,819
Note payable for a purchase a of fire equipment truck in July 2015, annual installments of \$68,120, interest at 2.29%, maturing in 2021; secured by a fire equipment truck.	436,000
Total governmental activities notes payable	\$ 644,819

The future minimum payments of the governmental activities long-term debt notes payable as of June 30, 2016 are as follows:

Year Ending	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 126,992	\$ 13,363	\$ 140,355	
2018	129,431	10,924	140,355	
2019	130,828	9,527	140,355	
2020	62,222	5,898	68,120	
2021	63,647	4,473	68,120	
2022-2026	131,699	4,541	136,240	
Total	\$ 644,819	\$ 48,726	\$ 693,545	

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

b. Water and sewer fund

\$2,614,025 State revolving loan issued 2008, interest at 2.265%, payable in annual installments of \$130,701; final payment due in 2028; secured by system assets. \$ 1,568,415

The future minimum payments of the Business-type activities long-term debt as of June 30, 2016 are as follows:

Notes Payable:

Year Ending	Principal	Interest	Total
June 30			
2017	\$ 130,701	\$ 35,525	\$ 166,226
2018	130,701	29,604	160,305
2019	130,701	26,643	157,344
2020	130,701	23,683	154,384
2021	130,701	20,723	151,424
2022-2026	653,505	59,209	712,714
2027-2031	261,405	2,959	264,364
Total	<u>\$ 1,568,415</u>	<u>\$ 198,346</u>	<u>\$ 1,766,761</u>

c. Revenue bonds payable – water and sewer

\$2,937,000 USDA loan issued 2008, interest at 4.375%, payable in annual installments of \$159,915; final payment due in 2048; secured by system assets \$ 2,727,000

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

Revenue Bonds
Payable:

Year Ending	Principal	Interest	Total
June 30			
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	48,000	111,738	159,738
2022-2026	274,000	525,306	799,306
2027-2031	340,000	459,813	799,813
2032-2036	422,000	378,569	800,569
2037-2041	522,000	277,769	799,769
2042-2045	647,000	153,256	800,256
2045-2051	301,000	19,863	420,863
Total	<u>\$ 2,727,000</u>	<u>\$ 2,392,558</u>	<u>\$ 5,119,558</u>

The Town has been in compliance with the covenants as to rates, fees, rentals and charges in Section 5 of the Bond Order, authorizing the issuance of the Series 2010 water and sewer revenue bonds since its adoption in 2009. Section 5.02 of the Bond Order requires the debt service coverage ratio to be no less than 110 percent. Section 5.02 of the Bond Order also requires the debt service coverage ratio to be no less than 100 percent of the Subordinated Debt Service Requirement. The debt service coverage ratio calculations for the year ended June 30, 2016 are as follows:

Operating revenues	\$ 2,511,347
Operating expenses*	<u>2,279,382</u>
Operating income	131,965
Non-operating revenues (expenses)**	<u>109</u>
Income available for debt service	<u>\$ 132,074</u>
Debt service, principal, and interest paid (Revenue bond only)	<u>\$ 160,013</u>
Debt service coverage ratio	<u>85.53%</u>

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

Subordinated Debt Service:

Debt service, principal, and interest paid
(Subordinated indebtedness)

\$ 172,416

Debt service coverage ratio

76.60%

*Per rate covenants, this does not include the depreciation expense of \$391,227.

**Per rate covenants, this does not include interest paid of \$159,498.

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 \$5,119,558. Principal and interest paid for the current year was \$160,013. The Town had water and sewer net revenues of \$132,074.

d. Changes in long-term liabilities

A summary of changes in long-term debt obligations follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion
Governmental Activities:					
Notes payable	\$ 317,058	\$ 436,000	\$ (108,239)	\$ 644,819	\$ 126,992
Compensated absences	145,222	-	(19,708)	125,514	72,611
Net pension liability (LGERS)	-	141,339	-	141,339	-
Net pension liability	122,696	42,417	(11,923)	153,190	-
Other post-employment benefits	81,183	10,411	-	51,594	-
Total governmental activities	<u>\$ 666,159</u>	<u>\$ 630,167</u>	<u>\$ (139,870)</u>	<u>\$ 1,156,456</u>	<u>\$ 199,603</u>

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion
Business-Type Activities:					
Water and Sewer Fund:					
Revenue bonds	\$ 1,699,116	\$ -	\$ (130,701)	\$ 1,568,415	\$ 130,701
Notes payable	2,766,000	-	(39,000)	2,727,000	41,000
Compensated absences	22,098	-	(4,090)	18,008	11,049
Net pension liability (LGERS)	-	28,906	-	28,906	-
Other post-employment benefits	33,444	3,449	-	36,893	-
Total	4,520,658	32,355	(173,791)	4,379,222	182,750
Electric Fund:					
Compensated absences	42,617	7,098	-	49,715	21,309
Net pension liability (LGERS)	-	71,475	-	71,475	-
Other post-employment benefits	51,065	8,835	-	59,900	-
Total	93,682	87,408	-	181,090	21,309
Total business-type activities	\$ 4,614,340	\$ 119,763	\$ (173,791)	\$ 4,560,312	\$ 204,059

The Town has a legal debt margin of \$13,389,043 at June 30, 2016.

7. Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2016 is composed of the following:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 5,233,416	\$ 14,345,774
Less: long-term debt	(644,819)	(4,295,415)
Plus: unspent debt proceeds	-	-
Net investment in capital assets	\$ 4,588,597	\$ 10,050,359

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

C. Interfund Balances and Activity

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

From Electric Fund to the General Fund for tax payments \$ 424,520

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts providing matching funds for various grant programs.

D. Fund Balance

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

Total fund balance-General Fund	\$ 1,917,284
Less:	
Stabilization by State Statute	634,346
Powell Funds	391,455
Committed	47,704
Appropriated Fund Balance in 2017 budget	70,121
Remaining Fund Balance	\$ 773,658

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The Town had no encumbrances at June 30, 2016.

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

IV. 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 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, 2016, was \$827,398 or 36.00%, 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.

V. 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 has any obligation, entitlement, or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2016 were \$7,535,243.

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 the fiscal year 2008. The eight members are committed to monthly purchases of treated water in an amount equivalent to 75% of their calendar year 2002 monthly water requirements by volume. Except for the water sales purchase requirements, no participant has any obligation, entitlement, or residual interest. The Town began purchasing treated water in September 2008.

TOWN OF AYDEN, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

VI. Major Utility Customer

In 2016, the Town had electrical revenue of \$2,687,379 from one customer, which accounted for 24% of total electric revenue.

VII. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant 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.

VIII. Claims and Judgments

At June 30, 2016, 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.

VIX. Significant Effects of Subsequent Events

Subsequent events have been evaluated through January 29, 2017, the date which the financial statements were available to be issued. There were no recognized events meriting disclosure.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

TOWN OF AYDEN, NORTH CAROLINA
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information

Schedule 1

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2006	\$ -	\$ 220,493	\$ 220,493	0%	\$ 638,342	34.54%
12/31/2007	-	199,689	199,689	0%	606,654	32.92%
12/31/2008	-	226,426	226,426	0%	719,886	31.45%
12/31/2009	-	304,286	304,286	0%	755,581	40.27%
12/31/2010	-	260,383	260,383	0%	738,591	35.25%
12/31/2011	-	247,028	247,028	0%	627,761	39.35%
12/31/2012	-	294,663	294,663	0%	724,120	40.69%
12/31/2013	-	325,463	325,463	0%	826,205	39.39%
12/31/2014	-	324,263	324,263	0%	800,844	40.49%
12/31/2015	-	511,217	511,217	0%	886,219	57.69%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
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%
2016	47,064	25.33%

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	12/31/2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	15 years
Asset valuation method	Market value
Actuarial Assumption:	
Investment rate of return*	3.57%
Medical cost trend rate	3.5% - 7.35%
Year of ultimate trend rate	N/A

* Includes inflation at 3.00%

TOWN OF AYDEN, NORTH CAROLINA
Other Postemployment Benefits
Required Supplementary Information

Schedule 2

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2008	\$ -	\$ 496,990	\$ 496,990	0%	\$ 2,862,487	17.36%
12/31/2010	-	410,470	\$ 410,470	0%	\$ 2,718,840	15.10%
12/31/2013	-	496,702	\$ 496,702	0%	\$ 2,953,450	16.82%

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%
2016	49,214	54.49%

Notes to the Required Schedules:

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

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial Assumption:	
Investment rate of return*	4.00%
Medical cost trend rate	7.75% - 5.00%
Year of ultimate trend rate	2019

* Includes inflation at 3.00%

TOWN OF AYDEN, NORTH CAROLINA
Town of Ayden's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Three Fiscal Years *

Schedule 3

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Ayden's proportion of the net pension liability (asset) (%)	0.0539%	0.0574%	0.0544%
Ayden's proportion of the net pension liability (asset) (\$)	\$ 241,720	\$ (338,632)	\$ 655,729
Ayden's covered-employee payroll	\$2,933,280	\$2,825,548	\$2,621,704
Ayden's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.24%	-11.98%	25.01%
Plan fiduciary net position as a percentage of the total pension liability **	98.09%	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

Schedule 4

**Town's Contributions
Required Supplementary Information
Last Three Fiscal Years**

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 204,593	\$ 204,834	\$ 201,431
Contributions in relation to the contractually required contribution	<u>204,593</u>	<u>204,834</u>	<u>201,431</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Ayden's covered-employee payroll	\$2,993,280	\$ 2,858,529	\$2,825,548
Contribution as a percentage of covered-employee payroll	6.84%	7.17%	7.13%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF AYDEN, NORTH CAROLINA

Schedule 5

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 1,267,200	\$ 1,254,969	\$ (12,231)
Interest and penalties	2,000	4,590	2,590
Total	<u>1,269,200</u>	<u>1,259,559</u>	<u>(9,641)</u>
Other taxes and licenses:			
Local option sales tax	851,550	899,890	48,340
Total	<u>851,550</u>	<u>899,890</u>	<u>48,340</u>
Unrestricted intergovernmental:			
Franchise taxes	380,000	435,191	55,191
Beer and wine tax	22,550	22,074	(476)
Cable TV franchise	34,000	25,735	(8,265)
Other taxes and licenses	45,000	22,294	(22,706)
Total	<u>481,550</u>	<u>505,294</u>	<u>23,744</u>
Restricted intergovernmental:			
Powell Bill	148,500	153,103	4,603
Grants	80,500	63,205	(17,295)
Total	<u>229,000</u>	<u>216,308</u>	<u>(12,692)</u>
Permits and fees:			
Court facility fees	21,000	6,125	(14,875)
Building permits	1,000	3,263	2,263
Total	<u>22,000</u>	<u>9,388</u>	<u>(12,612)</u>
Sales and services:			
Sanitation revenues	300,000	306,943	6,943
Cemetery lot sales	18,000	27,150	9,150
Rents	9,000	17,561	8,561
Recreation fees	36,000	68,099	32,099
Stormwater collection fees	120,000	103,103	(16,897)
Fire protection services	153,457	159,973	6,516
Total	<u>636,457</u>	<u>682,829</u>	<u>46,372</u>
Investment earnings	6,000	14,308	8,308
Miscellaneous	61,601	60,661	(940)
Total revenues	<u>3,557,358</u>	<u>3,648,237</u>	<u>90,879</u>

TOWN OF AYDEN, NORTH CAROLINA

Schedule 5

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2016
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	\$ 29,066	\$ 29,066	\$ -
Operating expenses	144,175	254,491	(110,316)
Total	<u>173,241</u>	<u>283,557</u>	<u>(110,316)</u>
Administration:			
Salaries and employee benefits	38,609	96,316	(57,707)
Operating expenses	133,350	155,338	(21,988)
Total	<u>171,959</u>	<u>251,654</u>	<u>(79,695)</u>
Finance:			
Salaries and employee benefits	21,432	25,482	(4,050)
Operating expenses	8,100	16,849	(8,749)
Total	<u>29,532</u>	<u>42,331</u>	<u>(12,799)</u>
Taxes:			
Salaries and employee benefits	62,288	64,525	(2,237)
Operating expenses	6,700	3,408	3,292
Total	<u>68,988</u>	<u>67,933</u>	<u>1,055</u>
Public Buildings:			
Salaries and employee benefits	27,254	15,256	11,998
Operating expenses	131,975	56,119	75,856
Total	<u>159,229</u>	<u>71,375</u>	<u>87,854</u>
Central services:			
Salaries and employee benefits	14,276	-	14,276
Operating expenses	49,075	49,706	(631)
Total	<u>63,351</u>	<u>49,706</u>	<u>13,645</u>
Total general government	<u>666,300</u>	<u>766,556</u>	<u>(100,256)</u>
Public safety:			
Police:			
Salaries and employee benefits	1,244,434	1,247,667	(3,233)
Operating expenses	161,000	154,114	6,886
Total	<u>1,405,434</u>	<u>1,401,781</u>	<u>3,653</u>
Fire:			
Salaries and employee benefits	29,994	54,197	(24,203)
Operating expenses	49,918	87,301	(37,383)
Total	<u>79,912</u>	<u>141,498</u>	<u>(61,586)</u>
Rural fire department:			
Salaries and employee benefits	25,000	-	25,000
Operating expenses	49,150	97,610	(48,460)
Total	<u>74,150</u>	<u>97,610</u>	<u>(23,460)</u>
Total public safety	<u>1,559,496</u>	<u>1,640,889</u>	<u>(81,393)</u>

TOWN OF AYDEN, NORTH CAROLINA

Schedule 5

For the Fiscal Year Ended June 30, 2016

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2016

(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transportation:			
Streets:			
Salaries and employee benefits	\$ 435,819	\$ 451,807	\$ (15,988)
Powell Bill and other operating expenditures	334,400	272,936	61,464
Total transportation	<u>770,219</u>	<u>724,743</u>	<u>45,476</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits	133,765	136,155	(2,390)
Other operating expenses	75,550	88,859	(13,309)
Total environmental protection	<u>209,315</u>	<u>225,014</u>	<u>(15,699)</u>
Economic and physical development:			
Planning:			
Salaries and employee benefits	109,912	145,128	(35,216)
Operating expenses	38,535	37,976	559
Total economic and physical development	<u>148,447</u>	<u>183,104</u>	<u>(34,657)</u>
Cultural and recreational:			
Library:			
Salaries and employee benefits	93,104	88,611	4,493
Operating expenses	24,150	26,221	(2,071)
Total	<u>117,254</u>	<u>114,832</u>	<u>2,422</u>
Recreation:			
Salaries and employee benefits	200,833	202,632	(1,799)
Operating expenses	470,100	206,125	263,975
Total	<u>670,933</u>	<u>408,757</u>	<u>262,176</u>
Total cultural and recreational	<u>788,187</u>	<u>523,589</u>	<u>264,598</u>
Debt service:			
Principal	72,062	108,239	(36,177)
Interest	59,152	95,211	(36,059)
Total debt service	<u>131,214</u>	<u>203,450</u>	<u>(72,236)</u>
Capital outlay	<u>255,940</u>	<u>815,721</u>	<u>(559,781)</u>
Total expenditures	<u>4,529,118</u>	<u>5,083,066</u>	<u>(553,948)</u>
Revenues over (under) expenditures	<u>(971,760)</u>	<u>(1,434,829)</u>	<u>(463,069)</u>

TOWN OF AYDEN, NORTH CAROLINA

Schedule 5

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2016
 (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Transfers from other funds	\$ 648,980	\$ 424,520	\$ (224,460)
Transfers to other funds:	(52,500)	-	52,500
Proceeds from loan	25,000	436,000	411,000
Fund balance appropriated	<u>355,780</u>	<u>-</u>	<u>(355,780)</u>
Total other financing sources	<u>977,260</u>	<u>860,520</u>	<u>(116,740)</u>
Net change in fund balance	<u>\$ 5,500</u>	(574,309)	<u>\$ (579,809)</u>
Fund balance, beginning		<u>2,491,593</u>	
Fund balance, ending		<u>\$ 1,917,284</u>	

TOWN OF AYDEN, NORTH CAROLINA
Combining Balance Sheet
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2016

Schedule 6

	<u>Permanent Fund</u>	<u>Special Revenue Funds</u>		
	<u>Library Fund</u>	<u>Police Unauthorized Substance Tax Fund</u>	<u>CDBG Catalyst Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 36,510	\$ 2,193	\$ 51,494	\$ 90,197
Total assets	<u>\$ 36,510</u>	<u>\$ 2,193</u>	<u>\$ 51,494</u>	<u>\$ 90,197</u>
LIABILITIES				
Accounts payable	\$ (811)	\$ -	\$ -	\$ (811)
Total liabilities	<u>(811)</u>	<u>-</u>	<u>-</u>	<u>(811)</u>
FUND BALANCES				
Restricted:				
Restricted, other	37,321	2,193	51,494	91,008
Total fund balances	<u>37,321</u>	<u>2,193</u>	<u>51,494</u>	<u>91,008</u>
Total liabilities and fund balances	<u>\$ 36,510</u>	<u>\$ 2,193</u>	<u>\$ 51,494</u>	<u>\$ 90,197</u>

TOWN OF AYDEN, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2016

Schedule 7

	Permanent Fund	Special Revenue Funds		
	Library Fund	Police Unauthorized Substance Tax Fund	CDBG Catalyst Fund	Total Nonmajor Governmental Funds
REVENUES				
Restricted intergovernmental	\$ -	\$ 696	\$ 219,366	\$ 220,062
Investment earnings	4	-	-	4
Miscellaneous	1,248	-	-	1,248
Total revenues	1,252	696	219,366	221,314
EXPENDITURES				
Economic and physical development	-	-	271,912	271,912
Public Safety	-	-	-	-
Cultural and recreational	289	-	-	289
Total expenditures	289	-	271,912	272,201
Excess (deficiency) of revenues over expenditures	963	696	(52,546)	(50,887)
Net changes in fund balances	963	696	(52,546)	(50,887)
Fund balances, beginning	36,358	1,497	104,040	141,895
Fund balances, ending	\$ 37,321	\$ 2,193	\$ 51,494	\$ 91,008

Library Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2016

With Comparative Actual Amounts for the Year Ended June 30, 2015

	2016		Variance Over / Under	2015
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ -	\$ 4	\$ 4	\$ 4
Miscellaneous	400	1,248	848	422
Total revenues	400	1,252	852	426
Expenditures:				
Cultural and recreational:				
Supplies	1,150	289	861	1,077
Total expenditures	1,150	289	861	1,077
Revenues over (under) expenditures	(750)	963	1,713	(651)
Other financing sources (uses):				
Fund balance appropriated	750	-	(750)	-
Net change in fund balance	<u>\$ -</u>	963	<u>\$ 963</u>	(651)
Fund balance, beginning		36,358		37,009
Fund balance, ending		<u>\$ 37,321</u>		<u>\$ 36,358</u>

TOWN OF AYDEN, NORTH CAROLINA

Schedule 9

Police Unauthorized Substance Tax

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2016

With Comparative Actual Amounts for the Year Ended June 30, 2015

	2016		Variance Over / Under	2015
	Budget	Actual		Actual
Revenues:				
Restricted intergovernmental:				
Unauthorized substance tax	\$ -	\$ 696	\$ 696	\$ 659
Total revenues	-	696	696	659
Revenues over (under) expenditures	-	696	696	659
Net change in fund balance	<u>\$ -</u>	696	<u>\$ 696</u>	659
Fund balance, beginning		1,497		838
Fund balance, ending		<u>\$ 2,193</u>		<u>\$ 1,497</u>

CDBG Catalyst Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2016

	Project Authorization	Actual Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental:					
CDBG Catalyst program	\$ 500,000	\$ 270,010	\$ 219,366	\$ 489,376	\$ (10,624)
Other non-local funds	2,500	-	-	-	(2,500)
Total revenues	502,500	270,010	219,366	489,376	(13,124)
Expenditures:					
Program expenses	607,500	270,970	271,912	542,882	64,618
Total expenditures	607,500	270,970	271,912	542,882	64,618
Revenues over (under) expenditures	(105,000)	(960)	(52,546)	(53,506)	51,494
Other Financing Sources (Uses):					
Transfers in (out)					
General Fund	105,000	105,000	-	105,000	-
Total other financing sources (uses)	105,000	105,000	-	105,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 104,040</u>	(52,546)	<u>\$ 51,494</u>	<u>\$ 51,494</u>
Fund balance, beginning			104,040		
Fund balance, ending			<u>\$ 51,494</u>		

TOWN OF AYDEN, NORTH CAROLINA

Schedule 11

Electric Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Electric charges	\$ 12,600,000	\$ 10,494,843	\$ (2,105,157)
Services charges	285,000	88,126	(196,874)
Other operating revenues	5,000	391,161	386,161
Total operating revenues	<u>12,890,000</u>	<u>10,974,130</u>	<u>(1,915,870)</u>
Nonoperating revenues:			
Interest earnings	-	-	-
Total revenues	<u>12,890,000</u>	<u>10,974,130</u>	<u>(1,915,870)</u>
Expenditures:			
Electrical operations:			
Salaries and employee benefits	1,047,462	938,747	108,715
Operating expenditures	516,445	883,309	(366,864)
Maintenance and repairs	150,000	130,880	19,120
Contracted services	39,600	149,779	(110,179)
Total	<u>1,753,507</u>	<u>2,102,715</u>	<u>(349,208)</u>
Consumer billing and collection:			
Salaries and employee benefits	217,373	239,186	(21,813)
Operating expenditures	52,500	89,041	(36,541)
Contracted services	97,750	98,826	(1,076)
Total	<u>367,623</u>	<u>427,053</u>	<u>(59,430)</u>
Electrical power purchases	<u>10,443,150</u>	<u>7,499,722</u>	<u>2,943,428</u>
Capital outlay	<u>188,500</u>	<u>74,284</u>	<u>114,216</u>
Total expenditures	<u>12,752,780</u>	<u>10,103,774</u>	<u>2,649,006</u>
Revenues over (under) expenditures	<u>137,220</u>	<u>870,356</u>	<u>733,136</u>
Other financing sources (uses):			
Transfers (to) from other funds:			
General fund	549,520	424,520	125,000
Fund balance appropriated	(422,800)	-	(422,800)
Total	<u>126,720</u>	<u>424,520</u>	<u>(297,800)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ 10,500</u>	<u>\$ 445,836</u>	<u>\$ 435,336</u>

TOWN OF AYDEN, NORTH CAROLINA

Schedule 11

Electric Fund

Schedule of Revenues and Expenditures (Continued)

Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2016

Reconciliation from budgetary basis (modified accrual)
to full accrual:

Revenues and other sources over (under) expenditures and other uses	\$ 445,836
Reconciling items:	
Depreciation	(164,207)
Increase in deferred outflows of resources - pensions	484
Decrease in deferred inflows of resources - pensions	191,583
Decrease in net pension asset	(98,203)
Increase in net pension liability	(71,475)
Change in accrued vacation	(7,098)
Change in OPEB	<u>(8,835)</u>
Change in net position	<u>\$ 288,085</u>

TOWN OF AYDEN, NORTH CAROLINA

Schedule 12

Electric Substation Capital Project Fund

Schedule of Revenues and Expenditures - Budget and Actual

From Inception and For the Year Ended June 30, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Construction	\$1,972,000	\$ 1,607,508	\$ 498,142	\$ 2,105,650	\$ (133,650)
Engineering	155,000	140,706	50,844	191,550	(36,550)
Contingency	173,000	-	-	-	173,000
Total expenditures	<u>2,300,000</u>	<u>1,748,214</u>	<u>548,986</u>	<u>2,297,200</u>	<u>2,800</u>
Revenues over (under) expenditures	<u>(2,300,000)</u>	<u>(1,748,214)</u>	<u>(548,986)</u>	<u>(2,297,200)</u>	<u>2,800</u>
Other Financing Sources (Uses)					
Loan proceeds	1,500,000	-	-	-	(1,500,000)
Town contribution	800,000	-	-	-	(800,000)
Total other financing sources (uses)	<u>2,300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,300,000)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ (1,748,214)</u>	<u>\$ (548,986)</u>	<u>\$ (2,297,200)</u>	<u>\$ (2,297,200)</u>

TOWN OF AYDEN, NORTH CAROLINA
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2016

Schedule 13

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales	\$ 1,293,000	\$ 1,179,799	\$ (113,201)
Sewer charges	1,339,450	1,327,088	(12,362)
Water and sewer taps	4,000	4,460	460
Total operating revenues	2,636,450	2,511,347	(125,103)
Nonoperating revenues:			
Interest earnings	-	109	109
Total revenues	2,636,450	2,511,456	(124,994)
Expenditures:			
General operations:			
Salaries and employee benefits	514,966	483,413	31,553
Operating expenditures	265,675	255,029	10,646
Maintenance and repairs	131,000	79,910	51,090
Contracted services	1,491,500	1,571,467	(79,967)
Total expenditures	2,403,141	2,389,819	13,322
Debt services:			
Principal retirement	167,705	169,701	(1,996)
Interest and other charges	167,040	159,498	7,542
	334,745	329,199	5,546
Capital Outlay	980,000	-	980,000
Total expenditures	3,717,886	2,719,018	998,868
Revenues over (under) expenditures	(1,081,436)	(207,562)	873,874
Other financing sources (uses):			
Transfers (to) from other funds	(129,370)	-	\$ 129,370
Loan proceeds	980,000	\$ -	\$ (980,000)
Appropriated fund balance	230,806	-	(230,806)
Total	1,081,436	-	(1,081,436)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ (207,562)	\$ (207,562)

TOWN OF AYDEN, NORTH CAROLINA
Water and Sewer Fund
Schedule of Revenues and Expenditures (Continued)
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2016

Schedule 13

**Reconciliation from budgetary basis (modified accrual)
to full accrual:**

Revenues and other sources over (under) expenditures and other uses		\$ (207,562)
Reconciling items:		
Principal retirement		169,701
Depreciation		(391,227)
Increase in deferred outflows of resources - pensions		(386)
Decrease in deferred inflows of resources - pensions		79,724
Decrease in net pension asset		(40,636)
Increase in net pension liability		(28,906)
Change in accrued vacation		4,090
Change in OPEB		<u>(3,449)</u>
Change in net position		<u>\$ (418,651)</u>

TOWN OF AYDEN
Schedule of Ad Valorem Taxes Receivable
June 30, 2016

Schedule 14

Fiscal Year	Uncollected Balance June 30, 2015	Additions	Collections And Credits	Uncollected Balance June 30, 2016
2015-2016	\$ -	\$ 1,214,741	\$ 1,178,388	\$ 36,353
2014-2015	48,652	-	18,984	29,668
2013-2014	33,504	-	19,197	14,307
2012-2013	29,014	-	11,478	17,536
2011-2012	18,691	-	9,250	9,441
2010-2011	11,077	-	3,565	7,512
2009-2010	8,697	-	1,339	7,358
2008-2009	6,124	-	622	5,502
2007-2008	4,799	-	299	4,500
2006-2007	5,540	-	70	5,470
2005-2006	4,438	-	38	4,400
	<u>\$ 170,536</u>	<u>\$ 1,214,741</u>	<u>\$ 1,243,230</u>	142,047
Less: allowance for uncollectible accounts:				
	General Fund			77,576
	Ad valorem taxes receivable - net			\$ 64,471
<u>Reconciliation with revenues:</u>				
	Ad valorem taxes - General Fund			\$ 1,259,559
Reconciling items:				
	Penalties and interest			-
	Adjustments			-
	Other			(16,329.00)
	Subtotal			(16,329.00)
	Total collections and credits			\$ 1,243,230

TOWN OF AYDEN
Analysis of Current Tax Levy
Town-Wide Levy
For the Fiscal Year Ended June 30, 2016

Schedule 15

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 228,550,957	0.5400	\$ 1,234,175	\$ 1,087,753	\$ 146,422
Discoveries - current and prior years	\$ 565,000	0.5400	-	-	3,051
Releases	-		-	(22,485)	-
Total Property Valuation	<u>\$ 229,115,957</u>				
Net levy			1,214,741	1,065,268	149,473
Uncollected taxes at June 30, 2016			<u>(36,353)</u>	<u>(29,124)</u>	<u>(7,229)</u>
Current year's taxes collected			<u>\$ 1,178,388</u>	<u>\$ 1,036,144</u>	<u>\$ 142,244</u>
Current levy collection percentage			<u>97.01%</u>	<u>97.27%</u>	<u>95.16%</u>

OTHER SCHEDULES

TOWN OF AYDEN, NORTH CAROLINA
Net Position by Component
Last Ten Fiscal Years

Schedule 16

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013*	2014*	2015	2016
Governmental activities										
Net Investment in capital assets	\$ 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	\$ 4,588,597
Restricted for stabilization	-	-	-	-	645,041	588,086	499,582	636,185	531,177	634,346
Restricted	19,961	51,116	36,877	43,192	82,979	53,037	200,059	169,099	379,435	482,463
Unrestricted	<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>	<u>501,901</u>
Total governmental activities net position	<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>	<u>\$ 6,207,307</u>
Business-type activities										
Net Investment in capital assets	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	10,050,359
Unrestricted	<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>	<u>5,655,917</u>
Total business-type activities net position	<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>	<u>\$ 15,706,276</u>
Primary government										
Net Investment in capital assets	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	14,638,956
Restricted for stabilization	-	-	-	-	645,041	588,086	499,582	636,185	531,177	634,346
Restricted	19,961	51,116	36,877	43,192	82,979	53,037	200,059	169,099	379,435	482,463
Unrestricted	<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>	<u>6,157,818</u>
Total primary government net position	<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>	<u>\$ 21,913,583</u>

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

TOWN OF AYDEN, NORTH CAROLINA
Changes in Net Position
Last Ten Fiscal Years

Schedule 17

	Fiscal Year									
	<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>	<u>2016</u>
Expenses										
Governmental activities:										
General government	\$ 796,318	\$ 834,122	\$ 897,834	\$ 717,193	\$ 804,013	\$ 666,360	\$ 743,600	\$ 726,966	\$ 661,639	\$ 1,235,644
Public safety	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	1,595,026
Transportation	682,953	564,179	589,607	577,273	572,786	522,395	661,647	591,579	669,403	700,389
Environmental Protection	-	482,313	216,049	218,476	215,400	189,537	198,438	220,042	235,489	218,076
Econ and Physical Development	540,314	142,335	221,846	623,233	351,730	539,699	202,990	207,294	472,657	447,007
Cultural and Recreational	324,392	330,631	350,999	328,809	389,589	373,905	421,874	599,715	501,867	494,183
Interest on long-term debt	27,678	25,261	19,940	14,932	10,562	6,123	4,176	8,917	27,309	95,211
Total governmental activities expenses	<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>	<u>4,785,536</u>
Business-type activities:										
Electric	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	10,261,525
Water and Sewer	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	2,930,107
Total business-type activities expenses	<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>	<u>13,191,632</u>
Total primary government expenses	<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>	<u>\$ 17,977,168</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Refuse collection	\$ 252,184	\$ 221,044	\$ 286,877	\$ 293,987	\$ 292,668	\$ 293,725	\$ 298,668	\$ 300,794	\$ 287,604	\$ 306,944
Other public works	-	-	-	-	-	-	-	-	-	-
Parks and recreation	4,594	4,907	7,842	6,937	9,533	14,066	25,438	41,709	60,003	69,347
Other activities	128,954	216,337	135,703	202,795	277,519	244,428	342,393	327,277	321,026	375,167
Operating grants and contributions	217,761	459,460	409,728	903,974	472,246	508,673	270,092	839,769	55,148	66,571
Capital grants and contributions	1,499,480	12,089	-	-	362,721	164,806	252,637	209,472	419,311	372,469
Total governmental activities program revenues	<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>	<u>1,190,498</u>
Business-type activities:										
Charges for services:										
Electric	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	10,974,130
Water and Sewer	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	2,511,347
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
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>12,846,667</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>	<u>13,485,477</u>
Total primary government program revenues	<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>	<u>\$ 14,675,975</u>

TOWN OF AYDEN, NORTH CAROLINA
Changes in Net Position (Continued)
Last Ten Fiscal Years

Schedule 17

	Fiscal Year									
	<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>	<u>2016</u>
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (3,595,038)
Business-type activities	204,368	5,415,725	1,461,941	309,522	329,334	(256,747)	(80,389)	(90,537)	748,098	293,845
Total primary government net expense	<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>	<u>\$ (3,301,193)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 1,259,559
Sales taxes	955,831	977,213	841,834	798,442	822,208	860,151	859,168	844,197	981,370	899,890
Franchise taxes	402,349	364,637	411,101	410,173	420,888	411,409	423,210	418,296	393,042	505,295
Restricted grants and contributions	-	-	-	-	-	-	-	-	-	-
Investment earnings	438,844	414,803	158,566	32,650	22,598	15,719	12,113	8,649	7,195	14,312
Miscellaneous	-	(3,834,156)	69,222	47,876	67,093	62,373	59,295	60,807	53,789	-
Transfers	585,000	202,657	405,000	307,997	413,850	458,540	417,765	420,664	424,520	424,520
Total governmental activities	<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>	<u>3,103,576</u>
Business-type activities:										
Investment earnings	45,580	105,273	33,384	6,174	4,867	3,631	848	176	102	109
Miscellaneous	-	-	-	-	-	-	-	21,500	-	-
Transfers	(585,000)	(202,657)	(405,000)	(307,997)	(413,850)	(458,540)	(417,765)	(420,664)	(424,520)	(424,520)
Total business-type activities	<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>	<u>(424,411)</u>
Total primary government	<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>	<u>\$ 2,679,165</u>
Change in Net Assets										
Governmental activities	\$ 1,797,148	\$ (3,648,964)	\$ 29,307	\$ 31,593	\$ 266,769	\$ 479,050	\$ 352,319	\$ 751,643	\$ 55,046	\$ (491,462)
Business-type activities	(335,052)	5,318,341	1,090,325	7,699	(79,649)	(711,656)	(497,306)	(489,525)	323,680	(130,566)
Total primary government change in net position	<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>	<u>\$ (622,028)</u>

TOWN OF AYDEN, NORTH CAROLINA
Fund Balances of Governmental Funds
Last Ten Fiscal Years

Schedule 18

	Fiscal Year									
	<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>	<u>2016</u>
General Fund										
Nonspendable	n/a	n/a	n/a	n/a	\$ -	\$ -	\$ -	\$ -	\$ 264,866	\$ -
Restricted for Stabilization	n/a	n/a	n/a	n/a	506,278	588,086	473,014	472,266	531,177	634,346
Restricted	n/a	n/a	n/a	n/a	43,837	53,037	57,218	83,477	237,540	391,455
Committed	n/a	n/a	n/a	n/a	5,684	4,567	52,112	65,582	46,279	47,704
Assigned	n/a	n/a	n/a	n/a	-	-	-	-	59,351	70,121
Unassigned	n/a	n/a	n/a	n/a	1,293,193	1,615,205	1,631,837	1,400,923	1,352,380	773,658
Reserved	\$ 684,602	\$ 637,290	\$ 445,241	\$ 479,137	n/a	n/a	n/a	n/a	n/a	n/a
Unreserved	1,526,718	1,824,911	1,786,349	1,723,855	n/a	n/a	n/a	n/a	n/a	n/a
Total general fund	<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>	<u>\$ 1,917,284</u>
All Other Governmental Funds										
Nonspendable	n/a	n/a	n/a	n/a	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for Stabilization	n/a	n/a	n/a	n/a	-	-	26,568	163,625	-	-
Restricted	n/a	n/a	n/a	n/a	138,763	124,477	142,841	85,622	141,895	91,008
Committed	n/a	n/a	n/a	n/a	39,142	1,039	-	-	-	-
Assigned	n/a	n/a	n/a	n/a	-	-	-	-	-	-
Unassigned	n/a	n/a	n/a	n/a	(84,182)	-	(26,568)	(158,900)	-	-
Reserved	\$ -	\$ -	\$ -	\$ -	n/a	n/a	n/a	n/a	n/a	n/a
Unreserved, reported in:										
Special revenue funds	177,975	11,177	1,832	21,498	n/a	n/a	n/a	n/a	n/a	n/a
Permanent funds	31,127	37,244	38,365	38,155	n/a	n/a	n/a	n/a	n/a	n/a
Total all other governmental funds	<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>	<u>\$ 91,008</u>

TOWN OF AYDEN, NORTH CAROLINA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

Schedule 19

	Fiscal Year									
	<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>	<u>2016</u>
Revenues										
Ad valorem taxes	\$ 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	\$ 1,259,559
Local option sales taxes	955,831	977,213	841,834	798,442	822,208	860,151	859,168	843,903	981,370	899,890
Other taxes	-	-	-	-	-	-	-	294	-	-
Unrestricted Intergov.	402,349	431,619	480,323	458,049	487,981	473,782	482,505	479,103	446,831	505,294
Restricted intergov.	1,717,241	471,549	409,728	903,474	872,806	692,397	522,729	584,371	474,459	436,370
Permits and fees	25,233	26,053	26,300	27,914	26,001	23,066	22,335	18,122	12,073	9,388
Sales and services	283,969	254,195	329,078	409,997	395,471	419,589	504,501	510,883	499,443	682,829
Investment earnings	438,844	414,803	158,566	32,650	22,598	15,719	12,113	8,649	7,195	14,312
Other revenues	107,119	199,878	112,627	104,401	158,248	109,564	139,662	140,775	157,117	61,909
Total revenues	<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>	<u>3,869,551</u>
Expenditures										
General government	785,727	941,225	928,607	745,159	767,812	701,462	699,270	677,506	636,020	766,556
Public safety	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	1,640,889
Transportation	718,909	665,950	892,344	694,941	828,940	581,738	591,262	505,430	604,576	724,743
Environmental protection	1,422,041	163,785	166,685	169,083	196,804	173,994	173,624	194,478	215,054	496,926
Econ and phy. development	680,380	281,031	204,110	605,497	362,051	514,954	175,398	178,382	453,534	183,104
Cultural and rec.	350,380	335,363	326,352	304,115	771,717	364,664	686,289	572,167	397,684	523,878

TOWN OF AYDEN, NORTH CAROLINA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Continued)

Schedule 19

	Fiscal Year									
	<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>	<u>2016</u>
Debt service										
Interest	\$ 27,678	\$ 25,261	\$ 19,962	\$ 14,932	\$ 10,562	\$ 6,123	\$ 4,176	\$ 8,917	\$ 25,806	\$ 95,211
Principal	143,178	136,611	127,413	104,252	108,566	41,173	43,120	110,794	105,408	108,239
Capital outlay	-	-	-	-	-	-	731,987	881,804	61,304	815,721
Total expenditures	<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>	<u>5,355,267</u>
Excess (Deficiency) of Revenues over Expenditures	<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>	<u>(1,485,716)</u>
Other Financing Sources (Uses)										
Proceeds from borrowing	92,000	-	-	-	-	-	410,000	78,100	-	436,000
Transfers in	662,514	205,693	416,177	337,997	453,895	503,540	417,765	511,047	477,020	424,520
Transfers out	<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>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>	<u>860,520</u>
Net change in fund balances	<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>	<u>\$ (625,196)</u>
Debt service as a percentage of noncapital expenditures	4.75%	4.79%	4.08%	3.04%	3.14%	1.37%	1.24%	3.22%	3.31%	4.48%

TOWN OF AYDEN, NORTH CAROLINA
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Schedule 20

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					
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%
2016	1,550,252	743,600	271,152	91,681	35,670	2,621,015	0.54	2,656,685	98.66%

NOTE: Information for 2006-2013 was not readily available for statement preparation.

Source: Pitt County Tax Assessors Office

TOWN OF AYDEN, NORTH CAROLINA
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Year Taxes Payable	CTown Direct Rates		Overlapping Rates		
	Basic Rate	Total Direct	Rescue District	Fire District	County
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
2016	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

TOWN OF AYDEN, NORTH CAROLINA
Principal Taxpayers
Current Year and Nine Years Ago

Schedule 22

<u>Employer</u>	Fiscal Year					
	2016			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	\$ 4,340,544	1	1.89%	\$ 2,705,700	1	1.55%
Hillco LTD (Britthaven)	2,358,344	2	1.03%	2,002,180	3	0.99%
Ayden Golf and Country Club	1,432,532	3				
Walmart Real Estate Business Trust	1,711,924	4	0.75%	-		0.00%
Greenbriar Apts.	1,628,648	5	0.71%	1,610,455	5	0.93%
Eastern Area Management LLC	1,506,189	6	0.66%	-		0.00%
Walgreens of North Carolina Inc.	1,358,300	7	0.59%	-		0.00%
Ayden Plaza LLC	1,340,345	8	0.59%	-		0.00%
Fairmont Village Apts.	1,366,639	9	0.60%	2,224,698	2	1.28%
Judson Pope LLC	1,338,301	10	0.58%	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%
Total	\$ 18,381,766		7.40%	\$ 16,219,373		9.02%

Source: Pitt County Tax Office

TOWN OF AYDEN, NORTH CAROLINA
Property Tax Levies and Collections
Last Ten Fiscal Years

Schedule 23

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
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%
2016	1,214,741	1,178,388	97.01%	64,842	1,073,463	88.37%

TOWN OF AYDEN, NORTH CAROLINA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Schedule 24

Fiscal Year Ending	Governmental Activities					Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Installment Purchases	Sales Tax Increment Bonds	Lease Revenue Bonds	Special Assessment Bonds	Revenue Bonds	Installment Purchases	Capital Loans	Capital Leases			
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	-	1,699,118	-	4,782,176	5.01%	945
2016	-	644,819	-	-	-	2,727,000	-	1,568,415	-	4,940,234	5.27%	977.68

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

TOWN OF AYDEN, NORTH CAROLINA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016

Schedule 25

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Direct General Obligation Debt			
Town of Ayden, NC			
Installment Purchase Debt	\$ 644,819	100.000%	<u>\$ 644,819</u>
Subtotal, direct debt			644,819
Overlapping General Obligation Debt			
CMSD	<u>-</u>	0.000%	<u>-</u>
Subtotal, overlapping debt			-
Total direct and overlapping debt	<u>\$ 644,819</u>		<u><u>\$ 644,819</u></u>

TOWN OF AYDEN, NORTH CAROLINA
Legal Debt Margin Information
Last Ten Fiscal Years

Schedule 26

Legal Debt Margin Calculation for Fiscal Year Ending 2016

Assessed value	\$ 229,115,957
Debt limit (8% of assessed value)	18,329,277
Debt applicable to limit:	
General obligation bonds	-
Certificates of Participation	-
Installment Purchases	644,819
Notes/Bonds Payable	4,295,415
Total net debt applicable to limit	4,940,234
Legal debt margin	\$ 13,389,043

	Fiscal Year																		
	<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>		<u>2016</u>
Debt limit	\$ 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	\$	18,329,277
Total net debt applicable to limit	644,020		5,259,341		5,762,595		5,527,642		5,386,828		5,052,501		5,254,680		5,055,285		4,782,176		4,940,234
Legal debt margin	\$ 14,207,231	\$	9,870,546	\$	11,395,924	\$	11,876,446	\$	11,922,752	\$	12,828,664	\$	12,399,400	\$	13,678,833	\$	13,657,596	\$	13,389,043
Total net debt applicable to the limit as a percentage of debt limit	<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>		<u>26.95%</u>

TOWN OF AYDEN, NORTH CAROLINA
Pledged-Revenue Coverage
Last Ten Fiscal Years

Schedule 27

Fiscal Year Ending	Water Revenue Bonds						Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
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%	
2016	2,511,347	2,379,382	131,965	39,000	121,013	82%	

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

TOWN OF AYDEN, NORTH CAROLINA
Demographic and Economic Statistics
Last Ten Fiscal Years

Schedule 28

<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>
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%
2016	5,053	18,558	93,774	23,348	5.9%

* 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

TOWN OF AYDEN, NORTH CAROLINA
Principal Employers
Current Year and Nine Years Ago

Schedule 29

<u>Employer</u>	<u>2016</u>			<u>2007</u>		
	<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	763		n/a	n/a		n/a

Source: Staff contact with employers

TOWN OF AYDEN, NORTH CAROLINA
Full-time Equivalent City Government Employees by Function / Program
Last Ten Fiscal Years

Schedule 30

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>2016</u>
General government										
Administration	3	3	3	3	2	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	18	17	17	18	16	17	18	18	18	18
Civilians	5	4	4	4	4	4	3	4	4	4
Transportation	10	8	9	8	8	7	7	8	8	8
Refuse collection	3	3	3	3	2	3	3	3	3	3
Economic & Physical Dev.	2	3	3	3	3	3	3	3	3	3
Cultural and Recreation	4	4	4	4	4	4	4	4	4	4
Electric Operations	14	13	12	11	11	11	12	12	12	12
Billing and Collections	3	2	3	3	3	2	2	2	2	3
Water And Sewer Operations	7	6	6	6	6	6	6	6	6	6
Total	76	70	71	70	66	66	67	69	69	70

SOURCE: Town Finance Department as of 6/30/16

TOWN OF AYDEN, NORTH CAROLINA
Capital Asset Statistics by Function / Program
Last Ten Fiscal Years

Schedule 31

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>2016</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	3	2	2	2	2	2	3	3	3	3
Other public works										
Streets (miles)	30	30	30	30	30	30	31	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	580	585	585	590	595	601	611	613	625	625
Traffic signals	5	5	5	5	5	5	5	5	5	5
Parks and recreation										
Acreage**	9	9	9	9	9**	9**	9**	61	61	61
Playgrounds	2	2	2	2	2**	2**	2**	3	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**	3	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	230	230	233	237	241	248	251	252	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

TOWN OF AYDEN, NORTH CAROLINA
Operating Indicators by Function / Program
Last Ten Fiscal Years

Schedule 32

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>2016</u>
General Government										
Zoning Compliances Issued	n/a	n/a	n/a	91	81	99	90	88	83	84
Cemetery Lots/Plots Sold	n/a	n/a	n/a	30	18	21	21	26	24	25
Police										
Traffic Citations	n/a	n/a	n/a	2,215	1,536	1,058	1,072	1,158	738	312
Physical Arrests	n/a	n/a	n/a	603	546	453	511	472	285	0
Fire stations										
Emergency Responses (Town)	n/a	n/a	n/a	145	165	244	141	208	170	153
Emergency Responses (Rural)	n/a	n/a	n/a	120	142	130	118	144	127	115
Refuse collection										
Refuse Collected (Tons)	n/a	n/a	n/a	1,337	1,448	1,421	1,819	1,799	2,242	2,212
Recycling Collected (Tons)	n/a	n/a	n/a	105	109	107	149	136	140	124
Tires / White Goods (Tons)	n/a	n/a	n/a	6	4	4	4	4	5	4
Other public works										
Streets Resurfaced (Linear Ft.)	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	39	32	32	38	40	55	56
Parks and recreation										
Program Participants	n/a	n/a	n/a	267	287	304	360	402	1,156	2,088
Facility Rentals	n/a	n/a	n/a	58	84	88	95	108	108	144
Library										
Total Visitors	n/a	n/a	n/a	10,622	9,667	9,209	9,950	9,978	8,913	9,420
New Library Patrons	n/a	n/a	n/a	387	280	267	279	242	279	384
Book Checkouts	n/a	n/a	n/a	6,681	5,980	5,881	5,922	6,003	5,514	6,010
Internet Patrons	n/a	n/a	n/a	3,382	2,928	3,257	4,677	4,921	4,652	5,652
Billing and Collections										
New Account Connections	n/a	n/a	n/a	705	630	708	663	642	647	681
Electric Operations										
New Underground / Overhead Services	n/a	n/a	n/a	35	29	21	23	19	22	19
Water / Sewer Operations										
Water Taps / Impact Fees	n/a	n/a	n/a	19	16	9	18	12	12	12
Sewer Taps / Impact Fees	n/a	n/a	n/a	14	12	2	7	4	15	5

Sources: Various Town departments.

COMPLIANCE SECTION



Rives & Associates, LLP
Certified Public Accountants

Member:
American Institute of
Certified Public Accountants

Member:
North Carolina Association of
Certified Public Accountants

www.rivescpa.com

**Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance
And Other Matters Based On An Audit Of Financial Statements Performed
In Accordance With *Government Auditing Standards***

To the Honorable Mayor
and Members of the Board of Commissioners
Town of Ayden
Ayden, North Carolina

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ayden ("the Town") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 29, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we considered to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2016-001, 002, 003,004,006, and 007.

A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. 2016-005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2016-005 and 006.

Town of Ayden's Response to Finding

The Town of Ayden's responses to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Rives & Associates LLP

Raleigh, North Carolina
January 29, 2017

TOWN OF AYDEN, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance to GAAP:
Disclaimer of opinion

Internal control over financial reporting:

Material weaknesses identified?	<u>✓</u>	yes	<u> </u>	no
Significant deficiency(s) identified that are not considered to be material weaknesses?	<u>✓</u>	yes	<u> </u>	none reported
Noncompliance material to financial statements noted	<u>✓</u>	yes	<u> </u>	no

Federal Awards

Identification of major federal programs:

There are no major Federal awards.

State Awards

Identification of major State programs:

There are no major State awards.

TOWN OF AYDEN, NORTH CAROLINA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2016-001

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 Government Accounting Standards Board requires a level of technical expertise not possessed by Town personnel.

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.

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

Recommendation: The Town should invest in training current Town personnel. The Town should also 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 Director

Corrective Action/Management Response: 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 still being addressed.

TOWN OF AYDEN, NORTH CAROLINA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2016-002

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.

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. In addition, as noted in finding 2016-008, the Town's accounting software is not adequate.

Context: While performing audit procedures on the Town's basic financial statements, we identified material adjustments.

Recommendation: The Town should improve the internal control system and the financial close process in order to prevent future adjustments. The Town should also consider training personnel and consider replacing its current accounting software. Management should acknowledge limitations in the internal control system caused by limited resources and modify their oversight functional accordingly.

Name of Contact Person: Alicia Simpson, Finance Director

Corrective Action/Management Response: 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 the oversight function. And, as noted in Finding 2016-001, the turnover of seasoned staff and the hiring of a new Finance Officer impacted the 2016 and 2015 results that, with training, should be markedly improved in future years.

TOWN OF AYDEN, NORTH CAROLINA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2016-003

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 amount 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 and reports to the general ledger throughout financial reporting.

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

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

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

Recommendation: The Town should reevaluate its entire system of internal controls. Access to 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 where possible.

Name of Contact Person: Alicia Simpson, Finance Director

Corrective Action/Management Response: Management is aware of the weakness and plans to look at the potential to rearrange duties, realign existing staff, and/or possible create an additional position to allow for segregation of duties. Again, the turnover of existing, seasoned staff at both the Manager and Finance Director 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 Questioned Costs (Continued)
For the Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2016-004

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

Condition: Accounts receivable and accounts payable were not properly reconciled and balance to the general ledger in a timely manner.

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

Cause: There are a limited number of personnel for operating functions. The Finance Director has many roles and responsibilities that must be done on a daily basis which takes time away from daily financial functions. As noted in Finding 2016-007, the Town's accounting software is not adequate.

Context: While performing audit procedures on receivables and payables balances, we discovered errors in amounts being reported. This related to both accounts being report more on the cash basis, than full accrual basis. Accounts receivable and accounts payable reports were not being used to reconcile to the general ledger on a monthly basis.

Recommendation: Accounts receivable and accounts payable be posted on a monthly basis. Accounts receivable and accounts payable aging reports be reconciled to the general ledger on a monthly basis. A review of subsequent receipts and disbursements be reviewed to ensure all receivables and payables are captured at year-end. Receipts and payments related to prior year accounts receivable and accounts payable be recorded to those accounts, not current year revenues and expenditures.

Name of Contact Person: Alicia Simpson, Finance Director

Corrective Action/Management Response: Management is aware of the weakness and plans to look at the potential to rearrange duties, realign existing staff, and/or possible create an additional position to allow for segregation of duties. Again, the turnover of existing, seasoned staff at both the Manager and Finance Director 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 Questioned Costs (Continued)
For the Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2016-005

Criteria: The Local Government Commission requires the Annual Financial Information Report (AFIR) to be submitted within four months of the fiscal year end, which was October 31, 2016.

Condition: Filings of the AFIR to the Local Government Commission was not made as required by State Statute.

Effect: The AFIR was not filed on a timely basis as required.

Cause: Due to significant delays in the audit caused by many of the issues noted in the previous findings, the Town was not able to file the AFIR timely.

Context: During inquiries with the Finance Director, it was noted that the AFIR for June 30, 2016 has yet to be filed. The Finance Director is waiting on the completion of the audit to do so.

Recommendation: By correcting items noted in the other findings, management should be able to file the AFIR in a timely manner.

Name of Contact Person: Alicia Simpson, Finance Director

Corrective Action/Management Response: Management concurs and is aware that improvements to its financial reporting system will allow for timely filing of the AFIR in the future.

TOWN OF AYDEN, NORTH CAROLINA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2016-006

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 violations of the General Statutes regarding pre-audit procedures. Expenditures were not monitored and in compliance with pre-audit standards. We also noted purchase orders were created subsequent to invoices being received.

Effect: The Town was in violation of North Carolina General Statute 159-28. In addition, the Town over expended several categories of the budget.

Cause: Town personnel do not have a full understanding of the pre-audit process.

Context: While performing audit procedures over disbursements and the budget, we noted the condition described above.

Recommendation: We recommend that the Town pre-audit the expenditures for proper budgetary compliance before expending Town funds. We also recommend the Town monitor the budget and amend during the year as needed in order to prevent over expending the budget.

Name of Contact Person: Alicia Simpson, Finance Director

Corrective Action/Management Response: Management concurs with the recommendation. The Town will review its pre-audit process and its budget monitoring process and ensure that its controls are following general statutes in the future.

TOWN OF AYDEN, NORTH CAROLINA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2016-007

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.

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

Cause: Previous turnover in the Finance Department has caused questions to arise regarding the functionality of the accounting software.

Context: While generating various types of reports, technical support was needed. In addition, certain reports were not able to be generated timely.

Recommendation: We recommend that the Town assess the accounting software and consider replacing if the Financial Department continues to have to rely on constant technical support.

Name of Contact Person: Alicia Simpson, Finance Director

Corrective Action/Management Response: Management will reevaluate its accounting software needs and determine if and when the accounting software needs to be replaced.

TOWN OF AYDEN, NORTH CAROLINA
Summary Schedule of Prior Year Audit Finding
For the Year Ended June 30, 2016

Finding 2015-001

Status: Repeated finding as 2016-001

Finding 2015-002

Status: Repeated finding as 2016-002

Finding 2015-003

Status: Repeated finding as 2016-003

Finding 2015-004

Status: Corrected

Finding 2015-005

Status: Corrected

Finding 2015-006

Status: Repeated finding as 2016-005

Finding 2015-007

Status: Repeated finding as 2016-006

Finding 2015-008

Status: Repeated finding as 2016-007

Finding 2015-009

Status: Corrected