# Town of Ahoskie Financial Statements June 30, 2019





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### **INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and The Town Council Town of Ahoskie, 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 Ahoskie, North Carolina, as of and for the year then ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Ahoskie'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 statement that are free from material misstatement, whether due to fraud or error.

# Auditor's Responsibility

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

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

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

# Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Ahoskie, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, 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.

# **Other Matters**

# Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 13, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 57, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 53 and 54, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 55 and 56, respectively, 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 evident to express an opinion or provide any assurance.

# Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Ahoskie's basic financial statements. The combining and individual fund financial statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying

accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

# Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated November 25, 2019 on our consideration of the Town of Ahoskie's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Ahoskie's internal control over financial reporting and compliance.

Jeff Best, CPA, PLLC

Belhaven, North Carolina November 25, 2019 As management of the Town of Ahoskie, we offer readers of the Town of Ahoskie's financial statements this narrative overview and analysis of the financial activities of the Town of Ahoskie for the fiscal year ended June 30, 2019. 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

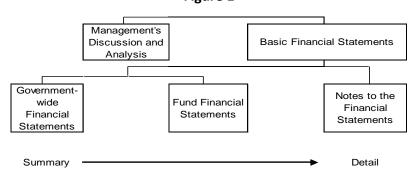
- The assets and deferred outflows of resources of the Town of Ahoskie exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$16,537,192 (*net position*).
- The government's total net position decreased by \$187,050, due to decreases in businesstypel activities.
- As of the close of the current fiscal year, the Town of Ahoskie's governmental funds reported combined ending fund balances of \$1,583,444, with a net increase of \$291,253 in fund balance. Approximately 39.32 percent of this total amount, or \$622,614, is restricted. Approximately 35.76% of this total amount, or \$566,166, is committed.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was 394,664 or 7.02% of total general fund expenditures for the fiscal year.
- The Town of Ahoskie's total debt decreased by \$1,268,717 (5.16%) during the current fiscal year. The key factor in this decrease was due to the repayment of debt.
- The government fund debt for installment purchases decreased by \$855,725 during the fiscal year. The beginning balance was \$6,781,874 and the ending balance was \$5,926,149.
- The business-type fund debt for installment purchases, general obligation bonds, and revenue bonds decreased by \$360,887 during the fiscal year. The beginning balance was \$12,819,030 and the ending balance was \$12,458,143.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Town of Ahoskie'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 Ahoskie.

# Town of Ahoskie Management's Discussion and Analysis

# Required Components of Annual Financial Report Figure 1



### **Basic Financial Statements**

The first two statements (Exhibits 1 and 2) in the basic financial statements are the Governmentwide Financial Statements. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 9) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide the reader with a broad overview of the Town finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, transportation, 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 services offered by the Town of Ahoskie. The final category is the component unit. Although legally separate from the Town, the Tourism Development Authority (TDA) is important to the Town. The Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the Town.

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

**Fund financial statements**. The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Ahoskie, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Ahoskie 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* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

**Proprietary Funds.** Town of Ahoskie 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. Town of Ahoskie uses enterprise funds to account for its water and sewer activity. This fund is the same as the function shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Ahoskie's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 53 of this report.

**Interdependence with Other Entities:** The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

The T	own of Ahos Figu	skie's Net ıre 2	Position			
	Govern	nmental	Busine	ss-type		
	Activ	vities	Activ	vities	Тс	otal
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 1,990,924	\$ 1,640,094	\$ 831,181	\$ 447,756	\$ 2,822,105	\$ 2,087,850
Capital assets	11,300,552	12,167,069	26,413,328	27,411,281	37,713,880	39,578,350
Deferred outflows of assets	594,879	404,899	157,016	126,440	751,895	531,339
Total assets and deferred outflows of resources	13,886,355	14,212,062	27,401,525	27,985,477	41,287,880	42,197,539
Other liabilities	210,371	168,017	350,112	255,462	560,483	423,479
Long-term liabilities	9,895,586	10,635,579	13,429,409	13,958,133	23,324,995	24,593,712
Deferred inflows of resources	687,360	351,645	177,850	104,461	865,210	456,106
Total liabilities and deferred inflows of resources	10,793,317	11,155,241	13,957,371	14,318,056	24,750,688	25,473,297
Net position:						
Net investment in capital assets	5,374,403	5,385,195	13,955,185	14,592,251	19,329,588	19,977,446
Restricted	1,188,780	1,392,523	-	-	1,188,780	1,392,523
Unrestricted	(3,470,145)	(3,720,897)	(511,031)	(924,830)	(3,981,176)	(4,645,727)
Total net position	\$ 3,093,038	\$ 3,056,821	\$13,444,154	\$13,667,421	\$16,537,192	\$16,724,242

### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Ahoskie exceeded liabilities and deferred inflows by \$16,537,192 as of June 30, 2019. The Town net position decreased by \$187,050 for the fiscal year ended June 30, 2019. However, the largest portion reflects the Town net investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Ahoskie uses these

# **Management's Discussion and Analysis**

capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Ahoskie's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Ahoskie's net position, \$1,188,780 represents resources that are subject to external restrictions or commitments on how they may be used. The remaining balance of \$(3,981,176) is unrestricted.

One particular aspect of the Town's financial operations influenced the total unrestricted governmental net position:

• The tax collection percentage of 96.66% has decreased over last year's collection rate of 97.19%. The statewide average is 98.78% but the Town's current rate is comparable to other small towns.

	Gover	Busine	ss-type			
	Acti	Activities			Тс	otal
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 871,604	\$ 721,800	\$ 3,462,139	\$ 3,713,173	\$ 4,333,743	\$ 4,434,973
Operating grants and contributions	177,187	414,525	-	-	177,187	414,525
General revenues:						
Property taxes	2,771,257	2,784,806	-	-	2,771,257	2,784,806
Other taxes	1,683,153	1,648,106	-	-	1,683,153	1,648,106
Unrestricted investment earnings	3,011	902	1,975	737	4,986	1,639
Miscellaneous	141,365	106,531	-	-	141,365	106,531
Total revenues	5,647,577	5,676,670	3,464,114	3,713,910	9,111,691	9,390,580
Expenses:						
General government	1,574,927	1,571,773	-	-	1,574,927	1,571,773
Public safety	2,344,373	2,487,005	-	-	2,344,373	2,487,005
Transportation	908,958	464,239	-	-	908,958	464,239
Economic and physical development	-	-	-	-	-	-
Environmental protection	415,242	544,685	-	-	415,242	544,685
Cultural and recreation	425,521	488,897			425,521	488,897
Interest on long-term debt	225,072	280,093	-	-	225,072	280,093
Water and Sewer	-	-	3,404,648	3,320,253	3,404,648	3,320,253
Total expenses	5,894,093	5,836,692	3,404,648	3,320,253	9,298,741	9,156,945
Increase (decrease) in net position						
before transfers	(246,516)	(160,022)	59,466	393,657	(187,050)	233,635
Transfers	282,733	(8,418)	(282,733)	8,418	-	-
Increase (decrease) in net position	36,217	(168,440)	(223,267)	402,075	(187,050)	233,635
Net position, July 1	3,056,821	4,080,300	13,667,421	13,788,915	16,724,242	17,869,215
Net position, beginning, restated	3,056,821	3,225,261	13,667,421	13,265,346	16,724,242	16,490,607
Net position, June 30	\$ 3,093,038	\$ 3,056,821	\$13,444,154	\$13,667,421	\$16,537,192	\$16,724,242

### Town of Ahoskie Changes in Net Position Figure 3

**Governmental activities**: Governmental activities increased the Town net position by \$36,217, after transfers. Key elements of this increase are as follows:

• The total net position at the beginning of the fiscal year amounted to \$3,056,821.

- Net changes in fund balances-changes in government fund balances increased by a total of \$291,253.
- 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. The amount by which depreciation exceeded capital outlays in the current period was (\$866,517).
- Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Change in unavailable revenue for tax revenues amounted to \$17,223.
- Contributions to the pension plan in the current year are not included on the Statement of Activities and amounted to \$145,024.
- The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount \$855,725 is the net effect of these differences in the treatment of long-term debt and related items.
- 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 the governmental funds. These were compensated absences amounting to (\$12,951); other post-employment benefits amounted to (\$234,418); and pension expense amounted to (\$216,191).
- The total net position at the end of the fiscal year amounted to \$3,093,038.

**Business-type activities**: Business-type activities decreased the Town of Ahoskie's net assets by \$223,267, after transfers. The key elements of this increase are as follows:

- Operational Revenues In fiscal year 2018-2019, the Town collected \$3,564,608 for utility charges, \$4,960 for water and sewer taps, and \$85,123 in other operating revenues for total revenue of \$3,654,691. In 2017-2018, the Town collected \$3,534,886 for utility charges and \$4,500 for water and sewer taps, and \$100,700 in other operating revenues for total revenues of \$3,640,086. This equates to an increase in operating revenue from previous year of \$14,605.
- Operating Income The business-type activities had operating income this year which amounted to \$740,476 (income before transfers were allocated). Revenues collected were \$3,654,691 while the operating expenses amounted to \$2,914,215.
- Operational Expenses Operational expenses increased by \$164,693 from 2017-2018 (\$2,749,522). As mentioned above, the operational revenues rose above operational expenses this year by \$14,605.
- The total net position at the beginning of the fiscal year amounted to \$13,667,421.
- The total net position at the end of the fiscal year amounted to \$13,444,154.

### Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Ahoskie. At the end of the current fiscal year, Town of Ahoskie's unassigned fund balance in the general fund was \$394,664, while total fund balance reached \$1,583,444. As a measure of the General Fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. Total fund balance represents approximately 28.17% of total General Fund expenditures, which were \$5,621,834.

### 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.

Budget amendments made to the General Fund were to:

- Increase or decrease revenues and expenditures based on financial information received after the original budget were adopted.
- Adjust for revenues and expenditures that did not meet its projection and some that exceeded its projection; therefore, budget amendments were made to adjust shortages in both revenues and expenditures.

**Proprietary funds.** The Town's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to (511,031). The total change in net position was (223,267). Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

# Capital Asset and Debt Administration

**Capital assets.** The Town of Ahoskie's investment in capital assets for its governmental and business–type activities as of June 30, 2019 totals \$37,713,880 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

# Town of Ahoskie's Capital Assets Figure 4 (net of depreciation)

	Governmental			Business-type						
	Activ	vities	6	Activ	/ities	6		Тс		
	2019		2018	2019		2018		2019		2018
Land	\$ 2,732,979	\$	2,941,913	\$ 874,274	\$	874,274	\$	3,607,253	\$	3,816,187
Buildings and systems	2,962,759		3,313,627	14,073,133		14,455,962		17,035,892		17,769,589
Machinery and equipment	459,301		553,829	357,225		473,513		816,526		1,027,342
Improvements	1,334,907		1,388,054	29,659		38,235		1,364,566		1,426,289
Vehicles	635,848		617,920	65,978		65,466		701,826		683,386
Infrastructure	3,174,758		3,351,726	11,013,059		11,503,831		14,187,817		14,855,557
Total	\$ 11,300,552	\$	12,167,069	\$ 26,413,328	\$	27,411,281	\$	37,713,880	\$	39,578,350

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

**Long-term Debt**. As of June 30, 2019, the Town of Ahoskie had total debt outstanding of \$23,324,995.

### Town of Ahoskie's Outstanding Debt Figure 5

	Governmental			Business-type						
	Activ	vities	5	Activities			Тс	otal		
	2019		2018	2019		2018	2019		2018	
Installment purchases	\$ 5,926,149	\$	6,781,874	\$ 972,143	\$	1,140,030	\$ 6,898,292	\$	7,921,904	
Compensated absences	202,669		189,718	52,087		64,914	254,756		254,632	
General obligation bonds	-		-	9,789,000		9,951,000	9,789,000		9,951,000	
Revenue bonds	-		-	1,697,000		1,728,000	1,697,000		1,728,000	
Net pension liability (LGERS)	652,949		422,933	180,929		140,033	833,878		562,966	
Net pension liability (LEOSSA)	449,580		419,679	-		-	449,580		419,679	
Other postemployment benefits	2,664,239		2,821,375	738,250		934,156	3,402,489		3,755,531	
Total	\$ 9,895,586	\$	10,635,579	\$ 13,429,409	\$	13,958,133	\$ 23,324,995	\$	24,593,712	

The Town of Ahoskie's total debt decreased by \$1,268,717 (5.16%) during the past fiscal year, primarily due to principal payments on existing debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Ahoskie is \$21,310,987.

Additional information regarding the Town of Ahoskie's long-term debt can be found in Note II.B.6., beginning on page 48 of this report.

### Economic Factors and Next Year's Budgets and Rates

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

- The unemployment rate in Ahoskie, North Carolina on June 30, 2019 was 5.1% compared to last year of 5.6%. The State's unemployment rate was 4.2% at year-end; same as last year.
- Ahoskie is the largest town in Hertford County. Ahoskie has a population of 4,819.
- The top five businesses that hire most employees in Hertford County (in which the Town of Ahoskie is located) are Hertford County Board of Education between 500-999 employees; Vidant Medical Center hiring 500-999; Nucor Corporation hiring 250-499; Jernigan Oil Co. Inc. hiring 250-499 and GEO Corrections & Detention Inc. hiring 250-499.
- There are 3 public schools and 1 private school in Ahoskie:
  - Bearfield Primary (PK-03)-Public
  - Ahoskie Elementary (04-05)-Public
  - Hertford County High School (09-12)-Public
  - Ahoskie Christian School (PK-12)-Private

### Budget Highlights for the Fiscal Year Ending June 30, 2020

### **Governmental Activities:**

The FY 2019-2020 General Fund budget totals \$5,832,867. Ad valorem taxes are the highest source of revenue for the Town of Ahoskie. This year's budget included no change in the \$0.81 per \$100 of evaluation tax rate. Hertford County has completed its property tax assessment for the 2019-2020 budget year. There was a decrease in the tax base from the previous year. To collect the same amount of taxes after the re-evaluation, the tax rate would have to be increased to \$0.833 per \$100 of evaluation. The total revenue projection for collection of property taxes is \$2,402,035 (both current and prior year). Motor vehicles taxes and licenses are expected to be \$253,000. All fees including water, sewer, garbage, planning, zoning and inspection stayed the same. The budget was balanced without appropriating funds from fund balance.

The remaining revenue streams for the Town primarily include Local Option Sales Tax and Utility Franchise Taxes (Electric Tax, Piped Natural Gas Tax, Telecommunication Sales Tax and Video Programming Tax). These tax revenues are projected to yield \$1,600,500 of the total General Fund revenues.

Garbage collections will produce \$590,000 of the General Fund revenue. Garbage rates will remain the same for residents and businesses during 2019-2020.

The Town will use these revenues primarily to maintain the level of service it presently gives to its citizens and to maintain the programs that are currently in place.

Budgeted expenditures in the General Fund may be slightly more than the budgeted amount as general operating expenses may increase due to the cost of fuel not being stable and the increase in utilities. The cost for workers' compensation, property & liability insurance coverage, and medical

insurance for employees are slightly more than last year. Funding employee benefits has increased somewhat over last year.

In 2019-2020 the Town's goals are to increase fund balance by \$140,000 and to pay off debt. Also, the following items were included in the 2019-2020 budget:

0	0
2 additional Police Officers	\$140,000
Richard Street Park improvements	\$ 50,000
Town Hall Buildings improvements	\$ 30,000
Police SUVs with loan/grant from USDA	Loan
Condemnation and code enforcement Cost	\$ 25,000
Vehicle for Inspections and Code Enforcement	\$ 25,000
July 4th Event This is TDA funds	\$ 15,000
Special Events	\$ 5,000
Ahoskie Chamber Event Planning	\$ 10,000

#### **Business – type Activities:**

The FY 2019-2020 Enterprise Fund budget totals \$4,027,962. Operating revenues in the Water and Sewer Fund come primarily from water and sewer sales. Additional revenues that subsidize the Enterprise Fund come from capacity fees, reconnection fees, tap fees, sewer dumping and infrastructure fees.

The Town will use these revenues primarily to maintain the level of service it presently gives to its citizens and to maintain the programs that are currently in place. Also, the Town approved funding in the Water and Sewer Fund to:

Adding SCADA to sewer lift stations	\$ 80,000
Troy/Maple sewer lift station rehab	\$ 70,000

### **Requests for Information**

This report is designed to provide an overview of the Town finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

Town of Ahoskie Kerry McDuffie, Town Manager 201 W. Main Street P.O. Box 767 Ahoskie, NC 27910-0767 Phone: 252-332-5146, Ext. 222 Fax: 252-332-1643 Email: kerrymcduffie@ahoskienc.gov

# Town of Ahoskie Statement of Net Position June 30, 2019 Exhibit 1

	Pri	Primary Government						
	Governmental	Business-type		Ahoskie Tourism Development				
	Activities	Activities	Total	Authority				
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 1,188,182	\$ 186,544	\$ 1,374,726	\$ 146,758				
Taxes receivables (net)	197,109	-	197,109	-				
Receivables (net)	634,702	373,869	1,008,571	4,471				
Internal balances	(29,069)	29,069	-	-				
Restricted cash and cash equivalents	-	241,699	241,699	-				
Total current assets	1,990,924	831,181	2,822,105	151,229				
Noncurrent assets:								
Capital assets (Note 3):								
Land and construction in progress	2,732,979	874,274	3,607,253	-				
Other capital assets, net of depreciation	8,567,573	25,539,054	34,106,627	-				
Total capital assets	11,300,552	26,413,328	37,713,880	-				
Total noncurrent assets	11,300,552	26,413,328	37,713,880	-				
Total assets	13,291,476	27,244,509	40,535,985	151,229				
DEFERRED OUTFLOWS OF RESOURCES								
Pension deferrals	537,810	141,202	679,012	-				
OPEB deferrals	57,069	15,814	72,883	-				
Total deferred outflows of resources	594,879	157,016	751,895	-				
LIABILITIES								
Current liabilities:								
Accounts payable and accrued liabilities	210,371	108,413	318,784	1,080				
Customer deposits	,	241,699	241,699	_,				
Long-term liabilities:		,	,					
Net pension liability	652,949	180,929	833,878	-				
Total pension liability	449,580		449,580	-				
Total OPEB liability	2,664,239	738,250	3,402,489					
Due within one year	340,240	321,674	661,914	_				
Due in more than one year	5,788,578	12,188,556	17,977,134	-				
Total liabilities	10,105,957	13,779,521	23,885,478	1,080				
DEFERRED INFLOWS OF RESOURCES								
Pension deferrals	68,313	6,314	74,627	-				
OPEB deferrals	619,047	171,536	790,583	-				
Total deferred inflows of resources	687,360	177,850	865,210	-				
NET POSITION								
	E 37/ 103	12 055 105	10 220 500					
Net investment in capital assets Restricted for:	5,374,403	13,955,185	19,329,588	-				
				A A74				
Stabilization by State Statute	605,633	-	605,633	4,471				
Public safety	16,981	-	16,981	-				
Committed								
Economic development	566,166	-	566,166	-				
Unrestricted	(3,470,145)	(511,031)	(3,981,176)					
Total net position	\$ 3,093,038	\$13,444,154	\$ 16,537,192	\$ 150,149				

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

# Town of Ahoskie Statement of Activities For the Fiscal Year Ended June 30, 2019 Exhibit 2

			Program Revenu	ies	Net (Expense) Revenue and Changes in Net Position						
					Pri	mary Governmer	nt	-			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental	Business-type Activities	Total	Ahoskie Tourism Development Authority			
Primary government:											
Governmental Activities: General government Public safety	\$ 1,574,927 2,344,373	\$ 823,943 47,661	\$ 146,912 3,373	\$	\$ (604,072) (2,293,339)		\$ (604,072) (2,293,339)				
Transportation Environmental protection	908,958 415,242	-	26,902	-	(882,056) (415,242)	-	(882,056 (415,242	) -			
Cultural and recreation Interest on long-term debt	425,521 225,072	-	-	-	(425,521) (225,072)		(425,521) (225,072)				
Total governmental activities (See Note 1)	5,894,093	871,604	177,187	-	(4,845,302)	-	(4,845,302)	) -			
Business-type activities: Water and sewer	3,404,648	3,462,139	-	-	-	57,491	57,491				
Total business-type activities Total primary government	3,404,648 \$ 9,298,741	3,462,139 \$ 4,333,743	- \$ 177,187		(4,845,302)	57,491 57,491	57,491 (4,787,811)				
Component Unit:											
Ahoskie Tourism Development Authority	\$ 73,165		<u>\$</u> -	<u>\$</u> -	-	-	-	(75)105			
Total component unit	\$ 73,165	Ş -	\$ -	\$ -	<u>\$</u> -	Ş -	Ş -	(73,165			

General revenues:				
Taxes:				
Property taxes, levied for general purpose	2,771,257	-	2,771,257	-
Other taxes	1,683,153	-	1,683,153	62,697
Unrestricted investment earnings	3,011	1,975	4,986	633
Miscellaneous	141,365	-	141,365	-
Total general revenues not including transfers	4,598,786	1,975	4,600,761	63,330
Transfers	282,733	(282,733)	-	-
Total general revenues and transfers	4,881,519	(280,758)	4,600,761	63,330
Change in net position	36,217	(223,267)	(187,050)	(9,835)
Net position, beginning	3,056,821	13,667,421	16,724,242	159,984
Net position, ending	\$ 3,093,038	\$13,444,154	\$16,537,192	\$ 150,149

# Town of Ahoskie Balance Sheet and Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds June 30, 2019 Exhibit 3

	Major Fund			
		Total		
		Governmental		
	General	Funds		
ASSETS				
Cash and cash equivalents	\$ 1,188,182	\$ 1,188,182		
Receivables (net):				
Taxes	197,109	197,109		
Accounts	634,702	634,702		
Total assets	2,019,993	2,019,993		
LIABILITIES				
Accounts payable and accrued liabilities	210,371	210,371		
Due to other funds	29,069	29,069		
Total liabilities	239,440	239,440		
DEFERRED INFLOWS OF RESOURCES				
Property tax receivable	197,109	197,109		
Total deferred inflows of resources	197,109	197,109		
FUND BALANCES				
Restricted				
Stabilization by State Statute	605,633	605,633		
Public Safety	16,981	16,981		
Committed	,	,		
Economic development	566,166	566,166		
Unassigned	394,664	394,664		
Total fund balances	1,583,444	1,583,444		
Total liabilities, deferred inflow of resources,	, ,			
and fund balances	\$ 2,019,993			

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

Capital assets used in governmental activities are not financial	resources and	
therefore are not reported in the funds.		
Capital assets	23,184,490	
Accumulated depreciation	(11,883,938)	
Capital assets (net)		11,300,552
Net pension liability - LGERS		(652,949)
Net pension liability - LEOSSA		(449,580)
OPEB Liability		(2,664,239)
Deferred outflows of resources related to pensions are not reported in the funds		537,810
Deferred outflows of resources related to OPEB are not reported in the funds		57,069
Liabilities for earned revenues considered deferred inflows of in fund statement		197,109
Deferred inflows of resources related to pension are not reported in the funds		(68,313)
Deferred inflows of resources related to OPEB are not reported in the funds		(619,047)
Some liabilities, including installment purchases and compensat absences, are not due and payable in the current period and	ed	
therefore are not reported in the funds.		(6,128,818)
Net position of governmental activities		\$ 3,093,038

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

# Town of Ahoskie Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund For the Fiscal Year Ended June 30, 2019 Exhibit 4

	Major Fund	
		Total
		Governmental
	General Fund	Funds
<b>RF</b> 1/ <b>F</b> 1/ <b>F</b> 2		
REVENUES	¢ 2 754 024	¢ 2754024
Ad valorem taxes	\$ 2,754,034	\$ 2,754,034
Other taxes and licenses	1,279,477	1,279,477
Unrestricted intergovernmental	403,676	403,676
Restricted intergovernmental	177,187	177,187
Permits and fees	47,661	47,661
Sales and services	823,943	823,943
Investment earnings	3,011	3,011
Miscellaneous	141,365	141,365
Total revenues	5,630,354	5,630,354
EXPENDITURES		
Current:		
	1 1 7 7 6 7 1	1 1 2 7 6 2 1
General government	1,127,621	1,127,621
Public safety	2,278,168	2,278,168
Transportation	727,306	727,306
Environmental protection	374,406	374,406
Cultural and recreation	176,344	176,344
Special appropriation	25,500	25,500
Debt Service:		
Principal	687,417	687,417
Interest	225,072	225,072
Total expenditures	5,621,834	5,621,834
Excess (deficiency) of revenues		
	9 5 20	8,520
over expenditures	8,520	8,520
OTHER FINANCING SOURCES (USES)		
Transfers to (from) other funds	282,733	282,733
Total other financing sources (uses)	282,733	282,733
Net change in fund balance	291,253	291,253
Fund balances, beginning	1,292,191	1,292,191
Fund balances, ending	\$ 1,583,444	\$ 1,583,444

The accompanying footnotes are an integral part of these financial statements.

# Town of Ahoskie Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities – Governmental Fund For the Fiscal Year Ended June 30, 2019 Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 291,253
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 depreciation exceeded capital outlay in the current period.	
Capital outlay expenditures which were capitalized	317,202
Depreciation expense for governmental assets	(570 <i>,</i> 787)
Cost of capital assets disposed of during the year, not recognized on the modified accrual basis	 (612,932)
Total	(866,517)
Contributions to the pension plan in the current fiscal year are not included on the	
Statement of Activities.	145,024
OPEB benefit payments and adminstrative costs made in the current fiscal year are not included	
on the Statement of Activities	57,069
Revenues in the Statement of Activities that do not provide current financial resources are not	
reported as revenues in the funds.	
Change in unavailable revenue for tax revenues	17,223
The issuance of long-term debt provides current financial resources to governmental funds, while the	
repayment of the principal of long-term debt consumes the current financial resources of	
governmental funds. Neither transaction has any effect on net position. Also, governmental funds	
report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued,	
whereas these amounts are deferred and amortized in the statement of activities. This amount is the	
net effect of these differences in the treatment of long-term debt and related items.	
Principal payments on long-term debt	855,725
	055,725
Some expenses reported in the Statement of Activities do not require the use of current financial	
resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(12,951)
OPEB expense	(234,418)
Pension expense	 (216,191)
Total	 (463,560)
Total changes in net position of governmental activities	\$ 36,217

# Town of Ahoskie General Fund Statement of Revenues, Expenditures, and Change in Fund Balance –Budget to Actual For the Fiscal Year Ended June 30, 2019 Exhibit 6

	 Budgeted	l Am	nounts	_			
	Original		Final	-	Actual	Fin	iance with al Budget - Positive Negative)
REVENUES	Chighian		11101		Actual	(	regulive,
Ad valorem taxes	\$ 2,847,911	\$	2,847,911	\$	2,754,034	\$	(93,877)
Other taxes and licenses	1,237,100		1,237,100		1,279,477		42,377
Unrestricted intergovernmental	414,027		414,027		403,676		(10,351)
Restricted intergovernmental	321,800		432,099		177,187		(254,912)
Permits and fees	41,000		41,000		47,661		6,661
Sales and services	654,994		661,494		662,119		625
Investment earnings	1,000		1,000		3,011		2,011
Miscellaneous	46,000		101,379		141,365		39,986
Total revenues	5,563,832		5,736,010		5,468,530		(267,480)
EXPENDITURES							
Current:							
General government	1,558,818		1,588,421		1,127,621		460,800
Public safety	2,232,250		2,429,968		2,278,168		151,800
Transportation	589,618		799,035		727,306		71,729
Environmental protection	401,660		388,859		374,406		14,453
Cultural and recreation	284,636		236,312		176,344		59 <i>,</i> 968
Special appropriation	25,500		25,500		25,500		-
Debt Service:							
Principal	966,211		912,489		687,417		225,072
Interest	-		-		225,072		(225,072)
Total expenditures	6,058,693		6,380,584		5,621,834		758,750
Revenue over (under) expenditures	(494,861)		(644,574)		(153,304)		491,270
OTHER FINANCING SOURCES (USES)							
Transfers to (from) other funds	484,861		484,861		182,221		(302,640)
Sale of assets	10,000		159,713		159,229		(484)
Total other financing sources (uses)	494,861		644,574		341,450		(303,124)
Net change in fund balance	\$ -	\$	-	=	188,146	\$	188,146
Fund balances, beginning					812,151		
Fund balances, ending				\$	1,000,297		

# Town of Ahoskie General Fund Statement of Revenues, Expenditures, and Change in Fund Balance –Budget to Actual For the Fiscal Year Ended June 30, 2019 Exhibit 6

Amounts reported for General Fund fund balances are different beacuase legally budgeted Drug Enforcement Fund and USDA Rural Center Reserve Fund are consolidated into the General Fund for reporting purposes.

Fund balance, ending		\$ 1,000,297
Drug Enforcement Fund		
Miscellaneous revenues	2,595	
Fund balance, beginning	14,386	16,981
USDA Rural Center Reserve Fund		
Transfer from General Fund	35,876	
Transfer from Water Fund	64,636	
Fund balance, beginning	465,654	566,166
Fund balance, ending (Exhibit 4)		\$ 1,583,444

# Town of Ahoskie Statement of Fund Net Position – Proprietary Fund June 30, 2019 Exhibit 7

	Water and Sewer Fund
ASSETS	Sewerrund
Current assets:	
Cash and cash equivalents	\$ 186,544
Accounts receivables (net)	373,869
Due (to) from other funds	29,069
Restricted cash and cash equivalents	241,699
Total current assets	831,181
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	874,274
Other capital assets (net)	25,539,054
Capital assets (net)	26,413,328
Total noncurrent assets	26,413,328
Total assets	\$ 27,244,509
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	141,202
OPEB deferrals	15,814
Total deferred outflows of resources	157,016
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 108,413
Customer deposits	241,699
Compensated absences - current	13,022
Installment loan - current	108,652
General obligation bonds payable - current	168,000
Revenue bonds payable - current	32,000
Total current liabilities	671,786
Noncurrent liabilities:	
Other noncurrent liabilities:	
Compensated absences - noncurrent	39,065
Net pension liability	180,929
Installment loan - noncurrent	863,491
General obligation bonds payable - noncurrent	9,621,000
Revenue bonds payable - noncurrent	1,665,000
Other post-employment benefits	738,250
Total current liabilities	13,107,735
Total liabilities	13,779,521
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	6,314
OPEB deferrals	171,536
Total deferred inflows of resources	177,850
NET POSITION	
Net investment in capital assets	13,955,185
Unrestricted	(511,031)
Total net position	\$ 13,444,154

The accompanying footnotes are an integral part of these financial statements.

# Town of Ahoskie Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund For the Fiscal Year Ended June 30, 2019 Exhibit 8

	Water and
Operating revenues:	Sewer Fund
Charges for services	\$ 3,564,608
Water and sewer taps	4,960
Other operating revenues	85,123
Total operating revenues	3,654,691
	5,054,051
Operating expenses:	
Water and sewer	1,132,451
Wastewater treatment	924,757
Depreciation	857,007
Total operating expenses	2,914,215
Operating income (loss)	740,476
Nonoperating revenues (expenses):	
Sale of capital assets	(230,975)
Lease payments	(7,868)
Other nonoperating revenues	38,423
Investment earnings	1,975
Interest on long-term debt	(482,565)
Total nonoperating revenues (expenses)	(681,010)
Income (loss) before transfers	59,466
Transfers to other funds	(282,733)
	(282,733)
Change in net position	(223,267)
Total net position, beginning	13,667,421
Total net position, ending	\$ 13,444,154

# Town of Ahoskie Statement of Cash Flows – Proprietary Fund For the Fiscal Year Ended June 30, 2019 Exhibit 9

	Water and	
	Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$	3,699,509
Cash paid for goods and services		(1,191,921)
Cash paid to employees for services		(900,260)
Customer deposits received (net)		4,599
Net cash provided (used) by operating activities		1,611,927
CASH FLOWS FROM NONCAPITAL FINANCING		
ACTIVITIES		
Increase (decrease) in due to other funds		(237,100)
Transfers to other funds		(282,733)
Net cash provided (used) by noncapital financing		
activities		(519,833)
CASH FLOWS FROM CAPITAL AND RELATED		
FINANCING ACTIVITIES		
Other non-operating revenues		38,423
Principal paid on long-term borrowings		(360,887)
Interest paid on long-term borrowings		(482,565)
Acquisition and construction of capital assets		(109,680)
Proceeds from the sale of capital assets		19,651
Principal paid on short-term borrowings		(7,868)
Net cash provided (used) by capital and related		
financing activities		(902,926)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments		1,975
Net cash provided (used) by investing activities		1,975
Net increase (decrease) in cash and cash equivalents		191,143
Balances, beginning		237,100
Balances, ending	\$	428,243

# Town of Ahoskie Statement of Cash Flows – Proprietary Fund For the Fiscal Year Ended June 30, 2019 Exhibit 9

		Water and Sewer Fund	
Reconciliation of operating income (loss) to net cash provided (used) by operating	g activities:		
Operating income (loss)	\$	740,476	
Adjustments to reconcile operating income (loss)			
to net cash provided (used) by operating activities:			
Depreciation		857,007	
Change in assets, liabilities and deferred outflows			
of resources:			
(Increase) decrease in accounts receivable		44,818	
(Increase) decrease in deferred outflows of			
resources - pensions		(31,124)	
Increase (decrease) in net pension liability		40,896	
Increase (decrease) in deferred inflows of		,	
resources - pensions		(6,462)	
(Increase) decrease in deferred outflows of resources - OPEB		548	
Increase (decrease) in OPEB liability		(195,906)	
Increase (decrease) in deferred inflows of resources - OPEB		79,851	
Increase (decrease) in accounts payable and accrued			
liabilities		90,051	
Increase (decrease) in customer deposits		4,599	
Increase (decrease) in compensated absences		(12,827)	
Total adjustments	~	871,451	
Net cash provided (used) by operating activities	\$	1,611,927	

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Ahoskie and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

### A. Reporting Entity

The Town of Ahoskie is a municipal corporation that is governed by an elected mayor and a fivemember council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

### Town of Ahoskie Tourism Development Authority

The members of the Authority's governing board are appointed by the Town. The purpose of the Authority is to promote tourism within the Town. The Authority has elected not to issue separate financial statements, but to include all relevant information required by generally accepted accounting principles as supplementary information in the Town's financial statements.

### B. Basis of Presentation

*Government-wide Statements*: The statement of net position and the statement of activities display information about the primary government and its component unit. 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. 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.

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. Nonoperating 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, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services. Additionally, the Town has legally adopted a Drug Enforcement Fund and USDA Rural Center Reserve Fund. Under GASB 54 guidance, these funds are consolidated in the General Fund. The budgetary comparison for these funds has been included in the supplemental information.

The Town reports the following major enterprise fund:

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

### C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 enterprise fund 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 fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating 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 to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine 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 Ahoskie because the tax is levied by Hertford County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

# 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, Special Revenue Funds, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital

Projects Fund and the Enterprise Capital Project Funds, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations by more than \$1,000. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. 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 and Authority are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town and the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's and the Authority's investments are reported at fair value as determined by quoted market prices. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMTTerm Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

### 2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The Authority considers 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.

# Town of Ahoskie Notes to Financial Statements

Town of Ahoskie Restricted Cash	
Business-type Activities:	
Water and Sewer Fund	
Customer Deposits	\$ 241,699
Total business-type activities	241,699
Total restricted cash	\$ 241,699

### 4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018.

### 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. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$2,500; buildings, improvements, substations, lines, and other plant and distribution systems, \$2,500; infrastructure, \$2,500; furniture and equipment, \$2,500; and vehicles, \$2,500. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Infrastructure	40 years
Buildings	40 years
Other improvements	15 years
Equipment and furniture	10 years
Automobiles	5 years
Computer	5 years

### 7. 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 they will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This is 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 several items that meet the criterion for this category- prepaid taxes, property taxes receivable, and pension deferrals.

#### 8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

### 9. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The 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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

### 10. 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 three classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balance as follows:

*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* – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the <i>budget*. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted Fund Balance on the face of the balance sheet.

*Restricted for Public Safety* – portion of fund balance that is restricted by revenue source for certain emergency telephone system and drug enforcement expenditures.

*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 Ahoskie's governing body (highest level of decision making authority). 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.

*Committed for Economic Development*— portion of fund balance assigned by the board for economic development.

*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 Ahoskie has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, and town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed inorder by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

### 11. Subsequent Events – Date of Management Evaluation

Management has evaluated subsequent events through November 25, 2019, the date on which the financial statements were available to be issued.

### 13. Deferred Benefit Cost-Sharing Plan

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 Ahoskie's employer contributions are recognized when due and the Town of Ahoskie 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.

### NOTE II – DETAIL NOTES ON ALL FUNDS

### A. Assets

### 1. Deposits

All the deposits of the Town and the Authority 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 or the Authority's agents in these units' 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 and the Authority, these deposits are considered to be held by the Town's and the Authority's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the Authority, or the escrow agent. Because of the inability to measure the exact

amounts of collateral pledged for the Town or the Authority under the Pooling Method, the potential exists for undercollaterization. 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. The Authority has no formal policy regarding custodial credit risk for deposits.

At June 30, 2019, the Town's deposits had a carrying amount of \$1,602,972 and a bank balance of \$1,959,922. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits and the bank balance for the Tourism Authority was \$146,758. All of the bank balances were covered by federal depository insurance. At June 30, 2019, the Town's petty cash fund totaled \$650.

### 2. Investments

At June 30, 2019, the Town of Ahoskie had \$12,803 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

### 3. Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 are net of the following allowances for doubtful accounts:

Fund	Jun	June 30, 2019			
General Fund:					
Taxes receivable	\$	68,036			
Accounts receivable		25,433			
Total		93,469			
Enterprise Funds		208,972			
Total	\$	302,441			

### 4. Capital Assets

**Primary Government.** Capital asset activity for the Primary Government for the year ended June 30, 2019 was as follows:

	Beginning					Ending
	Balances	١r	ncreases	C	Decreases	Balances
Governmental activities:						
Capital assets not being depreciated:						
Land	\$ 2,931,833	\$	-	\$	198,854	\$ 2,732,979
Total capital assets not being depreciated	2,931,833		-		198,854	2,732,979
Capital assets being depreciated:						
Buildings	4,262,460		-		333,028	3,929,432
Other improvements	2,217,674		67,625		45,520	2,239,779
Equipment	2,769,216		59,474		459,025	2,369,665
Vehicles and motorized equipment	3,163,267		190,103		153,368	3,200,002
Infrastructure	8,797,233		-		84,600	8,712,633
Total capital assets being depreciated	\$ 21,209,850	\$	317,202	\$	1,075,541	\$ 20,451,511
Less accumulated depreciation for:						
Buildings	\$ 959,836	\$	96,381	\$	89,544	\$ 966,673
Other improvements	829,621		101,687		26,436	904,872
Equipment	2,194,303		99,589		383,528	1,910,364
Vehicles and motorized equipment	2,545,347		171,509		152,702	2,564,154
Infrastructure	5,445,507		101,621		9,253	5,537,875
Total accumulated depreciation	\$ 11,974,614	\$	570,787	\$	661,463	\$ 11,883,938
Total capital assets being depreciated, net	\$ 9,235,236					\$ 8,567,573
Governmental activities capital assets, net	\$ 12,167,069	_				\$ 11,300,552

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

General government	\$ 3,570
Public safety	268,981
Transportation	102,937
Environmental protection	40,836
Cultural and recreational	154,463
Total depreciation expense	\$ 570,787

	Beginning					Ending
	Balances	Increases		Decreases		Balances
Business-type activities						
Capital assets not being depreciated:						
Land	\$ 874,274	\$	-	\$	-	\$ 874,274
Total capital assets not being depreciated	874,274		-		-	874,274
Capital assets being depreciated:						
Buildings	16,722,359		34,747		-	16,757,106
Equipment	1,811,154		5,737		66,493	1,750,398
Improvements	374,700		-		-	374,700
Infrastructure	18,887,856		59 <i>,</i> 896		624,712	18,323,040
Vehicles	515,755		9,300		158,000	367,055
Total capital assets being depreciated	\$ 38,311,824	\$	109,680	\$	849,205	\$ 37,572,299
Less accumulated depreciation for:						
Buildings	\$ 2,266,396	\$	417,577	\$	-	\$ 2,683,973
Equipment	1,337,641		101,472		45,940	1,393,173
Other improvements	336,465		8,576		-	345,041
Infrastructure	7,384,025		320,593		394,637	7,309,981
Vehicles and motorized equipment	450,288		8,789		158,000	301,077
Total accumulated depreciation	\$ 11,774,815	\$	857,007	\$	598,577	\$ 12,033,245
Total capital assets being depreciated, net	\$ 26,537,009					\$ 25,539,054
Business-type activities capital assets, net	\$ 27,411,283	-				\$ 26,413,328

#### **B.** Liabilities

#### 1. Pension Plan Obligations and Postemployment Benefits

#### a. Local Governmental Employees' Retirement System

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

*Benefits Provided*. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Ahoskie 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 Ahoskie's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% 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 Ahoskie were \$185,209 for the year ended June 30, 2019.

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, 2019, the Town reported a liability of \$833,878 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension

liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability 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, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was .03515%, which was a decrease of .00170% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$225,626. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	[	Deferred		eferred
	0	Outflows of		nflows of
	R	esources	Re	esources
Differences between expected and actual experience	\$	128,648	\$	4,317
Changes of assumptions		221,279		-
Net difference between projected and actual earnings on				
pension plan investments		114,467		-
Changes in proportion and differences between Town				
contributions and proportionate share of contributions		1,175		24,785
Town contributions subsequent to the measurement date		185,209		-
Total	\$	650,778	\$	29,102

\$185,209 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2019	\$ 215,128
2020	136,706
2021	18,183
2022	66,449
2023	-
Thereafter	-
Total	\$ 436,466

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and
	productivity factor
Investment rate of return	7.00 percent, net of pension plan investment
	expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 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, 2018 are summarized in the following table:

		Long-Term Expected
Asset Class	Target Allocation	Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 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%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1%	Discount	1%
	Decrease	Rate	Increase
	(6.00%)	(7.00%)	(8.00%)
Town's proportionate share of the net			
pension liability (asset)	\$ 2,003,048	\$ 833,878	\$ (143,098)

*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

Town of Ahoskie 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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan memebers entitled to but not yet receiving benefits	-
Active plan members	16
Total	16

### 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 criteria which are outlined in GASB Statement 73.

### Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent			
Salary increases	3.50 to 7.35 percent, including inflation and			
	productivity factor			
Discount rate	3.64 percent			

The discount rate is based on the yield of the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

### **Contributions**

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County'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 \$0 as benefits came due for the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of \$449,580. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was rolled forward to December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$34,062.

	Deferred	
	Outflows	Deferred
	of	Inflows of
	Resources	Resources
Differences between expected and actual experience	\$ 9,176	\$ 23,040
Changes of assumptions	19,058	22,485
Town benefit payments and plan adminstrative		
expense made subsequent to the measurement date	-	-
Total	\$ 28,234	\$ 45,525

\$0 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2020	\$ (3,808)
2021	(3,808)
2022	(3 <i>,</i> 808)
2023	(3 <i>,</i> 388)
2024	(1 <i>,</i> 902)
Thereafter	(577)
Total	\$ (17,291)

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 3.64 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 (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1%		[	Discount		1%
	Decrease			Rate	I	ncrease
	(2.64%)			(3.64%)		(4.64%)
Total Pension Liability	\$	489,702	\$	449,580	\$	412,862

Beginning balance	\$ 419,679
Service cost	24,608
Interest on the total pension liability	13,262
Differences between expected and actual experience in the	
measurement of the total pension liability	10,853
Changes of assumptions or other inputs	(18,822)
Benefit payments	-
Ending balance of the total pension liability	\$ 449,580

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

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.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	\$ 182,129	\$ 34,062	\$ 216,191
Pension Liability	833,878	449,580	1,283,458
Proportionate share of the net pension liability	0.03515%	n/a	0.03515%
Deferred Outflows of Resources			
Differences between expected and actual experience	128,648	9,176	137,824
Changes of assumptions	221,279	19,058	240,337
Net difference between projected and actual earnings			
on plan investments	114,467	-	114,467
Changes in proportion and differences between contributions			
and proportionate share of contributions	1,175	-	1,175
Benefit payments and administrative costs paid subsequent			
to the measurement date	185,209	-	185,209
Deferred inflows of resources			
Differences between expected and actual experience	4,317	23,040	27,357
Changes of assumptions	-	22,485	22,485
Net difference between projected and actual earnings			
on plan investments	-	-	-
Changes in proportion and differences between contributions			
and proportionate share of contributions	24,785	-	24,785

### 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, 2019 were \$59,700, which consisted of \$37,541 from the Town and \$22,159 from the law enforcement officers.

### d. Supplemental Retirement Income Plan for General Employees

*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. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 3.75% of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$95,878, which consisted of \$77,840 from the Town and \$18,038 from the employees.

### b. Other Post employment Benefit

### Healthcare Benefits

*Plan Description.* Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

*Benefits Provided.* This plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System and have at twenty years of creditable service with the Town. The Town pays the full cost of coverage for these benefits through private insurers. Coverage for Medicare eligible retirees are

transferred to a Medicare Supplement plan. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

	General
	Employees
Inactive employees or beneficiaries currently	
receiving benefits	13
Active plan members	53
Total	66

### **Total OPEB Liability**

The Town's total OPEB liability of \$3,402,489 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	
General employees	3.50 percent to 7.75 percent
Municipal bond index rate	3.89 percent
Healthcare trends	
Pre Medicare	7.25 percent for 2018 decreasing to an
	ultimate rate of 4.75 percent by 2028
Medicare	5.38 percent for 2018 decreasing to an
	ultimate rate of 4.75 percent by 2022

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

### **Changes in the Total OPEB Liability**

Balance at June 30, 2018	\$ 3,755,531
Changes for the year	
Service Cost	149,175
Interest	132,400
Differences between expected and actual experience	(361,142)
Changes in assumptions or other inputs	(199,974)
Benefit payments and implicit subsidy credit	(73,501)
Net changes	(353,042)
Balance at June 30, 2019	\$ 3,402,489

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results for an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

 1% Decrease
 Discount Rate 3.89%
 1% Increase

 Total OPEB liability
 \$4,064,405
 \$3,402,489
 \$2,884,602

Sensitivity of the total OPEB liability to changes in the healthcare cost trends. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	Current	1% Increase
Total OPEB liability	\$2,831,094	\$ 3,402,489	\$4,150,228

# OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Town recognized OPEB expense of \$142,448. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred		Deferred		
	Outflows of			Inflows of	
	Resources		Resources		
Differences between expected and actual experience	\$	-	\$	330,634	
Changes of assumptions		-		459,949	
Benefit payments and administrative costs made					
subsequent to the measurement date		72,883		-	
Total	\$	72,883	\$	790,583	

\$72,883 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

\$ (139,127)
(139,127)
(139,127)
(139,127)
(133,519)
(100,556)
\$ (790,583)

### 2. Other Employment Benefit

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 will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

### 3. Deferred Outflows and Inflows of Resources

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

	Statement of Net Position		 
Taxes receivable (General Fund), less penalties	\$	-	\$ 197,109
Changes of assumptions		482,434	-
Changes in proportion and differences between Town			
contributions and proportionate share of contributions		24,785	-
Differences between expected and actual experience		357,991	-
Total	\$	865,210	\$ 197,109

Deferred outflows of resources at year-end is comprised of the following:

Contributions to pension plan in current fiscal year Benefit payments and administrative expenses for LEOSSA	\$ 185,209
made subsequent to measurement date	-
Benefit payments and administrative expenses for OPEB	
made subsequent to measurement date	72,883
Differences between expected and actual experience	137,824
Changes of assumptions	240,337
Net difference between projected and actual earnings	
on pension plan investments	114,467
Changes in proportion and differences between employer	
contributions and proportionate share of contributions	1,175
Total	\$ 751,895

### 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 three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage up to \$8.5 million per building per occurrence, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per occurrence.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159.29, the Town's employees who have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$950,000. The remaining employees who have access to funds are bonded under a blanket bond for \$10,000.

### 6. Long-Term Obligations

### A. Installment Purchase

#### Serviced by the General Fund:

In February 2010, the Town entered into an installment purchase agreement for the secured permanent financing of the new police building at a cost of \$1,572,000. The agreement calls for 30 annual installments of \$90,925, including interest at 4.00%, and is financed by USDA. The outstanding balance at June 30, 2019 was \$1,274,262.

In September 2010, the Town entered into an installment purchase agreement in the amount of \$1,187,000 for the construction of a recreation park. The agreement calls for 15 annual installments of \$110,555, including interest at 4.50%. This agreement was refinanced in September 2012. The new agreement calls for 13 annual principal installments of \$86,879 plus interest at 2.69%. The agreement matures in September 2025. The outstanding balance at June 30, 2019 was \$608,150.

In June 2012, the Town borrowed \$1,873,480 for the construction of a fire station. The agreement is for 12 months and bears interest at 1.36%. Permanent financing was secured with USDA in June 2013. The agreement calls for 30 annual installments of \$99,135 including interest at 3.50%. The agreement matures in September 2043. The outstanding balance at June 30, 2019 was \$1,591,583.

In July 2014, the Town entered into an installment purchase agreement in the amount of \$500,000 to finance street paving. The agreement calls for 7 annual installments of \$71,429 including interest at 2.45%. The agreement matures in July 2021. The outstanding balance at June 30, 2019 was \$214,286.

In September 2015, the Town entered into an installment purchase agreement in the amount of \$438,500 to finance the purchase of a fire truck. The agreement calls for 20 annual installments of \$31,2014 including interest at 3.625%. The agreement matures in September 2036. The outstanding balance at June 30, 2019 was \$390,890.

In October 2016, the Town entered into an installment purchase agreement in the amount of \$1,847,000 to finance a street improvement project. The agreement calls for 40 annual installments of \$83,811 including interest at 3.25%. The agreement matures in October 2056. The outstanding balance at June 30, 2019 was \$1,793,978.

In January 2019, the Town entered into an installment purchase agreement in the amount of \$53,000 to finance the purchase of 3 police vehicles. The agreement calls for 7 annual installments of \$8,791 including interest at 3.875%. The agreement matures in January 2026. The outstanding balance at June 30, 2019 was \$53,000.

### Serviced by the Water and Sewer Fund:

In December 2007, the Town signed a promissory note to the North Carolina Water Pollution Control Revolving Fund in the amount of \$1,847,109 to finance sewer infrastructure improvements.

The loan requires annual principal payments of \$97,216 and semi-annual interest payments at 2.265%. Payments began in May 2009 and mature in May 2027. The outstanding balance at June 30, 2019 was \$777,731.

In December 2015, the Town entered into an installment purchase agreement in the amount of \$228,700 to finance the purchase of new water meters. The agreement calls for 20 annual installments of \$11,436 with no interest. The agreement matures in May 2036. The outstanding balance at June 30, 2019 was \$194,412.

The future minimum payments of the installment purchases as of June 30, 2019, including \$3,032,799 of interest in governmental activities and \$79,262 in business-type activities, are as follows:

	Governmental				Business-type																	
Year Ending		Activ	/itie	S		Activities				То												
June 30	Pi	rincipal		Interest	F	Principal	Interest		Interest		Interest		Interest		Interest		ipal Interest		nterest Pri			Interest
2020	\$	289,573	\$	204,208	\$	108,652	\$	17,616	\$	398,225	\$	221,824										
2021		294,370		195,326		108,652		15,414		403,022		210,740										
2022		299,352		186,257		108,652		13,212		408,004		199,469										
2023		233,085		177,008		108,652		11,010		341,737		188,018										
2024		238,434		169,322		108,652		8,808		347,086		178,130										
2025-2029		991,540		732,185		348,830		13,202		1,340,370		745,387										
2030-2034		958,556		566,820		57,180		-		1,015,736		566,820										
2035-2039	1,	,054,616		381,439		22,873		-		1,077,489		381,439										
2040-2044		698,599		205,219		-		-		698,599		205,219										
2045-2049		293,548		125,507		-		-		293,548		125,507										
2050-2054		345,267		73,788		-		-		345,267		73,788										
2055-2058		229,209		15,720		-		-		229,209		15,720										
Total	\$5,	,926,149	\$3	3,032,799	\$	972,143	\$	79,262	\$ (	6,898,292	\$	3,112,061										

### C. General Obligation Indebtedness

The Town's general obligation bonds were issued to provide funds for the acquisition and construction of major water and sewer system capital improvements and are being retired by its resources. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest payments are appropriated when due.

Bonds payable at June 30, 2019 are composed of the following individual issues:

\$9,464,000 Series 2011A wastewater bonds, due in annual principal installments of \$110,000 to \$440,000 plus interest	
at 4.125%.	\$ 8,594,000
\$1,336,000 Series 2011B wastewater bonds, due in annual principal installments of \$19,000 to \$60,000 plus interest at	
3.375%.	1,195,000
	\$ 9,789,000

Annual debt service requirements to maturity for the Town's general obligation bonds are as follows:

	Dbligation	
Year Ending	Indebt	edness
June 30	Principal	Interest
2020	\$ 168,000	\$ 394,834
2021	174,000	388,076
2022	182,000	381,072
2023	189,000	373,744
2024	197,000	366,135
2025-2029	1,111,000	1,705,092
2030-2034	1,353,000	1,462,498
2035-2039	1,648,000	1,166,888
2040-2044	2,008,000	806,559
2045-2049	2,392,000	370,035
2050-2054	367,000	14,812
Total	\$ 9,789,000	\$ 7,429,745

At June 30, 2019, the Town of Ahoskie had bonds authorized and unissued of \$1,000,000 and a legal debt margin of \$21,310,987.

### D. Revenue Bond

\$1,873,000 Water and Sewer System Series 2011 USDA Revenue Bonds were issued for water and sewer system improvements. Principal and interest installments are due annually at June 1 at an annual interest rate of 3.00%. The bond matures in June 2051. The outstanding balance at June 30, 2019 was \$1,697,000.

Year Ending	r Ending Revenue Bond								
June 30		Principal	ncipal Intere						
2020	\$	32,000	\$	50,910					
2021		33,000		49 <i>,</i> 950					
2022		34,000		48,960					
2023		35,000		47,940					
2024		36,000		46,890					
2025-2029		199,000		217,470					
2030-2034		230,000		185,820					
2035-2039		267,000		149,190					
2040-2044		310,000		106,650					
2045-2049	361,000			57,150					
2050-2054		160,000	7,230						
Total	\$ :	1,697,000	\$	968,160					

The future payments of the revenue bond for the year ending June 30, 2019 are as follows:

The Town is in compliance with the covenants as to rates, fees, rentals and charges in Section 5.02 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2011. Section 5.02(a) of the Bond Order requires the debt service coverage ratio to be no less than 110%. The debt service coverage ratio calculation for the year ended June 30, 2019, is as follows:

Operating revenues	\$ 3,654,691
Operating expenses *	2,057,208
Operating income	1,597,483
Nonoperating revenues (expenses) **	 (629,170)
Income available for debt service	968,313
Debt service, principal and interest paid (Revenue bond only)	
	\$ 82,840
Debt service coverage ratio	1169%

\* Per rate covenants, this does not include the depreciation expense of \$857,007

\*\* Per rate covenants, this does not include the revenue bond interest paid of \$51,840

									Current	
	Balance	Increases		Decreases			Balance	Portion of		
	July 1, 2018					Ju	ine 30, 2019		Balance	
Governmental activities:										
Installment purchase	\$ 6,781,874	1\$	53,000	\$	908,725	\$	5,926,149	\$	289,573	
Compensated absences	189,718	3	12,951		-		202,669		50,667	
Net pension liability (LGERS)	422,933	3	230,016		-		652,949		-	
Total pension liability (LEOSSA)	419,679	)	29,901		-		449,580		-	
Total OPEB liability	2,821,375	5	-		157,136		2,664,239		-	
Governmental activity long-term liabilities	\$ 10,635,579	\$	325,868	\$ :	1,065,861	\$	9,895,586	\$	340,240	
Business-type activities:										
Installment purchase	\$ 1,140,030	) \$	-	\$	167,887	\$	972,143		108,652	
General obligation bonds	9,951,000	)	-		162,000		9,789,000		168,000	
Revenue bonds	1,728,000	)	-		31,000		1,697,000		32,000	
Compensated absences	64,914	1	-		12,827		52,087		13,022	
Net pension liability (LGERS)	140,033	3	40,896		-		180,929		-	
Total OPEB liability	934,156	5	-		195,906		738,250		-	
Business-type activity long-term liabilities	\$ 13,958,133	} \$	40,896	\$	569,620	\$	13,429,409	\$	321,674	

### E. Changes in Long-Term Liabilities

Compensated absences for governmental activities have typically been liquidated in the General Fund.

### F. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2019, consist of the following:

the repayment of debt principal and interest	\$ 29,069
Total	\$ 29,069

Transfers to / from other funds at June 30, 2019, consist of the following:

From the Water and Sewer Fund to the General Fund for	
internal service reimbursement	\$ 218,097
From the General Fund to the USDA Reserve Fund for	
restricted cash per USDA covenents	35,876
From the Water and Sewer Fund to the USDA Reserve Fund	
for restricted cash per USDA covenents	64,636
Total	\$ 318,609

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.

### G. Fund Balance

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

Total fund balance - General Fund	\$ 1,583,444
Less:	
Stabilization by State Statute	605,633
Public Safety	16,981
Economic Development	566,166
Remaining fund balance	\$ 394,664

### NOTE III – JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with five counties and thirty-two other municipalities established the Mid-East Commission. The participating governments established the Commission to coordinate various funding received from federal and State agencies. The Town of Ahoskie appoints one member to the Commission's governing board. The Town paid membership fees of \$1,625 to the Commission during the fiscal year ended June 30, 2019.

### NOTE IV – SUMMARY OF 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.

# Town of Ahoskie Proportionate Share of Net Pension Liability (Asset) Required Supplementary Information Last Five Fiscal Years Schedule 1

	2019	2018	2017	2016	2015
Ahoskie's proportion of the net pension liability (asset) (%)	0.03515%	0.03685%	0.04445%	0.04500%	0.04600%
Ahoskie's proportion of the net pension liability (asset) (\$)	\$ 833,878	\$ 299,674	\$ 943,380	\$ 203,573	\$ (268,542)
Ahoskie's covered-employee payroll	\$ 2,291,643	\$ 2,435,505	\$ 2,799,173	\$ 3,125,293	\$ 3,120,894
Ahoskie's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.39%	12.30%	33.70%	6.51%	-8.60%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%

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

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

# Town of Ahoskie Local Government Employees' Retirement System Schedule of Contributions Required Supplementary Information Last Five Fiscal Years Schedule 2

		2019	2018		2017		2016	2015
Contractually required contribution	\$	185,209	\$ 76,146	\$	192,865	\$	193,171	\$ 193,441
Contributions in relation to the contractually required contribution		185,209	76,146		192,865		193,171	193,441
Contribution deficiency (excess)	\$	-	\$ -	\$	-	\$	-	\$ -
Ahoskie's covered-employee payroll	\$ 2	2,291,643	\$ 2,435,505	\$ :	2,799,173	\$ :	3,125,293	\$ 3,120,894
Contributions as a percentage of covered-employee payroll		8.08%	3.13%		6.89%		6.18%	6.20%

# Town of Ahoskie Law Enforcement Officers' Special Separation Allowance Schedule of Changes in Total Pension Liability Required Supplementary Information Schedule 3

	2019	2018	2017
Beginning balance	\$ 419,679	\$397,913	\$382,594
Service cost	24,608	17,620	24,613
Interest on the total pension liability	13,262	15,254	13,463
Differences between expected and actual experience in the			
measurement of the total pension liability	10,853	(32,620)	-
Changes of assumptions or other inputs	(18,822)	26,982	(11,816)
Benefit payments	-	(5,470)	(10,941)
Ending balance of the total pension liability	\$ 449,580	\$419,679	\$397,913

The amounts presented for each fiscal year were determined as of the prior year ending December 31.

# Town of Ahoskie Law Enforcement Officers' Special Separation Allowance Schedule of Total Pension Liability as a Percentage of Covered Payroll Required Supplementary Information Schedule 4

	2019	2018	2017
Total pension liability	\$ 449,580	419,679	\$ 397,913
Covered payroll	849,109	683,954	907,668
Total pension liability as a percentage of covered payroll	52.95%	61.36%	43.84%

Notes to the schedules:

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

# Town of Ahoskie Other Post Employment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios Required Supplementary Information Schedule 5

Total OPEB Liability	2019	2018
Service cost	\$ 149,175	\$ 171,206
Interest	132,400	118,164
Changes of benefit terms	-	-
Differences between expected and actual experience	(361,142)	(26,592)
Changes of assumptions	(199,974)	(404,369)
Benefit payments	(73,501)	(56,742)
Net change in total OPEB liability	(353,042)	(198,333)
Total OPEB liability - beginning	3,755,531	3,953,864
Total OPEB liability - ending	\$ 3,402,489	\$ 3,755,531
Covered payroll	\$ 2,272,607	\$ 2,384,805
Total OPEB liability as a percentage of covered payroll	149.72%	157.48%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period.

Fiscal Year	<u>Rate</u>	
2019		3.89%
2018		3.56%

# Town of Ahoskie General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual For the Fiscal Year Ended June 30, 2019 Schedule 6

			Variance Positive
	Budget	Actual	(Negative)
REVENUES Ad valorem taxes:			
Taxes		\$ 2,733,222	
Interest		20,812	
Total	\$ 2,847,911	2,754,034	\$ (93,877)
	\$ 2,047,911	2,754,054	\$ (33,677)
Other taxes and licenses:			
Local option sales tax		1,242,994	
Privilege licenses		1,080	
Motor vehicle licenses		615	
Motor vehicle tags		32,890	
Occupancy fees		1,898	
Total	1,237,100	1,279,477	42,377
	_,	_,_: _, .: :	,
Unrestricted intergovernmental:			
Utility sales tax		288,619	
, Telecommunications sales tax		37,798	
Video franchise fee		29,318	
Piped natural gas sales tax		18,193	
ABC Profit Distribution		8,983	
Beer and wine tax		20,765	
Total	414,027	403,676	(10,351)
Restricted intergovernmental:			
Other grants		26,902	
Solid waste disposal tax		3,373	
Powell Bill allocation		146,912	
Total	432,099	177,187	(254,912)
Permits and fees:			
Inspection fees		47,661	
Total	41,000	47,661	6,661
Sales and services:			
Rents and concessions		40,646	
Cemetery services		4,423	
Refuse services		586,783	
Cable franchise fees		20,650	
Miscellaneous fees and services		9,617	
Total	661,494	662,119	625
Investment earnings	1,000	3,011	2,011
постенски силиво	1,000	5,011	2,011
Miscellaneous:			
Miscellaneous:	101,379	141,365	39,986
Total revenues	5,736,010	5,468,530	(267,480)

# Town of Ahoskie General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual For the Fiscal Year Ended June 30, 2019 Schedule 6

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES	Duugei	Actual	(wegative)
General government:			
Governing board:			
Governing board fees		18,972	
Donations		81,140	
Operating expenditures		13,538	
Total	226,113	113,650	112,463
Administration:			
Salaries and employee benefits		448,013	
Professional fees		12,725	
Operating expenditures		174,562	
Reimbursement - proprietary funds		(315,140)	
Total	645,771	320,160	325,611
L l			
Legal: Professional fees		9,199	
Total	9,500	9,199	301
	9,500	9,199	501
Planning, zoning, and inspection:			
Salaries and employee benefits		97,358	
Operating expenditures		33,843	
Total	138,665	131,201	7,464
Public buildings and grounds:			
Salaries and employee benefits		93,534	
Operating expenditures		173,292	
Capital outlay		18,600	
Total	293,285	285,426	7,859
Public works:			
Salaries and employee benefits		199,630	
Operating expenditures	275 007	68,355	7 102
Total	275,087	267,985	7,102
Total general government	1,588,421	1,127,621	460,800
Public safety:			
Police:			
Salaries and employee benefits		1,225,421	
Operating expenditures		406,642	
Capital outlay		83,715	
Total	1,854,150	1,715,778	138,372
	, , -·•	, -, ,	- / -
Fire:			
Salaries and employee benefits		373,571	
Operating expenditures		88,424	
Ahoskie volunteer department Capital outlay		21,533 78,862	
Total	575,818	562,390	13,428
Total public safety	2,429,968	2,278,168	151,800
	,, 3	, -,=	. ,

# Town of Ahoskie General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual For the Fiscal Year Ended June 30, 2019 Schedule 6

	Budget	Actual	Variance Positive (Negative)
Transportation:	Dudget	Actual	(Negative)
Street and highways:			
Salaries and employee benefits		248,953	
Operating expenditures		478,353	
Total transportation	799,035	727,306	71,729
		,	
Environmental protection:			
Sanitation:			
Operating expenditures		21,801	
Garbage and trash collection		352,605	
Total environmental protection	388,859	374,406	14,453
	· · ·	· ·	<u> </u>
Cultural and recreation:			
Salaries and employee benefits		2,763	
Operating expenditures		64,455	
Total	125,835	67,218	58,617
Libraries:			
Ahoskie library		109,126	
Total	110,477	109,126	1,351
Total cultural and recreation	236,312	176,344	59,968
Special appropriations: Contribution to Gallery Theatre Contribution to Chamber of Commerce		3,500	
	25,500	22,000	
Total special appropriations	23,300	25,500	
Debt Service:			
Principal		687,417	
Interest		225,072	
Total debt service	912,489	912,489	-
Total expenditures	6,380,584	5,621,834	744,297
	-,,	-,,	,
Revenue over (under) expenditures	(644,574)	(153,304)	491,270
			· · ·
OTHER FINANCING SOURCES (USES)			
Transfer from other funds:			
Water and Sewer		218,097	
Transfer to other funds:			
USDA Reserve		(35,876)	
Sale of assets		159,229	
Total other financing sources (uses)	644,574	341,450	(303,124)
Net change in fund balance	\$ -	188,146	\$ 188,146
		-	
Fund balances, beginning		812,151	
Fund balances, ending	-	\$ 1,000,297	
	=		

# Town of Ahoskie Drug Enforcement Fund Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual For the Fiscal Year Ended June 30, 2019 Schedule 7

						ariance ositive
	В	udget		Actual	(Ne	egative)
REVENUES						
Miscellaneous:						
Drug enforcement funds			\$	2,595		
Total revenues	\$	4,000		2,595	\$	(1,405)
EXPENDITURES						
Public safety:						
Operating expenditures				-		
Total expenditures		4,000		-		4,000
Revenue over (under) expenditures		-		2,595		2,595
Net change in fund balance	\$	-	_	2,595	\$	2,595
			-			
Fund balances, beginning				14,386		
Fund balances, ending			\$	16,981		

# Town of Ahoskie USDA Rural Center Reserve Fund Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual For the Fiscal Year Ended June 30, 2019 Schedule 8

					Variance Positive
	I	Budget		Actual	(Negative)
OTHER FINANCING SOURCES (USES)					
Transfer from other funds:					
General Fund	\$	35,876	\$	35,876	
Water Fund		64,636		64,636	
Total other financing sources (uses)		100,512		100,512	-
Fund balance appropriated		(100,512)		-	100,512
Net change in fund balance	\$	-	-	100,512	\$ 100,512
Fund balances, beginning				465,654	
Fund balances, ending			\$	566,166	

# Town of Ahoskie Water and Sewer Fund Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) For the Fiscal Year Ended June 30, 2019 Schedule 9

				Variance Positive
		Budget	Actual	(Negative)
REVENUES				
Operating revenues:				
Utility charges			\$ 3,564,608	
Water and sewer tap fees			4,960	
Reconnection fees			85,123	
Total operating revenues	\$	3,636,100	3,654,691	\$ 18,591
Nonoperating revenues:				
Interest on investments			1,975	
Miscellaneous			38,423	
Total nonoperating revenues		23,600	40,398	16,798
Total revenues		3,659,700	3,695,089	35,389
EXPENDITURES				
Water and sewer administration:				
Salaries and benefits			372,170	
Professional fees			33,432	
Utilities			99,365	
Maintenance and repairs			99,615	
Supplies and materials			85,988	
Contracted services			204,638	
Other operating expenditures			362,267	
Total		1,167,752	1,257,475	(89,723)
Wastewater treatment administration:				
Salaries and benefits			41E 902	
Professional fees			415,893	
			8,167	
Utilities			232,221	
Maintenance and repairs			96,366	
Supplies and materials			49,653	
Other operating expenditures			122,457	
Total		996,666	924,757	71,909
Debt Service				
Principal			7,868	
Debt Payments			360,887	
Interest		807 400	482,565	46.080
Total Debt Service Total Expenditures		897,409 3,061,827	851,320 3,033,552	46,089 28,275
Revenues over (under) expenditures		597,873	661,537	63,664
Other financing sources (uses):				
Sale of capital asset			(230,975)	
Transfer to other fund:			1	
USDA Reserve Fund			(64,636)	
General Fund Total other financing sources (uses)		(597,873)	(218,097) (513,708)	(84,165)
		(57,05)	(313,708)	(04,105)
Revenues and fund balance	\$		ć 147.000	¢ (147.920)
appropriated over expenditures	Ş		\$ 147,829	\$ (147,829)

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

Reconciling items:		
(Increase) decrease in accrued vacation	12,827	
Increase (decrease) in deferred outflows of resources - pensions	31,124	
(Increase) decrease in net pension liability	(40,896)	
(Increase) decrease in deferred inflows of resources - pensions	6,462	
Increase (decrease) in deferred outflows of resources - OPEB	(548)	
(Increase) decrease in OPEB liability	195,906	
(Increase) decrease in deferred inflows of resources - OPEB	(79,851)	
Principal retirement	360,887	
Depreciation expense	(857,007)	
Total reconciling items	(371,096)	
Change in net position	\$ (223,267)	

# Town of Ahoskie Ahoskie Tourism Development Authority Discretely Presented Component Unit Supplemental Statement of Net Position June 30, 2019 Schedule 10

	 Governmental Activities	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 146,758	
Accounts receivable (net)	4,471	
Total assets	151,229	
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	1,080	
Total liabilities	1,080	
NET POSITION		
Restricted for:		
Stabilization by State Statute	4,471	
Unrestricted	145,678	
Total net position	\$ 150,149	

# Town of Ahoskie Ahoskie Tourism Development Authority Discretely Presented Component Unit Supplemental Statement of Activities June 30, 2019 Schedule 11

Functions / Programs		Expenses	Governmental Activities			
Primary Government		Expenses		Activities		
Governmental activities:						
Economic and physical development	\$	73,165	\$	(73,165)		
General Revenues:						
Occupancy taxes				62,698		
Investment earnings				632		
Total general revenues				63,330		
Change in net position				(9,835)		
Net position, beginning of year				159,984		
Net position, end of year			\$	150,149		

# Town of Ahoskie Ahoskie Tourism Development Authority Discretely Presented Component Unit Supplemental Balance Sheet June 30, 2019 Schedule 12

	 Governmental Activities			
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 146,758			
Accounts receivable (net)	4,471			
Total assets	151,229			
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	1,080			
Total liabilities	1,080			
FUND BALANCE				
Restricted for:				
Stabilization by State Statute	4,471			
Unrestricted	145,678			
Total fund balance	\$ 150,149			

# Town of Ahoskie Ahoskie Tourism Development Authority Discretely Presented Component Unit Supplemental Statement of Revenues, Expenditures And Changes in Fund Balance—Budget and Actual For the Year Ended June 30, 2019 Schedule 13

	Orisi	nal Budget	<b>r</b> :	nal Budget	A at	ual Amounts	Fina	iance with al Budget - Positive
REVENUES	Ungi	iai Duugei	FII	iai buuget	Atti		(1)	legative)
Occupancy taxes	\$	35,000	\$	74,187	\$	62,698	\$	(11,489)
Investmend earnings		-		-		632		632
Total general revenues		35,000		74,187		63,330		(10,857)
EXPENDITURES								
Current:								
Economic and physical development		35,000		74,187		73,165		1,022
Net change in fund balance	\$	-	\$	-		(9,835)	\$	9,835
Fund balances - beginning						159,984		
Fund balance - ending					\$	150,149	-	

# Town of Ahoskie Schedule of Ad Valorem Taxes Receivable June 30, 2019 Schedule 14

Fiscal Year	I	collected Balance e 30, 2018		Additions		redits and collections		ncollected Balance ne 30, 2019
2010 2010	Å		<u> </u>	2 757 760	4		<u>,</u>	02.405
2018-2019	\$	-	\$	2,757,760	\$	2,665,655	\$	92,105
2017-2018		79,441		-		32,972		46,469
2016-2017		52,188		-		21,332		30,856
2015-2016		23,864		3,262		7,810		19,316
2014-2015		14,875		-		2,242		12,633
2013-2014		13,947		-		1,178		12,769
2012-2013		15,758		-		1,907		13,851
2011-2012		12,636		-		930		11,706
2010-2011		14,400		-		565		13,835
2009-2010		12,151		-		542		11,609
2008-2009		11,319		-		11,319		-
	\$	250,579	\$	2,761,022	\$	2,746,452		265,149
Less: allowance for unc General Fund	ollectible	e accounts:						68,036
Ad valorem taxes receiv	able - ne	et:						·
General Fund							\$	197,113
Reconcilment with reve	<u>nues</u>							
Ad valorem taxes - Gen	eral Fund	b						2,754,034
Reconciling items:								
Interest collected								(20,812)
Taxes written off								13,230
Subtotal								(7,582)
Total collections and cre	edits						\$	2,746,452

# Town of Ahoskie Analysis of Current Tax Levy – Town-Wide Levy June 30, 2019 Schedule 15

	Te	Total Levy				
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles		egistered Motor /ehicles
Original levy						
Property taxed at current rate	340,890,988	0.81	\$ 2,761,217	\$ 2,526,371	\$	234,846
Discoveries	56,914	0.81	461	461		-
Abatements	(483,704)	0.81	(3,918)	(3,918)		-
Total property valuation	****					
Net levy			2,757,760	2,522,914		234,846
Uncollected taxes at June 30, 2019			92,105	92,105		
Current year's taxes collected			\$ 2,665,655	\$ 2,430,809	\$	234,846
Current levy collection percentage			96.66%	96.35%		100.00%



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

Independent Auditor's Report

To the Honorable Mayor and Members of the Town Council Town of Ahoskie, North Carolina

We have audited, 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, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining funds of the Town of Ahoskie, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town of Ahoskie's basic financial statements, and have issued our report thereon dated November 25, 2019.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Ahoskie's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Ahoskie'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Ahoskie's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express

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

Jeff Best, CPA, PLLC

Belhaven, North Carolina November 25, 2019