
Town of Aulander

Aulander, North Carolina

Financial Statements

June 30, 2019



TOWN OF AULANDER

AULANDER, NORTH CAROLINA

TOWN OFFICIALS

Mayor

Larry Drew

Town Commissioners

Bobbie Parker – Mayor Pro Tem

Bryan Morings

Jamie Tinkham

Jason Tinkham

Jeanette Tinkham

Town of Aulander, North Carolina
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 June 30, 2019

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LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Aulander, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on the audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that I 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.

Member:

American Institute of Certified Public Accountants, NC Association of Certified Public Accountants
AICPA – Governmental Audit Quality Center

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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, the business-type activities, each major fund, and the aggregate remaining funds of Town of Aulander, 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 of 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 the Management's Discussion and Analysis on pages 4 through 11 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions on pages 42 and 43, 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 evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Aulander, North Carolina. The introductory information, combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules, as well as the accompanying schedules of expenditures of federal and State awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, and statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates 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 the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the combining and individual nonmajor fund financial statements, budgetary schedules, Schedule of Expenditures of Federal

and State Awards, and other schedules, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standard*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2019 on our consideration of the Town of Aulander's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Aulander's internal control over financial reporting and compliance.

Larry E. Carpenter, CPA, PA

Greenville, NC
October 29, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Aulander, we offer readers of the Town of Aulander's financial statements this narrative overview and analysis of the financial activities of the Town of Aulander 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

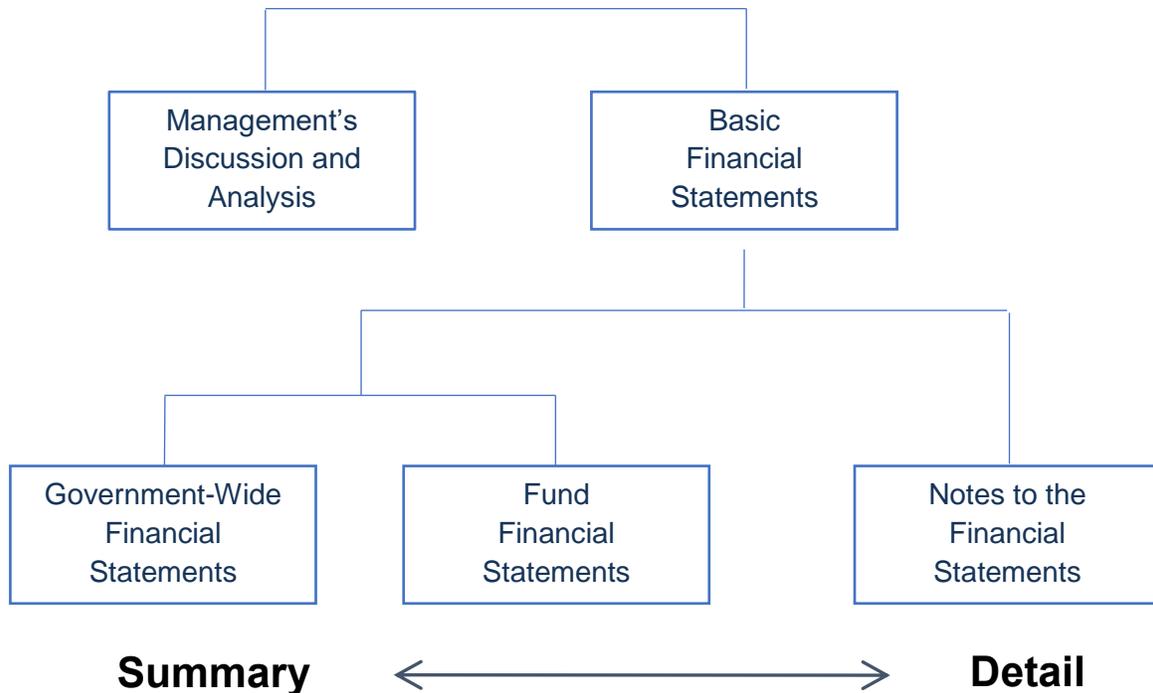
- The assets and deferred outflows of resources of the Town of Aulander exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,983,919 (*net position*).
- The government's total net position increased by \$1,074,379, primarily due to an increase in both the governmental and the business-type activities net position.
- As of the close of the current fiscal year, the Town of Aulander's governmental funds reported an ending fund balance of \$1,183,964 with a net change of \$84,305 in fund balance. Approximately 52.51% percent of this total amount, or \$830,643 is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$830,643, or 131.60% percent of total general fund expenditures for the fiscal year.
- At end of the current fiscal year, the Town had Restricted Reserves of \$54,114.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Aulander'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 Aulander

Components of the Annual Financial Report

Figure 1:



Basic Financial Statements

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

The next statements (Exhibits A-3 through A-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's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, cultural and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Aulander.

The government-wide financial statements are on Exhibits A-1 and A-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 Aulander, 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 Town of Aulander 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 Aulander 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 Town Council; 2) the final budget as amended by the Town Council; 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 Aulander 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 Aulander uses enterprise funds to account for its water, sewer, sanitation, and stormwater operations.

These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Aulander's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 42 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.

Town of Aulander's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$1,240,508	\$1,129,184	\$ 610,355	\$ 746,525	\$ 1,850,863	\$ 1,875,709
Pension assets						
Capital assets	593,639	616,589	4,266,542	683,225	4,860,181	1,299,814
Deferred outflows of resources	26,030	17,238	37,047	16,332	63,077	33,570
Total assets and deferred outflows of resources	1,860,177	1,763,011	4,913,944	1,446,082	6,774,121	3,209,093
Current liabilities	65,765	31,459	215,944	208,528	281,709	239,987
Noncurrent liabilities	54,606	26,358	50,440	24,973	105,046	51,331
Deferred inflows of resources	3,991	5,289	5,678	5,010	9,669	10,299
Total liabilities and deferred inflow of resources	124,362	63,106	272,062	238,511	396,424	301,617
Net investment in capital	511,326	539,343	3,886,367	2,831,333	4,397,693	3,370,676
Restricted	353,321	336,936	-	-	353,321	336,936
Unrestricted	835,125	766,131	397,780	435,797	1,232,905	1,201,928
Total net position	\$1,699,772	\$1,642,410	\$4,284,147	\$3,267,130	\$ 5,983,919	\$ 4,909,540

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Aulander exceeded liabilities by \$5,983,919 as of June 30, 2019. The

Management's Discussion and Analysis
Town of Aulander

Town's net position increased by \$1,074,379 for the fiscal year ended June 30, 2019. However, the largest portion, \$4,397,693 or 73.49%, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Aulander uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Aulander'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 Aulander's net position, \$353,321 or .21% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,232,905 or 67.74% is unrestricted.

Town of Aulander's Changes in Net Position

Figure 3

	Governmental		Business-Type		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 99,480	\$ 99,519	\$ 467,882	\$ 479,346	\$ 567,362	\$ 578,865
Operating grants and contributions	66,614	39,621	1,086,645	-	1,153,259	39,621
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	246,563	251,292			246,563	251,292
Other taxes	262,335	248,355			262,335	248,355
Unrestricted intergovernmental	-	31,628			-	31,628
Investment earnings	3,313	3,747	4,951	1,738	8,264	5,485
Other	35,126	39,060	14,413	10,596	49,539	49,656
Total revenues	<u>713,431</u>	<u>713,222</u>	<u>1,573,891</u>	<u>491,680</u>	<u>2,287,322</u>	<u>1,204,902</u>
Expenses:						
General government	205,315	233,117			205,315	233,117
Public safety	180,596	118,902			180,596	118,902
Transportation	152,600	158,338			152,600	158,338
Economic and physical developmen	7,129	7,129			7,129	7,129
Environmental protection	60,978	50,515			60,978	50,515
Culture and recreation	46,842	52,577			46,842	52,577
Interest on long-term debt	2,609	3,052			2,609	3,052
Water and sewer			556,874	491,200	556,874	491,200
Total expenses	<u>656,069</u>	<u>623,630</u>	<u>556,874</u>	<u>491,200</u>	<u>1,212,943</u>	<u>1,114,830</u>
Increase in Net Position before transfers	57,362	89,592	1,017,017	480	1,074,379	90,072
Transfers	-	-	-	-	-	-
Increase (decrease) in Net Position	57,362	89,592	1,017,017	480	1,074,379	90,072
Net Position, July 1	1,642,410	1,552,818	3,267,130	3,131,957	4,909,540	4,684,775
Net Position, June 30	<u>\$1,699,772</u>	<u>\$1,642,410</u>	<u>\$ 4,284,147</u>	<u>\$3,197,947</u>	<u>\$5,983,919</u>	<u>\$4,774,847</u>

Governmental activities: Governmental activities increased the Town's net assets by \$57,362. Key elements of the decrease are as follows:

- Tax revenues remained steady

Business-type activities: Business-type activities increased the Town of Aulander's net position by \$1,017,017, accounting for 4.71% of the total growth in the government's net assets.

The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer at the end of the fiscal year amounted to \$397,780. The total increase in net position was \$1,017,017.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Aulander. At the end of the current fiscal year, the Town's fund balance available in the General Fund was \$830,643, while total fund balance reached \$1,183,964. The Town currently has an available fund balance of 131.60% of general fund expenditures, while total fund balance represents 250.60% of the same amount.

At June 30, 2019, the governmental funds of the Town reported a fund balance of \$1,183,964 with a net increase in fund balance of \$84,305.

The North Carolina Local Government Commission strongly recommends that local governments maintain an undesignated fund balance of at least 8% of general fund expenditures. Undesignated fund balance is a sub classification of unassigned fund balance after consideration for management's policy designations.

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

Capital assets. The Town of Aulander's investment in capital assets for its governmental and business—type activities as of June 30, 2019, totaled \$4,860,180 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Town of Aulander's Capital Assets
(Net of Accumulated Depreciation)
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 32,290	\$ 42,290	\$ 195,015	\$ 195,015	\$ 227,305	\$ 237,305
Construction in progress	-	-	269,536	269,536	269,536	269,536
Buildings	641,363	641,363	-	-	641,363	641,363
Equipment	547,325	523,180	465,604	387,117	1,012,929	910,297
Vehicles	944,014	886,763	54,401	54,401	998,415	941,164
Other Improvements	246,900	207,891	-	-	246,900	207,891
Plant and distribution system	-	-	7,717,977	6,613,386	7,717,977	6,613,386
Subtotal	2,411,892	2,301,487	8,702,533	7,519,455	11,114,425	9,820,942
Accumulated depreciation	(1,818,255)	(1,697,462)	(4,435,991)	(4,236,231)	(6,254,245)	(5,933,693)
Capital assets, net	\$ 593,638	\$ 604,025	\$ 4,266,542	\$ 3,283,224	\$ 4,860,180	\$ 3,887,249

Long-term Debt.

As of June 30, 2019, the Town had an installment obligation of \$462,487 backed by full faith and credit of the Town.

Town of Aulander
General Obligations and Loans

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Notes payable	\$ 82,313	\$ 77,246	\$ 380,174	\$ 412,674	\$ 462,487	\$ 489,920
General obligation bonds	-	-	-	39,218	-	39,218
Total	\$ 82,313	\$ 77,246	\$ 380,174	\$ 451,892	\$ 462,487	\$ 529,138

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the general condition of the Town. The economic crisis of prior years continues to contribute to the factors below:

- High unemployment, an aged population, no industrial development, and very little retail business help to create a situation where the Town's customer base is eroded. The resulting ratio of expense versus

Management's Discussion and Analysis
Town of Aulander

revenue creates a difficult situation in keeping rates and fees low while maintaining an adequate level of service. In addition, most residents are on fixed income.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Tax revenues along with other general fund revenues are expected to remain constant and no property tax rate increase is being considered at this time.

Governmental activities: Property taxes (benefiting from the economic growth) and revenues from charges for services are expected to lead the increase in budgeted revenue by 5%. The Town will use these increases in revenues to finance programs currently in place. Management has seen some improvement in areas that were affected by the recession and anticipates more growth in coming years.

Budgeted expenditures in the General Fund are expected to decrease approximately 8% the largest decreases are in General Government and Public Safety.

The Town has chosen to appropriate fund balance in the fiscal year 2020 budget. Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

Requests for Information

This report is designed to provide an overview of the Town's 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 Clerk
Town of Aulander
P. O. Box 100
Aulander, North Carolina 27805

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Town of Aulander, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 868,703	\$ 762,703	\$ 1,631,406
Taxes receivable (net)	18,484	--	18,484
Accounts receivable (net)	46,027	64,212	110,239
Restricted cash and cash equivalents	54,114	36,620	90,734
<i>Internal Balances*</i>	253,180	(253,180)	--
Total Current Assets	1,240,508	610,355	1,850,863
<i>Noncurrent Assets</i>			
Land and other non-depreciable assets	32,290	464,551	496,841
Other capital assets, net of depreciation	561,349	3,801,991	4,363,340
Total Assets	1,834,147	4,876,897	6,711,044
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	26,030	37,047	63,077
Total Deferred Outflows of Resources	26,030	37,047	63,077
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable and accrued liabilities	38,058	155,111	193,169
Customer deposits	--	36,620	36,620
Accrued interest payable	--	291	291
Current portion of long-term debt	27,707	23,922	51,629
Total Current Liabilities	65,765	215,944	281,709
<i>Noncurrent Liabilities</i>			
Due in more than one year	54,606	356,253	410,859
Net Pension Liability	35,439	50,440	85,879
Compensated absences	604	1,482	2,086
Total Liabilities	156,414	624,119	780,533
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	3,991	5,678	9,669
Total Deferred Inflows of Resources	3,991	5,678	9,669
NET POSITION			
Net investment in capital assets	511,326	3,886,367	4,397,693
<i>Restricted for:</i>			
Stabilization by State Statute	299,207	--	299,207
Streets	54,114	--	54,114
<i>Unrestricted</i>	835,125	397,780	1,232,905
Total Net Position	\$ 1,699,772	\$ 4,284,147	\$ 5,983,919

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

**Town of Aulander, North Carolina
Statement of Activities
For the Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 205,315	\$ 21,284	\$ --	\$ --	\$ (184,031)	\$ --	\$ (184,031)
Public safety	180,596	2,416	39,139	--	(139,041)	--	(139,041)
Transportation	152,600	--	27,475	--	(125,125)	--	(125,125)
Economic and physical development	7,129	--	--	--	(7,129)	--	(7,129)
Environmental protection	60,978	73,690	--	--	12,712	--	12,712
Cultural and recreational	46,842	2,090	--	--	(44,752)	--	(44,752)
Interest and other charges	2,609	--	--	--	(2,609)	--	(2,609)
Total Governmental Activities	656,069	99,480	66,614	--	(489,975)	--	(489,975)
Business-type Activities:							
Water and Sewer	556,874	467,882	1,086,645	--	--	997,653	997,653
Total Business-type Activities	556,874	467,882	1,086,645	--	--	997,653	997,653
Total Primary Government	\$ 1,212,943	\$ 537,362	\$ 1,153,259	\$ --	\$ (489,975)	\$ 997,653	\$ 507,678

General Purpose Revenues and Transfers:

Revenues

Ad valorem taxes	246,563	--	246,563
Unrestricted intergovernmental	257,835	--	257,835
Restricted intergovernmental	4,500	--	4,500
Miscellaneous Income	35,126	14,413	49,539
Investment earnings	3,313	4,951	8,264

Transfers

Total General Revenues and Transfers	547,337	19,364	569,864
Change in Net Position	57,362	1,017,017	1,074,379
<i>Net Position at Beginning of Period</i>	<i>1,642,410</i>	<i>3,267,130</i>	<i>4,909,540</i>
Net Position at End of Period	\$ 1,699,772	\$ 4,284,147	\$ 5,983,919

FUND FINANCIAL STATEMENTS

**Town of Aulander, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019**

	Major Fund
	General Fund
ASSETS	
Cash and cash equivalents	\$ 868,703
Taxes receivable (net)	18,484
Accounts receivable (net)	46,027
Restricted cash and cash equivalents	54,114
Due from other funds	253,180
Total Assets	1,240,508
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
Total Assets and Deferred Outflows of Resources	\$ 1,240,508
LIABILITIES	
Accounts payable and accrued liabilities	\$ 38,060
Total Liabilities	38,060
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	18,484
Total Liabilities and Deferred Inflows of Resources	56,544
FUND BALANCE	
Restricted	
Stabilization by State Statute	299,207
Streets	54,114
Unassigned	830,643
Total Fund Balance	1,183,964
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,240,508

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

Town of Aulander, North Carolina
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net
June 30, 2019

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

Total Fund Balance - Governmental Funds	\$ 1,183,964
Some liabilities, including accrued interest payable not paid in the current period and therefore are not reported in the funds.	1,509
Net Pension Liability	(35,439)
Other long-term liabilities (accrued interest payable, bonds payable, earned vacation payable) are not due and payable in the current period and, therefore are not reported in the funds.	(2,112)
Long-term liabilities used in governmental activities are not financial uses and, therefore are not reported in the funds.	(56,287)
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	(26,026)
Deferred outflows of resources related to pensions are not reported in the funds	26,030
Deferred inflows of resources related to pensions are not reported in the funds	(3,991)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	593,641
Total Net Position-Governmental Funds	\$ <u>1,699,772</u>

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

Town of Aulander, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	Major Fund
	General Fund
Revenues	
Ad valorem taxes	246,563
Unrestricted intergovernmental	257,835
Restricted intergovernmental	69,532
Sales & Services	99,480
Miscellaneous Income	36,708
Investment earnings	5,361
	715,479
Expenditures	
General government	183,872
Public safety	162,517
Transportation	153,397
Environmental protection	60,978
Cultural and recreational	46,842
Principal	20,959
Interest and other charges	2,609
	631,174
	Excess of Revenues Over
	(Under) Expenditures
	84,305
	Net Change in Fund Balance
	84,305
<i>Fund Balance at Beginning of Period</i>	<i>1,099,659</i>
Fund Balance at End of Period	1,183,964

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

Town of Aulander, North Carolina
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2019

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

Total Net Change in Fund Balances - Governmental Funds	\$ 84,305
Long-term liabilities used in governmental activities are not financial uses and, therefore are not reported in the funds.	20,959
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, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-	1,509
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(48,976)
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. (change in earned vacation pay, change in accrued interest expense)	604
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(2,047)
Pension expense	1,009
Changes in Net Position-Governmental Funds	\$ <u>57,362</u>

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

Town of Aulander, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Ad valorem taxes	\$ 277,000	\$ 277,000	\$ 246,563	\$ (30,437)
Unrestricted intergovernmental	238,250	238,250	257,835	19,585
Restricted intergovernmental	30,000	30,000	69,532	39,532
Sales & Services	93,650	93,650	99,480	5,830
Investment earnings	1,100	1,100	5,361	4,261
Miscellaneous Income	2,925	2,925	36,708	33,783
Total Revenues	642,925	642,925	715,479	72,554
Other Financing Sources				
Total Revenues and Other Financing Sources	642,925	642,925	715,479	72,554
Expenditures				
General government	190,630	190,630	183,872	6,758
Public safety	183,490	183,490	162,517	20,973
Transportation	157,391	157,391	153,397	3,994
Environmental protection	52,514	52,514	60,978	(8,464)
Cultural and recreational	35,300	35,300	46,842	(11,542)
Principal	20,960	20,960	20,959	1
Interest and other charges	2,640	2,640	2,609	31
Total Expenditures	642,925	642,925	631,174	11,751
Other Financing Uses				
Total Expenditures and Other Financing Uses	642,925	642,925	631,174	11,751
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	--	84,305	84,305
Net Change in Fund Balance	--	--	84,305	84,305
<i>Fund Balance at Beginning of Period</i>	1,099,659	1,099,659	1,099,659	--
Fund Balance at End of Period	\$ 1,099,659	\$ 1,099,659	\$ 1,183,964	\$ 84,305

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

Town of Aulander, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities - Enterprise Funds	Water and Sewer Fund
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 762,703	
Accounts receivable (net)	64,212	
Restricted cash and cash equivalents	36,620	
Total Current Assets	863,535	
<i>Noncurrent Assets</i>		
Land and other non-depreciable assets	464,551	
Other capital assets, net of depreciation	3,801,991	
Total Assets	5,130,077	
DEFERRED OUTFLOWS OF RESOURCES		
Aggregated deferred outflows	37,047	
Total Deferred Outflows of Resources	37,047	
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable and accrued liabilities	155,111	
Customer deposits	36,620	
Accrued interest payable	291	
Current portion of long-term debt	23,922	
Due to other funds	253,180	
Total Current Liabilities	469,124	
<i>Noncurrent Liabilities</i>		
Due in more than one year	356,253	
Net Pension Liability	50,440	
Compensated absences	1,482	
Total Liabilities	877,299	
DEFERRED INFLOWS OF RESOURCES		
Aggregated deferred inflows	5,678	
Total Deferred Inflows of Resources	5,678	
NET POSITION		
Net investment in capital assets	3,886,367	
<i>Unrestricted</i>	397,780	
Total Net Position	\$ 4,284,147	

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

Town of Aulander, North Carolina
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds
	Water and Sewer Fund
Operating Revenues	
Sales & Services	\$ 461,820
Investment Earnings	4,951
Miscellaneous Income	20,475
<i>Total Operating Revenues</i>	487,246
Operating Expenses	
Water and sewer operations	353,838
Depreciation	199,760
<i>Total Operating Expenses</i>	553,598
<i>Operating Income (Loss)</i>	(66,352)
Non-Operating Revenues (Expenses)	
Interest and other charges	(3,276)
<i>Net Non-Operating Revenues (Expenses)</i>	(3,276)
<i>Income Before Contributions and Transfers</i>	(69,628)
Capital contributions	1,086,645
<i>Change In Net Position</i>	1,017,017
<i>Net Position at Beginning of Period</i>	3,267,130
<i>Net Position at End of Period</i>	\$ 4,284,147

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

Town of Aulander, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Enterprise Funds
	Water & Sewer Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 464,322
Cash paid for goods and services	(129,815)
Cash paid to/on behalf of employees	(172,329)
Customer deposits, net	-
Other operating revenue	20,475
Net cash provided (used) by operating activities	182,653
Cash Flows from Noncapital Financing Activities:	
Cash Flows from Capital and Related Financing Activities:	
Capital contributions	1,086,645
Acquisition and construction of capital assets	(1,183,078)
Principal repaid on long-term debt	(71,717)
Interest paid on long-term debt	(3,276)
Net cash provided (used) by capital and related financing activities	(171,426)
Cash Flows from Investing Activities:	
Investment income received	4,951
Net increase (decrease) in cash and cash equivalents	16,178
Cash and Cash Equivalents - Beginning of Year	783,145
Cash and Cash Equivalents - End of Year	\$ 799,323
(Used) by Operating Activities:	
Operating income (loss)	\$ (66,352)
Depreciation	199,760
Change in assets and liabilities:	
(Increase) decrease in accounts receivables	1,310
Increase (decrease) in accounts payable and accrued liabilities	55,286
Increase (decrease) in accrued vacation	(1,931)
Increase (decrease) in deferred outflows of resources for pensions	20,715
(Increase) decrease in deferred inflows of resources for pensions	(668)
(Increase) decrease in net pension liability	(25,467)
Net cash provided (used) by operating activities	\$ 182,653

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

Notes To The Financial Statements

**Town of Aulander, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 20, 2019**

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Aulander 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 Aulander is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the financial information of the Town.

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category — governmental and proprietary — are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

Governmental Funds. Governmental funds are those used to account for the Town's expendable financial resources and related liabilities (except those accounted for in proprietary or agency funds).

**Town of Aulander, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 20, 2019**

General Fund. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is a major fund for fund financial statement reporting purposes.

The Town reports the following major Enterprise Fund:

Enterprise Funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water and Sewer Fund is the only enterprise fund of the Town.

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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town 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 enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial

Town of Aulander, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 20, 2019

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 utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Aulander because the tax is levied by Bertie County and then remitted to and distributed by the State. 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, the Special Revenue Funds, and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year fund. Amendments are required for any revisions that affect total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board and 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.

**Town of Aulander, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 20, 2019**

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity

1. Deposits and Investments

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. All deposits are made in Town Council designated official depositories and are secured as required by State law (G.S. 159-30(c)). The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)], authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, a SEC registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources, as they are needed. Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening local streets per G.S. 136-41.1 through 136-41.4.

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. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

**Town of Aulander, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 20, 2019**

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. Inventory & Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computers equipment	3

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2018 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category—property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

Town of Aulander, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 20, 2019

9. Long-Term Obligations

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

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

10. Compensated Absences

The vacation policies of the Town provide for the accumulation of up to 240 hours of earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary presentation, an expense and a liability are recorded as vacation leave is earned. The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made. The Town considers all of the accrued vacation to be due within the next fiscal year based on a first-in, first-out flow policy.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance — This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town does not have any nonspendable fund balances for the governmental fund types.

Town of Aulander, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 20, 2019

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

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

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

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 Aulander'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 otherwise revise the limitation.

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

Subsequent years' expenditures— portion of fund balance that is appropriated in the next years' budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

12. Pensions

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

**Town of Aulander, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 20, 2019**

NOTE II—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

NONE

2. Contractual Violations

NONE

3. Deficit in Fund Balance or Net Position of Individual Funds

NONE

4. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for the following functions: environmental protection, and cultural and recreational by \$8,464, and \$11,542 respectively. The over expenditures occurred due to an increase in expenditures related to repairs and maintenance. Management and the Board will more closely review the budget reports to ensure compliance in future years.

NOTE III—DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

All of the Town's deposits are either insured or collateralized by the Pooling Method. Under the Pooling Method, a collateral pool, all insured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each Pooling Method depository. The Town relies on the State Treasurer to monitor these financial institutions. It is the Town's policy to utilize only the pooling method of collateralization. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that the deposits are properly secured.

**Town of Aulander, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 20, 2019**

At June 30, 2019, the Town's deposits had a carrying amount of \$1,317,117 and a bank balance of \$1,370,186. Of the bank balance, \$1,012,899 was covered by federal depository insurance and the remainder, \$784,183, was covered by collateral held under the pooling method. All of the bank balance was covered by federal depository insurance. The Town had petty cash of \$100.

At June 30, 2019, the Town of Aulander had \$405,664 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.

Receivables — Allowance for Doubtful Accounts

General Fund:	
Taxes receivable	\$ 2,798
Accounts receivable	-
Total	2,798
Enterprise Fund:	
Customer receivables	-
Other receivables	-
Total	-
Grand Total	\$ 2,798

**Town of Aulander, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 20, 2019**

2. Capital Assets

Governmental Capital Assets

A summary of changes in the Town's capital assets used in governmental activities follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activates:				
Capital assets not being depreciated:				
Land	\$ 32,290	\$ -	\$ -	\$ 32,290
Total capital assets not being depreciated	<u>32,290</u>	<u>-</u>	<u>-</u>	<u>\$ 32,290</u>
Capital assets being depreciated:				
Buildings	641,363	-	-	641,363
Equipment	547,325	-	-	547,325
Vehicles	912,988	31,026	-	944,014
Other improvements	234,390	12,510	-	246,900
Total capital assets being depreciated	<u>2,336,066</u>	<u>43,536</u>	<u>-</u>	<u>2,379,602</u>
Less accumulated depreciation for:				
Buildings	468,490	16,034	-	484,524
Equipment	394,689	25,866	337	420,218
Vehicles	849,046	15,516	-	864,562
Other improvements	39,543	9,408	-	48,951
Total accumulated depreciation	<u>1,751,768</u>	<u>\$ 66,824</u>	<u>\$ 337</u>	<u>1,818,255</u>
Total capital assets being depreciated, net	<u>584,298</u>			<u>561,348</u>
Governmental activity capital assets, net	<u>\$ 616,588</u>			<u>\$ 593,638</u>

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

General Government	\$ 22,452
Public Safety	19,588
Transportation	17,317
Environmental Protection	-
Economic Development	7,129
Total	<u>\$ 66,486</u>

**Town of Aulander, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 20, 2019**

Enterprise Fund Capital Assets

	Beginning Balances	Increases	Decreases	Ending Balances
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 195,015	\$ -	\$ -	\$ 195,015
Construction in Progress	269,536	-	-	269,536
Total capital assets not being depreciated	<u>464,551</u>	<u>-</u>	<u>-</u>	<u>464,551</u>
Capital assets being depreciated:				
Equipment	387,117	78,487	-	465,604
Vehicles	54,401	-	-	54,401
Plant and distribution system	6,613,386	1,104,591	-	7,717,977
Total capital assets being depreciated	<u>7,054,904</u>	<u>1,183,078</u>	<u>-</u>	<u>8,237,982</u>
Less accumulated depreciation for:				
Equipment	290,470	20,824	-	311,294
Vehicles	37,267	3,292	-	40,559
Plant and distribution system	3,908,494	175,643	-	4,084,137
Total accumulated depreciation	<u>4,236,231</u>	<u>\$ 199,760</u>	<u>\$ -</u>	<u>4,435,991</u>
Total capital assets being depreciated, net	<u>2,818,673</u>			<u>3,801,991</u>
Business-type activity capital assets, net	<u>\$ 3,283,224</u>			<u>\$ 4,266,542</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Town of Aulander, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 20, 2019

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 Aulander 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 Aulander'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 Aulander were \$15,250 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 \$85,879 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 asset 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

**Town of Aulander, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 20, 2019**

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 of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was .00362% which was a decrease of .00260% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$19,661. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,249	\$ 445
Changes of assumptions	22,789	-
Net difference between projected and actual earnings on pension plan investments	11,789	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	9,224
Employer contributions subsequent to the measurement date *	15,250	-
Total	<u>\$ 63,077</u>	<u>\$ 9,669</u>

\$15,250 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension 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	\$ 19,764
2020	12,073
2021	187
2022	6,133
2023	-
Thereafter	-
	<u>\$ 38,157</u>

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:

**Town of Aulander, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 20, 2019**

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 returns 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

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

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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected
		Real Rate of Return
Fixed Income	36.00%	2.5
Global Equity	40.50%	6.1
Real Estate	8.00%	5.7
Alternative	6.50%	10.5
Credit	4.50%	6.8
Inflation Protection	4.50%	3.7
Total	100.00%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017

**Town of Aulander, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 20, 2019**

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

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00%, 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%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.0%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 206,288	\$ 85,879	\$ (14,737)

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.

2. Summary of Significant Account 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.

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

Contributions. The Town is required by Article 12D of GS Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The Town has not obtained an actuarial study for the plan because its required contributions are considered

Town of Aulander, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 20, 2019

immaterial. The Town funds the plan when the benefit payments are due and records these payments as General Fund expenditures.

3. *Other Employment Benefits*

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

**Town of Aulander, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 20, 2019**

4. Deferred Outflows and Inflows of Resources

The Town has several deferred inflows/outflows of resources.

Source	Amount
<i>Deferred outflows of resources is comprised of the following:</i>	
Contributions to pension plan in current fiscal year	15,250
Differences between expected and actual experience	13,249
Changes of assumptions	22,789
Net difference between projected and actual earnings on pension plan investments	11,789
Changes in proportion and differences between employer contributions and proportionate share of contributions	-
Total	\$ 63,077

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes Receivable less penalties (General Fund)	-	18,484
Changes in assumptions	-	-
Differences between expected and actual experience	445	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	9,224	-
Total	\$ 9,669	\$ 18,484

**Town of Aulander, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 20, 2019**

D. Fund Balance

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

Total Fund Balance-General Fund	\$ 1,183,964
Less:	
Stabilization by State Statute	299,207
Streets-Powell Bill	54,114
Working Capital / Fund Balance Policy	
Remaining Fund Balance	830,643

5. 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; natural disasters; and medical and dental claims for employees, retirees, and dependents. 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 years.

The Town carries commercial coverage for all other risks of loss. The Town does not carry flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The town officials that have access to funds are bonded under a blanket bond for \$16,000. The finance officer is individually bonded for \$50,000.

6. Long-Term Obligations

The Town records long-term debt of the governmental funds at face value in the government-wide statement of Net Position. All general obligation bonds serviced by the Town's general fund are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest payments are appropriated when due.

a. Changes in Long-Term Liabilities

The following is a summary of changes in the Town's governmental activities in long-term debt:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Current Maturities</u>
Installment loans	\$ 77,246	\$ 26,026	\$ 20,959	\$ 82,313	\$ 27,707
Compensated absences	569	35	-	604	-
Net Pension Liability (LGERS)	26,358	9,081	-	35,439	-
Total	<u>\$ 104,173</u>	<u>\$ 35,142</u>	<u>\$ 20,959</u>	<u>\$ 118,356</u>	<u>\$ 27,465</u>

**Town of Aulander, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 20, 2019**

Annual debt service requirements to maturity for the installment loans- governmental activities are as follows:

	Principal	Interest	Total
2020	27,707	3,787	31,494
2021	17,901	2,001	19,902
2022	18,163	1,463	19,626
2023	18,542	737	19,164
	82,313	7,988	90,186

Installment Purchases

Installment purchase notes payable at June 30, 2019, are comprised of the following notes:

Governmental Activities:

\$79,000 installment purchase dated June 15, 2006 for the purchase of a new garbage truck in annual installments of \$7,168 including interest at 4.125% through October 2022	\$ 25,936
\$25,225 installment purchase dated March 15, 2018 for the purchase of a new police car in annual installments of \$5,340 including interest at 3.50% through July 2022.	20,180
\$50,285.80 installment purchase dated July 11, 2016 for the purchase of a new tractor in annual installments of \$10,057.16 principal, plus interest payments of 3.000% on remaining principal.	10,171
\$26,062 installment purchase dated March 14, 2019 for the purchase of a new 2019 F-150 in annual installments of \$6,506.56 principal, plus interest payments of 4.25% on remaining principal.	26,026
Total Government Activities	\$ 82,313

**Town of Aulander, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 20, 2019**

The following is a summary of changes in the Town's business-type activities in long-term debt:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Maturities
General obligation bonds	39,218	-	39,218	-	-
North Carolina Clean Water Loan	362,720	-	21,337	341,383	21,336
North Carolina State Revolving Loan	41,378	-	2,586	38,792	2,586
Installment loans	8,577	-	8,577	-	-
Net pension liability	24,973	25,467	-	50,440	-
Compensated absences	2,199	-	717	1,482	-
Total	\$ 554,563	\$ 1,523	\$ 77,022	\$ 432,097	\$ 23,922

Annual debt service requirements to maturity for the long-term debt - business-type activities are as follows:

	Principal	Interest	Total
2020	23,923	315	24,238
2021	25,637	241	25,879
2022	25,714	164	25,879
2023	36,127	84	36,210
2024-2028	119,613	-	119,613
2029-2035	149,161	-	149,161
	\$ 380,175	\$ 805	\$ 380,980

Installment Purchases

Installment purchase notes payable at June 30, 2019, are comprised of the following notes:

Business-Type Activities:

\$51,722, loan from the NC Revolving Loan Fund with no interest for the upgrade of the Town's wastewater Collection System with no interest, issued April 16, 2015, estimated repayment will be due in 20 annual principal installments of \$2,586, with a final payment due May 1, 2034. The Town received a principal forgiveness of \$154,123 to reduce the loan amount from \$205,845 to \$51,722 in 2015.

38,792

On July 31, 2014 the Town was issued a \$426,729, loan from the NC Clean Water Revolving Loan Fund, with no interest for the upgrade of the Town's Wastewater Collection System Improvements, estimated repayment will be due in 20 annual principal installments of \$21,336, with a final payment due May 1, 2035. The Town received a principal forgiveness of \$271,708 to reduce the loan amount from \$698,437 to \$426,729 in 2015.

341,383

Total Installment Loans

\$ 380,175

**Town of Aulander, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 20, 2019**

General Obligation Bond

Serviced by the Water and Sewer Fund:

\$588,270 Sanitary Sewer Bond due in annual installments of \$53,600 through May 2019, which was paid off on 5/8/2019

Grand Total Business-Type Activities	<u>\$ 380,175</u>
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NOTE IV — Interfund Balances and Activity

The interfund balances resulted from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Generally, the interfund balance between the General Fund and the Water and Sewer Fund consist primarily of payroll reimbursements due from the Water & Sewer Fund to General Fund the related to payroll liabilities and expenditures. The General Fund acts as the common paymaster for the Water and Sewer Fund and provides payroll services.

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

Due to the General Fund from:	
Water and Sewer Fund	<u>\$ 253,180</u>
Total	<u>\$ 253,180</u>

The town has subsequently agreed to issuing a resolution to forgive the loan to the Water and Sewer fund from the General fund to be effective in the following fiscal year.

NOTE V —SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

NOTE VI —SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 29, 2019 the date the financial statements were available to be issued.

**Town of Aulander, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 20, 2019**

REQUIRED SUPPLEMENTAL FINANCIAL DATA

**Town of Aulander's Proportionate Share of Net Pension Liability (Assets)
Required Supplementary Information
Last Six Fiscal Years**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Aulander's proportion of the net pension liability (asset) (%)	0.00362%	0.00336%	0.00400%	0.00362%	0.00347%	0.00328%
Aulander's proportion of the net pension liability (asset) (\$)	\$ 85,879	\$ 51,331	\$ 84,893	\$ 16,246	\$ (20,464)	\$ 38,572
Aulander's covered-employee payroll	\$ 172,153	\$ 163,604	\$ 176,350	\$ 196,334	\$ 173,890	\$ 196,334
Aulander's proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	50%	31%	48%	8%	-12%	20%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

**Town of Aulander's Contributions
Require Supplementary Information
Last Six Fiscal Years
Local Government Employees' Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 15,250	\$ 10,348	\$ 11,528	\$ 12,556	\$ 12,163	\$ 12,501
Contributions in relation to the contractually required contributions	<u>15,250</u>	<u>10,348</u>	<u>11,528</u>	<u>12,556</u>	<u>12,163</u>	<u>12,501</u>
Contributions deficiency (excess)	<u>\$ -</u>					
Aulander's covered-employee payroll	\$210,324	\$172,153	\$163,604	\$ 176,350	\$ 196,334	\$ 173,890
Contributions as a percentage of covered-employee payroll	7.25%	6.01%	7.05%	7.12%	6.20%	7.19%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Aulander, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad Valorem Taxes			
Taxes		246,563	
Interest and penalties			
Total	<u>277,000</u>	<u>246,563</u>	<u>(30,437)</u>
Unrestricted Intergovernmental			
Local option sales tax		187,386	
Utility franchise tax		66,256	
Solid waste tax		615	
Beer & wine tax		3,578	
Total	<u>238,250</u>	<u>257,835</u>	<u>19,585</u>
Restricted Intergovernmental Revenues			
Powell Bill allocation		27,475	
Grant proceeds		42,057	
Total	<u>30,000</u>	<u>69,532</u>	<u>39,532</u>
Sales and Services			
Rental income		14,028	
Garbage collections		73,690	
Cemetery lots		1,500	
Permits and fees		740	
Other		9,522	
Total	<u>93,650</u>	<u>99,480</u>	<u>5,830</u>

Town of Aulander, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019

Investment Earnings			
Interest		5,361	
Total	<u>1,100</u>	<u>5,361</u>	<u>4,261</u>
Miscellaneous Income			
Other income		36,708	
	<u>2,925</u>	<u>36,708</u>	<u>33,783</u>
Total Revenue	<u>\$ 642,925</u>	<u>\$ 715,479</u>	<u>\$ 72,554</u>
Expenditures			
General Government			
Salaries and benefits		42,881	
Tax collection fee		5,442	
Professional services		30,454	
Library		26,700	
Telephone		2,801	
Utilities		25,177	
Insurance & bonds		15,005	
Repairs and maintenances		19,892	
Training		2,728	
Supplies		8,366	
Other operating expenses		4,426	
Total General Government	<u>190,630</u>	<u>183,872</u>	<u>6,758</u>

Town of Aulander, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public Safety			
Salaries and benefits		93,536	
Supplies		18,682	
Auto		3,871	
Repairs & maintenance		3,568	
Insurance		8,114	
Telephone & utilities		2,813	
Other operating expenses		31,933	
Total	<u>183,490</u>	<u>162,517</u>	<u>20,973</u>
Transportation			
Salaries and benefits		52,829	
Contracted services		9,753	
Vehicle maintenance		6,591	
Equipment repairs		7,978	
Street maintenance		5,000	
Utilities		38,585	
Insurance		7,034	
Other operating expenses		25,627	
Total	<u>157,391</u>	<u>153,397</u>	<u>3,994</u>
Environmental Protection			
Salaries and benefits		24,953	
Contract services		5,386	
Auto expenses		10,731	
Supplies		646	
Insurance		5,050	
Repairs & maintenance		3,228	
Other operating expenses		10,984	
Total	<u>52,514</u>	<u>60,978</u>	<u>(8,464)</u>

Town of Aulander, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019

Cultural and Recreational			
Recreation		46,842	
Total	<u>35,300</u>	<u>46,842</u>	<u>(11,542)</u>
 Debt Services			
Principal		20,959	
Interest		2,609	
Total	<u>23,600</u>	<u>23,568</u>	<u>32</u>
Total Expenditures	<u>642,925</u>	<u>631,174</u>	<u>11,751</u>
 Net change in fund balance			
	<u>\$ -</u>	84,305	<u>\$ 84,305</u>
Fund balance - July 1		1,099,659	
Fund balance - June 30		<u>\$ 1,183,964</u>	

**Town of Aulander, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating Revenue			
Net sales from water operations		\$ 212,658	
Net sales from sewer operations		<u>249,162</u>	
Total		461,820	
Other operating revenue		<u>20,475</u>	
		482,295	
Nonoperating revenues:			
Investment earnings		4,951	
Total Revenues	<u>473,056</u>	<u>487,246</u>	<u>14,190</u>
Expenditures			
Salaries and employee benefits		175,818	
Supplies		12,139	
Insurance		19,161	
Contract services		35,717	
Office expense		3,630	
Utilities		28,175	
Water & Sewer Test Analysis		6,299	
Telephone		3,146	
Chemicals		23,430	
Repairs & maintenance		38,060	
Other operating expenses		<u>10,707</u>	
Total	<u>409,856</u>	<u>356,282</u>	<u>53,574</u>

Town of Aulander, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	
Debt services			
Interest and other charges		3,276	
Principal retirement		71,717	
Total	64,100	74,993	(10,893)
Total expenditures	473,956	431,275	
Revenues over (under) expenditures	(900)	55,971	
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over (under) expenditures and other uses		\$ 55,971	
 Reconciling items:			
Principal retirement		71,717	
Depreciation		(199,760)	
Capital contributions		1,086,645	
Decrease in accrued interest		291	
Increase in deferred outflows of resources - pension		(20,715)	
Increase in deferred inflows of resources - pensions		(668)	
Increase in net pension liabilities		25,467	
Decrease in accrued vacation		(1,931)	
Total reconciling items		961,046	
Changes in Net Position, GAAP basis		\$ 1,017,017	

Town of Aulander
Capital Project Fund
Public Sewer Improvements
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2019 and From Inception

	Project Authorization	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues:					
CDBG Grant	1,741,549	-	1,086,645	1,086,645	654,904
Total revenues	1,741,549	-	1,086,645	1,086,645	654,904
Expenditures:					
Construction	1,579,895	-	1,086,645	1,086,645	493,250
Grant Administration	174,154	-	-	-	-
Total expenditures	1,754,049	-	1,086,645	1,086,645	493,250
Excess (Deficit) of revenues over (under) expenditures	(12,500)	-	-	-	(12,500)
Other financing sources (uses):					
Transfer from other funds	12,500	-	-	-	12,500
Total other financing sources (uses)	12,500	-	-	-	12,500
Excess (Deficit) of revenues & other financing sources over (under) expenditures & other financing uses	\$ -	\$ -	\$ -	\$ -	\$ 174,154

Reconciliation of Modified Accrual Basis to Full Accrual Basis:

Excess (Deficit) of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>
Expenditures Recorded as Fixed Assets	<u>\$ -</u>

OTHER SCHEDULES

Town of Aulander, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2019

Fiscal Year	Uncollected Balance July 1, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 245,671	\$ 235,711	\$ 9,960
2017-2018	9,729	-	5,658	4,071
2016-2017	4,447	-	2,681	1,766
2015-2016	3,731	-	2,332	1,399
2014-2015	1,514	-	483	1,031
2013-2014	1,258	-	231	1,027
2012-2013	1,373	-	190	1,182
2011-2012	588	-	281	307
2010-2011	269	-	-	269
2009-2010	270	-	-	270
	<u>23,179</u>	<u>245,671</u>	<u>247,568</u>	<u>21,282</u>

Less: Allowance for Uncollectible Accounts 2,798

Ad Valorem Taxes Receivables, Net 18,484

Reconciliation with Revenues:

Ad Valorem Tax - General Fund	246,563
Reconciling items:	
Interest collected	(3,570)
Releases and adjustments	(4,574)
Total Collections and Credits	<u>247,568</u>

Town of Aulander, North Carolina
General Fund
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2019

	Property Valuation	Rate per \$100	Total Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property tax at current year's tax rate					
Net Valuation	<u>\$ 32,325,132</u>	0.76	\$ 245,671	\$ 203,194	\$ 42,477
Net levy			245,671	203,194	42,477
Less uncollected taxes at June 30, 2019			<u>9,960</u>	<u>9,960</u>	<u>-</u>
Current year's taxes collected			<u>\$ 235,711</u>	<u>\$ 193,234</u>	<u>\$ 42,477</u>
Current levy collection percentage			<u>95.95%</u>	<u>95.10%</u>	<u>100.00%</u>

COMPLIANCE SECTION

LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Mayor and Members of the Town Council
Aulander, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Aulander, Aulander, North Carolina, as of and for the year ended June 30, 2019, which collectively comprise the Town of Aulander's basic financial statements, and have issued our report thereon dated October 29, 2019.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Town of Aulander'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 Aulander's internal control.

Accordingly, we do not express an opinion on the effectiveness of Town of Aulander's internal control over financial reporting.

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 that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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

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results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Larry E. Carpenter, CPA, PA

October 29, 2019

LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

Report on Compliance for With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

To the Mayor and Members of the Town Council
Aulander, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Town of Aulander, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Town of Aulander's major federal programs for the year ended October 29, 2019. The Town of Aulander's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Aulander's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standard applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of Title 2 US *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards, Uniform Guidance, and the Federal Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Aulander's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

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LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

Opinion on Each Major Federal Program

In our opinion, the Town of Aulander's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Larry E. Carpenter, CPA, CGMA

Larry E. Carpenter, CPA, CGMA
Greenville, North Carolina
October 29, 2019

Member:

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Town of Aulander, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2019

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass Through Grantor's Number</u>	<u>Fed. (direct & Pass-through Expenditures</u>	<u>State Expenditures</u>
Federal Grants:				
Cash Programs:				
U.S. Department of Housing and Urban Development Passed-through N.C. Department of Environmental Quality: Community Development Block Grant, State's Program	14.228	15-I-2758	\$ 1,086,645	\$ -
Total assistance -Federal Programs			\$ 1,086,645	\$ -
State Grants:				
Cash Assistance:				
N.C. Department of Transportation: Powell Bill	N/A	32570	-	4,152
Total State assistance			-	4,152
Total Federal and State assistance			\$ 1,086,645	\$ 4,152

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures a of federal and State awards (SEFSA) includes the federal and State grant activity of the Town Aulander under the programs of the federal and the State of North Carolina for the year ended June 30, 2019. The information in the SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents a selected portion of the operations of the Town of Aulander, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Aulander.

Note 2: Summary of Significant Accounting Polices

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain type of expenditures are not allowable or are limited as to

Note 3: Indirect Cost Rate

The Town of Aulander has elected not to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

