

# 2017

## Town of Ayden



FISCAL YEAR ENDING JUNE 30, 2017

## Comprehensive Annual Financial Report

**TOWN OF AYDEN, NORTH CAROLINA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**For the Year Ended June 30, 2017  
And Report of Independent Auditors**

**TOWN OF AYDEN  
NORTH CAROLINA**

Financial Statements and  
Supplementary Information

For The Year Ended June 30, 2017

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  
Robert C. Taylor, Jr., Finance Director

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# Introductory Section





January 28, 2018

To the Honorable Mayor, Town Council and the Citizens of the Town of Ayden, North Carolina:

It is our pleasure to submit to you the Town of Ayden's Comprehensive Annual Financial Report. North Carolina General Statutes require that every general purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report, the Comprehensive Annual Financial Report, is published to fulfill that requirement for the fiscal year ending June 30th, 2017.

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

The Town of Ayden has engaged the audit firm of Cherry Bekaert LLP to audit the Town's financial statements. Cherry Bekaert has issued an unqualified opinion of the Town of Ayden's financial statements for the year ended June 30, 2017.

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

### ***Profile of the Town of Ayden***

The Town of Ayden was established in 1891 and is located in southwest Pitt County. Ayden is the third largest municipality in the county and is part of the Greenville Metropolitan Area. The Town is located 6 miles south of Greenville and 16 miles north of Kinston, home to the NC Global Transpark. Ayden consists of 3.11 square miles, and has an estimated population of approximately 5,191. The population for Pitt County is 177,220 per the United States Census Bureau.

The Town operates in the Council/Manager form of Government. The mayor and five members are elected on a non-partisan at-large basis. The mayor serves a four year term and board members serve four year staggered terms. The mayor can only cast the tiebreaking vote. The Town Board of Commissioners holds policymaking and legislative authority. They are responsible for passing ordinances, adopting the annual budget, appointing board members and hiring the Town Manager. The Town Manager is responsible for managing and overseeing the daily operations of the Town.

The Board is required to adopt a fiscal year operating budget by no later than June 30<sup>th</sup> of each year. The Town Manager annually submits to the Town Board a proposed budget for the upcoming fiscal year. The Town's Department Heads submit recommendations to the Town Manager for consideration. The manager then considers the budgetary constraints and develops the budget he presents to the Town Board. A public hearing is then held in order to give citizens an opportunity to review the document and communicate questions, concerns, or support of the recommendation. The budget is then adopted and takes effect beginning July 1st of each year.

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

### ***Local Economy***

Ayden's economy is a diverse mixture of commercial, industrial and agricultural endeavors. The Town has two industrial parks, Worthington Industrial Park and Minges Corporate Park. Both parks have full utilities and infrastructure in place for future growth. One the Town's largest industries is Weyerhaeuser. The company has been a part of the Ayden community for several years and is the Town's largest utility customer. Other companies like Minges Bottling Company, CMI Plastics, and Harvest Time Foods are located in the Ayden community and help provide local jobs and that, in turn, increase retail commerce.

Future commercial growth near the new Highway 11 bypass interchange, which is scheduled to open in November 2019 is expected. In anticipation of this growth, the Town has been in the process of extending water and sewer lines to the new interchange. Ayden has also worked closely with NCDOT in rerouting existing Town utilities to make way for the new bypass.

The Town continues to benefit from its proximity to Greenville and East Carolina University. Pitt County has continued to see steady growth in its economy due to several economic drivers. Examples include, East Carolina University, Vidant Health, DSM, Patheon, Mayne Pharma USA, and many others. Development on the south side of Greenville and Winterville continues to push construction activity toward Ayden. The unemployment rate as of June 2017 for Pitt County was 4.9 percent compared to 4.2 for the State of North Carolina.

The Town supports many local community events for its citizens, the largest being the annual Ayden Collard Festival in September. Over 10,000 people visit the festival to participate in live music entertainment, parades, scholarship pageant and other activities. The Collard Festival has been an important part of the Town for over 40 years. The Town works in conjunction with the Collard Festival Committee to produce a spectacular event.

## ***Financial Planning***

Ayden worked on several major initiatives in the past year. Its new electric substation was brought online at the beginning of this fiscal year. Over the past year, the Town has focused on its sanitary sewer system's stormwater infiltration and inflow issues. With its engineers, Ayden has identified areas needing repair or replacement and has secured well over \$4,000,000 in grants, and loans to for both its sanitary sewer and stormwater systems.

## ***Major Initiatives***

For the coming year, Ayden will continue to work on improving its sanitary sewer and stormwater infrastructure. These improvements will continue to reduce the operating costs of its Water and Sewer Fund.

The Town will implement an updated six (6) year Capital Improvement Plan as part of its FY18 – 19 Annual Budget preparations. Plans are also in the making for the establishment of a Stormwater Fund as part of the FY18 – 19 Annual Budget. Ayden has had a stormwater fee in place for several years now as part of its General Fund and implementing an enterprise Stormwater Fund is a natural development for the use of this fee.

Ayden is a member municipality of the NC Main Street program. This program assists selected communities across the state in restoring economic vitality to their historic downtowns. Using a comprehensive downtown revitalization process developed by the National Trust for Historic Preservation, Main Street encourages economic development within the context of historic preservation. With the catalyst of the rehabilitation of the 1915 historic Worthington Five & Dime building by Quilt Lizzy, an expanding eastern North Carolina quilting and sewing machine retail phenomenon, Ayden will continue to develop its program to revitalize downtown.

Another initiative, in the works now for several years, is the development and construction of a food commercialization center in the Ayden area. Plans, initially, are the center will focus on processing fermented and acidified foods and will partner with existing produce distributors to provide post-harvest services to produce farmers in the region, including cleaning and sorting of vegetables, packaging, cold storage and staging of deliveries.

The Town received pre-approval from the federal Economic Development Administration to submit a grant application for the center. A Business Plan and Feasibility Study for the Center were completed by the Town with a grant from the N.C. General Assembly. As a part of the Business Plan, the Eastern North Carolina Food Commercialization Center Food non-profit was established in September 2017 to seek matching funding for the EDA grant and to manage the predevelopment and operations of the Center. The EDA grant application is projected for submittal later in 2018.

The Town Board continues to use the document “Ayden Community Vision 2030: Building on Our Heritage” to guide it in its decision making in its land use planning endeavors. Additionally, a recent Ayden 2017 Economic Development Strategic Plan, sponsored and funded by Electricities of North Carolina, outlines strategies in new business recruitment and downtown revitalization, site and building development, residential development, small business development, internal marketing strategies, and action steps for the Town Board to use.

**Acknowledgement**

Preparation of this report could not have been accomplished without the cooperation and dedicated efforts of the Finance Department staff, the various employees who assisted in obtaining information, and our independent Certified Public Accountants, Cherry Bekaert LLP. We would also like to thank the Mayor and Board of Commissioners for their interest and support in planning and conducting the financial operations of the Town in a responsible and professional manner.

Respectfully submitted,



**Robert C Taylor, Jr**  
**Finance Director**



**Steven L. Harrell**  
**Town Manager**

# Governing Board

Ayden is governed by the council/manager form of government. Under this form of government, the Town Board of Commissioners, which is elected by the people, is the final authority on policy matters relating to Ayden's government. The Board appoints the Town Manager. The Town Manager is the chief administrator of the Town and serves at the discretion of the Board under a contracted term.

The Mayor and Board of Commissioners are the governing body of the Town. The Mayor acts as the head official of the government. The Mayor presides at all Town Board meetings and signs all documents authorized by the Board. The Mayor Pro-Tem is selected by each newly-elected Board and assumes mayoral duties in the absence of the Mayor. The Mayor and Board of Commissioners establish general policies, ordinances, resolutions, adopts the annual budget, approves financing and authorizes contracts on behalf of the Town. They also appoint the Town Manager, Town Attorney and Town Clerk.



Mayor  
Stephen Tripp



Mayor Pro-Tem  
Donnie Skinner



Commissioner  
Mary Alice Davenport



Commissioner  
Mike Harris



Commissioner  
Ivory Mewborn



Commissioner  
Phyllis Ross

# Management Staff

Town Manager  
Steven L. Harrell

Town Clerk  
Sarah Radcliff

Town Attorney  
Scott Dixon  
Dixon Law Group, PLLC

Public Works & Utilities  
Director  
James Proctor

Finance Director  
Robert C. Taylor, Jr

Librarian  
Rachelle Mondovich

Arts & Recreation  
Director  
William T Duncan

Housing Authority  
Director  
Darrell Butts

Planning Director  
Stephen Smith

Police Chief  
Barry Stanley

Fire Chief  
Sam Jones

# Organizational Chart



# Financial Section



## Report of Independent Auditor

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Ayden, North Carolina (the "Town") as of and for the year ended June 30, 2017, 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ayden Housing Authority (the "Authority"). Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Authority, is based solely on the report of another auditor. 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.

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

## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note IX to the basic financial statements, the Town fully implemented Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68, and Amendments to Certain provisions of GASB Statements 67 and 68*, beginning July 1, 2016. As a result, net position as of June 30, 2016 has been restated. Our opinions are not modified with respect to this matter.

Also as discussed in Note X to the basic financial statements, the Town had several prior period adjustments to correct errors discovered in the June 30, 2016 financial statements. As a result, net position as of June 30, 2016 has been restated for accounts payable, cash, capital assets and debt. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information as listed in the table of contents 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*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town. The individual fund statements and schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2018, on our consideration of the Town'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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Chemy Bekaert LLP

Raleigh, North Carolina  
January 28, 2018

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**TOWN OF AYDEN, NORTH CAROLINA**  
**Management's Discussion and Analysis**

**June 30, 2017**

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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, 2017. 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 \$21,896,808 (*net position*).
- The government's total net position decreased by \$(16,775), including restatements. Decrease in the governmental activities amounts to \$(176,978) and increase in the business type activities amounts to \$160,203. The decrease was primarily due to the implementation of GASB 73 required the full liability of the Law Enforcement's Officers Separation Allowance to be reported in the current year.
- At the close of the current fiscal year, the Town of Ayden's governmental funds reported combined ending fund balances of \$2,436,903 an increase of \$455,790 in comparison with the prior year. Approximately 55.42% of this total amount or \$1,350,534 is non spendable, restricted, committed, and assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,086,369 or 23.33% 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.
- At June 30, 2017, the Town of Ayden's total debt was \$6,697,378. Increase of the Town's debt was a result of purchasing a knuckle boom truck and line and digger trucks for the electric Fund.

**Overview of the Financial Statements**

The discussion and analysis are intended to serve as an introduction to the 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.

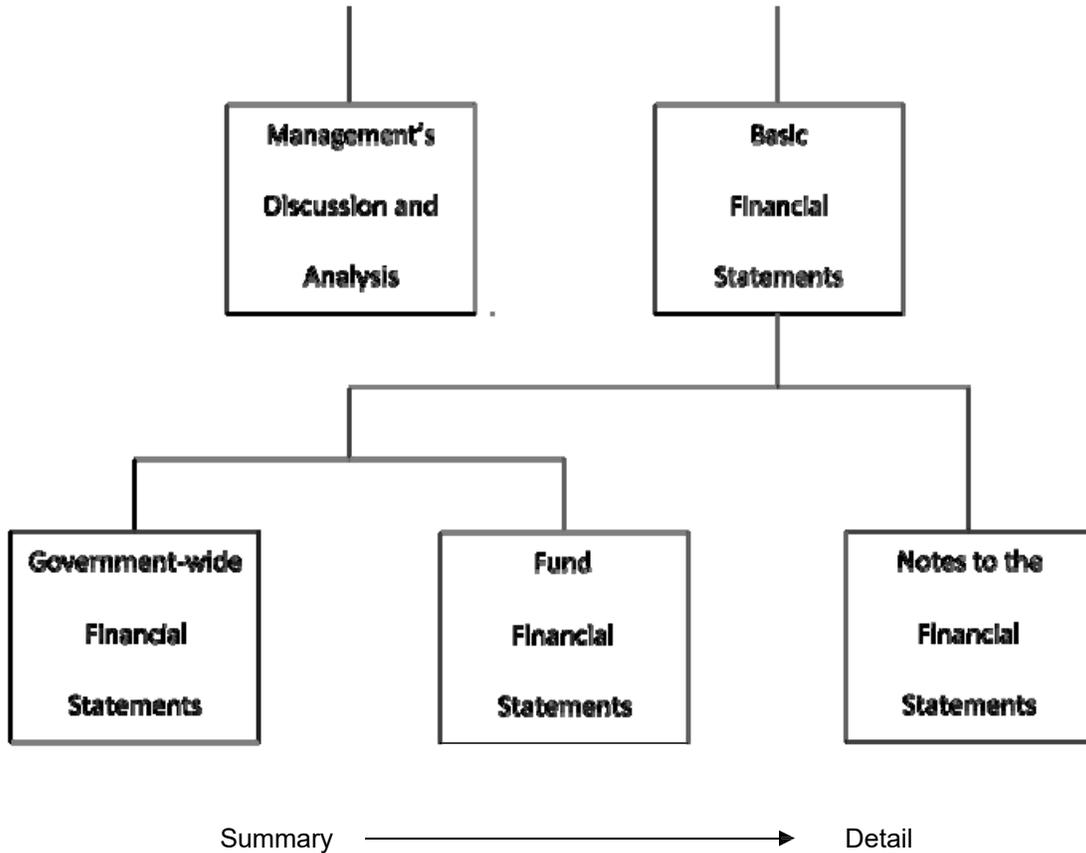
**TOWN OF AYDEN, NORTH CAROLINA**  
**Management's Discussion and Analysis**

**June 30, 2017**

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**Required Components of Annual Financial Report**

**Figure 1**



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 government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements.

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.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Management's Discussion and Analysis**

**June 30, 2017**

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Following the notes is the required supplemental information. This section contains funding information about the Town's pension plans and other post-employment benefits.

**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 total of the Town's assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and electric services offered by Town of Ayden. The final category is the component units. The Ayden Housing Authority (the "Authority") is legally separate from the Town however the Town is financially accountable for the Authority by appointing its members.

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

**Fund Financial Statements**

The fund financial statements 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's, 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 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. This method also has a current financial resources 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 governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Management's Discussion and Analysis**

**June 30, 2017**

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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 decision 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 has 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 uses enterprise funds to account for its water and sewer activity and for its Electric operations. These funds are the same as those separate activities 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 start on page 24 of this report.

*Other Information* – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found beginning on page 60 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$21,896,808 as of June 30, 2017. The Town's net position decreased by \$16,775 during fiscal year ended June 30, 2017. One of the largest portions \$12,937,956 (59.08%) reflects the Town's net investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position \$1,220,179 (5.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,738,673 is unrestricted.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Management's Discussion and Analysis**

**June 30, 2017**

	<u>Governmental Activities</u> 2016	<u>Governmental Activities</u> 2017	<u>Business Type Activities</u> 2016	<u>Business Type Activities</u> 2017	<u>Total Primary Government</u> 2016	<u>Total Primary Government</u> 2017
<b>Assets</b>						
Current and other assets	\$ 2,527,495	\$ 2,716,777	\$ 7,599,618	\$ 8,760,770	\$ 10,127,113	\$ 11,477,547
Capital assets	5,233,416	5,084,039	14,345,774	14,551,295	19,579,190	19,635,334
<b>Total assets</b>	<u>7,760,911</u>	<u>7,800,816</u>	<u>21,945,392</u>	<u>23,312,065</u>	<u>29,706,303</u>	<u>31,112,881</u>
<b>Deferred outflows of resources</b>	<u>123,544</u>	<u>530,926</u>	<u>87,742</u>	<u>415,796</u>	<u>211,286</u>	<u>946,722</u>
<b>Liabilities</b>						
Accounts payable and accrued liabilities	625,846	403,258	1,903,526	1,576,509	2,529,372	1,979,767
Total long-term liabilities	956,853	1,834,453	4,356,253	6,252,449	5,313,106	8,086,902
<b>Total liabilities</b>	<u>1,582,699</u>	<u>2,237,711</u>	<u>6,259,779</u>	<u>7,828,958</u>	<u>7,842,478</u>	<u>10,066,669</u>
<b>Deferred inflows of resources</b>	<u>94,449</u>	<u>63,702</u>	<u>67,079</u>	<u>32,424</u>	<u>161,528</u>	<u>96,126</u>
<b>Net position</b>						
Net investment in capital assets	4,588,597	4,451,727	10,050,359	8,486,229	14,638,956	12,937,956
Restricted	1,116,809	1,220,179	-	-	1,116,809	1,220,179
Unrestricted	501,901	358,423	5,655,917	7,380,250	6,157,818	7,738,673
<b>Total net position</b>	<u>\$ 6,207,307</u>	<u>\$ 6,030,329</u>	<u>\$ 15,706,276</u>	<u>\$ 15,866,479</u>	<u>\$ 21,913,583</u>	<u>\$ 21,896,808</u>

Several key aspects of the Town's financial operations are as follows:

- Continued diligence in the collection of property taxes by maintaining an overall collection percentage of approximately 98.64 percent.
- Continued growth in tax base
- Continued upgrade and repair to the Town's stormwater collection system

**TOWN OF AYDEN, NORTH CAROLINA**  
**Management's Discussion and Analysis**

**June 30, 2017**

	Governmental Activities 2016	Governmental Activities 2017	Business Type Activities 2016	Business Type Activities 2017	Total Primary Government 2016	Total Primary Government 2017
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 751,458	\$ 924,675	\$ 13,485,477	\$ 14,233,203	\$ 14,236,935	\$ 15,157,878
Operating Grants and Contributions	66,571	349,273	-	-	66,571	349,273
Capital Grants and Contributions	372,469	390,845	-	-	372,469	390,845
General Revenues					-	-
Property Taxes	1,259,559	1,298,611	-	-	1,259,559	1,298,611
Other	1,419,497	1,777,764	109	25,910	1,419,606	1,803,674
<b>Total Revenues</b>	<b>3,869,554</b>	<b>4,741,168</b>	<b>13,485,586</b>	<b>14,259,113</b>	<b>17,355,140</b>	<b>19,000,281</b>
<b>Expenses</b>						
General government	1,235,644	823,723	-	-	1,235,644	823,723
Public safety	1,595,026	1,788,273	-	-	1,595,026	1,788,273
Transportation	700,389	788,981	-	-	700,389	788,981
Environmental protection	218,076	295,492	-	-	218,076	295,492
Economic and physical development	447,007	473,052	-	-	447,007	473,052
Cultural, recreational and cemetery	494,183	894,560	-	-	494,183	894,560
Interest on Debt	95,211	68,389	-	-	95,211	68,389
Electric	-	-	10,261,525	10,968,831	10,261,525	10,968,831
Water and Sewer	-	-	2,930,107	2,933,911	2,930,107	2,933,911
<b>Total Expenses</b>	<b>4,785,536</b>	<b>5,132,469</b>	<b>13,191,632</b>	<b>13,902,742</b>	<b>17,977,168</b>	<b>19,035,211</b>
<b>Increase (decrease) in net position before transfers</b>	<b>(915,982)</b>	<b>(391,301)</b>	<b>293,954</b>	<b>356,371</b>	<b>(622,028)</b>	<b>(34,930)</b>
<b>Contribution of capital assets to Enterprise Fund</b>	<b>424,520</b>	<b>599,520</b>	<b>(424,520)</b>	<b>(599,520)</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net position</b>	<b>(491,462)</b>	<b>208,219</b>	<b>(130,566)</b>	<b>(243,149)</b>	<b>(622,028)</b>	<b>(34,930)</b>
<b>Net Position, beginning</b>	<b>6,698,769</b>	<b>6,207,307</b>	<b>15,836,842</b>	<b>15,706,276</b>	<b>22,535,611</b>	<b>21,913,583</b>
<b>Restatements</b>	<b>-</b>	<b>(385,197)</b>	<b>-</b>	<b>403,352</b>	<b>-</b>	<b>18,155</b>
<b>Net Position, beginning restated</b>	<b>-</b>	<b>5,822,110</b>	<b>-</b>	<b>16,109,628</b>	<b>-</b>	<b>21,931,738</b>
<b>Net Position, ending</b>	<b>\$ 6,207,307</b>	<b>\$ 6,030,329</b>	<b>\$ 15,706,276</b>	<b>\$ 15,866,479</b>	<b>\$ 21,913,583</b>	<b>\$ 21,896,808</b>

*Governmental Activities* – Governmental activities decreased the Town's net position by \$176,978 (including the restatement). Key elements of this decrease are as follows:

- Restatement of prior year expenditures
- An increase in local option sales taxes.
- An increase in grant proceeds
- An increase fire protection revenue
- An decrease in expenditures

*Business-type Activities* – Business-type activities increased the Town's net position by \$160,203 (including restatement). Key elements for this overall increase were:

- Restatement of prior year expenditures
- Increase in Electric, water and sewer revenues.
- An overall decrease in expenditures.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Management's Discussion and Analysis**

**June 30, 2017**

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

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

*Governmental Funds* – The focus of the Town'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's financing requirements.

The General Fund is the chief operating fund of the Town of Ayden. At the end of the current fiscal year, the Town of Ayden's fund balance available in the General Fund was \$1,086,369, while the total fund balance reached \$2,396,502. 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 23.97% of General Fund expenditures, while the total fund balance represents 51.46% of the same amount.

At June 30, 2017, the governmental funds of the Town of Ayden reported a combined governmental fund balance of \$2,436,903. The governmental funds for the Town include the General Fund, one permanent fund and a couple of special revenue funds.

**General Fund Budgetary Highlights**

During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased total budgeted revenues by \$47,061.

*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 \$6,008,329 and for the Water Sewer Fund, \$1,371,921. The total change in unrestricted net position for the Electric Fund and the Water Sewer Fund was \$1,851,680 and \$(127,347), 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 with the use of long term debt.

*Capital Assets* – The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2017, totals \$19,635,334 (net of accumulated depreciation). These assets include land, construction in process, buildings, machinery, vehicles, and equipment.

	<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Business Type Activities</u>	<u>Total Primary Government</u>	<u>Total Primary Government</u>
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Land	\$ 709,582	\$ 709,582	\$ 68,661	\$ 68,661	\$ 778,243	\$ 778,243
Buildings & Systems	3,012,160	3,019,526	10,130,875	11,734,657	13,143,035	14,754,183
Equipment	244,020	297,284	1,442,522	1,453,882	1,686,542	1,751,166
Vehicles	1,251,911	1,055,393	406,516	956,153	1,658,427	2,011,546
Construction in Process	15,743	2,254	2,297,200	337,942	2,312,943	340,196
Total Capital assets, net	<u>\$ 5,233,416</u>	<u>\$ 5,084,039</u>	<u>\$ 14,345,774</u>	<u>\$ 14,551,295</u>	<u>\$ 19,579,190</u>	<u>\$ 19,635,334</u>

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

**TOWN OF AYDEN, NORTH CAROLINA**  
**Management's Discussion and Analysis**

**June 30, 2017**

*Long-term Debt* – As of June 30, 2017, the Town had total debt outstanding of \$6,697,378. This debt consists revenue bonds, which represent bonds secured by specified revenue sources and installment financing secured by either a building, system, equipment or vehicle.

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total Primary Government	Total Primary Government
	2016	2017	2016	2017	2016	2017
Revenue bonds	\$ -	\$ -	\$ 1,568,415	\$ 1,437,714	\$ 1,568,415	\$ 1,437,714
Notes Payable	-	-	316,975	1,941,352	316,975	1,941,352
Installment purchase	644,819	632,312	2,727,000	2,686,000	3,371,819	3,318,312
Total Debt	<u>\$ 644,819</u>	<u>\$ 632,312</u>	<u>\$ 4,612,390</u>	<u>\$ 6,065,066</u>	<u>\$ 5,257,209</u>	<u>\$ 6,697,378</u>

Additional information on the Town's long-term debt can be found in Note III.B.6 of the Basic Financial Statements.

**Economic Factors and Next Year's Budget and Rates**

The following key economic indicators reflect the growth and prosperity of the Town:

The following key economic indicators reflect the growth and prosperity of the Town:

- The unemployment rate for the Town of Ayden is presumably in line with that of Pitt Town. Pitt Town unemployment rate for June 2017 was 4.90 percent, which is down from a year ago. This compares slightly unfavorable to the State's average unemployment rate of 4.20 percent and the national average rate of 4.40 percent.
- Inflation and cost-of-living trends in the region compare similarly to national indices.
- Interest on investments is currently paying at rates between 1.00 percent and .98 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 the tax base and additional utility revenues. The Town of Ayden continues to have new residential subdivisions and commercial prospects ready for construction.
- The new Highway 11 bypass to be completed in June 2019, is expected to increase commercial growth

All of these factors were considered in preparing the Town of Ayden's budget for the 2017-2018 fiscal year. At the end of the current fiscal year, unassigned fund balance in the General Fund was \$1,116,243. The Town of Ayden has appropriated \$102,822 of this amount for spending in the 2017-2018 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 as the adoption of the budget for the 2017-2018 fiscal year. Operating expenses for this fund were established factoring the expected resources generated by revenues similar to the prior year rate structure. Water rate will remain the same however sewer rates will experience a significant increase due to increased operational and debt service expense for CMSD. It is anticipated that consumer usage of electricity and water will remain flat for a consecutive year due to the 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 2017-2018 fiscal year can best be described as stable considering the current economic climate.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Management's Discussion and Analysis**

**June 30, 2017**

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**Requests for Information**

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

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**FINANCIAL STATEMENTS**

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**TOWN OF AYDEN, NORTH CAROLINA**  
**Statement of Net Position**

**June 30, 2017**

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total Primary Government</b>	<b>Component Unit Ayden Housing Authority</b>
<b>Assets</b>				
Cash and investments	\$ 1,519,275	\$ 6,755,483	\$ 8,274,758	\$ 1,243,161
Taxes receivable, net	75,138	-	75,138	-
Accounts receivable, net	50,532	1,728,966	1,779,498	162,658
Due from other governments	750,865	-	750,865	-
Inventories	27,533	73,771	101,304	4,660
Restricted cash	293,434	202,550	495,984	40,358
<b>Total current assets</b>	<u>2,716,777</u>	<u>8,760,770</u>	<u>11,477,547</u>	<u>1,450,837</u>
Noncurrent assets				
Capital assets:				
Land, non-depreciable improvements				
Restricted investments	709,582	406,603	1,116,185	
Other capital assets, net of depreciation	4,372,203	14,144,692	18,516,895	3,885,649
<b>Total capital assets</b>	<u>5,084,039</u>	<u>14,551,295</u>	<u>19,635,334</u>	<u>4,055,869</u>
<b>Total assets</b>	<u>7,800,816</u>	<u>23,312,065</u>	<u>31,112,881</u>	<u>5,506,706</u>
<b>Deferred outflows of resources</b>				
Pension deferrals	530,926	415,796	946,722	86,940
	<u>530,926</u>	<u>415,796</u>	<u>946,722</u>	<u>86,940</u>
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	174,699	910,647	1,085,346	84,482
Customer deposits	-	202,550	202,550	36,262
Current portion of long-term liabilities	228,559	463,312	691,871	5,858
<b>Total current liabilities</b>	<u>403,258</u>	<u>1,576,509</u>	<u>1,979,767</u>	<u>126,602</u>
Long-term liabilities:				
Net pension liability	605,470	495,385	1,100,855	-
Net pension liability - LEOSA	539,552	-	539,552	-
Due in more than one year	689,431	5,757,064	6,446,495	144,889
<b>Total long-term liabilities</b>	<u>1,834,453</u>	<u>6,252,449</u>	<u>8,086,902</u>	<u>144,889</u>
<b>Total liabilities</b>	<u>2,237,711</u>	<u>7,828,958</u>	<u>10,066,669</u>	<u>271,491</u>
<b>Deferred inflows of resources</b>				
Pension	63,702	32,424	96,126	9,691
	<u>63,702</u>	<u>32,424</u>	<u>96,126</u>	<u>9,691</u>
<b>Net position</b>				
Net investment in capital assets	4,451,727	8,486,229	12,937,956	4,055,869
Restricted for:				
Stabilization by State Statute	886,344	-	886,344	-
Streets	293,434	-	293,434	-
Cultural and recreational	37,548	-	37,548	40,358
Public safety	2,853	-	2,853	-
Economic and physical development	-	-	-	-
Unrestricted	358,423	7,380,250	7,738,673	1,216,237
<b>Total net position</b>	<u>\$ 6,030,329</u>	<u>\$ 15,866,479</u>	<u>\$ 21,896,808</u>	<u>\$ 5,312,464</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Statement of Activities**

**Year Ended June 30, 2017**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Ayden Housing Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 823,723	\$ 17,278	328,997	\$ -	\$ (477,448)	\$ -	\$ (477,448)
Public safety	1,788,273	346,900	20,276	-	(1,421,097)	-	(1,421,097)
Transportation	788,981	110,081	-	150,659	(528,241)	-	(528,241)
Environmental protection	295,492	362,143	-	-	66,651	-	66,651
Economic and physical development	473,052	3,775	-	240,186	(229,091)	-	(229,091)
Cultural and recreational	894,560	84,498	-	-	(810,062)	-	(810,062)
Interest on long-term debt	68,389	-	-	-	(68,389)	-	(68,389)
Total governmental activities	<u>5,132,469</u>	<u>924,675</u>	<u>349,273</u>	<u>390,845</u>	<u>(3,467,676)</u>	<u>-</u>	<u>(3,467,676)</u>
Business-type activities:							
Electric	10,968,831	11,413,703	-	-	-	444,872	444,872
Water & Sewer	2,933,911	2,819,500	-	-	-	(114,411)	(114,411)
Total business-type activities	<u>13,902,742</u>	<u>14,233,203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>330,461</u>	<u>330,461</u>
Total primary government	<u>\$ 19,035,211</u>	<u>\$ 15,157,878</u>	<u>\$ 349,273</u>	<u>\$ 390,845</u>	<u>(3,467,676)</u>	<u>330,461</u>	<u>(3,137,215)</u>
Component unit:							
Ayden Housing Authority	\$ 1,655,169	\$ 665,087	\$ 883,992	\$ -	-	-	\$ (106,090)
Total component unit:	<u>\$ 1,655,169</u>	<u>\$ 665,087</u>	<u>\$ 883,992</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(106,090)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose				1,298,611	-	1,298,611	-
Local option sales tax				1,047,280	-	1,047,280	-
Other taxes				520,104	-	520,104	-
Unrestricted investment earnings				5,595	25,910	31,505	1,826
Miscellaneous				204,785	-	204,785	133,908
Transfers				599,520	(599,520)	-	-
Total general revenues and transfers				<u>3,675,895</u>	<u>(573,610)</u>	<u>3,102,285</u>	<u>135,734</u>
Change in net position				208,219	(243,149)	(34,930)	29,644
Net position - beginning				6,207,307	15,706,276	21,913,583	5,272,673
Restatement - Accounts payable				(348,747)	826,254	477,507	-
Restatement - Debt				-	(316,975)	(316,975)	-
Restatement - Capital Assets				-	190,960	190,960	-
Restatement - Cash				321,577	(296,887)	24,690	-
Restatement - LEOSA				(358,027)	-	(358,027)	-
Restatement - Component unit				-	-	-	10,147
Net position - beginning, as restated				<u>5,822,110</u>	<u>16,109,628</u>	<u>21,931,738</u>	<u>5,282,820</u>
Net position - ending				<u>\$ 6,030,329</u>	<u>\$ 15,866,479</u>	<u>\$ 21,896,808</u>	<u>\$ 5,312,464</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	<u>Major</u>	<u>Non-Major</u>	
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,454,040	\$ 65,235	\$ 1,519,275
Restricted cash and cash equivalents	293,434	-	293,434
Taxes receivable, net	75,138	-	75,138
Accounts receivable	32,808	17,724	50,532
Inventories	27,533	-	27,533
Due from other governments	750,865	-	750,865
<b>Total assets</b>	<u>\$ 2,633,818</u>	<u>\$ 82,959</u>	<u>\$ 2,716,777</u>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 132,141	\$ 42,558	\$ 174,699
<b>Total liabilities</b>	<u>132,141</u>	<u>42,558</u>	<u>174,699</u>
<b>Deferred inflows of resources</b>	<u>105,175</u>	<u>-</u>	<u>105,175</u>
<b>Fund balances:</b>			
Nonspendable - Inventory	27,533		27,533
Restricted:			
Stabilization by State Statute	886,344	-	886,344
Streets	293,434	-	293,434
Cultural and recreational	-	37,548	37,548
Public safety	-	2,853	2,853
Economic and physical development	-	-	-
Assigned:			
For subsequent years expenditures:	102,822	-	102,822
Unassigned	1,086,369	-	1,086,369
<b>Total fund balances</b>	<u>2,396,502</u>	<u>40,401</u>	<u>2,436,903</u>
	<u>\$ 2,633,818</u>	<u>\$ 82,959</u>	<u>\$ 2,716,777</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Reconciliation of the Balance Sheet of Governmental Funds to the**  
**Statement of Net Position**  
**June 30, 2017**

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

Ending fund balance - governmental funds	\$	2,436,903
Capital assets are not financial resources, and therefore, are not reported in the funds (see note 4).		5,084,039
Deferred outflows of resources related to pensions are not reported in the funds		530,926
Earned revenues considered deferred inflows of resources in fund statements		105,175
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Long-term liabilities		(917,990)
Pension obligations		(1,145,022)
		(2,063,012)
Deferred inflows of resources related to pensions are not reported in the funds		(63,702)
Net position of governmental activities	\$	6,030,329

**TOWN OF AYDEN, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2017**

	<b>General</b>	<b>Total Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Ad valorem taxes	\$ 1,286,396	\$ -	\$ 1,286,396
Other taxes	1,047,280	-	1,047,280
Unrestricted intergovernmental revenue	520,104	-	520,104
Restricted intergovernmental revenue	428,614	291,888	720,502
Licenses and permits	9,153	-	9,153
Sales and services	935,138	-	935,138
Interest earned on investments	5,434	161	5,595
Miscellaneous	203,773	1,012	204,785
Total revenues	<u>4,435,892</u>	<u>293,061</u>	<u>4,728,953</u>
<b>Expenditures</b>			
Current:			
General government	769,791	-	769,791
Public safety	1,566,920	-	1,566,920
Transportation	677,382	-	677,382
Environmental protection	196,599	-	196,599
Economic and physical development	126,000	342,722	468,722
Cultural and recreational	818,925	946	819,871
Debt service:			
Principal payments	143,302	-	143,302
Interest and fees	68,389	-	68,389
Capital outlay	290,160	-	290,160
Total expenditures	<u>4,657,468</u>	<u>343,668</u>	<u>5,001,136</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(221,576)</u>	<u>(50,607)</u>	<u>(272,183)</u>
<b>Other financing sources (uses)</b>			
Transfers from other funds	599,520	-	599,520
Transfers to other funds	(2,341)	-	(2,341)
Proceeds from loan	130,794	-	130,794
Total other financing sources (uses)	<u>727,973</u>	<u>-</u>	<u>727,973</u>
<b>Net change in fund balances</b>	506,397	(50,607)	455,790
<b>Fund balance - beginning</b>	1,917,284	91,008	2,008,292
<b>Restatement - accounts payable</b>	(348,747)	-	(348,747)
<b>Restatement - cash</b>	321,568	-	321,568
<b>Fund balance - ending</b>	<u>\$ 2,396,502</u>	<u>\$ 40,401</u>	<u>\$ 2,436,903</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
**Year Ended June 30, 2017**

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

Net change in fund balances - total governmental funds	\$	455,790
<p>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 outlay exceeded depreciation in the current period.</p>		
Capital Outlay	\$	308,468
Depreciation		(437,589)
Disposals		(20,256)
		(149,377)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of longer-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.</p>		
		12,507
<p>Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statements.</p>		
		407,372
<p>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.</p>		
		(518,073)
Change in net position of governmental activities	\$	208,219

**TOWN OF AYDEN, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**General Funds – Budget and Actual**  
**Year Ended June 30, 2017**

	<b>General Fund</b>			<b>Variance With Final Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,218,759	\$ 1,218,759	\$ 1,286,396	\$ 67,637
Other taxes	1,009,962	1,009,962	1,047,280	37,318
Unrestricted intergovernmental revenue	491,614	491,614	520,104	28,490
Restricted intergovernmental revenue	193,515	519,254	428,614	(90,640)
Licenses and permits	22,000	22,000	9,153	(12,847)
Sales and services	809,250	809,250	935,138	125,888
Interest earned on investments	6,000	6,000	5,434	(566)
Miscellaneous	57,000	94,035	203,773	109,738
Total revenues	<u>3,808,100</u>	<u>4,170,874</u>	<u>4,435,892</u>	<u>265,018</u>
<b>Expenditures:</b>				
Current:				
General government	696,420	876,081	769,791	106,290
Public safety	1,633,185	1,649,220	1,566,920	82,300
Transportation	797,956	789,507	677,382	112,125
Environmental protection	237,080	237,080	196,599	40,481
Economic and physical development	239,163	224,163	126,000	98,163
Cultural and recreational	572,735	831,991	818,925	13,066
Debt service:				
Principal payments	127,081	127,081	143,302	(16,221)
Interest and fees	100,314	100,314	68,389	31,925
Capital outlay	237,308	239,578	290,160	(50,582)
Total expenditures	<u>4,641,242</u>	<u>5,075,015</u>	<u>4,657,468</u>	<u>417,547</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	774,520	774,520	599,520	(175,000)
Insurance proceeds	-	43,000	-	(43,000)
Proceeds from loan	-	-	130,794	130,794
Fund balance appropriated	58,622	86,621	-	(86,621)
Total other financing sources (uses)	<u>833,142</u>	<u>904,141</u>	<u>727,973</u>	<u>(176,168)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	506,397	<u>\$ 506,397</u>
<b>Fund Balances:</b>				
<b>Beginning of year, July 1</b>			1,917,284	
<b>Restatement - accounts payable</b>			(348,747)	
<b>Restatement - cash</b>			<u>321,568</u>	
<b>End of year, June 30</b>			<u>\$ 2,396,502</u>	

**TOWN OF AYDEN, NORTH CAROLINA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

	<b>Major Enterprise Funds</b>		
	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>Assets</b>			
Current assets			
Cash and investments	\$ 5,598,698	1,156,785	\$ 6,755,483
Accounts receivable (net)	1,396,733	332,233	1,728,966
Inventories	60,222	13,549	73,771
Restricted cash and cash equivalents	202,550	-	202,550
<b>Total current assets</b>	<u>7,258,203</u>	<u>1,502,567</u>	<u>8,760,770</u>
Noncurrent assets			
Land and construction in progress	390,103	16,500	406,603
Capital assets, net of accumulated depreciation	3,675,076	10,469,616	14,144,692
<b>Total noncurrent assets</b>	<u>4,065,179</u>	<u>10,486,116</u>	<u>14,551,295</u>
<b>Total assets</b>	<u>11,323,382</u>	<u>11,988,683</u>	<u>23,312,065</u>
<b>Deferred outflows of resources</b>			
Contributions to pension plan in the current year	300,164	112,853	413,017
Pension deferrals	1,979	800	2,779
	<u>302,143</u>	<u>113,653</u>	<u>415,796</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	861,088	49,559	910,647
Customer deposits	202,550	-	202,550
Compensated absences, current	21,414	6,189	27,603
Current portion of long-term debt and accrued vacation	263,008	172,701	435,709
<b>Total current liabilities</b>	<u>1,348,060</u>	<u>228,449</u>	<u>1,576,509</u>
Noncurrent liabilities			
Compensated absences, noncurrent	12,317	3,756	16,073
Other postemployment benefits	68,921	42,713	111,634
Net pension liability	363,282	132,103	495,385
Non-current portion of long-term debt	1,678,344	3,951,013	5,629,357
<b>Total noncurrent liabilities</b>	<u>2,122,864</u>	<u>4,129,585</u>	<u>6,252,449</u>
<b>Total liabilities</b>	<u>3,470,924</u>	<u>4,358,034</u>	<u>7,828,958</u>
<b>Deferred inflows of resources - pension</b>	<u>22,445</u>	<u>9,979</u>	<u>32,424</u>
<b>Net position</b>			
Net investment in capital assets	2,123,827	6,362,402	8,486,229
Unrestricted	6,008,329	1,371,921	7,380,250
<b>Total net position</b>	<u>\$ 8,132,156</u>	<u>\$ 7,734,323</u>	<u>\$ 15,866,479</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2017**

	<b>Enterprise Funds</b>		
	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>Operating revenues</b>			
Charges for services	\$ 11,352,017	\$ 2,819,500	\$ 14,171,517
Other operating revenue	61,686	-	61,686
Total operating revenues	<u>11,413,703</u>	<u>2,819,500</u>	<u>14,233,203</u>
<b>Operating expenses</b>			
Electric operations	2,562,926	-	2,562,926
Electrical power purchases	7,776,389	-	7,776,389
Water operations	-	2,465,037	2,465,037
Depreciation	583,751	225,160	808,911
Total operating expenses	<u>10,923,066</u>	<u>2,690,197</u>	<u>13,613,263</u>
<b>Operating income (loss)</b>	<u>490,637</u>	<u>129,303</u>	<u>619,940</u>
<b>Nonoperating revenue (expense)</b>			
Investment earnings	19,200	6,710	25,910
Interest and other charges	(45,766)	(154,206)	(199,972)
Water project expenditures, not capitalized	-	(89,508)	(89,508)
Total nonoperating revenue (expense)	<u>(26,566)</u>	<u>(237,004)</u>	<u>(263,570)</u>
<b>Income (loss) before transfers and contributions</b>	<u>464,071</u>	<u>(107,701)</u>	<u>356,370</u>
Transfers out	(599,520)	-	(599,520)
<b>Change in net position</b>	<u>(135,449)</u>	<u>(107,701)</u>	<u>(243,150)</u>
<b>Total net position - beginning</b>	7,908,308	7,797,968	15,706,276
<b>Restatement - debt</b>	(316,975)	-	(316,975)
<b>Restatement - accounts payable</b>	603,241	223,013	826,254
<b>Restatement - Cash</b>	(117,929)	(178,957)	(296,886)
<b>Restatement - Capital assets</b>	190,960	-	190,960
<b>Total net position - beginning, as restated</b>	<u>8,267,605</u>	<u>7,842,024</u>	<u>16,109,629</u>
<b>Total net position - ending</b>	<u>\$ 8,132,156</u>	<u>\$ 7,734,323</u>	<u>\$ 15,866,479</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2017**

	<b>Enterprise Funds</b>		
	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>Operating activities</b>			
Cash received from customers	\$ 11,132,619	\$ 2,571,585	\$ 13,704,204
Other operating revenue	61,686	-	61,686
Cash paid to employees	(2,303,400)	(2,461,807)	(4,765,207)
Cash paid for goods and services	(8,425,726)	-	(8,425,726)
<b>Net cash provided by (used in) operating activities</b>	<b>465,179</b>	<b>109,778</b>	<b>574,957</b>
<b>Noncapital financing activities</b>			
Transfers out	(599,520)	-	(599,520)
<b>Net cash used by noncapital financing activities</b>	<b>(599,520)</b>	<b>-</b>	<b>(599,520)</b>
<b>Capital and related financing activities</b>			
Acquisition and construction of capital assets	(897,271)	(117,161)	(1,014,432)
Proceeds from issuance of long-term debt	2,016,275	-	2,016,275
Principal paid on long-term debt	(74,923)	(171,701)	(246,624)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>1,044,081</b>	<b>(288,862)</b>	<b>755,219</b>
<b>Investing activities</b>			
Investment earnings	19,200	6,711	25,911
Interest paid	(45,766)	(154,206)	(199,972)
Water Capital Project expenses not capitalized	-	(89,508)	(89,508)
Net effect of prior period adjustments	359,297	44,055	403,352
<b>Net cash provided (used) in investing activities</b>	<b>332,731</b>	<b>(192,948)</b>	<b>139,783</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,242,471</b>	<b>(372,032)</b>	<b>870,439</b>
<b>Cash and cash equivalents</b>			
<b>Beginning of year</b>	<b>4,558,777</b>	<b>1,528,817</b>	<b>6,087,594</b>
<b>End of year</b>	<b>\$ 5,801,248</b>	<b>\$ 1,156,785</b>	<b>\$ 6,958,033</b>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Statement of Cash Flows**  
**Proprietary Funds (Continued)**  
**Year Ended June 30, 2017**

	<b>Enterprise Funds</b>		
	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss)	\$ 490,637	\$ 129,303	\$ 619,940
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	583,751	225,160	808,911
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(237,180)	(53,045)	(290,225)
(Increase) decrease in inventories	(908)	420	(488)
(Increase) decrease in deferred outflows	(239,667)	(88,387)	(328,054)
Increase (decrease) in accounts payable and accrued liabilities	(408,762)	(195,290)	(604,052)
Increase (decrease) customer deposits	17,782	-	17,782
Increase (decrease) in compensated absences payable	(15,984)	(8,063)	(24,047)
Increase (decrease) in OPEB	9,021	5,820	14,841
Increase in net pension liability	291,807	103,197	395,004
Increase (decrease) in deferred inflows	(25,318)	(9,337)	(34,655)
Total adjustments	<u>(25,458)</u>	<u>(19,525)</u>	<u>(44,983)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 465,179</u>	<u>\$ 109,778</u>	<u>\$ 574,957</u>
Cash and cash equivalents			
Unrestricted	\$ 5,598,698	\$ 1,156,785	\$ 6,755,483
Restricted	202,550	-	202,550
Total	<u>\$ 5,801,248</u>	<u>\$ 1,156,785</u>	<u>\$ 6,958,033</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

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**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

**I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Ayden (“the Town”) conform to U.S. 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 U.S. generally accepted accounting principles (“GAAP”), these financial statements include all funds that are controlled by, or financially dependent, on the Town. As required by GAAP, these financial statements present all the fund types of the Town and its component units, legally separate entities for which the Town is financially accountable. The Ayden Housing Authority (“Authority”), which has a June 30 year-end, is presented as if it is a separate proprietary fund of the Town (discrete presentation).

<b>Component Unit</b>	<b>Reporting Method</b>	<b>Criteria for Inclusion</b>	<b>For Separate Financial Statements</b>
Ayden Housing Authority	Discrete	The members of the Authority’s governing board are the same as the Town’s Board of Commissioners.	Ayden Housing Authority Post Office Box 482 Ayden, NC 28513

**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.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

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**I. Summary of Significant Accounting Policies (Continued)**

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

The Town reports the following major governmental 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.** This fund is used to account for the accumulation of resources to be used for long-term improvements to the library.

**Police Unauthorized Substance Tax Fund.** This fund is used to account for the use of restricted funds for drug enforcement activities.

**Federal and State Assistance Fund.** This fund is used to account for the use of various federal and state funds received.

**CDBG Catalyst Fund.** This fund is used to account 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.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

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**I. Summary of Significant Accounting Policies (Continued)**

*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.

**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.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

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**I. Summary of Significant Accounting Policies (Continued)**

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.

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.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

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**I. Summary of Significant Accounting Policies (Continued)**

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 – Government 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.

**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.

Governmental Activities:		
General Fund:		
Powell Bill funds	\$	293,434
Business-type activities:		
Electric fund		
Customer deposits		202,550
Total Restricted Cash	\$	<u>495,984</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

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**I. Summary of Significant Accounting Policies (Continued)**

**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 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. 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.

**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 General Fund, 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.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

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**I. Summary of Significant Accounting Policies (Continued)**

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

<b><u>Assets</u></b>	<b><u>Estimated Useful Lives</u></b>
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

**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 2017 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.

**9. Long-Term Obligations**

In the government-wide financial statement, 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.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

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**I. Summary of Significant Accounting Policies (Continued)**

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.

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.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

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**I. Summary of Significant Accounting Policies (Continued)**

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.

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.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

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**I. Summary of Significant Accounting Policies (Continued)**

The Town of Ayden has also adopted a minimum fund balance policy for the General Fund, which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. Any portion of the General Fund balance in excess of 10% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

**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, 2017, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for capital outlay activities by \$50,582 and principal payments by \$16,221. Management and the Board will more closely review the budget reports to ensure compliance in future years.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

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**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 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, 2017, the Town's deposits had a carrying amount of \$4,824,862 and a bank balance of \$5,061,500. 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, 2017, the Town's petty cash fund totaled \$750.

At June 30, 2017, the Authority's deposits had a carrying amount of \$1,283,519. The Authority's bank balances were \$1,316,552. Of the bank balance, \$390,124 of it was covered by federal depository insurance. The remaining balance was secured by a dedicated method.

2. Investments

At June 30, 2017, the Town had \$3,945,130 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**

**June 30, 2017**

**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, 2017 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	\$ 136,125	\$ 83,836	\$ 750,865	\$ 970,826
Nonmajor Funds	-	17,724	-	17,724
Allowance for doubtful accounts	(60,987)	(51,028)	-	(112,015)
Total governmental activities	<u>\$ 75,138</u>	<u>\$ 50,532</u>	<u>\$ 750,865</u>	<u>\$ 876,535</u>
Business-Type Activities:				
Electric Fund	\$ -	\$ 2,450,213	\$ -	\$ 2,450,213
Water and Sewer Fund	-	627,492	-	627,492
Total receivables				
Allowance for doubtful accounts	-	(1,348,739)	-	(1,348,739)
Total business-type activities	<u>\$ -</u>	<u>\$ 1,728,966</u>	<u>\$ -</u>	<u>\$ 1,728,966</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

**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, 2017, was as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated				
Land	\$ 709,582	\$ -	\$ -	\$ 709,582
Construction in progress	15,743	2,254	(15,743)	2,254
Total capital assets not being depreciated	<u>725,325</u>	<u>2,254</u>	<u>(15,743)</u>	<u>711,836</u>
<b>Capital assets being depreciated:</b>				
Buildings and structures	1,421,402	-	-	1,421,402
Other improvements	3,491,286	7,366	-	3,498,652
Furniture, equipment, and machinery	995,388	53,264	-	1,048,652
Vehicles and motor equipment	3,182,511	245,584	(35,388)	3,392,707
Total capital assets being depreciated	<u>9,090,587</u>	<u>306,214</u>	<u>(35,388)</u>	<u>9,361,413</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and structures	769,477	-	-	769,477
Other improvements	1,131,051	-	-	1,131,051
Furniture, equipment, and machinery	751,368	-	-	751,368
Vehicles and motor equipment	1,930,600	437,589	(30,875)	2,337,314
Total accumulated depreciation	<u>4,582,496</u>	<u>\$ 437,589</u>	<u>\$ (30,875)</u>	<u>4,989,210</u>
Total capital assets being depreciated, net	<u>4,508,091</u>			<u>4,372,203</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 5,233,416</u>			<u>\$ 5,084,039</u>

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

General government	\$ 42,267
Public safety	158,134
Transportation	91,430
Economic and physical development	3,547
Environmental protection	81,019
Cultural and recreation	61,192
	<u>\$ 437,589</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

**III. Detail Notes on All Funds (Continued)**

A. Assets (Continued)

	<b>Balance July 1, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2017</b>
<b>Electric Fund</b>				
<b>Business-type activities:</b>				
Capital assets not being depreciated				
Land	\$ 52,161	\$ -	\$ -	\$ 52,161
Construction in progress	2,093,990	337,942	(2,093,990)	337,942
Total capital assets not being depreciated	2,146,151	337,942	(2,093,990)	390,103
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	4,602,718	2,093,102	-	6,695,820
Furniture, equipment, and machinery	2,560,799	93,000	-	2,653,799
Vehicles	1,691,786	271,744	(292,917)	1,670,613
Total capital assets being depreciated	8,855,303	2,457,846	(292,917)	11,020,232
<b>Less Accumulated Depreciation:</b>				
Plant and distribution systems	4,184,762	502,585	(4,513)	4,682,834
Furniture, equipment, and machinery	1,802,256	34,786	-	1,837,042
Vehicles	1,071,817	46,380	(292,917)	825,280
Total accumulated depreciation	7,058,835	\$ 583,751	\$ (297,430)	7,345,156
Total capital assets being depreciated, net	1,796,468			3,675,076
<b>Electric Fund capital assets, net</b>	<b>\$ 3,942,619</b>			<b>\$ 4,065,179</b>
	<b>Balance July 1, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2017</b>
<b>Water Sewer Fund:</b>				
<b>Business-type activities:</b>				
Capital assets not being depreciated				
Land	\$ 16,500	\$ -	\$ -	\$ 16,500
Total capital assets not being depreciated	16,500	-	-	16,500
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	14,727,782	52,040	-	14,779,822
Furniture, equipment, and machinery	1,619,602	9,280	-	1,628,882
Vehicles	509,254	55,841	-	565,095
Total capital assets being depreciated	16,856,638	117,161	-	16,973,799
<b>Less Accumulated Depreciation:</b>				
Plant and distribution systems	5,014,863	43,288	-	5,058,151
Furniture, equipment, and machinery	935,623	56,134	-	991,757
Vehicles	328,537	125,738	-	454,275
Total accumulated depreciation	6,279,023	\$ 225,160	\$ -	6,504,183
Total capital assets being depreciated, net	10,577,615			10,469,616
<b>Water and Sewer Fund Capital assets, net</b>	<b>10,594,115</b>			<b>10,486,116</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 14,536,734</b>			<b>\$ 14,551,295</b>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

**III. Detail Notes on All Funds (Continued)**

A. Assets (Continued)

**Construction Commitments**

The government has active construction projects as of June 30, 2017. The Town had no open construction commitments at year-end.

Component Unit:

The capital assets of the Authority at June 30, 2017 consisted of the following:

	<u>Balance</u> <u>March 31, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated				
Land	\$ 170,220	\$ -	\$ -	\$ 170,220
Total capital assets not being depreciated	<u>170,220</u>	<u>-</u>	<u>-</u>	<u>170,220</u>
<b>Capital assets being depreciated:</b>				
Building	8,517,712	95,800	-	8,613,512
Furniture and Equipment	373,458	-	(8,177)	365,281
Improvements	1,097,510	-	(260,176)	837,334
Total capital assets being depreciated	<u>9,988,680</u>	<u>95,800</u>	<u>(268,353)</u>	<u>9,816,127</u>
<b>Less Accumulated Depreciation:</b>				
Total accumulated depreciation	<u>5,767,984</u>	<u>\$ 338,954</u>	<u>\$ (176,460)</u>	<u>5,930,478</u>
Total capital assets being depreciated, net	<u>4,220,696</u>			<u>3,885,649</u>
<b>Component Unit Capital assets, net</b>	<u>4,390,916</u>			<u>4,055,869</u>
<b>Component Unit capital assets, net</b>	<u>\$ 4,390,916</u>			<u>\$ 4,055,869</u>

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**

**June 30, 2017**

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**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](http://www.osc.nc.gov).

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

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

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**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

*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 contractually required contribution rate for the year ended June 30, 2017, was 7.15% of compensation for law enforcement officers and 6.67% 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 \$160,286 for the year ended June 30, 2017.

*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, 2017, the Town reported a liability of \$1,100,855 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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 0.05187%, which was a decrease of 0.00199% from its proportion measured as of June 30, 2015.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

For the year ended June 30, 2017, the Town recognized pension expense of \$284,375. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 20,683	\$ 38,575
Changes of assumptions	75,399	-
Net difference between projected and actual earnings on pension plan investments	608,634	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,454	46,078
Employer contributions subsequent to the measurement date *	229,825	
Total	\$ 938,995	\$ 84,653

\$160,286 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ending June 30:**

2018	\$	88,898
2019		88,959
2020		276,159
2021		170,501
2022		-
Thereafter		-
	\$	624,517

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.5% to 7.75%, including inflation and productivity factor
Investment rate of return	7.25%, 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 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%	1.4%
Global Equity	42%	5.3%
Real Estate	8%	4.3%
Alternatives	8%	8.9%
Credit	7%	6.0%
Inflation Protection	6%	4.0%
Total	<u>100%</u>	

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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:

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 2,612,843	\$ 1,100,855	\$ (162,069)

*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.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	19
Total	19

*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 Statement 73.

*Actuarial Assumptions.* The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	3.86%
Projected salary increases	3.50 - 7.35%
Includes inflation at	3.00%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016.

Mortality rates are based on the RP-2000 Mortality tables with adjustment for mortality improvements based on Scale AA.

*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. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$15,453 as benefits came due for the reporting period.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

**III. Detail Notes on All Funds (Continued)**

B. Liabilities (Continued)

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

At June 30, 2017, the Town reported a total pension liability of \$539,552. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$28,335.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	11,473
Town benefit payments and plan administrative expense made subsequent to the measurement date	7,727	-
Total	\$ 7,727	\$ 11,473

\$7,727 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ending June 30:**

2018	\$ (1,951)
2019	(1,951)
2020	(1,951)
2021	(1,951)
2022	(1,951)
Thereafter	(1,718)
	\$ (11,473)

\$7,727 paid as benefits and administrative expenses came due subsequent to the measurement date are reported as deferred outflows of resources.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 3.86 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	<b>1% Decrease (2.86%)</b>	<b>Discount Rate (3.86%)</b>	<b>1% Increase (4.86%)</b>
Total pension liability	\$ 587,241	\$ 539,552	\$ 495,729

Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance:

Beginning Balance	\$ 511,217
Service Cost	23,509
Interest on total pension liability	18,250
Changes in assumptions or other inputs	(13,424)
Benefit payments	-
Net Changes	28,335
Ending Balance of the Total Pension Liability	\$ 539,552

The plan currently uses mortality tables that vary by age, 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.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

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**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**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.

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, 2017 were \$58,278, which consisted of \$51,337 from the Town and \$6,941 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, 2017, the Town made payments for post-retirement health benefit premiums of \$17,100. The Town purchases insurance from a private carrier for healthcare coverage. A separate report was not issued for the plan.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

**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. 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 other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC).

The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. 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 current year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation for the postemployment healthcare benefits:

Annual required contribution	\$ 49,166
Interest on net OPEB obligation	7,536
Adjustment to annual required contribution	(10,502)
Annual OPEB cost	46,200
Amount Paid in FY 2017 for Retiree Benefits	(17,100)
Increase in Net OPEB Obligation	29,100
Beginning OPEB Obligation	188,388
Ending OPEB Obligation	\$ 217,488

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, 2017 were as follows:

<b>Year Ended</b>	<b>Annual</b>	<b>Percentage of</b>	<b>Net</b>
<b>June 30</b>	<b>Pension</b>	<b>APC</b>	<b>Pension</b>
<b>June 30</b>	<b>Cost (APC)</b>	<b>Contributed</b>	<b>Obligation</b>
2017	\$ 46,200	37.01%	\$ 217,488
2016	49,511	54.16%	165,692
2015	48,034	66.29%	141,343

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

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**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

*Funded Status and Funding Progress.* As of December 31, 2016, the accrued liability for benefits was \$922,132, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$3,080,754 and the ratio of the UAAL to the covered payroll was 29.93 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 – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long term perspective of the calculations.

The following simplifying assumptions were made:

Retirement Age for Active Employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

Marital Status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality – Life expectancies were based on mortality tables from the National Center for Health.

Statistics – The 2013 United States Life Tables for Males and for Females were used.

Turnover – Non group specific age based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for development of an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

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**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

Healthcare Cost Trend Rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of (8.90) percent initially, increased to 5.25% and then a flat 5%, was used for the remaining years.

Health Insurance Premiums – 2016 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation Rate – The expected long term inflation assumption of 3.3 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPIW) in The 2013 Annual Report of the Board of Trustees of Federal Old Age and Survivors Insurance and Disability Insurance Trust Funds for an intermediate growth scenario.

Payroll Growth Rate – The expected long term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the Town's short term investment portfolio, a discount rate of 4.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2017, was 30 years.

**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.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

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

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

<b>Source</b>	<b>Amount</b>
Pension deferrals	\$ 946,722
Total	\$ 946,722

<b>Source</b>	<b>Amount</b>
Pension deferrals	\$ 96,126
Taxes receivable, net	105,175
Total	\$ 201,301

**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.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

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**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

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.

**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, 2017 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.	\$ 139,964
Note payable for a purchase of a fire equipment truck in July 2015, annual installments of \$68,120, interest at 2.29%, maturing in 2021; secured by a fire equipment truck.	377,864
Note payable for a purchase of knuckleboom truck in October 2016, monthly installments of \$2,353, interest at 3.05%, maturing in 2021; secured by a knuckleboom truck.	114,484
Total governmental activities notes payable	<u><u>\$ 632,312</u></u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

The future minimum payments of the governmental activities long-term debt notes payable as of June 30, 2017 are as follows:

Year Ending June 30	Principal	Interest	Total
2018	\$ 154,526	\$ 14,067	\$ 168,593
2019	157,790	10,803	168,593
2020	88,893	7,465	96,357
2021	91,142	5,215	96,357
2022	74,458	3,075	77,533
2023-2026	65,504	1,525	67,029
Total	<u>\$ 632,312</u>	<u>\$ 42,150</u>	<u>\$ 674,461</u>

b. Electric fund

Notes payable:

\$403,784, loan issued in 2016, interest at 3.75%, payable in annual installments of \$86,810; final payment due in 2020; secured by electric equipment trucks	<u>\$ 242,052</u>
\$199,300, loan issued in 2017, interest at 2.57%, payable in monthly installments of \$3,599, final payment due in 2022; secured by electric equipment truck	<u>\$ 199,300</u>
\$1,500,000, loan issued in 2016, interest at 2.44%, payable in annual installments of \$150,000 plus interest; final payment due in 2026; secured by electric substation assets	<u>\$ 1,500,000</u>

The future minimum payments of the electric fund long-term debt as of June 30, 2017 are as follows:

Year Ending June 30	Principal	Interest	Total
2018	\$ 263,008	\$ 49,996	\$ 313,004
2019	270,088	42,855	312,943
2020	274,138	35,145	309,283
2021	191,519	27,295	218,814
2022	192,599	22,555	215,154
2023-2027	750,000	54,840	804,840
	<u>\$ 1,941,352</u>	<u>\$ 232,686</u>	<u>\$ 2,174,038</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

c. Water and sewer fund – Notes payable

\$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.

\$ 1,437,714

The future minimum payments of the water and sewer fund notes payable as of June 30, 2017 are as follows:

Year Ending June 30	Principal	Interest	Total
2018	\$ 130,701	\$ 32,564	\$ 163,265
2019	130,701	29,604	160,305
2020	130,701	26,643	157,345
2021	130,701	23,683	154,384
2022	130,701	20,723	151,424
2023-2027	653,506	59,208	712,714
2028-2032	130,701	2,960	133,662
Total	<u>\$ 1,437,714</u>	<u>\$ 195,385</u>	<u>\$ 1,633,099</u>

Revenue bonds payable:

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

\$ 2,686,000

The future minimum payments of the water sewer fund revenue bonds as of June 30, 2017 are as follows:

Year Ending June 30	Principal	Interest	Total
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	50,000	109,638	159,638
2023-2027	286,000	513,319	799,319
2028-2032	355,000	524,344	879,344
2033-2037	441,000	360,106	801,106
2038-2042	544,000	231,131	775,131
2043-2047	677,000	124,950	801,950
2048-2052	153,000	6,694	159,694
Total	<u>\$ 2,686,000</u>	<u>\$ 2,328,856</u>	<u>\$ 5,014,856</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

The Town is required to be in compliance with the covenants associated with Sewer Revenue Bonds 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, 2017 are as follows:

Operating revenues	\$ 2,819,500
Operating expenses	2,465,037
Operating income	<u>354,463</u>
Non-operating revenues (expenses)**	6,710
Income available for debt service	<u><u>\$ 361,173</u></u>
Debt service, principal, and interest paid (Revenue bond only)	<u><u>\$ 159,513</u></u>
Debt service coverage ratio	<u><u>226%</u></u>
Subordinated Debt Service:	
Debt service, principal, and interest paid (Subordinated indebtedness)	<u><u>\$ 160,306</u></u>
Debt service coverage ratio	<u><u>225%</u></u>

\*Per rate covenants, this does not include the depreciation expense of \$225,160.

\*\*Per rate covenants, this does not include interest paid of \$119,306.

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 \$5,014,856. Principal and interest paid for the current year was \$160,306. The Town had water and sewer net revenues of \$350,832.

The Town is in compliance in respect to bond covenant ratios.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**d. Changes in long-term liabilities**

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

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion
<b>Governmental activities:</b>					
Notes payable	\$ 644,819	\$ 130,794	\$ (143,301)	\$ 632,312	\$ 154,526
Compensated absences	125,514	54,311	-	179,825	74,033
Net pension liability (LGERS)	141,339	464,131	-	605,470	-
Net pension liability	511,217	28,335	-	539,552	-
Other post-employment benefits	91,594	14,259	-	105,853	-
Total	<u>\$ 1,514,483</u>	<u>\$ 506,725</u>	<u>\$ (143,301)</u>	<u>\$ 2,063,012</u>	<u>\$ 228,559</u>
<b>Business-Type Activities:</b>					
<b>Electric Fund:</b>					
Notes payable	\$ 316,975	\$ 1,699,300	\$ (74,923)	\$ 1,941,352	\$ 263,008
Compensated absences	49,715	-	(15,984)	33,731	21,414
Net pension liability (LGERS)	71,475	291,807	-	363,282	-
Other post-employment benefits	59,900	9,021	-	68,921	-
Total	<u>\$ 498,065</u>	<u>\$ 2,000,128</u>	<u>\$ (90,907)</u>	<u>\$ 2,407,286</u>	<u>\$ 284,422</u>
<b>Water and Sewer Fund:</b>					
Revenue bonds	\$ 1,568,415	\$ -	\$ (130,701)	\$ 1,437,714	\$ 130,701
Notes payable	2,727,000	-	(41,000)	2,686,000	42,000
Compensated absences	18,008	-	(8,063)	9,945	6,189
Net pension liability (LGERS)	28,906	103,197	-	132,103	-
Other post-employment benefits	36,893	5,820	-	42,713	-
Total	<u>\$ 4,379,222</u>	<u>\$ 109,017</u>	<u>\$ (179,764)</u>	<u>\$ 4,308,475</u>	<u>\$ 178,890</u>
<b>Total business-type activities</b>	<u>\$ 4,877,287</u>	<u>\$ 2,109,145</u>	<u>\$ (270,671)</u>	<u>\$ 6,715,761</u>	<u>\$ 463,312</u>

The Town has a legal debt margin of \$11,879,066 at June 30, 2017.

**Component Unit:**

A summary of changes in long-term obligations of the Authority are as follows:

	Balance April 1, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion
OPEB Liability	\$ 12,609	\$ 8,376	\$ -	\$ 20,985	\$ -
Net pension liability (LGERS)	25,312	81,017	-	106,329	-
Compensated absences	29,208	-	(5,775)	23,433	5,858
Total	<u>\$ 67,129</u>	<u>\$ 89,393</u>	<u>\$ (5,775)</u>	<u>\$ 150,747</u>	<u>\$ 5,858</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**7. Net Investment in Capital Assets**

The total net investment in capital assets at June 30, 2017 is composed of the following:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets	\$ 5,084,039	\$ 14,551,295
Less: long-term debt	(632,312)	(6,065,066)
Net investment in capital assets	\$ 4,451,727	\$ 8,486,229

**C. Interfund Balances and Activity**

Transfers to/from other funds at June 30, 2017, consist of the following:

From Electric Fund to the General Fund for tax payments	\$	599,520
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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	\$	2,396,502
Less:		
Nonspendable Inventory		27,533
Stabilization by State Statute		886,344
Powell Bill Funds		293,434
Appropriated Fund Balance in 2018 budget		102,822
Remaining Fund Balance	\$	1,086,369

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 encumbrances of \$30,500 at June 30, 2017.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

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**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 \$13,959,000, and the three towns are assessed with their pro-rata share of the operating expenses and debt service requirements. Ayden's assessed share of operation expenses for the year ended June 30, 2017, was \$881,295 or 38.00%, 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, 2017 were \$7,841,717.

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.

**VI. Major Utility Customer**

In 2017, the Town had electrical revenue of \$2,387,164 from one customer, which accounted for 21% of total electric revenue.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Notes to the Financial Statements**

**June 30, 2017**

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**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, 2017, 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.

**IX. Change in accounting principles/restatement**

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, Amendments to certain provisions of GASB Statements 67 and 68, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased \$358,027.

**X. Prior Period Adjustments**

In the prior year, the Town was unable to provide proper supporting documentation for several balances. During the current fiscal year ended June 30, 2017, the Town obtained the proper supporting documentation and has the following prior period adjustments, which result in a restatement of net position the Governmental Activities by \$(27,170) of which \$(348,747) related to accounts payables and \$321,577 related to cash which the majority was recorded in incorrect funds. A restatement of net position was also required for the business type activities of \$403,352 of which \$826,254 related to accounts payable, \$(316,975) related to a loan that was not recorded in the previous year, \$190,960 related to capital assets that were incorrectly reported and \$(296,887) related to cash which the majority was recorded in incorrect funds. The same prior period adjustments and restatement that was required for the net position of the governmental activities was also required to the general fund balance of (\$27,170).

**XI. Significant Effects of Subsequent Events**

Subsequent events have been evaluated through January 28, 2018, the date which the financial statements were available to be issued. There were no recognized events meriting disclosure.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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

**June 30, 2017**

**Schedule of Changes in Total Pension Liability**

	2017
Beginning Balance	\$ 511,217
Service Cost	23,509
Interest on total pension liability	18,250
Changes in assumptions or other inputs	(13,424)
Benefit payments	-
Net Changes	28,335
Ending Balance of the Total Pension Liability	\$ 539,552

**Schedule of Total Pension Liability as a Percentage of Covered Payroll**

	2017
Total pension liability	\$ 539,552
Covered payroll	886,219
Total pension liability as a percentage of covered payroll	61%

Notes to the schedules:

The Town has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Other Postemployment Benefits**  
**Required Supplementary Information**  
**Schedule of Funding Progress and Employer Contributions**  
**June 30, 2017**

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%
12/31/2016	-	922,132	922,132	0%	3,080,754	29.93%

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2017	\$ 49,166	34.78%
2016	49,214	54.49%
2015	47,781	49.57%

**TOWN OF AYDEN, NORTH CAROLINA**  
**Local Government Employees' Retirement System**  
**Schedule of the Town's Proportionate Share of the Net Pension Liability (Asset)**

**Last Four Fiscal Years**

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	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) %	0.05187%	0.05390%	0.05740%	0.05440%
Town's proportionate share of the net pension liability (asset)	\$ 1,108,855	\$ 241,720	\$ (338,632)	\$ 655,729
Town's covered-employee payroll	\$ 2,933,280	\$ 2,825,548	\$ 2,621,704	\$ 2,621,704
Town's proportionate share of the net pension liability (asset) as a percentage	38%	8.55%	-12.92%	25.01%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%

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

**TOWN OF AYDEN, NORTH CAROLINA**  
**Schedule of Town Contributions for**  
**Local Government Retirement System**

**As of June 30, 2017**

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	2017	2016	2015	2014
Contractually required contribution	\$ 229,825	\$ 204,593	\$ 204,834	\$ 201,431
Contribution in relation to the contractually required contribution	229,825	204,593	204,834	201,431
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
 Town's covered-employee payroll	 \$ 3,080,754	 \$ 2,993,280	 \$ 2,858,529	 \$ 2,825,548
Contributions as a percentage of covered-employee payroll	7.46%	6.84%	7.17%	7.13%

**TOWN OF AYDEN, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund**

Year Ended June 30, 2017

	2017		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues</b>			
<b>Ad valorem taxes</b>			
Taxes	\$ 1,214,759	\$ 1,278,493	\$ 63,734
Penalties and interest	4,000	7,903	3,903
<b>Total ad valorem taxes</b>	<u>1,218,759</u>	<u>1,286,396</u>	<u>67,637</u>
<b>Other taxes and licenses</b>			
Local option sales tax	1,009,962	1,047,280	37,318
<b>Total other taxes and licenses</b>			
<b>Unrestricted intergovernmental revenues</b>			
Franchise taxes	389,500	381,480	(8,020)
Beer and wine tax	23,114	22,663	(451)
Cable TV franchise	34,000	62,178	28,178
Other taxes and licenses	45,000	53,783	8,783
<b>Total unrestricted intergovernmental revenues</b>	<u>491,614</u>	<u>520,104</u>	<u>28,490</u>
<b>Restricted intergovernmental revenues</b>			
Powell Bill	147,015	150,659	3,644
Grants	372,239	277,955	(94,284)
<b>Total restricted intergovernmental revenues</b>	<u>519,254</u>	<u>428,614</u>	<u>(90,640)</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund (continued)**

Year Ended June 30, 2017

	2017		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues (continued)</b>			
<b>Permits and fees</b>			
Court facility fees	\$ 21,000	\$ 5,378	\$ (15,622)
Building permits	1,000	3,775	2,775
<b>Total licenses and permits</b>	<u>22,000</u>	<u>9,153</u>	<u>(12,847)</u>
<b>Sales and services</b>			
Sanitation revenues	300,000	362,143	62,143
Cemetery lot sales	46,000	11,900	(34,100)
Rents	9,000	19,616	10,616
Recreation fees	66,000	84,498	18,498
Stormwater collection fees	120,000	110,081	(9,919)
Fire protection services	268,250	346,900	78,650
<b>Total sales and services</b>	<u>809,250</u>	<u>935,138</u>	<u>125,888</u>
<b>Interest earned on investments</b>	<u>6,000</u>	<u>5,434</u>	<u>(566)</u>
<b>Miscellaneous</b>	<u>94,035</u>	<u>203,773</u>	<u>109,738</u>
<b>Total revenues</b>	<u>4,170,874</u>	<u>4,435,892</u>	<u>265,018</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund (continued)**

Year Ended June 30, 2017

	2017		Variance Positive (Negative)
	Budget	Actual	
<b>Expenditures</b>			
<b>Current</b>			
<b>General government</b>			
Governing body			
Salaries and employee benefits	\$	\$ 33,979	\$
Operating expenses		198,686	
Total	250,841	232,665	18,176
Administration			
Salaries and employee benefits		48,076	
Operating expenses		145,691	
Total	194,086	193,767	319
Finance			
Salaries and employee benefits		52,489	
Operating expenses		90,883	
Total	145,569	143,372	2,197
Taxes			
Salaries and employee benefits		24,693	
Operating expenses		22,492	
Total	44,654	47,185	(2,531)
Public Buildings			
Salaries and employee benefits		24,450	
Operating expenses		66,854	
Total	176,002	91,304	84,698
Central services			
Salaries and employee benefits		13,849	
Operating expenses		47,649	
Total	64,929	61,498	3,431
<b>Total general government</b>	<u>876,081</u>	<u>769,791</u>	<u>106,290</u>
<b>Public safety</b>			
Police			
Salaries and employee benefits		1,287,111	
Operating expenses		145,020	
Total	1,487,415	1,432,131	55,284
Fire protection			
Salaries and employee benefits		30,550	
Operating expenses		39,251	
Total	82,012	69,801	12,211
Rural fire department			
Operating expenses	79,793	64,988	
Total	79,793	64,988	14,805
<b>Total public safety</b>	<u>1,649,220</u>	<u>1,566,920</u>	<u>82,300</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund (continued)**

Year Ended June 30, 2017

	2017		Variance Positive (Negative)
	Budget	Actual	
<b>Expenditures (continued)</b>			
<b>Current (continued)</b>			
<b>Transportation</b>			
Streets			
Salaries and employee benefits	\$	\$ 440,393	\$
Powell Bill and other operating expenses		236,989	
<b>Total transportation</b>	<u>789,507</u>	<u>677,382</u>	<u>112,125</u>
<b>Environmental protection</b>			
Sanitation			
Salaries and employee benefits		125,724	
Other operating expenses		70,875	
<b>Total environmental protection</b>	<u>237,080</u>	<u>196,599</u>	<u>40,481</u>
<b>Economic and physical development</b>			
Planning			
Salaries and employee benefit		99,264	
Other expenses		26,736	
<b>Total economic and physical development</b>	<u>224,163</u>	<u>126,000</u>	<u>98,163</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund (continued)**

Year Ended June 30, 2017

	2017		Variance Positive (Negative)
	Budget	Actual	
<b>Expenditures (continued)</b>			
<b>Current (continued)</b>			
<b>Cultural and recreational</b>			
Library			
Salaries and employee benefits		\$ 76,686	
Operating expenses		30,405	
<b>Total</b>	<u>112,186</u>	<u>107,091</u>	<u>5,095</u>
Recreation			
Salaries and employee benefits		221,124	
Operating expenses		490,710	
<b>Total</b>	<u>719,805</u>	<u>711,834</u>	<u>7,971</u>
<b>Total cultural and recreational</b>	<u>831,991</u>	<u>818,925</u>	<u>13,066</u>
<b>Debt service</b>			
Note principal		143,302	
Interest and fees		68,389	
<b>Total debt service</b>	<u>227,395</u>	<u>211,691</u>	<u>15,704</u>
Capital Outlay	<u>239,578</u>	<u>290,160</u>	<u>(50,582)</u>
<b>Total expenditures</b>	<u>5,075,015</u>	<u>4,657,468</u>	<u>417,547</u>
<b>Revenues over (under) expenditures</b>	<u>(904,141)</u>	<u>(221,576)</u>	<u>(152,529)</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund (continued)**

**Year Ended June 30, 2017**

	<b>2017</b>		<b>Variance Positive (Negative)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Other financing sources (uses)</b>			
Transfers from other funds	\$ 774,520	\$ 599,520	\$ (175,000)
Transfers to other funds	-	(2,341)	(2,341)
Loan proceeds	-	130,794	130,794
Insurance proceeds	43,000	-	(43,000)
Fund balance appropriated	86,621	-	(86,621)
<b>Total other financing sources (uses)</b>	<b>904,141</b>	<b>727,973</b>	<b>(176,168)</b>
<b>Revenues and other financing sources (uses) and appropriated fund balance over expenditures</b>	<b>\$ -</b>	<b>506,397</b>	<b>\$ 506,397</b>
<b>Fund balance</b>			
Beginning of year - July 1		1,917,284	
Restatement - accounts payable		(348,747)	
Restatement - cash		321,568	
End of year - June 30		<u>\$ 2,396,502</u>	

**TOWN OF AYDEN, NORTH CAROLINA**  
**Combining Balance Sheet**  
**Non-Major Special Revenue Funds**

**June 30, 2017**

	<b>Permanent Fund</b>	<b>Special Revenue Funds</b>			<b>Total Nonmajor Governmental Funds</b>
	<b>Library Fund</b>	<b>Police Unauthorized Substance Tax Fund</b>	<b>Federal &amp; State Assistance Fund</b>	<b>CDBG Catalyst Fund</b>	
<b>Assets</b>					
Restricted cash and investments	\$ 37,621	\$ 2,853	\$ 3,580	\$ 21,181	\$ 65,235
Accounts receivable	-	-	8,245	9,479	17,724
<b>Total assets</b>	<u>\$ 37,621</u>	<u>\$ 2,853</u>	<u>\$ 11,825</u>	<u>\$ 30,660</u>	<u>\$ 82,959</u>
<b>Liabilities:</b>					
Accounts payable	\$ 73	\$ -	\$ 11,825	\$ 30,660	\$ 42,558
Total liabilities	<u>73</u>	<u>-</u>	<u>11,825</u>	<u>30,660</u>	<u>42,558</u>
<b>Fund balances:</b>					
Restricted:					
Restricted, other	37,548	2,853	-	-	40,401
Total fund balances	<u>37,548</u>	<u>2,853</u>	<u>-</u>	<u>-</u>	<u>40,401</u>
<b>Total liabilities and fund balances</b>	<u>\$ 37,621</u>	<u>\$ 2,853</u>	<u>\$ 11,825</u>	<u>\$ 30,660</u>	<u>\$ 82,959</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Special Revenue Funds**

Year Ended June 30, 2017

	Permanent Fund	Special Revenue Funds			Total Nonmajor Governmental Funds
	Library Fund	Police Unauthorized Substance Tax Fund	Federal & State Assistance	CDBG Catalyst Fund	
<b>Revenues</b>					
Restricted intergovernmental	\$ -	\$ 660	\$ 51,042	\$ 240,186	\$ 291,888
Miscellaneous	1,012	-	-	-	1,012
Investment earnings	161	-	-	-	161
Total revenues	<u>1,173</u>	<u>660</u>	<u>51,042</u>	<u>240,186</u>	<u>293,061</u>
<b>Expenditures</b>					
Economic and physical development	-	-	51,042	291,680	342,722
Public safety	-	-	-	-	-
Cultural and recreational	946	-	-	-	946
Total expenditures	<u>946</u>	<u>-</u>	<u>51,042</u>	<u>291,680</u>	<u>343,668</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>227</u>	<u>660</u>	<u>-</u>	<u>(51,494)</u>	<u>(50,607)</u>
<b>Other financing sources (uses)</b>					
Transfers in					
Transfers out					
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	227	660	-	(51,494)	(50,607)
<b>Fund balance - beginning</b>	<u>37,321</u>	<u>2,193</u>	<u>-</u>	<u>51,494</u>	<u>91,008</u>
<b>Fund balance - ending</b>	<u>\$ 37,548</u>	<u>\$ 2,853</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,401</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - Library Fund**  
**Year Ended June 30, 2017**  
**(With Comparative Totals for June 30, 2016)**

	<b>2017</b>			<b>2016</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>	
<b>Revenues</b>				
Investment earnings	\$	\$ 161	\$ 161	\$ 4
Miscellaneous	400	1,012	612	1,248
<b>Total revenues</b>	<b>400</b>	<b>1,173</b>	<b>773</b>	<b>1,252</b>
<b>Expenditures</b>				
Cultural and recreational Supplies	1,150	946	204	289
<b>Total expenditures</b>	<b>1,150</b>	<b>946</b>	<b>204</b>	<b>289</b>
<b>Other financing sources (uses):</b>				
Fund balance appropriated	750	-	750	-
<b>Revenues over expenditures</b>	<b>\$ -</b>	<b>227</b>	<b>\$ 227</b>	<b>963</b>
<b>Fund balances</b>				
Beginning of year - July 1		37,321		36,358
End of year - June 30		<b>\$ 37,548</b>		<b>\$ 37,321</b>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual – Police Unauthorized Substance Tax**  
**Year Ended June 30, 2017**  
**(With Comparative Totals for June 30, 2016)**

	<b>2017</b>			<b>2016</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>	
<b>Revenues</b>				
Restricted intergovernmental revenue				
Unauthorized substance tax	\$ -	\$ 660	\$ 660	\$ 696
<b>Total revenues</b>	<u>-</u>	<u>660</u>	<u>660</u>	<u>696</u>
<b>Revenues over expenditures</b>	<u>-</u>	<u>660</u>	<u>660</u>	<u>696</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>660</u>	<u>\$ 660</u>	<u>696</u>
<b>Fund balances</b>				
Beginning of year - July 1		<u>2,193</u>		<u>1,497</u>
End of year - June 30		<u>\$ 2,853</u>		<u>\$ 2,193</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual – CDBG Catalyst Fund**

**From Inception and for Year Ended June 30, 2017**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Postive (Negative)</u>
<b>Revenues</b>					
Restricted intergovernmental					
CDBG Catalyst program	\$ 500,000	\$ 489,376	\$ 240,186	\$ 729,562	\$ 229,562
Other non-local funds	2,500	-	-	-	(2,500)
<b>Total revenues</b>	<u>502,500</u>	<u>489,376</u>	<u>240,186</u>	<u>729,562</u>	<u>227,062</u>
<b>Expenditures</b>					
Program expenses	<u>607,500</u>	<u>542,882</u>	<u>291,680</u>	<u>834,562</u>	<u>(227,062)</u>
<b>Total expenditures</b>	<u>607,500</u>	<u>542,882</u>	<u>291,680</u>	<u>834,562</u>	<u>(227,062)</u>
<b>Revenues over (under) expenditures</b>	<u>(105,000)</u>	<u>(53,506)</u>	<u>(51,494)</u>	<u>(105,000)</u>	<u>454,124</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in (out)					
General Fund	<u>105,000</u>	<u>105,000</u>	<u>-</u>	<u>105,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 51,494</u>	<u>(51,494)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund balance</b>					
Beginning of year - July 1			<u>51,494</u>		
End of year - June 30			<u>\$ -</u>		

**TOWN OF AYDEN, NORTH CAROLINA**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**Proprietary Fund – Electric**

**Year Ended June 30, 2017**

	<b>2017</b>		<b>Variance Positive (Negative)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Operating revenues</b>			
Electric charges	\$ 11,340,000	\$ 10,761,168	\$ -
Service charges	590,500	590,849	-
Other operating revenues	5,000	61,686	-
<b>Total operating revenues</b>	<u>11,935,500</u>	<u>11,413,703</u>	<u>521,797</u>
<b>Nonoperating revenues</b>			
Interest earnings	-	19,200	-
<b>Total revenues</b>	<u>\$ 11,935,500</u>	<u>\$ 11,432,903</u>	<u>\$ 502,597</u>
<b>Expenditures</b>			
<b>Electrical operations</b>			
Salaries and employee benefits	\$ -	\$ 1,136,202	\$ -
Operating Expenditures	-	481,588	-
Maintenance and repairs	-	411,073	-
Contracted services	-	34,813	-
<b>Total</b>	<u>3,112,299</u>	<u>2,063,676</u>	<u>1,048,623</u>
Consumer billing and collection			
Salaries and employee benefits	-	326,718	-
Operating expenditures	-	77,946	-
Contracted services	-	94,586	-
<b>Total</b>	<u>674,200</u>	<u>499,250</u>	<u>174,950</u>
Electrical power purchases	8,721,055	7,776,389	944,666
Capital outlay	-	701,798	(701,798)
<b>Total expenditures</b>	<u>12,507,554</u>	<u>11,041,113</u>	<u>1,466,441</u>
Revenues over (under) expenditures	<u>(572,054)</u>	<u>391,790</u>	<u>(963,844)</u>
Other financing sources (uses)			
Transfers (to) from other funds			
Loan proceeds	1,500,000	1,699,300	-
Principal payments	-	(90,907)	-
Interest and fees	-	(45,766)	-
Transfers out	(1,349,520)	(1,193,510)	-
Transfers in	-	593,990	-
Fund balance appropriated	421,574	-	-
<b>Total</b>	<u>572,054</u>	<u>963,107</u>	<u>(391,053)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 1,354,897</u>	<u>\$ (216,103)</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**Proprietary Fund – Electric (continued)**

**Year Ended June 30, 2017**

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**Reconciliation of modified accrual basis to  
full accrual basis**

Total revenues and other financing sources	\$ 1,354,897
Reconciling items	
Depreciation	(583,751)
Principal payments	90,907
Capital Outlay	701,798
Loan proceeds	(1,699,300)
<b>Change in net position</b>	<u><u>\$ (135,449)</u></u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**Electric Substation Capital Project Fund**

**From Inception and for Year Ended June 30, 2017**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures</b>					
Construction	\$ 1,972,000	\$ 1,902,440	\$ 1,902,440	\$ -	\$ 69,560
Engineering	155,000	191,550	191,550	-	(36,550)
Contingency	173,000	-	-	-	173,000
<b>Total expenditures</b>	<u>2,300,000</u>	<u>2,093,990</u>	<u>2,093,990</u>	<u>-</u>	<u>206,010</u>
Revenues over (under) expenditures	<u>(2,300,000)</u>	<u>(2,093,990)</u>	<u>(2,093,990)</u>	<u>-</u>	<u>206,010</u>
<b>Other Financing Sources (Uses)</b>					
Loan proceeds	1,500,000	-	(1,500,000)	1,500,000	-
Town contribution	800,000	-	(593,990)	-	206,010
<b>Total other financing sources</b>	<u>2,300,000</u>	<u>-</u>	<u>(2,093,990)</u>	<u>1,500,000</u>	<u>206,010</u>
<b>Revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ (2,093,990)</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ -</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**Proprietary Fund – Water and Sewer**

**Year Ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Operating revenues</b>			
Water sales	\$ 1,289,000	\$ 1,215,005	\$ 73,995
Sewer charges	1,540,367	1,485,104	55,263
Water and sewer taps	8,000	119,391	(111,391)
Total operating revenues	<u>2,837,367</u>	<u>2,819,500</u>	<u>73,995</u>
<b>Nonoperating revenues and other financing sources</b>			
Interest earnings	-	6,711	(6,711)
<b>Total revenues</b>	<u>2,837,367</u>	<u>2,826,211</u>	<u>(6,711)</u>
<b>Operating expenditures</b>			
General operations			
Salaries and employee benefits		548,050	
Operating expenditures		217,709	
Maintenance and repairs		157,922	
Contracted services		1,541,356	
Total operating expenditures	<u>3,771,798</u>	<u>2,465,037</u>	<u>1,306,761</u>
Debt service			
Principal payments	167,705	171,700	(3,995)
Interest and fees	167,040	154,206	12,834
Total	<u>334,745</u>	<u>325,906</u>	<u>8,839</u>
Capital outlay	<u>204,370</u>	<u>117,161</u>	<u>87,209</u>
Other financing sources (uses):	1,080,000	-	1,080,000
Appropriated fund balance	<u>393,546</u>	<u>-</u>	<u>393,546</u>
Total expenditures and other financing uses	<u>2,837,367</u>	<u>2,908,104</u>	<u>1,315,600</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ (81,893)</u>	<u>\$ 81,893</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**Proprietary Fund – Water and Sewer (continued)**

**Year Ended June 30, 2017**

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<b>Revenues and other sources over (under) expenditures and other uses</b>	\$ (81,893)
Reconciling items	
Depreciation	(225,160)
Capital outlay	117,161
Principal payments	171,700
Water & sewer project expenditures	<u>(89,508)</u>
<b>Change in net position</b>	<u>\$ (107,700)</u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Schedule of Ad Valorem Taxes Receivable**

**June 30, 2017**

Fiscal Year	Uncollected Balance June 30, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2016-2017	\$ -	\$ 1,259,310	\$ 1,242,225	\$ 17,085
2015-2016	36,353		7,659	28,694
2014-2015	29,668		3,664	26,004
2013-2014	14,307		3,031	11,276
2012-2013	17,536		1,559	15,977
2011-2012	9,441		1,055	8,386
2010-2011	7,512		985	6,527
2009-2010	7,358		358	7,000
2008-2009	5,502		86	5,416
2007-2008	4,500		190	4,310
2006-2007	5,470		20	5,450
	\$ 137,647	\$ 1,259,310	\$ 1,260,832	136,125
Less: allowance for uncollectible accounts				
General fund				(60,987)
Ad valorem taxes receivable - net				\$ 75,138
Ad valorem taxes - General Fund				\$ 1,286,396
Reconciling Items				
Penalties and interest				(8,957)
Adjustments				(283)
Other				(16,325)
Subtotal				(25,564)
Total Collections and Credits				\$ 1,260,832

**TOWN OF AYDEN, NORTH CAROLINA**  
**Analysis of Current Tax Levy**  
**Town-Wide Levy**

**For the Fiscal Year Ended June 30, 2017**

	City - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	<b>Original Levy:</b>				
Property taxed at current year's rate	\$ 232,493,704	0.54	\$ 1,255,466	\$ 1,096,550	\$ 158,916
Penalties	-		-	-	-
Total	232,493,704		1,255,466	1,096,550	158,916
<b>Discoveries:</b>					
Current year taxes	844,259	0.54	9,959	9,959	-
Penalties	-		-	-	-
Total	844,259		9,959	9,959	-
<b>Abatements</b>	(1,132,407)		(6,115)	(6,115)	-
Total property valuation	\$ 232,205,555				
Net Levy			1,259,310	1,100,394	158,916
Uncollected taxes as of June 30, 2017			17,085	17,085	-
Current year's taxes collected			\$ 1,242,225	\$ 1,083,309	\$ 158,916
Current levy collection percentage			<u>98.64%</u>	<u>98.45%</u>	<u>100.00%</u>
Prior year collection percentage			<u>97.01%</u>	<u>97.27%</u>	<u>95.16%</u>

# Statistical Section



**TOWN OF AYDEN, NORTH CAROLINA**  
**Net Position by Component**

**Last Ten Fiscal Years**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental activities:</b>										
Net investment in capital assets	\$ 2,695,825	\$ 3,043,431	\$ 318,602	\$ 3,765,711	\$ 3,809,354	\$ 4,174,459	\$ 4,743,747	\$ 4,483,995	\$ 4,588,597	\$ 4,451,727
Restricted for stabilization	-	-	-	645,041	588,086	499,582	636,185	531,177	634,346	886,344
Restricted	5,116	36,877	43,192	82,979	53,037	200,059	169,099	379,435	482,463	333,835
Unrestricted	2,537,922	2,233,862	2,193,970	1,118,802	1,641,106	1,569,802	1,646,514	1,304,202	501,901	358,423
Total governmental activities net position	5,238,863	5,314,170	2,555,764	5,612,533	6,091,583	6,443,902	7,195,545	6,698,809	6,207,307	6,030,329
<b>Business-type activities:</b>										
Net investment in capital assets	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	8,486,229
Unrestricted	8,627,050	8,860,149	8,942,044	9,229,443	9,128,592	7,615,207	7,159,925	5,944,121	5,655,917	7,380,250
Total business-type activities net position	22,023,045	23,113,370	23,121,069	23,041,420	22,329,764	16,188,949	15,699,424	15,836,842	15,706,276	15,866,479
<b>Primary government:</b>										
Net investment in capital assets	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	12,937,956
Restricted for stabilization	-	-	-	645,041	588,086	499,582	636,185	531,177	634,346	886,344
Restricted	51,116	36,877	43,192	82,979	53,037	200,059	169,099	379,435	482,463	333,835
Unrestricted	11,164,972	11,136,011	11,136,014	10,348,245	10,769,698	9,185,009	8,806,439	7,248,323	6,157,818	7,738,673
Total primary government net position	\$ 27,307,908	\$ 28,469,540	\$ 28,466,833	\$ 28,653,953	\$ 28,421,347	\$ 22,632,851	\$ 22,894,969	\$ 22,535,611	\$ 21,913,583	\$ 21,896,808

\* Beginning in FYE 13 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**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities										
General government	\$ 834,122	\$ 897,834	\$ 717,193	\$ 804,013	\$ 666,360	\$ 743,600	\$ 726,966	\$ 661,639	\$ 1,235,644	\$ 823,723
Public safety	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	1,788,273
Transportation	564,179	589,607	577,273	572,786	522,395	661,647	591,579	669,403	700,389	788,981
Environmental Protection	482,313	216,049	218,476	215,400	189,537	198,438	220,042	235,489	218,076	295,492
Econ and Physical Development	142,335	221,846	623,233	351,730	539,699	202,990	207,294	472,657	447,007	473,052
Cultural and Recreational	330,631	350,999	328,809	389,589	373,905	421,874	599,715	501,867	494,183	894,560
Interest on long-term debt	25,261	19,940	14,932	10,562	6,123	4,176	8,917	27,309	95,211	68,389
Total governmental activities expenses	3,677,743	3,772,314	4,061,041	3,985,654	3,674,694	3,798,568	3,985,130	4,195,879	4,785,536	5,132,469
Business-type activities:										
Electric	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	10,968,831
Water and Sewer	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	2,933,911
Total business-type activities expenses	12,997,214	14,099,946	14,319,626	14,748,769	15,183,052	15,084,546	15,678,955	14,734,786	13,191,632	13,902,742
Total primary government expenses	\$ 16,674,957	\$ 17,872,260	\$ 18,380,667	\$ 18,734,423	\$ 18,857,746	\$ 18,883,114	\$ 19,664,085	\$ 18,930,665	\$ 17,977,168	\$ 19,035,211
<b>Program Revenues</b>										
Governmental activities										
Charges for services:										
Refuse collection	\$ 221,044	\$ 286,877	\$ 293,987	\$ 292,668	\$ 293,725	\$ 298,668	\$ 300,794	\$ 287,604	\$ 306,944	\$ 362,143
Culture and recreation	4,907	7,842	6,937	9,533	14,066	25,438	41,709	60,003	69,347	84,498
Other activities	216,337	135,703	202,795	277,519	244,428	342,393	327,277	321,026	375,167	478,034
Operating grants and contributions	459,460	409,728	903,974	472,246	508,673	270,092	839,769	55,148	66,571	349,273
Capital grants and contributions	12,089	-	-	362,721	164,806	252,637	209,472	419,311	372,469	390,845
Total governmental activities program revenues	913,837	840,150	1,407,693	1,414,687	1,225,698	1,189,228	1,719,021	1,143,092	1,190,498	1,664,793
Business-type activities:										
Charges for services:										
Electric	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	11,413,703
Water and Sewer	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	2,819,500
Capital grants and contributions	5,116,447	1,511,507	736,922	304,898	829,867	77,976	92,097	-	-	-
Total business-type activities program revenues	18,638,262	15,609,616	14,695,394	15,207,076	15,187,119	15,004,157	15,588,418	15,482,884	13,485,477	14,233,203
Total primary government program revenues	\$ 19,552,099	\$ 16,449,766	\$ 16,103,087	\$ 16,621,763	\$ 16,412,817	\$ 16,193,385	\$ 17,307,439	\$ 16,625,976	\$ 14,675,975	\$ 15,897,996

**TOWN OF AYDEN, NORTH CAROLINA**  
**Changes in Net Position (continued)**

**Last Ten Fiscal Years**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (2,763,906)	\$ (2,932,164)	\$ (2,653,348)	\$ (2,570,967)	\$ (2,448,996)	\$ (2,609,340)	\$ (2,266,109)	\$ (3,052,787)	\$ (3,595,038)	\$ (3,467,676)
Business-type activities	5,415,725	1,461,941	309,522	329,334	(256,747)	(80,389)	(90,537)	748,098	293,845	330,461
Total primary government net expense	\$ 2,651,819	\$ (1,470,223)	\$ (2,343,826)	\$ (2,241,633)	\$ (2,705,743)	\$ (2,689,729)	\$ (2,356,646)	\$ (2,304,689)	\$ (3,301,193)	\$ (3,137,215)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 1,298,611
Sales taxes	977,213	841,834	798,442	822,208	860,151	859,168	844,197	981,370	899,890	1,047,280
Franchise taxes	364,637	411,101	410,173	420,888	411,409	423,210	418,296	393,042	505,295	520,104
Restricted grants and contributions	-	-	-	-	-	-	-	-	-	-
Investment earnings	414,803	158,566	32,650	22,598	15,719	12,113	8,649	7,195	14,312	5,595
Miscellaneous	(3,834,156)	69,222	47,876	67,093	62,373	59,295	60,807	53,789	-	204,785
Transfers	202,657	405,000	307,997	413,850	458,540	417,765	420,664	424,520	424,520	599,520
Total governmental activities	(885,058)	2,961,471	2,684,941	2,837,735	2,928,047	2,961,659	3,017,752	3,107,833	3,103,576	3,675,895
Business-type activities:										
Investment earnings	105,273	33,384	6,174	4,867	3,631	848	176	102	109	25,910
Miscellaneous	-	-	-	-	-	-	21,500	-	-	-
Transfers	(202,657)	(405,000)	(307,997)	(413,850)	(458,540)	(417,765)	(420,664)	(424,520)	(424,520)	(599,520)
Total business-type activities	(97,384)	(371,616)	(301,823)	(408,983)	(454,909)	(416,917)	(398,988)	(424,418)	(424,411)	(573,610)
Total primary government	\$ (982,442)	\$ 2,589,855	\$ 2,383,118	\$ 2,428,752	\$ 2,473,138	\$ 2,544,742	\$ 2,618,764	\$ 2,683,415	\$ 2,679,165	\$ 3,102,285
<b>Changes in Net Assets:</b>										
Governmental activities	\$ (3,648,964)	\$ 29,307	\$ 31,593	\$ 266,769	\$ 479,050	\$ 352,319	\$ 751,643	\$ 55,046	\$ (491,462)	\$ 208,219
Business-type activities	5,318,341	1,090,325	7,699	(79,649)	(711,656)	(497,306)	(489,525)	323,680	(130,566)	(243,149)
Total primary government change in net position	\$ 1,669,377	\$ 1,119,632	\$ 39,292	\$ 187,120	\$ (232,606)	\$ (144,987)	\$ 262,118	\$ 378,726	\$ (622,028)	\$ (34,930)

**TOWN OF AYDEN, NORTH CAROLINA**  
**Fund Balances of Governmental Funds**

**Last Ten Fiscal Years**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General fund</b>										
Nonspendable	n/a	n/a	n/a	\$ -	\$ -	\$ -	\$ -	264,866	\$ -	27,533
Restricted for Stabilization	n/a	n/a	n/a	506,278	588,086	473,014	472,266	531,177	634,346	886,344
Restricted	n/a	n/a	n/a	43,837	53,037	57,218	83,477	237,540	391,455	293,434
Committed	n/a	n/a	n/a	5,684	4,567	52,112	65,582	48,279	47,704	-
Assigned	n/a	n/a	n/a	-	-	-	-	59,351	70,121	102,822
Unassigned	n/a	n/a	n/a	1,293,193	1,615,205	1,631,837	1,400,923	1,352,380	773,658	1,086,369
Reserved	\$ 637,290	\$ 445,241	\$ 479,137	n/a						
Unreserved	1,824,911	1,786,349	1,723,855	n/a						
<b>Total general fund</b>	<b>\$ 2,462,201</b>	<b>\$ 2,231,590</b>	<b>\$ 2,202,992</b>	<b>\$ 1,848,992</b>	<b>\$ 2,260,895</b>	<b>\$ 2,214,181</b>	<b>\$ 2,022,248</b>	<b>\$ 2,493,593</b>	<b>\$ 1,917,284</b>	<b>\$ 2,396,502</b>
<b>All Other Governmental Funds</b>										
Nonspendable	n/a	n/a	n/a	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Restricted for Stabilization	n/a	n/a	n/a	-	-	26,568	163,625	-	-	-
Restricted	n/a	n/a	n/a	138,763	124,477	142,841	85,622	141,895	91,008	40,401
Committed	n/a	n/a	n/a	39,142	1,039	-	-	-	-	-
Assigned	n/a	n/a	n/a	-	-	-	-	-	-	-
Unassigned	n/a	n/a	n/a	(84,182)	-	(26,568)	(158,900)	-	-	-
Reserved	\$ -	\$ -	\$ -	n/a						
Unreserved, reported in:										
Special revenue funds	11,177	1,832	21,498	n/a						
Permanent funds	37,244	38,365	38,155	n/a						
<b>Total all other government funds</b>	<b>\$ 48,421</b>	<b>\$ 40,197</b>	<b>\$ 59,653</b>	<b>\$ 93,723</b>	<b>\$ 125,516</b>	<b>\$ 142,841</b>	<b>\$ 90,347</b>	<b>\$ 141,895</b>	<b>\$ 91,008</b>	<b>\$ 40,401</b>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Changes in Fund Balances of Governmental Funds**

**Last Ten Fiscal Years**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt service										
Interest	\$ 25,261	\$ 19,962	\$ 14,932	\$ 10,562	\$ 6,123	\$ 4,176	\$ 8,917	\$ 25,806	\$ 95,211	\$ 68,389
Principal	136,611	127,413	104,252	106,566	41,173	43,120	110,794	105,408	108,239	143,302
Capital outlay	-	-	-	-	-	731,987	881,804	61,304	815,721	290,160
Total expenditures	3,891,463	4,083,386	4,136,474	4,601,475	3,718,654	4,554,327	4,603,143	4,024,399	5,355,267	5,001,136
Excess (deficiency) of Revenues over Expenditures	(112,458)	(643,855)	(317,139)	(731,780)	(14,844)	(857,154)	(743,191)	(187,412)	(1,485,716)	(272,183)
<b>Other Financing Sources (Uses)</b>										
Proceeds from borrowing	-	-	-	-	-	410,000	78,100	-	436,000	130,794
Transfers In	205,693	416,177	337,997	453,895	503,540	417,765	511,047	477,020	424,520	599,520
Transfers Out	(3,036)	(11,177)	(30,000)	(40,045)	(45,000)	-	(90,383)	(52,500)	-	(2,341)
Total other financing sources (uses)	202,657	405,000	307,997	413,850	458,540	827,765	498,764	424,520	860,520	727,973
Net change in fund balances	\$ 90,199	\$ (238,855)	\$ (9,142)	\$ (317,930)	\$ 443,696	\$ (29,389)	\$ (244,427)	\$ 237,108	\$ (625,196)	\$ 455,790
Debt service as a percentage of noncapital expenditures	4.79%	4.08%	3.04%	3.14%	1.37%	1.24%	3.22%	3.31%	4.48%	4.71%

**TOWN OF AYDEN, NORTH CAROLINA**  
**Assessed Value and Estimated Actual Value of Taxable Property**

**Last Ten Fiscal Years**

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Fiscal Year Ending	Real Property Residential and Commercial Property	Personal Property Motor Vehicle and Other Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable/ Market Value	Assessed Value as a Percentage of Market Value
2008	\$ 157,924,383	\$ 31,199,200	\$ 189,123,583	\$ 0.50	n/a	n/a
2009	185,455,482	29,026,000	214,481,482	0.50	n/a	n/a
2010	190,867,494	26,683,600	217,551,094	0.50	n/a	n/a
2011	190,603,756	25,766,000	216,369,756	0.50	n/a	n/a
2012	195,593,162	27,921,400	223,514,562	0.50	n/a	n/a
2013	192,572,117	28,103,889	220,676,006	0.54	n/a	n/a
2014	197,685,555	36,490,926	234,176,481	0.54	n/a	98.50%
2015	200,998,070	29,499,074	230,497,144	0.54	n/a	98.61%
2016	201,997,068	27,118,889	229,115,957	0.54	229,115,957	100.00%
2017	202,776,666	29,428,889	232,205,555	0.54	232,205,555	100.00%

**TOWN OF AYDEN, NORTH CAROLINA**  
**Direct and Overlapping Property Tax Rates**

**Last Ten Fiscal Years**

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Fiscal Year Ending	Town Direct Rates			Overlapping Rates		
	Basic Rate	Total Direct	Rescue District	Fire District	County	
2008	\$ 0.50	\$ 0.50	\$ 0.0440	\$ 0.0375	\$ 0.6650	
2009	0.50	0.50	0.0440	0.0300	0.6650	
2010	0.50	0.50	0.0440	0.0300	0.6650	
2011	0.50	0.50	0.0440	0.0425	0.6650	
2012	0.50	0.50	0.0460	3.0475	0.6650	
2013	0.54	0.54	0.0460	0.0475	0.6800	
2014	0.54	0.54	0.0460	0.0475	0.6800	
2015	0.54	0.54	0.0460	0.0475	0.6800	
2016	0.54	0.54	0.0460	0.0475	0.6800	
2017	0.54	0.54	0.0460	0.0475	0.6800	

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**

**Last Ten Fiscal Years**

Employer	2017			2007		
	Taxable Assessed Value	Rank	Percentage of Total city Tax. Ass. Val.	Taxable Assessed Value	Rank	Percentage of Total city Tax. Ass. Val.
ROSEMYR CORPORATION	\$ 5,156,241	1	2.22%	\$ 2,705,700	1	1.46%
HILCO LTD (AYDEN COURT)	2,357,644	2	1.02%	2,002,180	2	1.08%
ROBINSON, RUDOLPH, ROBINSON, MARIE	1,851,562	3	0.80%			
AYDEN GOLF AND COUNTRY CLUB	1,728,337	4	0.74%			
FLOYD, GREGORY EVERTTE	1,663,137	5	0.72%			
GREENBRIAR APARTMENTS	1,636,072	6	0.70%	1,610,455	5	0.87%
EASTERN AREA MANAGEMENT LLC	1,506,189	7	0.65%			
WALGREENS	1,476,374	8	0.64%			
FAIRMONT VILLAGE APARTMENTS	1,374,044	9	0.59%	2,224,698	3	1.20%
MINNESOTT LANDING LLC	1,357,385	10	0.58%			
JUDSON POPE LLC				1,110,410	9	0.60%
CAROLINA TELEPHONE & TELEGRAPH				1,650,913	4	0.89%
WG POLLARD JR				1,556,390	6	0.84%
JOYCE HARRIS				1,254,380	7	0.68%
ASHTON SPRING HOUSING ASSOC				1,113,000	8	0.60%
BRIARCLIFF MANOR APTS				991,247	10	0.53%
	<u>\$ 20,106,985</u>		<u>8.66%</u>	<u>\$ 16,219,373</u>		<u>8.75%</u>

Source: Pitt County Tax Office

**TOWN OF AYDEN, NORTH CAROLINA**  
**Property Tax Levies and Collections**

**Last Ten Fiscal Years**

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Fiscal Year Ending June 30,	Taxes Levied for the Fiscal Year	<u>Collected within the Fiscal</u>		Collections of Subsequent Years	<u>Percentage</u>	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 983,442	\$ 937,217	95.30%	\$ 37,536	\$ 974,753	99.12%
2009	1,079,656	1,037,808	96.12%	40,086	1,077,894	99.84%
2010	1,093,333	1,047,361	95.80%	41,360	1,088,721	99.58%
2011	1,087,394	1,037,439	95.41%	43,147	1,080,586	99.37%
2012	1,123,507	1,069,742	95.21%	41,749	1,111,491	98.93%
2013	1,197,941	1,116,143	93.17%	36,044	1,152,187	96.18%
2014	1,271,512	1,211,509	95.28%	57,531	1,269,040	99.81%
2015	1,245,006	1,141,635	91.70%	47,888	1,244,242	99.94%
2016	1,214,741	1,178,388	97.01%	7,659	1,186,047	97.94%
2017	1,259,310	1,242,225	98.64%	-	1,242,225	98.64%

**TOWN OF AYDEN, NORTH CAROLINA**  
**Ratios of Outstanding Debt by Type**

**Last Ten Fiscal Years**

Fiscal Year Ending	General Obligation Bonds	Installment Purchases	Sales Tax Increment Bonds	Lease Revenue Bonds	Special Assessment Bonds	Revenue Bonds	Installment Purchases	Capital Loans	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
2008	\$ -	\$ 469,686	\$ -	\$ -	\$ -	\$ 2,937,000	\$ -	\$ 1,852,655	\$ -	\$ 5,259,341	6.04%	\$ 1,075.09
2009	-	342,271	-	-	-	2,937,000	-	2,483,324	-	5,762,595	6.58%	1,170.55
2010	-	238,019	-	-	-	2,937,000	-	2,352,623	-	5,527,642	6.28%	1,118.28
2011	-	129,453	-	-	-	2,906,000	-	2,221,922	-	5,257,375	5.90%	1,049.80
2012	-	88,280	-	-	-	2,873,000	-	2,091,221	-	5,052,501	5.65%	1,006.07
2013	-	455,160	-	-	-	2,839,000	-	1,960,520	-	5,254,680	5.87%	1,044.25
2014	-	422,466	-	-	-	2,803,000	-	1,829,819	-	5,055,285	5.88%	1,001.44
2015	-	317,058	-	-	-	2,766,000	-	1,699,118	-	4,782,176	5.01%	945.28
2016	-	644,819	-	-	-	2,727,000	316,975	1,568,415	-	5,257,209	5.61%	1,040.41
2017	-	632,312	-	-	-	2,686,000	1,941,352	1,437,714	-	6,697,378	(1)	1,290.19

(1) Information is unavailable

**TOWN OF AYDEN, NORTH CAROLINA**  
**Direct and Overlapping Activities Debt**

**Last Ten Fiscal Years**

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<b>Government Unit</b>	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable</b>	<b>Estimated Share of Overlapping Debt</b>
<b>Direct General Obligation Debt</b>			
Town of Ayden, NC			
Installment Purchase Debt	<u>\$ 632,312</u>	100%	<u>\$ 632,312</u>
Subtotal, direct debt	632,312		632,312
<b>Overlapping General Obligation Debt</b>	<u>-</u>		<u>-</u>
<b>Total Direct and Overlapping Debt</b>	<u><u>\$ 632,312</u></u>		<u><u>\$ 632,312</u></u>

**TOWN OF AYDEN, NORTH CAROLINA**  
**Legal Debt Margin Information**

**Last Ten Fiscal Years**

Legal Debt Margin Calculation for Fiscal Year Ending 2017

Assessed value	\$ 232,205,555
Debt limit (8% of assessed value)	18,576,444
Debt applicable to limit:	
General obligation bonds	-
Certificates of Participation	-
Installment Purchases	632,312
Notes/Bonds Payable	<u>6,065,066</u>
Total net debt applicable to limit	<u>6,697,378</u>
Legal debt margin	<u>\$ 11,879,066</u>

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 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	\$ 18,576,444
Total net debt applicable to limit	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	6,697,378
Legal debt margin	<u>\$ 9,870,546</u>	<u>\$ 11,395,924</u>	<u>\$ 11,876,446</u>	<u>\$ 11,922,752</u>	<u>\$ 12,828,664</u>	<u>\$ 12,399,400</u>	<u>\$ 13,678,833</u>	<u>\$ 13,657,596</u>	<u>\$ 13,389,043</u>	<u>\$ 11,879,066</u>
Total net debt applicable to the limit as a percentage of debt limit	34.76%	33.58%	31.76%	31.12%	28.26%	29.76%	26.98%	25.93%	26.95%	36.05%

**TOWN OF AYDEN, NORTH CAROLINA**  
**Pledged-Revenue Coverage**

**Last Ten Fiscal Years**

Fiscal Year Ending	Water Revenue Bonds						Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2008	\$ 1,675,530	\$ 1,593,183	\$ 82,347	\$ -	\$ -	0.00%	
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%	
2017	2,819,500	2,465,037	354,463	41,000	119,306	221%	

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**

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Year	Population	Per Capita Personal Income (1)	Personal Income (thousands of dollars)	County Public School Enrollment (2)	County Unemployment Rate (3)	Median Age
2008	4,892	\$ 17,797	\$ 87,063	\$ 22,994	6.6%	(4)
2009	4,923	17,797	87,615	23,235	10.3%	42.9
2010	4,943	17,797	87,971	22,886	10.1%	42.4
2011	5,008	17,797	89,127	23,240	10.8%	39.3
2012	5,022	17,797	89,377	23,386	10.0%	40.0
2013	5,032	17,797	89,555	23,495	9.5%	36.6
2014	5,048	17,018	85,907	23,845	6.9%	37.5
2015	5,059	18,880	95,514	23,900	6.9%	38.1
2016	5,053	18,558	93,774	23,348	5.9%	36.8
2017	5,191	19,137	(4)	23,253	4.9%	(4)

1 Provided by the US Census Bureau Quick Facts

2 Provided by the Pitt County Board of Education

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

4 Information unavailable for this period

**TOWN OF AYDEN, NORTH CAROLINA**  
**Principal Employers**

**Current Year and Nine Years Ago**

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Employer	2017			2008		
	FT Employees	Rank	Percentage of Total city Employment	FT Employees	Rank	Percentage of Total city Employment
Weyerhaeuser	171	1	n/a	200	1	n/a
Minges Bottling Group	150	2	n/a	85	3	n/a
Carolina Catfish	120	3	n/a	128	2	n/a
Ayden Court	92	4	n/a	50	6	n/a
Town of Ayden	73	5	n/a	76	4	n/a
Growers Gin	31	8	n/a	33		
CMI Plastics	55	6	n/a	70	7	n/a
RSB Tobacco	47	7	n/a			
Harvest Time Foods	25	9	n/a	27	5	n/a
Russ Pest Control	14	10	n/a		9	
Free Will Baptist Press				25	10	n/a
BJ Machine Works				32	8	n/a

**TOWN OF AYDEN, NORTH CAROLINA**  
**Full-time Equivalent City Government Employees by Function/ Program**

**Last Ten Fiscal Years**

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Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government										
Administration	3	3	3	2	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	-
Garage	1	1	1	1	1	1	1	1	1	1
Buildings	2	2	2	2	2	2	2	2	2	2
Public Safety										
Sworn Officers	17	17	18	16	17	18	18	18	18	23
Civilians	4	4	4	4	4	3	4	4	4	4
Transportation/Street	8	9	8	8	7	7	8	8	8	7
Sanitation	3	3	3	2	3	3	3	3	3	3
Economic & Physical Dev.	3	3	3	3	3	3	3	3	3	3
Cultural and Recreation	4	4	4	4	4	4	4	4	4	3
Electric Operation	13	12	11	11	11	12	12	12	12	12
Billing and Collections	2	3	3	3	2	2	2	2	3	3
Water and Sewer Operations	6	6	6	6	6	6	6	6	6	4
<b>Total</b>	<b>70</b>	<b>71</b>	<b>70</b>	<b>66</b>	<b>66</b>	<b>67</b>	<b>69</b>	<b>69</b>	<b>70</b>	<b>70</b>

Source: Town Finance Department as of 6/30/17.

**TOWN OF AYDEN, NORTH CAROLINA**  
**Capital Asset Statistics by Function/Program**

**Last Ten Fiscal Years**

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	3	3	3	3	3	3	3	3	3	3
Fire Stations	1	1	1	1	1	1	1	1	1	1
Refuse collection										
Collection trucks	2	2	2	2	2	3	3	3	3	3
Other public works										
Streets (miles)	3	30	30	30	30	31	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	585	585	590	595	601	611	613	625	625	634
Traffic signals	5	5	5	5	5	5	5	5	5	5
Parks and recreation										
Acreage **	9	9	9	9**	9**	9**	61	61	61	61
Playgrounds	2	2	2	2**	2**	2**	3	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**	3	3	3	2
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	60	60	60	60	60	60	60	60	60	60
Fire hydrants	230	233	237	241	248	251	252	252	252	252
Wastewater										
Sanitary sewers (miles)	40	40	40	40	40	40	40	40	40	40
Treatment capacity (thousands)	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**

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Government</b>										
Zoning Compliance Issued	n/a	n/a	91	81	99	90	88	83	84	85
Cemetery Lots/Plots Sold	n/a	n/a	30	18	21	21	26	24	25	21
<b>Police</b>										
Traffic Citations	n/a	n/a	2,215	1,536	1,058	1,072	1,158	738	312	575
Physical Arrests	n/a	n/a	603	546	453	511	472	285	-	364
<b>Fire stations</b>										
Emergency Responses (town)	n/a	n/a	145	165	244	141	208	170	153	206
Emergency Responses (Rural)	n/a	n/a	120	142	130	118	144	127	115	154
<b>Refuse collection</b>										
refuse Collected (tons)	n/a	n/a	1,337	1,448	1,421	1,819	1,799	2,242	2,212	2,315
Recycling Collected (tons)	n/a	n/a	105.0	109.0	1,047.0	149.0	136.0	140.0	124.0	128.0
Tires/White Goods (Tons)	n/a	n/a	6	4	4	4	4	5	4	-
<b>Other public works</b>										
Streets Resurfaced (linear ft.)	n/a	n/a	2,460	3,350	4,070	2,875	2,770	-	-	-
Graves Opened/Closed	n/a	n/a	39	32	32	38	40	55	56	53
<b>Parks and recreation</b>										
Program Participants	n/a	n/a	267	287	304	360	402	1,156	1,784	1,901
Facility Rentals	n/a	n/a	58	84	88	95	108	108	144	160
<b>Library</b>										
Total Visitors	n/a	n/a	10,622	9,667	9,209	9,950	9,978	8,913	9,420	10,230
New Library Patrons	n/a	n/a	387	280	267	279	242	279	384	253
Book Checkouts	n/a	n/a	6,681	5,980	5,881	5,922	6,003	5,514	6,010	5,046
Internet Patrons	n/a	n/a	3,382	2,928	3,257	4,677	4,921	4,652	5,652	4,927
<b>Billing and Collections</b>										
New Account Connections	n/a	n/a	705	630	708	663	642	647	681	689
<b>Electric Operations</b>										
New Underground/Overhead S	n/a	n/a	35	29	21	23	19	22	19	32
<b>Water/Sewer Operations</b>										
Water Taps/ Impact fees	n/a	n/a	19	16	9	18	12	12	12	5
Sewer Taps/Impact Fees	n/a	n/a	14	12	2	7	4	15	5	19

Sources: Various Town departments

# Compliance Section



**Report of Independent Auditor 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 have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Ayden, North Carolina (the "Town"), as of and for the year ended June 30, 2017, 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 28, 2018. Our report includes a reference to other auditors who audited the financial statements of the Ayden Housing Authority, as described in our report on the Town's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**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.

*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 Town's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

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

**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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chemy Bekaert LLP

Raleigh, North Carolina  
January 28, 2018



**TOWN OF AYDEN, NORTH CAROLINA**  
**Summary of Prior Year Audit Findings**

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2016-001 Corrected.

2016-002 Corrected.

2016-003 Corrected.

2016-004 Corrected.

2016-005 Corrected.

2016-006 Corrected.

2016-007 Corrected.

2016-008 Corrected.