

2020 ANNUAL COMPREHENSIVE FINANCIAL REPORT

Town of Ayden, North Carolina

FISCAL YEAR ENDING JUNE 30, 2020



TOWN OF AYDEN, NORTH CAROLINA

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

As of and for the Year Ended June 30, 2020

And Report of Independent Auditors

Prepared by:
Finance Department

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INTRODUCTORY SECTION



June 1, 2021

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

It is our pleasure to submit to you the Town of Ayden's Comprehensive Annual Financial Report. North Carolina General Statutes require that every general purpose local government publish within four months of the close of each fiscal year a complete set of audited financial statements. This report, the Comprehensive Annual Financial Report ("CAFR"), is published to fulfill that requirement for the fiscal year ending June 30, 2020.

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

The Town of Ayden has engaged the audit firm of Cherry Bekaert LLP to audit the Town's financial statements. Cherry Bekaert has issued an unmodified opinion of the Town of Ayden's financial statements for the year ended June 30, 2020.

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

Profile of the Town of Ayden

The Town of Ayden was established in 1891 and is located in southwest Pitt County. Ayden is the third largest municipality in the county and is part of the Greenville Metropolitan Area. The Town is located 6 miles south of Greenville and 16 miles north of Kinston, home to the NC Global Transpark. Ayden consists of 3.11 square miles, and has an estimated population of approximately 5,243. The population for Pitt County is 177,220 per the United States Census Bureau.

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

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

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

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

Local Economy

Ayden's economy is a diverse mixture of commercial, industrial, and agricultural endeavors. The Town has two industrial parks, Worthington Industrial Park and Minges Corporate Park. Both parks have full utilities and infrastructure in place for future growth. One the Town's largest industries is Weyerhaeuser. The company has been a part of the Ayden community for thirty (30) years and is the Town's largest electric utility customer. Other companies like Minges Bottling Company, CMI Plastics, and Harvest Time Foods are a part of the Ayden community and help provide local jobs and that, in turn, increases retail commerce.

Significant future commercial growth near the new U.S. 11 Southwest Bypass interchange, which, is expected within five years. In anticipation of this growth, the Town extended water and sewer lines to the new interchange. Ayden has also worked closely with NCDOT in rerouting existing Town utilities to make way for the new highway.

The Town continues to benefit from its proximity to Greenville and East Carolina University. Pitt County has continued to see steady growth in its economy due to several economic drivers. Examples include, East Carolina University, Vidant Health, DSM, Thermo-Fisher, Mayne Pharma USA, and many others. Development on the southside of Greenville and Winterville continues to push construction activity toward Ayden.

The Town supports many local community events for its citizens, including two festivals – the Collard Festival, celebrating its 43rd year this September and the Kings of Q BBQ Cookoff and Festival in its fourth year. Thousands of visitors make their way to Ayden to enjoy live music entertainment, parades, scholarship pageant, and great food.

Financial Planning

Ayden has continued to focus on repairing its sanitary sewer and stormwater infrastructure over the past year. Several projects are ongoing. In 2015, the Town smoke tested its sanitary sewer system and determined a need for approximately \$8 million in inflow and infiltration (I&I) repairs. Some \$6.8 million in loans and grants have been secured through the State of North Carolina and the USDA over the past four (4) years to address this I&I problem and better than half of the repairs have been accomplished to date. Additionally, the Town has secured \$706,000 in N.C. Disaster Recovery Funding for stormwater repair work due to damages sustained from Hurricane Matthew in October 2016 – this repair work has recently been completed.

Major Initiatives

Ayden has withstood a very challenging year defined by a historical worldwide pandemic which took over 500,000 lives in the United States alone. Yet in the face of these challenges, Ayden continues to move forward and make progress. For the coming year, Ayden will continue to work on improving its sanitary sewer and stormwater infrastructure. These improvements will continue to reduce the operating costs of its Water and Sewer Fund. Over the years, the Town has made great progress in reducing its flow to the Conteneva Metropolitan Sewer district. This is vital in preserving capacity for future growth which is very much needed.

The Town continues to use and implement a six (6) year Capital Improvement Plan as part of its FY20–21 Annual Budget preparations, the first since 1995. Following such a plan helps keep the Town's capital in good working order by keeping major capital purchases on a rotation.

Ayden is a member municipality of the NC Main Street program. This program assists selected communities across the state in restoring economic vitality to their historic downtowns. Using a comprehensive downtown revitalization process developed by the National Trust for Historic Preservation, Main Street encourages economic development within the context of historic preservation. With the catalyst of the rehabilitation of the 1915 historic Worthington Five & Dime building by Quilt Lizzy, an expanding eastern North Carolina quilting and sewing machine retail phenomenon, Quilt Lizzy is slated to open in May of 2021. Ayden will continue to develop its program to revitalize downtown.

Another initiative, in the works now for six (6) years, is the development and construction of a food commercialization center in the nearby Worthington Industrial Park. Plans for the center will focus on processing fermented and acidified foods and will partner with existing produce distributors to provide post-harvest services to produce farmers in the region, including the cleaning and sorting of vegetables, packaging, cold storage, and staging of deliveries. The Town received pre-approval from the federal Economic Development Administration to submit a grant application for the center. A Business Plan and Feasibility Study for the Center were completed by the Town with a grant from the North Carolina General Assembly. As a part of the Business Plan, the Eastern North Carolina Food Commercialization Center Food non-profit was established in September 2018 to seek matching funding for the EDA grant and to manage the predevelopment and operations of the Center. Matching funding and first year operations cost, together a total of \$2.5 million, is included in the North Carolina General Assembly's two-year budget ostensibly effective on July 1, 2020, but is still awaiting a final vote once the state budget is approved.

The Town Board continues to use the document "Ayden Community Vision 2030: Building on Our Heritage" to guide it in its decision-making in its land use planning endeavors. Additionally, a recent Ayden 2018 Economic Development Strategic Plan, sponsored and funded by ElectriCities of North Carolina, outlines strategies in new business recruitment and downtown revitalization, site and building development, residential development, small business development, internal marketing strategies, and action steps for the Town Board to use. Additionally, the Town Board budgeted for FY18-19 the completion of an update to its Comprehensive Land Use Plan and the Town's Zoning Ordinance, both of which were last updated in 2004. Completion of both is slated to occur in 2020.

Acknowledgements

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

Respectfully submitted,

Joanne Floyd, CMC, NCCMC
JoAnn Floyd
Finance Director

Matthew Livingston
Matthew S. Livingston
Town Manager

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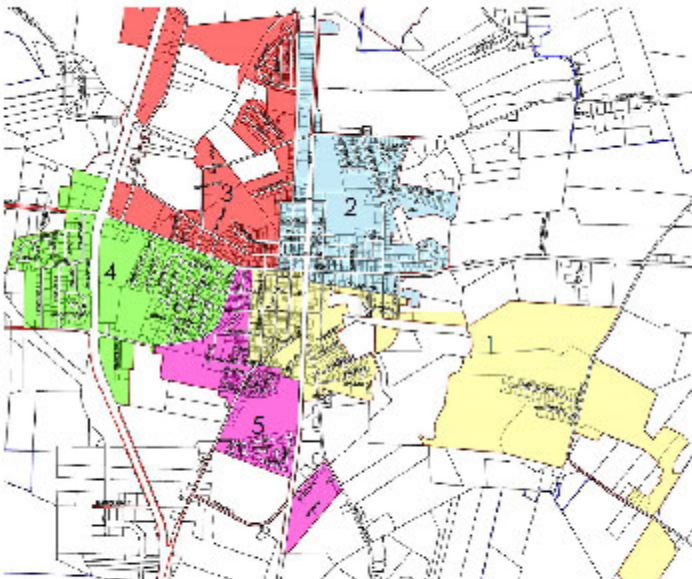
Governing Board



Governing Board

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

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



Stephen Tripp

Mayor



Ivory Mewborn

Mayor Pro Tem

Ward 1



Cynthia Goff

Ward 2



Raymond Langley

Ward 3



Johnny Davis

Ward 4



Phyllis Ross

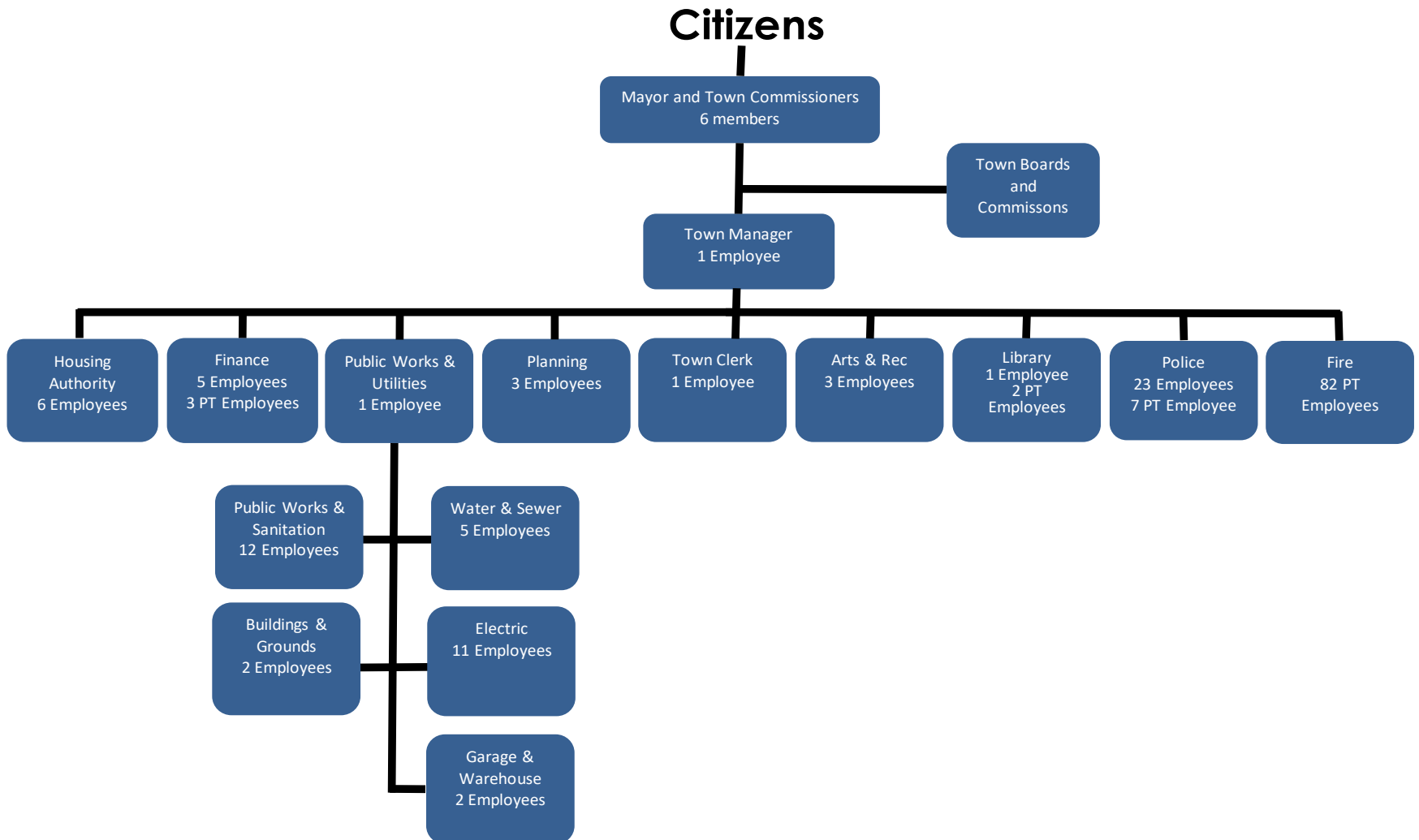
Ward 5



Management Staff



Organizational Chart



FINANCIAL SECTION

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Ayden, North Carolina (the "Town") as of and for the year ended June 30, 2020, 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 basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the Ayden Housing Authority (the "Authority"), which represents 100% of assets, net position, and revenue of the aggregate discretely-held component units. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Authority, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditor, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist 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 Town's basic financial statements. The introductory section, other supplementary information, and statistical section, as listed in the table of contents, as well as the accompanying schedule 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* (Uniform Guidance) and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2021, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Cheryl Bekaert LLP

Raleigh, North Carolina
June 1, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

As management of the Town of Ayden, we offer readers of the Town of Ayden's financial statements this narrative overview and analysis of the financial activities of the Town of Ayden for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Ayden exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$21,637,651 (**net position**).
- The government's total net position decreased by \$729,099. Decrease in the governmental activities amounts to \$595,025 and business-type activities decreased by \$134,074. The decrease was primarily due to anticipated fund balance appropriations for capital improvements on roads, AML system, addition of economic development department and overall effects of the pandemic on revenue resources at year end in the General Fund. Continued strong margins in the Town's electric fund helped provide minimize the overall decrease in the business activities of the Town.
- At the close of the current fiscal year, the Town of Ayden's governmental funds reported combined ending fund balances of \$1,996,761 a decrease of \$424,207 in comparison with the prior year. Approximately 68.70% of this total amount or \$1,371,844 is non spendable, restricted, committed, and assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$624,917 or 12.47% of total general fund expenditures, for the fiscal year.
- The Town of Ayden experienced normal weather conditions during the fiscal year resulting in meeting expected revenues from utility charges and expected expenses from wholesale power purchased.
- At June 30, 2020, the Town of Ayden's total debt was \$8,388,242.

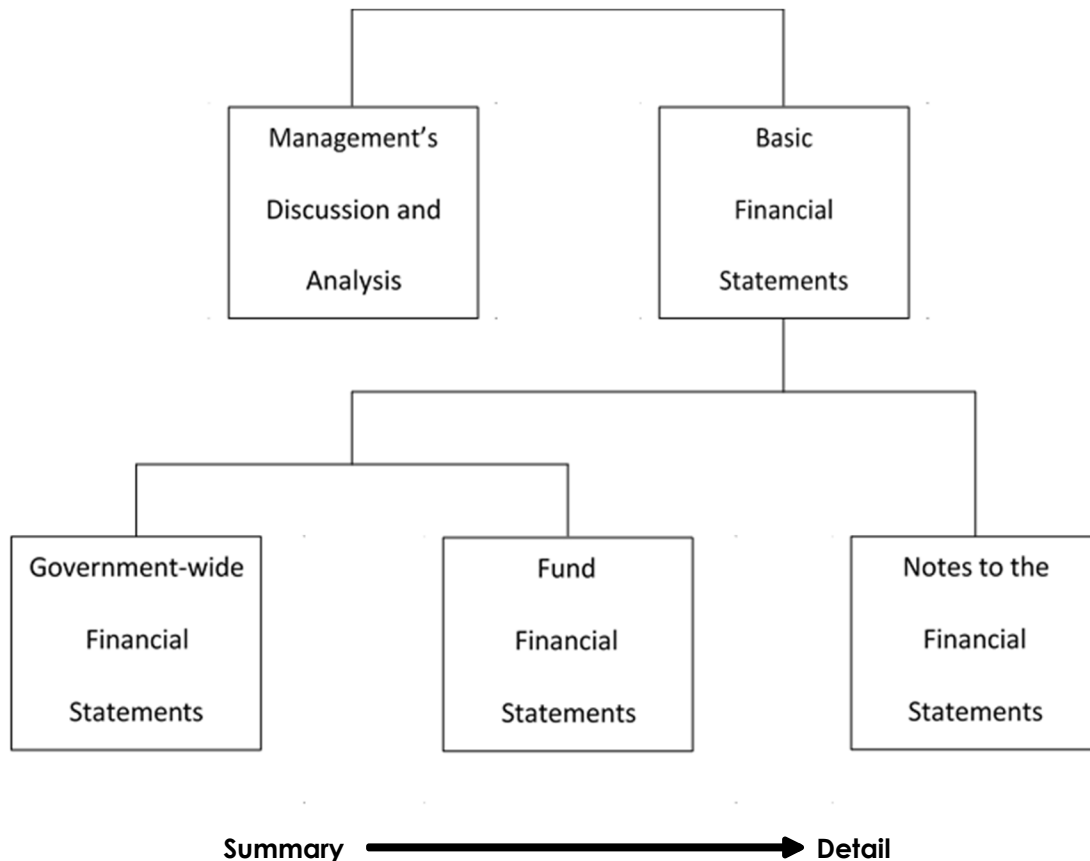
Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the Town of Ayden's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Ayden.

June 30, 2020

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits C through J) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town government. These statements provide more detail than the government-wide statements. There are 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.

June 30, 2020

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 financial statements of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

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

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

The government-wide financial statements are Exhibits A and B to this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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

June 30, 2020

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

Proprietary Funds – The Town has one kind of proprietary fund – Enterprise Fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses Enterprise Funds to account for its electric, water and sewer, and stormwater utility operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit J.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees. Required supplementary information can be found following the notes section.

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

June 30, 2020

Government-Wide Financial Analysis

The following is a summary of net position as of June 30, 2020 (as shown in Exhibit A) with comparative data for June 30, 2019:

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total Primary Government	Total Primary Government
	2019	2020	2019	2020	2019	2020
Assets						
Current and other assets	\$ 2,906,715	\$ 2,374,877	\$ 9,765,535	\$ 7,938,400	\$ 12,672,250	\$ 10,313,277
Capital assets	5,468,709	5,339,496	17,071,044	18,174,377	22,539,753	23,513,873
Total assets	8,375,424	7,714,373	26,836,579	26,112,777	35,212,003	33,827,150
Deferred outflows of resources	645,108	802,617	410,871	482,992	1,055,979	1,285,609
Liabilities						
Accounts payable and accrued liabilities	790,129	702,057	3,036,129	2,045,315	3,826,258	2,747,372
Total long-term liabilities	2,521,718	2,734,727	7,361,900	7,855,017	9,883,618	10,589,744
Total liabilities	3,311,847	3,436,784	10,398,029	9,900,332	13,709,876	13,337,116
Deferred inflows of resources	124,035	90,581	67,321	47,411	191,356	137,992
Net position						
Net investment in capital assets	4,413,435	4,561,415	8,836,727	10,564,216	13,250,162	15,125,631
Restricted	1,566,438	1,291,284	293,700	293,700	1,860,138	1,584,984
Unrestricted	(395,223)	(863,074)	7,651,673	5,790,110	7,256,450	4,927,036
Total net position	\$ 5,584,650	\$ 4,989,625	\$ 16,782,100	\$ 16,648,026	\$ 22,366,750	\$ 21,637,651

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$21,637,651 as of June 30, 2020. The Town's net position decreased by \$729,099 during fiscal year ended June 30, 2020. One of the largest portions \$15,125,631 (69.90%) reflects the Town's net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$1,584,984 (7.32%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,927,036 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining an overall collection percentage of approximately 98.81 percent.
- Continued growth in tax base including expansion of Town limits thru voluntary annexation.
- Continued upgrade and repair to the Town's sewer and stormwater collection systems.
- Investment in AML system for both electric and water funds.

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

June 30, 2020

Town of Ayden's Changes in Net position

	Governmental Activities 2019	Governmental Activities 2020	Business Type Activities 2019	Business Type Activities 2020	Total Primary Government 2019	Total Primary Government 2020
Revenues						
Program Revenues						
Charges for Services	\$ 621,647	\$ 597,226	\$ 14,805,559	\$ 14,387,058	\$ 15,427,206	\$ 14,984,284
Operating Grants and Contributions	548,804	621,900	-	-	548,804	621,900
Capital Grants and Contributions	841,300	1,212,828	1,768,837	494,051	2,610,137	1,706,879
General Revenues						
Property Taxes	1,307,139	1,338,855	-	-	1,307,139	1,338,855
Other	1,902,551	1,762,795	158,466	113,054	2,061,017	1,875,849
Total Revenues	5,221,441	5,533,604	16,732,862	14,994,163	21,954,303	20,527,767
Expenses						
General government	787,462	518,919	-	-	787,462	518,919
Public safety	2,125,164	2,428,589	-	-	2,125,164	2,428,589
Transportation	585,502	754,125	-	-	585,502	754,125
Environmental protection	365,550	409,708	-	-	365,550	409,708
Economic and physical development	1,449,789	2,089,405	-	-	1,449,789	2,089,405
Cultural, recreational, and cemetery	620,138	586,746	-	-	620,138	586,746
Interest on debt	10,843	25,023	-	-	10,843	25,023
Electric	-	-	10,998,554	11,081,269	10,998,554	11,081,269
Water and sewer	-	-	4,650,807	3,265,591	4,650,807	3,265,591
Stormwater	-	-	162,520	97,491	162,520	97,491
Total Expenses	5,944,448	6,812,515	15,811,881	14,444,351	21,756,329	21,256,866
Increase (decrease) in net position before transfers	(723,007)	(1,278,911)	920,981	549,812	197,974	(729,099)
Transfers in/out	596,154	683,886	(596,154)	(683,886)	-	-
Increase (decrease) in net position	(126,853)	(595,025)	324,827	(134,074)	197,974	(729,099)
Net Position, beginning	5,711,503	5,584,650	16,367,764	16,782,100	22,079,267	22,366,750
Restatements	-	-	89,509	-	89,509	-
Net Position, beginning restated	5,711,503	5,584,650	16,457,273	16,782,100	22,168,776	22,366,750
Net Position, ending	\$ 5,584,650	\$ 4,989,625	\$ 16,782,100	\$ 16,648,026	\$ 22,366,750	21,637,651

Governmental Activities – Governmental activities decreased the Town's net position by \$595,025. Key elements of this decrease are as follows:

- Increase in capital outlay for Powell Bill funds spent on road paving.
- An increase in expenditures including the addition of a new economic development department

Business-type Activities – Business-type activities decreased the Town's net position by \$134,074. Key elements for this overall decrease were:

- Impacts of COVID 19 Pandemic on Revenues

June 30, 2020

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Ayden. At the end of the current fiscal year, the Town of Ayden's fund balance available in the General Fund was \$624,917 while the total fund balance reached \$1,958,503. The governing body of the Town of Ayden has determined that the Town should maintain an available fund balance of 10% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town's current fund balance available as a percent of expenditures is 12.47%, while the total fund balance represents 39.08% of the same amount.

At June 30, 2020, the governmental funds of the Town of Ayden reported a combined governmental fund balance of \$1,996,761. The governmental funds for the Town include the General Fund, one permanent fund, and a couple of special revenue funds.

General Fund Budgetary Highlights

During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased total budget by \$100,000.

Proprietary Funds – The Town of Ayden's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Electric Fund at the end of the fiscal year amounted to \$5,245,303, for the Water Sewer Fund, \$517,189, and the Stormwater Fund ended with \$27,618. The total change in unrestricted net position for the Electric, Water Sewer, and Stormwater Funds were \$1,374,017, \$(520,864), and \$33,318, respectively. The overall results are continued improvements to the infrastructure assets of each fund and AMI system in the Electric Fund.

Capital Assets – The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$23,513,873 (net of accumulated depreciation). These assets include land, construction in process, buildings, machinery, vehicles, and equipment.

	Governmental Activities 2019	Governmental Activities 2020	Business Type Activities 2019	Business Type Activities 2020	Total Primary Government 2019	Total Primary Government 2020
Land	\$ 754,938	\$ 754,938	\$ 68,661	\$ 68,661	\$ 823,599	\$ 823,599
Buildings & Systems	2,798,920	2,954,240	13,349,254	13,683,074	16,148,174	16,637,314
Equipment	389,277	369,516	1,630,090	2,698,090	2,019,367	3,067,606
Vehicles	1,525,574	1,260,802	761,658	987,981	2,287,232	2,248,783
Construction in Process	-	-	1,261,381	736,571	1,261,381	736,571
Total Capital assets, net	<u>\$ 5,468,709</u>	<u>\$ 5,339,496</u>	<u>\$ 17,071,044</u>	<u>\$ 18,174,377</u>	<u>\$ 22,539,753</u>	<u>\$ 23,513,873</u>

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

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

June 30, 2020

Long-Term Debt – As of June 30, 2020, the Town had total debt outstanding of \$7,488,242. This debt consists of revenue bonds, which represent bonds secured by specified revenue sources and installment financing secured by either a building, system, equipment, or vehicle.

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total Primary Government	Total Primary Government
	2019	2020	2019	2020	2019	2020
Revenue Bonds	\$ -	\$ -	\$ 2,600,000	\$ 3,454,000	\$ 2,600,000	\$ 3,454,000
Notes Payable	-	-	2,059,905	1,568,610	2,059,905	1,568,610
Installment Purchases	1,055,274	778,081	3,574,413	2,587,551	4,629,687	3,365,632
	<u>\$ 1,055,274</u>	<u>\$ 778,081</u>	<u>\$ 8,234,318</u>	<u>\$ 7,610,161</u>	<u>\$ 9,289,592</u>	<u>\$ 8,388,242</u>

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

Economic Factors and Next Year's Budget and Rates

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

- The unemployment rate for the Town of Ayden is presumably in line with that of Pitt County. Pitt County unemployment rate for June 2020 was 6.2 percent, which is up from a year ago. This compares slightly unfavorably to the State's average unemployment rate of 5.5 percent and the national average rate of 4.7 percent.
- Inflation and cost-of-living trends in the region compare similarly to national indices.
- Interest on investments is currently paying at rates between 1.70 percent and 2.00 percent.
- Residential and commercial development is improving. The Town of Ayden is experiencing limited residential and commercial growth allowing for marginal increases in the tax base and additional utility revenues. The Town of Ayden continues to have new residential subdivisions and commercial prospects ready for construction.
- The new Highway 11 bypass is complete making access to Greenville and Vident Hospital in about ten minutes. The bypass area is prime commercial real estate.

All of these factors were considered in preparing the Town of Ayden's budget for the 2020-2021 fiscal year. At the end of the current fiscal year, unassigned fund balance in the General Fund was \$624,917. The Town of Ayden has appropriated \$59,627 for spending in the 2020-2021 fiscal year budget. It is intended that this use of available fund balance along with sales and use tax, rates for services, and other miscellaneous revenues, and certain charges to the Electric Fund will avoid the need to raise taxes.

TOWN OF AYDEN, NORTH CAROLINA

Management's Discussion and Analysis

June 30, 2020

Utility rates in the water fund were increased to cover additional expansion of sewer system and garbage fees were also increased to cover operating costs. Electric and Stormwater rates remained unchanged for the 2020-2021 budget. Operating expenses for all proprietary funds were established factoring the expected resources generated by revenues similar to the prior year rate structure. It is anticipated that consumer usage of electricity and water will increase minimally as the Town continues to see growth and COVID-19 pandemic and governor's orders will not have long term effects.

Employee benefits were not altered for the fiscal year. Overall departmental expenses were budgeted with marginal growth factoring several objectives established by the governing board during their annual goals planning session. The Town of Ayden's outlook for the 2020-2021 fiscal year can best be described as stable.

Requests for Information

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

FINANCIAL STATEMENTS

TOWN OF AYDEN, NORTH CAROLINA
Statement of Net Position

Exhibit A

June 30, 2020

	Governmental Activities	Business Type Activities	Total Primary Government	Component Unit Ayden Housing Authority
Assets				
Cash and investments	\$ 1,224,169	\$ 5,624,529	\$ 6,848,698	\$ 1,683,492
Taxes receivable, net	67,585	-	67,585	-
Accounts receivable, net	151,236	1,947,279	2,098,515	130,023
Internal balances	-	-	-	-
Due from other governments	674,842	-	674,842	-
Prepaid expenses	-	-	-	-
Inventories	20,933	143,839	164,772	34,342
Restricted cash	236,112	222,753	458,865	50,027
Total current assets	<u>2,374,877</u>	<u>7,938,400</u>	<u>10,313,277</u>	<u>1,897,884</u>
Noncurrent assets:				
Capital assets:				
Land, non-depreciable improvements	754,938	805,232	1,560,170	170,220
Other capital assets, net of depreciation	4,584,558	17,369,145	21,953,703	4,173,842
Total capital assets	<u>5,339,496</u>	<u>18,174,377</u>	<u>23,513,873</u>	<u>4,344,062</u>
Total assets	<u>7,714,373</u>	<u>26,112,777</u>	<u>33,827,150</u>	<u>6,241,946</u>
Deferred outflows of resources				
Pension deferrals - LGERS	533,654	370,844	904,498	79,100
Pension deferrals - LEO	107,579	-	107,579	-
Pension deferrals - OPEB	161,384	112,148	273,532	-
	<u>802,617</u>	<u>482,992</u>	<u>1,285,609</u>	<u>79,100</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	318,966	1,028,487	1,347,453	253,265
Other liabilities	-	-	-	-
Cash overdraft	2,306	-	2,306	-
Customer deposits	-	222,753	222,753	6,846
Current portion of long-term liabilities	380,785	794,075	1,174,860	7,008
Total current liabilities	<u>702,057</u>	<u>2,045,315</u>	<u>2,747,372</u>	<u>267,119</u>
Long-term liabilities:				
Net pension liability	925,481	647,530	1,573,011	110,111
LEOSSA liability	725,883	-	725,883	-
OPEB liability	445,576	309,638	755,214	42,912
Due in more than one year	637,787	6,897,849	7,535,636	21,024
Total long-term liabilities	<u>2,734,727</u>	<u>7,855,017</u>	<u>10,589,744</u>	<u>174,047</u>
Total liabilities	<u>3,436,784</u>	<u>9,900,332</u>	<u>13,337,116</u>	<u>441,166</u>
Deferred inflows of resources				
Pension deferrals - LGERS	32,818	22,806	55,624	5,749
Pension deferrals - LEO	22,357	-	22,357	-
Pension deferrals - OPEB	35,406	24,605	60,011	-
	<u>90,581</u>	<u>47,411</u>	<u>137,992</u>	<u>5,749</u>
Net position				
Net investment in capital assets	4,561,415	10,564,216	15,125,631	4,344,062
Restricted for:				
Debt Reserve	-	293,700	293,700	-
Stabilization by State Statute	807,813	-	807,813	-
Streets	236,112	-	236,112	-
Cultural and recreational	43,953	-	43,953	6,846
Public safety	203,406	-	203,406	-
Unrestricted	(863,074)	5,790,110	4,927,036	1,523,223
Total net position	<u>\$ 4,989,625</u>	<u>\$ 16,648,026</u>	<u>\$ 21,637,651</u>	<u>\$ 5,874,131</u>

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

TOWN OF AYDEN, NORTH CAROLINA
Statement of Activities

Exhibit B

Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Ayden Housing Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 518,919	\$ -	\$ -	\$ -	\$ (518,919)	\$ -	\$ (518,919)	
Public safety	2,428,589	215,551	-	-	(2,213,038)	-	(2,213,038)	
Transportation	754,125	-	-	1,212,828	458,703	-	458,703	
Environmental protection	409,708	316,956	-	-	(92,752)	-	(92,752)	
Economic and phys. development	2,089,405	8,175	621,900	-	(1,459,330)	-	(1,459,330)	
Cultural and recreational	586,746	56,544	-	-	(530,202)	-	(530,202)	
Interest on long-term debt	25,023	-	-	-	(25,023)	-	(25,023)	
Total governmental activities	6,812,515	597,226	621,900	1,212,828	(4,380,561)	-	(4,380,561)	
Business-type activities:								
Electric	11,081,269	11,426,188	-	-	-	344,919	344,919	
Water & Sewer	3,265,591	2,830,061	494,051	-	-	58,521	58,521	
Stormwater	97,491	130,809	-	-	-	33,318	33,318	
Total business-type activities	14,444,351	14,387,058	494,051	-	-	436,758	436,758	
Total primary government	\$ 21,256,866	\$ 14,984,284	\$ 1,115,951	\$ 1,212,828	(4,380,561)	436,758	(3,943,803)	
Component unit:								
Ayden Housing Authority	\$ 1,535,599	\$ 613,088	\$ 799,263	\$ 285,288				\$ 162,040
Total component unit	\$ 1,535,599	\$ 613,088	\$ 799,263	\$ 285,288				162,040
General revenues:								
Taxes:								
Property taxes, levied for general purpose					1,338,855	-	1,338,855	-
Local option sales tax					1,164,360	-	1,164,360	-
Other taxes					514,999	-	514,999	-
Unrestricted investment earnings					26,192	93,942	120,134	4,254
Miscellaneous					57,244	19,112	76,356	8,217
Transfers					683,886	(683,886)	-	-
Total general revenues and transfers					3,785,536	(570,832)	3,214,704	12,471
Change in net position					(595,025)	(134,074)	(729,099)	174,511
Net position - beginning					5,584,650	16,782,100	22,366,750	5,699,620
Net position - ending					\$ 4,989,625	\$ 16,648,026	\$ 21,637,651	\$ 5,874,131

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

TOWN OF AYDEN, NORTH CAROLINA

Balance Sheet
 Governmental Funds
 June 30, 2020

Exhibit C

	Major		Non-Major	
	General	CDBG Catalyst Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,185,911	\$ -	\$ 38,258	\$ 1,224,169
Taxes receivable, net	67,585	-	-	67,585
Accounts receivable, net	105,461	45,775	-	151,236
Due from other governments	674,842	-	-	674,842
Inventories	20,933	-	-	20,933
Restricted cash and cash equivalents	236,112	-	-	236,112
Total assets	\$ 2,290,844	\$ 45,775	\$ 38,258	\$ 2,374,877
Liabilities:				
Accounts payable and accrued liabilities	\$ 275,497	\$ 43,469	\$ -	\$ 318,966
Cash overdraft	-	2,306	-	2,306
Total liabilities	275,497	45,775	-	321,272
Deferred inflows of resources	56,844	-	-	56,844
Fund balances:				
Nonspendable:				
Inventory	20,933	-	-	20,933
Restricted:				
Stabilization by State Statute	807,813	-	-	807,813
Streets	236,112	-	-	236,112
Cultural and recreational	6,744	-	37,209	43,953
Public safety	202,357	-	1,049	203,406
Assigned:				
For subsequent years expenditures:	59,627	-	-	59,627
Unassigned	624,917	-	-	624,917
Total fund balances	1,958,503	-	38,258	1,996,761
	\$ 2,290,844	\$ 45,775	\$ 38,258	\$ 2,374,877

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

TOWN OF AYDEN, NORTH CAROLINA**Exhibit D**

Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2020

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

Ending fund balance - governmental funds		\$	1,996,761
Capital assets are not financial resources and, therefore, are not reported in the funds (see Note 4).			5,339,496
Deferred outflows of resources related to OPEB and pensions are not reported in the funds.			802,617
Earned revenues considered deferred inflows of resources in fund statements.			56,844
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Long-term liabilities	\$	(1,018,572)	
Net pension liability		(925,481)	
LEOSSA pension liability		(725,883)	
Total OPEB liability		<u>(445,576)</u>	
			(3,115,512)
Deferred inflows of resources related to OPEB and pensions are not reported in the funds.			<u>(90,581)</u>
Net position of governmental activities		\$	<u><u>4,989,625</u></u>

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

TOWN OF AYDEN, NORTH CAROLINA**Exhibit E**

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2020

	General	CDBG Catalyst Fund	Total Non-Major Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 1,336,609	\$ -	\$ -	\$ 1,336,609
Other taxes	1,164,360	-	-	1,164,360
Unrestricted intergovernmental revenue	514,999	-	-	514,999
Restricted intergovernmental revenue	249,485	1,067,845	517,398	1,834,728
Licenses and permits	16,775	-	-	16,775
Sales and services	607,398	-	-	607,398
Interest earned on investments	25,730	-	462	26,192
Miscellaneous	26,359	-	-	26,359
Total revenues	<u>3,941,715</u>	<u>1,067,845</u>	<u>517,860</u>	<u>5,527,420</u>
Expenditures				
Current:				
General government	404,652	-	-	404,652
Public safety	2,000,358	-	-	2,000,358
Transportation	693,593	-	-	693,593
Environmental protection	324,949	-	-	324,949
Economic and physical development	279,175	1,070,391	556,897	1,906,463
Cultural and recreational	582,712	-	540	583,252
Debt service:				
Principal payments	277,194	-	-	277,194
Interest and fees	25,023	-	-	25,023
Capital outlay	423,967	-	-	423,967
Total expenditures	<u>5,011,623</u>	<u>1,070,391</u>	<u>557,437</u>	<u>6,639,451</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,069,908)</u>	<u>(2,546)</u>	<u>(39,577)</u>	<u>(1,112,031)</u>
Other financing sources (uses)				
Transfers from other funds	653,593	2,546	39,499	695,638
Transfers to other funds	(11,752)	-	-	(11,752)
Insurance proceeds	3,938	-	-	3,938
Total other financing sources (uses)	<u>645,779</u>	<u>2,546</u>	<u>39,499</u>	<u>687,824</u>
Net change in fund balances	<u>(424,129)</u>	<u>-</u>	<u>(78)</u>	<u>(424,207)</u>
Fund balance - beginning	<u>2,382,632</u>	<u>-</u>	<u>38,336</u>	<u>2,420,968</u>
Fund balance - ending	<u>\$ 1,958,503</u>	<u>\$ -</u>	<u>\$ 38,258</u>	<u>\$ 1,996,761</u>

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

TOWN OF AYDEN, NORTH CAROLINA**Exhibit F**

Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds to the
 Statement of Activities
 Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds \$ (424,207)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	\$	427,933	
Other		(3,968)	
Depreciation		<u>(553,179)</u>	
			(129,214)

Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities. 192,248

Benefit payments and administrative expense for LEOSSA are not included in the Statement of Activities. 11,533

OPEB benefit payments and administrative expense are not included in the Statement of Activities. 10,497

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of longer-term debt consumes financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	\$	-	
Principal payments		<u>277,193</u>	

Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statements. 2,246

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	\$	(58,976)	
Pension expense		(457,448)	
OPEB plan expense		<u>(18,897)</u>	
			<u>(535,321)</u>

Change in net position of governmental activities \$ (595,025)

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

TOWN OF AYDEN, NORTH CAROLINA**Exhibit G**

Statement of Revenues, Expenditures, and Changes in Fund Balances

General Funds – Budget and Actual

Year Ended June 30, 2020

	General Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 1,296,916	\$ 1,296,916	\$ 1,336,609	\$ 39,693
Other taxes	1,107,600	1,107,600	1,164,360	56,760
Unrestricted intergovernmental revenue	509,100	509,100	514,999	5,899
Restricted intergovernmental revenue	450,519	450,519	249,485	(201,034)
Licenses and permits	5,000	5,000	16,775	11,775
Sales and services	713,700	713,700	607,398	(106,302)
Interest earned on investments	45,000	45,000	25,730	(19,270)
Miscellaneous	65,600	65,600	26,359	(39,241)
Total revenues	4,193,435	4,193,435	3,941,715	(251,720)
Expenditures:				
Current:				
General government	355,229	409,279	404,652	4,627
Public safety	1,957,641	1,955,941	2,000,358	(44,417)
Transportation	675,305	699,805	693,593	6,212
Environmental protection	276,263	262,763	324,949	(62,186)
Economic and physical development	224,514	270,364	279,175	(8,811)
Cultural and recreational	616,786	598,586	582,712	15,874
Debt service:				
Principal payments	301,174	281,822	277,194	4,628
Interest and fees	11,400	31,252	25,023	6,229
Capital outlay	875,900	834,400	423,967	410,433
Total expenditures	5,294,212	5,344,212	5,011,623	332,589
Other financing sources (uses):				
Transfers from other funds	653,593	653,593	653,593	-
Transfers to other funds	(125,000)	(125,000)	(11,752)	113,248
Insurance proceeds	-	-	3,938	3,938
Fund balance appropriated	572,184	622,184	-	(622,184)
Total other financing sources (uses)	1,100,777	1,150,777	645,779	(504,998)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(424,129)</u>	<u>\$ (424,129)</u>
Fund Balances:				
Beginning of year, July 1			2,382,632	
End of year, June 30			<u>\$ 1,958,503</u>	

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

TOWN OF AYDEN, NORTH CAROLINA
Statement of Net Position
Proprietary Funds
June 30, 2020

Exhibit H

	Major Enterprise Funds			
	Electric Fund	Water and Sewer Fund	Stormwater Fund	Total
Assets				
Current assets:				
Cash and investments	\$ 4,912,480	\$ 698,122	\$ 13,927	\$ 5,624,529
Accounts receivable (net)	1,485,503	445,611	16,165	1,947,279
Inventories	107,437	36,402	-	143,839
Restricted cash and cash equivalents	222,753	-	-	222,753
Total current assets	6,728,173	1,180,135	30,092	7,938,400
Noncurrent assets:				
Land and Construction in Progress	52,161	753,071	-	805,232
Capital assets, net of accumulated depreciation	5,274,660	12,094,485	-	17,369,145
Total noncurrent assets	5,326,821	12,847,556	-	18,174,377
Total assets	12,054,994	14,027,691	30,092	26,112,777
Deferred outflows of resources				
LGERS	244,214	126,630	-	370,844
OPEB	73,854	38,294	-	112,148
	318,068	164,924	-	482,992
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	859,126	166,887	2,474	1,028,487
Customer deposits	222,753	-	-	222,753
Compensated absences, current	26,831	8,222	-	35,053
Current portion of long-term debt	408,676	350,346	-	759,022
Total current liabilities	1,517,386	525,455	2,474	2,045,315
Noncurrent liabilities:				
Compensated absences, noncurrent	31,773	14,937	-	46,710
Other postemployment benefits	203,909	105,729	-	309,638
Net pension liability	425,325	222,205	-	647,530
Non-current portion of long-term debt	1,159,934	5,691,205	-	6,851,139
Total noncurrent liabilities	1,820,941	6,034,076	-	7,855,017
Total liabilities	3,338,327	6,559,531	2,474	9,900,332
Deferred inflows of resources - pension				
LGERS	15,018	7,788	-	22,806
OPEB	16,203	8,402	-	24,605
	31,221	16,190	-	47,411
Net position				
Net investment in capital assets	3,758,211	6,806,005	-	10,564,216
Restricted - Debt Reserve	-	293,700	-	293,700
Unrestricted	5,245,303	517,189	27,618	5,790,110
Total net position	\$ 9,003,514	\$ 7,616,894	\$ 27,618	\$ 16,648,026

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

TOWN OF AYDEN, NORTH CAROLINA**Exhibit I**

Statement of Revenues, Expenditures, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2020

	Major Enterprise Funds			Total
	Electric Fund	Water and Sewer Fund	Stormwater Fund	
Operating revenues				
Charges for services	\$ 11,385,273	\$ 2,830,061	\$ 130,809	\$ 14,346,143
Other operating revenue	40,915	-	-	40,915
Total operating revenues	11,426,188	2,830,061	130,809	14,387,058
Operating expenses				
Electric operations	10,483,692	-	-	10,483,692
Water operations	-	2,631,509	-	2,631,509
Stormwater operations	-	-	97,491	97,491
Depreciation	550,499	446,289	-	996,788
Total operating expenses	11,034,191	3,077,798	97,491	14,209,480
Operating income (loss)	391,997	(247,737)	33,318	177,578
Nonoperating revenue (expense)				
Investment earnings	79,849	14,093	-	93,942
Gain (loss) on disposal of capital assets	19,112	-	-	19,112
Interest and other charges	(47,078)	(190,680)	-	(237,758)
Grants	-	494,051	-	494,051
Water project expenditures	-	2,887	-	2,887
Total nonoperating revenue (expense)	51,883	320,351	-	372,234
Income (loss) before transfers and contributions	443,880	72,614	33,318	549,812
Transfers in(out)	(653,593)	(30,293)	-	(683,886)
Change in net position	(209,713)	42,321	33,318	(134,074)
Total net position - beginning	9,213,227	7,574,573	(5,700)	16,782,100
Total net position - ending	\$ 9,003,514	\$ 7,616,894	\$ 27,618	\$ 16,648,026

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

TOWN OF AYDEN, NORTH CAROLINA
Statement Cash Flows
Proprietary Funds
Year Ended June 30, 2020

Exhibit J

	Major Enterprise Funds			
	Electric Fund	Water and Sewer Fund	Stormwater Fund	Total
Operating activities				
Cash received from customers	\$ 11,487,936	\$ 2,894,477	\$ 139,994	\$ 14,522,407
Other operating revenue	40,915	-	-	40,915
Cash paid to employees	(549,391)	(454,237)	-	(1,003,628)
Cash paid for goods and services	(9,947,060)	(2,117,041)	(126,067)	(12,190,168)
Net cash from operating activities	1,032,400	323,199	13,927	1,369,526
Noncapital financing activities				
Transfers in (out)	(653,593)	(30,293)	-	(683,886)
Net cash from noncapital financing activities	(653,593)	(30,293)	-	(683,886)
Capital and related financing activities				
Acquisition and construction of capital assets	(1,223,508)	(873,726)	-	(2,097,234)
Grants	-	494,051	-	494,051
Proceeds from issuance of long-term debt	-	189,293	-	189,293
Principal paid on long-term debt	(491,295)	(322,154)	-	(813,449)
Proceed from sale of assets	19,112	-	-	19,112
Net cash from capital and related financing activities	(1,695,691)	(512,536)	-	(2,208,227)
Investing activities				
Investment earnings	79,849	14,093	-	93,942
Interest paid	(47,078)	(190,680)	-	(237,758)
Net cash from in investing activities	32,771	(176,587)	-	(143,816)
Net increase (decrease) in cash and cash equivalents	(1,284,113)	(396,217)	13,927	(1,666,403)
Cash and cash equivalents				
Beginning of year	6,419,346	1,094,339	-	7,513,685
End of year	\$ 5,135,233	\$ 698,122	\$ 13,927	\$ 5,847,282

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

TOWN OF AYDEN, NORTH CAROLINA
Exhibit J
Statement Cash Flows
Proprietary Funds
Year Ended June 30, 2020
**Reconciliation of operating income (loss)
to net cash from operating activities**

Operating income (loss)	\$	391,997	\$	(247,737)	\$	33,318	\$	177,578
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation		550,499		446,289		-		996,788
Change in assets and liabilities:								
(Increase) decrease in accounts receivable		92,998		72,618		9,185		174,801
(Increase) decrease in inventories		(16,661)		29,889		-		13,228
(Increase) decrease in deferred outflows		(48,778)		(23,343)		-		(72,121)
Increase (decrease) in accounts payable and accruals		(114,825)		(38,091)		(28,576)		(181,492)
Increase (decrease) customer deposits		9,665		-		-		9,665
Increase (decrease) in compensated absences payable		15,218		4,931		-		20,149
Increase (decrease) in OPEB		80,086		41,524		-		121,610
Increase in net pension liability		85,103		44,127		-		129,230
Increase (decrease) in deferred inflows		(12,902)		(7,008)		-		(19,910)
Total adjustments		<u>640,403</u>		<u>570,936</u>		<u>(19,391)</u>		<u>1,191,948</u>

**Net cash from
operating activities**

<u>\$</u>	<u>1,032,400</u>	<u>\$</u>	<u>323,199</u>	<u>\$</u>	<u>13,927</u>	<u>\$</u>	<u>1,369,526</u>
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Cash and cash equivalents

Unrestricted	\$	4,912,480	\$	698,122	\$	13,927	\$	5,624,529
Restricted		<u>222,753</u>		<u>-</u>		<u>-</u>		<u>222,753</u>
Total	<u>\$</u>	<u>5,135,233</u>	<u>\$</u>	<u>698,122</u>	<u>\$</u>	<u>13,927</u>	<u>\$</u>	<u>5,847,282</u>

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

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Ayden is a municipal corporation that is governed by an elected mayor and a Town Council which consists of a five-member Board of Commissioners. As required by U.S. generally accepted accounting principles ("U.S. GAAP"), these financial statements include all funds that are controlled by, or financially dependent, on the Town. As required by U.S. GAAP, these financial statements present all the fund types of the Town and its component units, legally separate entities for which the Town is financially accountable. The Ayden Housing Authority ("Authority"), which has a June 30 year-end, is presented as if it is a separate proprietary fund of the Town (discrete presentation). The Authority is reported as a discrete unit as it provides no services or benefit to the Town.

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

B. Basis of Presentation

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

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

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

June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

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

The Town reports the following major governmental fund:

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

CDBG Catalyst Fund. This fund is used to account for the revenues and expenditures related to the Community Development Block Grant program.

The Town reports the following major enterprise funds:

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

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

Stormwater Fund. This fund is used to account for the Town's stormwater operations.

Additionally, the Town reports the following nonmajor funds, by type:

Special Revenue Funds. The special revenue funds account for specific revenue sources (other than expendable trusts and agency funds or major capital projects) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Town maintains three special revenue funds: Library Fund, Police Unauthorized Substance Tax Fund, and the Federal and State Assistance Fund.

Capital Projects Funds. The capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities. As of June 30, 2020, the Town had two capital projects funds that were open during the fiscal year, covering various construction projects: General Fund Capital Projects and Water and Sewer Capital Projects Fund.

June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

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.

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

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

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

June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town, are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Ayden because the tax is levied by Pitt County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Library Fund, Police Unauthorized Substance Tax Special Revenue Fund, Electric Fund, Water and Sewer Fund, and the Stormwater Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for enterprise capital project funds. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the departmental level for the General Fund, special revenue funds, and enterprise funds and total expenditures for capital project funds. Any revisions that alter the total expenditures for capital project funds and expenditures at the departmental level for all other funds must be approved by the governing board. The Town Manager is authorized to transfer appropriations within a department. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT – Term Portfolio's securities are valued at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating, and is measured at fair value. As of June 30, 2020, the Term Portfolio has a duration of .15 years. Because the NCCMT Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than six months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Governmental activities:

General fund:

Powell Bill funds	\$	236,112
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Business-type activities:

Electric fund

Customer deposits		222,753
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Total restricted cash	\$	458,865
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

5. Allowances for Doubtful Accounts

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

6. Inventories

The inventories of the Town consist of materials and supplies held for subsequent use in the General Fund, Electric Fund, and the Water and Sewer Fund. The Town accounts for inventories using the consumption method, under which inventory items are considered expenditures when used rather than purchased. The Town's inventories are valued at the lower of cost or market.

7. Capital Assets

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

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

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

June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, Other Postemployment Benefits ("OPEB") and pension deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that met this criterion for this category – property taxes receivable, deferrals of pension, and OPEB expense.

9. Long-Term Obligations

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

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

10. Compensated Absences

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

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

Restricted for Cultural and Recreational – Portion of fund balance that represents contributions restricted by donors for the benefit of the public library and/or arts and recreation purposes.

Restricted for Public Safety – Portion of fund balance restricted by revenue source for public safety via the unauthorized substance tax, rural fire district. Portion also includes donor-restricted contributions for the benefit of public safety programs.

Committed Fund Balance – Portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Ayden's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

Assigned for Subsequent Year's Expenditures – Portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

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

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

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

12. Pensions

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

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

13. Use of Estimates

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

II. Stewardship, Compliance, and Accountability

A. Noncompliance with North Carolina General Statutes

All units of government in North Carolina are required by G.S. 159-34 to receive and submit an annual audit report to the Local Government Commission. These reports are due by statute no later than four months after the close of the unit's fiscal year, October 31st of each year and was extended to January 31, 2021 for the current year. The Town's 2020 audit was not submitted by the extended deadline of January 31, 2021.

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2020, expenditures made by the Town exceeded the authorized appropriations made by the governing board for several departments in the general fund:

Public safety	\$44,417
Environmental protection	\$62,186
Economic and physical development	\$8,811

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town's names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town and in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual, current balance for interest-bearing deposits.

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

III. Detail Notes on All Funds (Continued)

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. At June 30, 2020, the Town's deposits had a carrying amount of \$400,382 and a bank balance of \$406,786. Of the bank balance, \$250,000 was covered by Federal Depository Insurance and the remainder was covered by collateral held under the Dedicated Method. At June 30, 2020, the Town's petty cash fund totaled \$750.

At June 30, 2020, the Authority's deposits had a carrying amount of \$1,733,519. The Authority's bank balances were \$1,738,785. Of the bank balance, \$396,261 of it was covered by Federal Depository Insurance. The remaining balance was secured by a dedicated method.

2. Investments

At June 30, 2020, the Town had \$6,906,431 invested with the North Carolina Capital Management Trust's Term Portfolio, which carried a credit rating of AAAm by Standard & Poor's. The Town has no policy regarding credit risk.

3. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 is net of the following allowances for doubtful accounts:

	<u>Taxes</u>	<u>Accounts</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General Fund	\$ 132,830	\$ 377,084	\$ 674,842	\$ 1,184,756
Nonmajor Funds	-	45,775	-	45,775
Allowance for doubtful accounts	(65,245)	(271,623)	-	(336,868)
Total governmental activities	<u>\$ 67,585</u>	<u>\$ 151,236</u>	<u>\$ 674,842</u>	<u>\$ 893,663</u>
Business-Type Activities:				
Electric Fund	\$ -	\$ 2,494,961	\$ -	\$ 2,494,961
Water and Sewer Fund	-	832,661	-	832,661
Stormwater Fund	-	22,963	-	22,963
Total Receivables:				
Allowance for doubtful accounts	-	(1,403,306)	-	(1,403,306)
Total business-type activities	<u>\$ -</u>	<u>\$ 1,947,279</u>	<u>\$ -</u>	<u>\$ 1,947,279</u>

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

III. Detail Notes on All Funds (Continued)

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Increases	Transfers	Decreases	Balance June 30, 2020
Governmental activities:					
Capital assets not being depreciated					
Land	\$ 754,938	\$ -	\$ -	\$ -	\$ 754,938
Total capital assets not being depreciated	754,938	-	-	-	754,938
Capital assets being depreciated:					
Buildings and structures	2,692,100	322,055	-	-	3,014,155
Other improvements	2,472,247	-	-	-	2,472,247
Furniture, equipment, and machinery	1,343,813	105,878	-	(35,435)	1,414,256
Vehicles and motor equipment	3,746,882	-	-	(9,500)	3,737,382
Total capital assets being depreciated	10,255,042	427,933	-	(44,935)	10,638,040
Less Accumulated Depreciation:					
Buildings and structures	1,348,575	136,166	-	-	1,484,741
Other improvements	1,016,852	30,569	-	-	1,047,421
Furniture, equipment, and machinery	954,536	121,671	-	(31,467)	1,044,740
Vehicles and motor equipment	2,221,307	264,773	-	(9,500)	2,476,580
Total accumulated depreciation	5,541,271	\$ 553,179	\$ -	\$ (40,967)	6,053,482
Total capital assets being depreciated, net	4,713,771				4,584,558
Governmental activities capital assets, net	\$ 5,468,709				\$ 5,339,496

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

General government	\$ 75,747
Public safety	257,530
Transportation	121,272
Economic and physical development	2,316
Environmental protection	40,127
Cultural and recreation	56,187
	<u>\$ 553,179</u>

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

III. Detail Notes on All Funds (Continued)

A. Assets (Continued)

	Balance July 1, 2019	Increases	Transfers	Decreases	Balance June 30, 2020
Electric Fund					
Business-type activities:					
Capital assets not being depreciated					
Land	\$ 52,161	\$ -	\$ -	\$ -	\$ 52,161
Construction in progress	444,863	-	-	(444,863)	-
Total capital assets not being depreciated	497,024	-	-	(444,863)	52,161
Capital assets being depreciated:					
Plant and distribution systems	7,549,501	46,080	-	-	7,595,581
Furniture, equipment, and machinery	2,911,086	1,144,643	-	(80,681)	3,975,048
Vehicles	1,590,027	32,785	-	444,863	2,067,675
Total capital assets being depreciated	12,050,614	1,223,508	-	364,182	13,638,304
Less Accumulated Depreciation:					
Plant and distribution systems	4,938,039	269,450	-	-	5,207,489
Furniture, equipment, and machinery	1,914,125	80,888	-	(80,681)	1,914,332
Vehicles	1,041,662	200,161	-	-	1,241,823
Total accumulated depreciation	7,893,826	\$ 550,499	\$ -	\$ (80,681)	8,363,644
Total capital assets being depreciated, net	4,156,788				5,274,660
Electric Fund capital assets, net	\$ 4,653,812				\$ 5,326,821
Water Sewer Fund:					
Business-type activities:					
Capital assets not being depreciated					
Land	\$ 16,500	\$ -	\$ -	\$ -	\$ 16,500
Construction in progress	816,518	829,772	-	(909,719)	736,571
Total capital assets not being depreciated	833,018	829,772	-	(909,719)	753,071
Capital assets being depreciated:					
Plant and distribution systems	16,733,600	6,281	-	909,719	17,649,600
Furniture, equipment, and machinery	1,570,996	40,560	-	-	1,611,556
Vehicles	789,682	-	-	-	789,682
Total capital assets being depreciated	19,094,278	46,841	-	909,719	20,050,838
Less Accumulated Depreciation:					
Plant and distribution systems	5,995,808	358,810	-	-	6,354,618
Furniture, equipment, and machinery	937,867	36,315	-	-	974,182
Vehicles	576,389	51,164	-	-	627,553
Total accumulated depreciation	7,510,064	\$ 446,289	\$ -	\$ -	7,956,353
Total capital assets being depreciated, net	11,584,214				12,094,485
Water and Sewer Fund Capital assets, net	12,417,232				12,847,556
Business-type activities capital assets, net	\$ 17,071,044				\$ 18,174,377

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

III. Detail Notes on All Funds (Continued)

A. Assets (Continued)

Construction Commitments

The government has active construction projects as of June 30, 2020. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Water and Sewer Improvements	<u>\$ 736,571</u>	<u>\$ 289,572</u>

Component Unit:

The capital assets of the Authority at June 30, 2020 consisted of the following:

	<u>Balance July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 170,220	\$ -	\$ -	\$ -	\$ 170,220
Total capital assets not being depreciated	<u>170,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,220</u>
Capital assets being depreciated:					
Building	9,293,992	202,730	-	(255,876)	9,240,846
Furniture and equipment	400,928	227,804	-	(25,233)	653,965
Improvements	857,975	57,753	-	-	915,728
Total capital assets being depreciated	<u>10,692,439</u>	<u>488,287</u>	<u>-</u>	<u>(281,109)</u>	<u>11,461,835</u>
Less Accumulated Depreciation:					
Total accumulated depreciation	<u>6,654,958</u>	<u>\$ 351,926</u>	<u>\$ -</u>	<u>\$ (281,109)</u>	<u>7,287,993</u>
Total capital assets being depreciated, net	<u>4,037,481</u>				<u>4,173,842</u>
Component Unit capital assets, net	<u>\$ 4,207,701</u>				<u>\$ 4,344,062</u>

June 30, 2020

III. Detail Notes on All Funds (Continued)

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in the statewide Local Governmental Employees' Retirement System ("LGERS"), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers ("LEOs") of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the 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 Annual Comprehensive Financial Report (ANNUAL REPORT) for the State of North Carolina. The State's ANNUAL REPORT includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Ayden employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Ayden's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Ayden were \$325,844 for the year ended June 30, 2020.

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, 2020, the Town reported a liability of \$1,573,011 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018.

The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.05760%, which was an increase of 0.00458% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the Town recognized pension expense of \$675,309. At June 30, 2020, 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	\$ 269,339	\$ -
Changes in assumptions	256,375	-
Net difference between projected and actual earnings on pension plan investments	38,368	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	14,572	55,624
Town contributions subsequent to the measurement date	325,844	-
	<u><u>\$ 904,498</u></u>	<u><u>\$ 55,624</u></u>

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

\$325,844 was reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30:

2021	\$	262,181
2022		73,694
2023		140,384
2024		46,771
	\$	<u>523,030</u>

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	3.0%
Salary increases:	3.5% to 8.10%, including inflation and productivity factor.
Investment rate of return:	7.00%, net of pension plan investment expense, including inflation.

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 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 3.05%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net pension liability (asset)	\$ 3,597,764	\$ 1,573,011	\$ (109,969)

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

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to, but not yet receiving benefits	0
Active plan members, Law enforcement	22
Total	<u>24</u>

2. Summary of Significant Accounting Policies.

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73.

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount Rate:	3.26%
Salary Increases:	3.50-7.35%
Includes inflation at:	2.50%
Cost of Living Adjustments:	N/A

The discount rate is based on the yield of the Standard & Poor's Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

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

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

3. *Contributions.*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$30,679 as benefits came due for the reporting period.

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

At June 30, 2020, the Town reported a total pension liability of \$725,883. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$66,610.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred of Outflows of Resources		
Differences between expected and actual experience	\$ 58,328	\$ -
Changes of assumptions	37,718	22,357
Benefit payments and administrative costs paid subsequent to the measurement date	11,533	-
Total	<u>\$ 107,579</u>	<u>\$ 22,357</u>

\$11,533 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30:

2021	\$ 16,131
2022	16,131
2023	16,364
2024	13,640
2025	11,423
	<u>\$ 73,689</u>

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.26%, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26%) or 1-percentage-point higher (4.26%) than the current rate:

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

Beginning balance	\$ 633,819
Service cost	27,966
Interest on total pension liability	22,513
Difference between expected and actual experience	50,836
Changes in assumptions or other inputs	21,428
Benefit payments	<u>(30,679)</u>
Ending balance	<u><u>\$ 725,883</u></u>

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

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 675,309	\$ 66,610	\$ 741,919
Pension Liability	1,573,011	725,883	2,298,894
Proportionate share of the net pension liability	0.05760%	n/a	
Deferred Outflows of Resources:			
Differences between expected and actual experience	269,339	58,328	327,667
Changes of assumptions	256,375	37,718	294,093
Net difference between projected and actual earnings on plan investments	38,368	-	38,368
Changes in proportion and differences between contributions and proportionate share of contributions	14,572	-	14,572
Benefit payments and administrative costs paid subsequent to the measurement date	325,844	11,533	337,377
Deferred of Inflows of Resources:			
Differences between expected and actual experience	-	22,357	22,357
Changes in proportion and differences between contributions and proportionate share of contributions	55,624	-	55,624

June 30, 2020

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan ("Plan"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report (ANNUAL REPORT) for the State of North Carolina. The State's ANNUAL REPORT includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan.

The Town made contributions of \$46,317 from the Town for the reporting year. No amounts were forfeited.

d. Other Postemployment Benefits ("OPEB")

Healthcare Benefits

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

Plan Description. The Town has elected to provide healthcare and dental care benefits, through a single-employer defined benefit plan, to retirees of the Town who are at least age 55 and have at least 30 years of service, are at least 60 with at least 25 years of service, or are at least 62 with at least 20 year of service with the North Carolina Local Governmental Employees' Retirement System. Such insurance is provided until the retiree reaches age 65 and is eligible for Medicare. The Town pays 100% of the retiree premium costs. Retirees can purchase coverage for their dependents at the Town's group rates. Currently, five retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2020, the Town made payments for postretirement health benefit premiums of \$21,080. The Town purchases insurance from a private carrier for healthcare coverage. A separate report was not issued for the plan.

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

At June 30, 2020, the HCB Plan membership consisted of:

	Membership
Inactive Employees or Beneficiaries	
Currently Receiving Benefits	5
Inactive Members Entitled to	
But Not Yet Receiving Benefits	0
Active Employees	83
	<hr/>
Total Membership	88
	<hr/> <hr/>

Total OPEB Liability

The Town's total OPEB liability of \$755,214 reported at June 30, 2020 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation:	2.50 %
Real wage growth:	1.00 %
Wage inflation:	3.50%
Salary increases, including wage inflation:	
General Employees	3.50%-7.75%
Law Enforcement Officers	3.50%-7.35%
Discount rate:	3.50%
Healthcare cost trend rates:	7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026

The discount rate was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

Changes in the Total OPEB Liability

Changes for the year:	
Service cost at the end of the year	\$ 21,499
Interest on TOL and cash flows	17,246
Change in benefit terms	-
Difference between expected and actual experience	276,475
Changes of assumptions or other inputs	12,223
Benefit payments	(30,831)
Net change in Total OPEB Liability	296,612
Total OPEB Liability - beginning	458,602
Total OPEB Liability - ending	<u>\$ 755,214</u>

The Town selected a Municipal Bond Index Rate equal to the June average of the Bond Buyer 20-year General Obligation Bond Index published weekly by the Bond Buyer, and the discount rate used to measure the TOL is the Municipal Bond Index Rate as of the measurement date.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014, adopted by the LGERS Board.

Sensitivity of the Town's Total OPEB Liability to Changes in the Discount Rates. The following presents the Town's total OPEB liability calculated using the discount rate of 3.50%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	1% Decrease (2.50%)	Discount (3.50%)	1% Increase (4.50%)
Total OPEB liability	<u>\$ 836,170</u>	<u>\$ 755,214</u>	<u>\$ 683,347</u>

Sensitivity of the Town's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the Town's total OPEB liability calculated using the healthcare cost trend rates, as well as what the Town's total OPEB liability would be if it were calculated using a rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current	1% Increase
Total OPEB liability	<u>\$ 665,513</u>	<u>\$ 755,214</u>	<u>\$ 863,273</u>

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$58,075. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 249,155	\$ 31,709
Changes of assumptions	11,015	28,302
Benefit payments and administrative costs made subsequent to the measurement date	13,362	-
Total	<u>\$ 273,532</u>	<u>\$ 60,011</u>

\$13,362 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2021.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30:

2021	\$ 19,330
2022	19,330
2023	19,330
2024	19,330
2025	19,330
Thereafter	103,509
Total	<u>\$ 200,159</u>

2. Other Employment Benefits

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

Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial. In addition to the Death Benefit Plan, the Town has elected to provide additional death benefit coverage for all eligible employees through the North Carolina League of Municipality. The additional benefit equals twice an employee's annual salary.

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

3. Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 325,844
Benefit payments and administrative expenses for LEOSSA made subsequent to measurement date	11,533
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	13,362
Differences between expected and actual experience	576,822
Changes in assumptions	305,108
Net difference between projected and actual	38,368
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,572
Total	<u>\$ 1,285,609</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable, net	\$ -	\$ 56,844
Changes in assumptions	50,659	-
Differences between expected and actual experience	31,709	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	55,624	-
Total	<u>\$ 137,992</u>	<u>\$ 56,844</u>

June 30, 2020

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability coverage of \$2 million per occurrence, auto liability coverage of \$2 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to the statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. Specific information on the limits of the reinsurance, excess, and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. There have been no significant reductions in insurance coverage and the settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does have limited flood insurance; with a per occurrence limit and maximum annual aggregate of \$5 million for property located in Flood Zones B, C, or X. The Town has no coverage for property not located in these zones.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Director is bonded for \$200,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

5. Claims, Judgments, and Contingent Liabilities

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

6. Long-Term Obligations

a. Governmental Activities Long-Term Debt

As authorized by State law (G.S. 160A-20 and 153A-158.1), the Town financed various property and equipment acquisitions in a direct placement for use by the Town. The installment purchases were issued pursuant to a deed of trust that requires that legal title to the property financed remain with the Town as long as the debt is outstanding because the property is pledged as collateral for the debt.

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

The Town's installment purchase obligation payable at June 30, 2020 are comprised of the following:

Note payable for a purchase of a fire equipment truck in July 2015, annual installments of \$68,120, including interest at 2.29%, maturing in 2021; secured by a fire equipment truck.	\$ 195,346
Note payable for a purchase of knuckleboom truck in October 2016, monthly installments of \$2,353, including interest at 3.05%, maturing in 2021; secured by a knuckleboom truck.	36,849
Note payable for a purchase of garbage truck in December 2017, annual installments of \$50,000, plus interest at 1.94%, maturing in 2020; secured by a garbage truck.	47,216
Note payable for a purchase of police radios in May 2019, monthly installments of \$2,234 including interest at 2.89%, maturing in 2021; secured by a fire truck.	24,211
Note payable for a purchase of police cars in November 2018, annual installments of \$59,694, plus interest at 3.28%, maturing in 2021; secured by a fire truck.	119,388
Note payable for a purchase of fire truck in January 2019, annual installments of \$65,980, including interest at 3.20%, maturing in 2026; secured by a fire truck.	355,071
Total governmental activities direct placement notes payable	<u>\$ 778,081</u>

The future minimum payments of the governmental activities long-term debt notes payable as of June 30, 2020 are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 276,877	\$ 27,389	\$ 304,266
2022	190,518	21,771	212,289
2023	124,765	14,648	139,413
2024	60,031	9,336	69,367
2025	61,952	5,949	67,901
2026	63,938	6,074	70,012
Total	<u>\$ 778,081</u>	<u>\$ 85,167</u>	<u>\$ 863,248</u>

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

b. Electric fund

Notes payable:

\$199,300, loan issued in 2017, interest at 2.57%, payable in monthly installments of \$3,599, final payment due in 2022; secured by electric equipment truck.

\$ 84,117

\$1,500,000, loan issued in 2016, interest at 2.44%, payable in annual installments of \$150,000 plus interest; final payment due in 2027; secured by electric substation assets.

1,050,000

\$651,649, loan issued in 2018, interest at 2.74%, payable in annual installments of \$217,157 plus interest; final payment due in 2021; secured by generator.

434,493

Total Electric Fund direct placement notes payable

\$ 1,568,610

The future minimum payments of the electric fund long-term debt as of June 30, 2020 are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 408,676	\$ 39,228	\$ 447,904
2022	409,935	28,505	438,440
2023	150,000	18,300	168,300
2024	150,000	14,640	164,640
2025	150,000	10,980	160,980
2026-2027	300,000	10,980	310,980
	<u>\$ 1,568,610</u>	<u>\$ 122,633</u>	<u>\$ 1,691,244</u>

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

c. Water and sewer fund – Notes payable

\$2,614,025, State revolving loan issued 2008, interest at 2.265%, payable in annual installments of \$130,701; final payment due in 2028; secured by system assets. \$ 1,045,610

Note payable for extension of sewer lines in June 2018, Monthly installments of \$4,068, interest at 2.740%, maturing in 2023; secured by a sewer line extension. 142,372

\$1,550,000 State revolving loan issued 2018, interest at 0% payable in annual installments of of \$77,500; final payment due in 2041. 1,321,799

\$1,550,000 State revolving loan issued 2018, interest at 0% payable in annual installments of of \$77,500; final payment due in 2038. 77,770

Total Water & Sewer Fund direct placement notes payable \$ 2,587,551

The future minimum payments of the water and sewer fund notes payable as of June 30, 2020 are as follows:

Year Ending			
June 30	Principal	Interest	Total
2021	\$ 286,474	\$ 28,722	\$ 315,196
2022	287,285	23,613	310,898
2023	270,988	18,540	289,528
2024	208,201	14,802	223,003
2025	208,201	11,842	220,043
2026-2030	779,603	17,762	797,365
2031-2035	387,500	-	387,500
2036-2040	155,000	-	155,000
2041	4,299	-	4,299
Total	\$ 2,587,551	\$ 115,281	\$ 2,702,832

At June 30, 2020, the Town of Ayden had no bonds authorized but unissued in the amount and a legal debt margin of \$19,386,694.

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

Revenue bonds payable:

\$2,937,000, USDA loan issued in 2008, interest at 4.375%, payable in annual installments of \$159,750; final payment due in 2048; secured by system assets.	\$ 2,554,000
\$916,000 USDA loan issued in 2020, interest at 1.875%, payable in annual installments of \$32,755; final payment due in 2060; secured by system assets.	900,000
Total Water & Sewer Fund revenue bonds	\$ 3,454,000

The future minimum payments of the water sewer fund revenue bonds as of June 30, 2020 are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 63,872	\$ 128,620	\$ 192,492
2022	66,170	126,223	192,393
2023	68,473	123,732	192,205
2024	71,782	121,148	192,930
2025	74,097	118,427	192,524
2026-2030	416,415	547,437	963,852
2031-2035	503,215	460,806	964,021
2036-2040	609,872	354,593	964,465
2041-2045	738,468	224,646	963,114
2046-2050	573,096	71,880	644,976
2051-2055	143,856	19,921	163,777
2056-2060	124,684	6,119	130,803
Total	\$ 3,454,000	\$ 2,303,552	\$ 5,757,552

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

The Town is required to be in compliance with the covenants associated with Sewer Revenue Bonds as to rates, fees, rentals, and charges in Section 5 of the Bond Order, authorizing the issuance of the Series 2010 water and sewer revenue bonds since its adoption in 2009. Section 5.02 of the Bond Order requires the debt service coverage ratio to be no less than 110%. Section 5.02 of the Bond Order also requires the debt service coverage ratio to be no less than 100% of the Subordinated Debt Service Requirement. The debt service coverage ratio calculations for the year ended June 30, 2020 are as follows:

Operating revenues	\$ 2,830,061
Operating expenses*	<u>2,631,509</u>
Operating income	198,552
Non-operating revenues (expenses)**	<u>14,093</u>
Income available for debt service	<u>\$ 212,645</u>
Debt service, principal, and interest paid (Revenue bond only)	<u>\$ 159,750</u>
Debt service coverage ratio	<u>133%</u>
Subordinated Debt Service:	
Debt service, principal, and interest paid (Subordinated indebtedness)	<u>\$ 353,084</u>
Debt service coverage ratio	<u>60%</u>

* Per rate covenants, this does not include the depreciation expense of \$446,289.

** Per rate covenants, this does not include interest paid of \$190,680.

The Town has pledged future water and sewer net revenues to repay the water and sewer system revenue bond issued in March 2006. Proceeds from the bond provided financing for the sewer extension project for the Town. The bonds are payable solely from water and sewer net revenues and are payable through 2050. Annual principal and interest payments on the bonds are expected to require less than 50% of net revenues. The total principal and interest remaining to be paid on the bonds is \$4,480,314. Principal and interest paid for the current year was \$159,750. The Town had water and sewer net revenues of \$195,161.

The Town is not in compliance with respect to the subordinated debt bond covenant ratio.

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

d. Changes in long-term liabilities

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

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion
Governmental activities:					
Direct placement notes payable	\$ 1,055,274	\$ -	\$ (277,193)	\$ 778,081	\$ 276,877
Compensated absences	181,515	140,758	(81,782)	240,491	103,908
Net pension liability (LGERS)	739,515	185,966	-	925,481	-
Net pension liability(LEOSSA)	633,819	122,743	(30,679)	725,883	-
Other postemployment benefits	270,575	175,001	-	445,576	-
Total	<u>\$ 2,880,698</u>	<u>\$ 624,468</u>	<u>\$ (389,654)</u>	<u>\$ 3,115,512</u>	<u>\$ 380,785</u>
Business-type activities:					
Electric Fund:					
Direct placement notes payable	\$ 2,059,905	\$ -	\$ (491,295)	\$ 1,568,610	\$ 408,676
Compensated absences	43,386	36,184	(20,966)	58,604	26,831
Net pension liability (LGERS)	340,223	85,102	-	425,325	-
Other post-employment benefits	123,822	80,087	-	203,909	-
Total	<u>\$ 2,567,336</u>	<u>\$ 201,373</u>	<u>\$ (512,261)</u>	<u>\$ 2,256,448</u>	<u>\$ 435,507</u>
Water and Sewer Fund:					
Direct placement notes payable	\$ 2,757,895	\$ 89,810	\$ (260,154)	\$ 2,587,551	\$ 286,474
Revenue bonds	3,416,518	99,482	(62,000)	3,454,000	63,872
Compensated absences	18,228	13,496	(8,565)	23,159	8,222
Net pension liability (LGERS)	178,078	44,127	-	222,205	-
Other postemployment benefits	64,204	41,525	-	105,729	-
Total	<u>\$ 6,434,923</u>	<u>\$ 288,440</u>	<u>\$ (330,719)</u>	<u>\$ 6,392,644</u>	<u>\$ 358,568</u>
Total business-type activities	<u>\$ 9,002,259</u>	<u>\$ 489,813</u>	<u>\$ (842,980)</u>	<u>\$ 8,649,092</u>	<u>\$ 794,075</u>

Component Unit:

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

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion
OPEB liability	\$ 27,492	\$ 15,420	\$ -	\$ 42,912	\$ -
Net pension liability (LGERS)	88,047	22,064	-	110,111	-
Compensated absences	21,464	17,369	(10,801)	28,032	7,008
Total	<u>\$ 137,003</u>	<u>\$ 54,853</u>	<u>\$ (10,801)</u>	<u>\$ 181,055</u>	<u>\$ 7,008</u>

TOWN OF AYDEN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

III. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

7. Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2020 is composed of the following:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 5,339,496	\$ 18,174,377
Less: long-term debt	(778,081)	(7,610,161)
Net investment in capital assets	<u>\$ 4,561,415</u>	<u>\$ 10,564,216</u>

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2020, consist of the following:

To General Fund from Electric Fund for tax payments	\$ 653,594
Net Transfers	
To Water and Sewer Fund from Federal and State Grants Fund	\$ 30,292
To Governmental Fund Capital Project Fund from the General Fund	\$ 81,960
To CDBG Fund from the General Fund	\$ 2,546

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

D. Fund Balance

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

Total fund balance - General Fund	<u>\$ 1,958,503</u>
Less:	
Inventories	20,933
Stabilization by State Statute	807,813
Restricted for streets	236,112
Restricted for cultural and recreational	6,744
Restricted for public safety	202,357
Appropriated fund balance in 2020 budget	<u>59,627</u>
Remaining fund balance	<u>\$ 624,917</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The Town had encumbrances of \$16,769 at June 30, 2020.

June 30, 2020

IV. Joint Venture

Contentnea Metropolitan Sewer District

The Town, in conjunction with the Town of Grifton and the Town of Winterville, participates in the Contentnea Metropolitan Sewer District ("District"). Each Town appoints two members to the seven member Board with one at-large member. The District is a joint venture established to provide sewer treatment services to the local governments. The participating governments are bound by purchase of service contracts with the District, and the District has the responsibility to determine and levy sewer use charges on the municipalities to apportion all operation and maintenance costs associated with treatment operations. This District has a bonded indebtedness of \$13,511,000, and the three towns are assessed with their pro-rata share of the operating expenses and debt service requirements. Town's assessed share of operation expenses for the year ended June 30, 2020, was \$1,071,436 or 40.03% of total operation expenses of the District. Complete financial statements for the sewer district may be obtained from the District's administrative office at State Road 1910, P.O. Box 477, Grifton, North Carolina 28530.

V. Jointly Governed Organization

North Carolina Eastern Municipal Power Agency

The Town is a member of the North Carolina Eastern Municipal Power Agency ("NCEMPA"). The NCEMPA was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. The members who receive power from the NCEMPA have signed power sales agreements to purchase a specified share of the power generated by the NCEMPA. Except for the power sales purchase requirements, no local government has any obligation, entitlement, or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2020 were \$7,958,740.

Neuse Regional Water and Sewer Authority

The Town, with seven other entities, participates in the Neuse Regional Water and Sewer Authority ("Authority"), a development stage enterprise. The Authority was formed to enable its members to finance construction, own, operate, and maintain regional water treatment and transmission facilities. The Town appoints one of the 15 member governing board of the Authority. The Authority started operations in the fiscal year 2008. The 15 members are committed to monthly purchases of treated water in an amount equivalent to 75% of their calendar year 2002 monthly water requirements by volume. Except for the water sales purchase requirements, no participant has any obligation, entitlement, or residual interest. The Town began purchasing treated water in September 2008.

VI. Major Utility Customer

In 2020, the Town had electrical revenue of \$2,541,796 from one customer, which accounted for 22.25% of total electric revenue.

June 30, 2020

VII. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

During 2020 an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the Town's revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

VIII. Claims and Judgments

At June 30, 2020, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town's attorney, the ultimate effect of these legal matters will not have a material, adverse effect on the Town's financial position.

IX. Significant Effects of Subsequent Events

Subsequent events have been evaluated through June 1, 2021, the date which the financial statements were available to be issued. There were no recognized events meriting disclosure.

**REQUIRED
SUPPLEMENTARY INFORMATION**

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

Schedule A-1

Last Four Fiscal Years

Schedule of Changes in Total Pension Liability

	2020	2019	2018	2017
Beginning balance	\$ 633,819	\$ 618,062	\$ 539,552	\$ 511,217
Service cost	27,966	27,109	21,386	23,509
Interest on total pension liability	22,513	19,146	20,678	18,250
Difference between expected and actual experience	50,836	18,699	6,522	-
Changes in assumptions or other inputs	21,428	(24,863)	37,651	(13,424)
Benefit payments	(30,679)	(24,334)	(7,727)	-
Ending balance	<u>\$ 725,883</u>	<u>\$ 633,819</u>	<u>\$ 618,062</u>	<u>\$ 539,552</u>

Schedule of Total Pension Liability as a Percentage of Covered Payroll

	2020	2019	2018	2017
Total pension liability	\$ 725,883	\$ 633,819	\$ 618,062	\$ 539,552
Covered payroll	1,077,523	1,010,764	882,270	886,219
Total pension liability as a percentage of covered payroll	67.37%	62.71%	70.05%	60.88%

Notes to the schedules:

The Town has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 nor does the Plan provide pay related benefits.

The pension schedules are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF AYDEN, NORTH CAROLINA
Schedule of Changes in the Total OPEB
Liability and Related Ratios

Schedule A-2

Last Four Fiscal Years

Total OPEB Liability

	2020	2019	2018
Changes for the year:			
Service cost at the end of the year	\$ 21,499	\$ 22,281	\$ 24,175
Interest on TOL and cash flows	17,246	16,619	15,078
Change in benefit terms	-	-	-
Difference between expected and actual experience	276,475	(18,290)	(25,951)
Changes of assumptions or other inputs	12,223	(14,753)	(24,992)
Benefit payments	(30,831)	(27,897)	(17,100)
Net change in Total OPEB Liability	296,612	(22,040)	(28,790)
Total OPEB Liability - beginning	458,602	480,642	509,432
Total OPEB Liability - ending	<u>\$ 755,214</u>	<u>\$ 458,602</u>	<u>\$ 480,642</u>

Note to schedule:

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

Fiscal Year	Rate
2020	3.50%
2019	3.89%
2018	3.56%

The pension schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

Schedule A-3

Last Seven Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) %	0.05760%	0.05302%	0.05565%	0.05187%	0.05390%	0.05740%	5.44000%
Town's proportionate share of the net pension liability (asset)	\$ 1,573,011	\$ 1,257,816	\$ 850,178	\$ 1,108,855	\$ 241,720	\$ (338,632)	\$ 655,729
Town's covered payroll	\$ 3,428,871	\$ 3,049,272	\$ 3,080,754	\$ 2,993,280	\$ 2,858,529	\$ 2,825,548	\$ 2,621,704
Town's proportionate share of the net	46%	41%	28%	37%	8.46%	-11.98%	25.01%
Plan fiduciary net position as a percentage of the total pension	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

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

The pension schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

Schedule A-4

Last Seven Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 325,844	\$ 273,393	\$ 236,111	\$ 229,825	\$ 204,593	\$ 204,834	\$ 201,431
Contribution in relation to the contractually required contribution	<u>325,844</u>	<u>273,393</u>	<u>236,111</u>	<u>229,825</u>	<u>204,593</u>	<u>204,834</u>	<u>201,431</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 3,563,260	\$ 3,428,871	\$ 3,049,272	\$ 3,080,754	\$ 2,993,280	\$ 2,858,529	\$ 2,825,548
Contributions as a percentage of covered-employee payroll	9.14%	7.97%	7.74%	7.46%	6.84%	7.17%	7.13%

The pension schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

OTHER SUPPLEMENTARY INFORMATION

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

Schedule A-5

Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$ 1,291,916	\$ 1,320,494	\$ 28,578
Penalties and interest	5,000	16,115	11,115
Total ad valorem taxes	<u>1,296,916</u>	<u>1,336,609</u>	<u>39,693</u>
Other taxes and licenses:			
Local option sales tax	1,107,600	1,164,360	56,760
Total other taxes and licenses	<u>1,107,600</u>	<u>1,164,360</u>	<u>56,760</u>
Unrestricted intergovernmental revenues:			
Franchise taxes	375,000	355,155	(19,845)
Beer and wine tax	22,300	21,256	(1,044)
Cable TV franchise	50,000	72,541	22,541
Other taxes and licenses	61,800	66,047	4,247
Total unrestricted intergovernmental revenues	<u>509,100</u>	<u>514,999</u>	<u>5,899</u>
Restricted intergovernmental revenues:			
Powell Bill	147,500	144,983	(2,517)
Grants	303,019	104,502	(198,517)
Total restricted intergovernmental revenues	<u>450,519</u>	<u>249,485</u>	<u>(201,034)</u>

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

Schedule A-5

Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues (continued):			
Permits and fees:			
Court facility fees	\$ -	\$ 8,600	\$ 8,600
Building permits	5,000	8,175	3,175
Total licenses and permits	5,000	16,775	11,775
Sales and services:			
Sanitation revenues	315,000	316,956	1,956
Cemetery	32,000	16,225	(15,775)
Rents	20,000	10,722	(9,278)
Recreation fees	68,000	56,544	(11,456)
Stormwater collection fees	-	-	-
Fire protection services	278,700	206,951	(71,749)
Total sales and services	713,700	607,398	(106,302)
Interest earned on investments	45,000	25,730	(19,270)
Miscellaneous	65,600	26,359	(39,241)
Total revenues	4,193,435	3,941,715	(251,720)

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

Schedule A-5

Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
Current:			
General government:			
Governing body:			
Salaries and employee benefits		\$ 37,608	
Operating expenses		247,259	
Reimbursement of services		(206,623)	
Total	\$ 74,699	78,244	\$ (3,545)
Administration:			
Salaries and employee benefits		232,972	
Operating expenses		226,956	
Reimbursement of services		(309,503)	
Total	143,338	150,425	(7,087)
Finance:			
Salaries and employee benefits		227,447	
Operating expenses		87,961	
Reimbursement of services		(240,929)	
Total	95,537	74,479	21,058
Public Buildings:			
Salaries and employee benefits		104,994	
Operating expenses		93,344	
Reimbursement of services		(145,450)	
Total	38,931	52,888	(13,957)
Central services:			
Salaries and employee benefits		105,987	
Operating expenses		35,332	
Reimbursement of services		(92,703)	
Total	56,774	48,616	8,158
Total general government	409,279	404,652	4,627

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

Schedule A-5

Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Expenditures (continued):			
Current (continued):			
Public safety:			
Police:			
Salaries and employee benefits		\$ 1,591,949	
Operating expenses		217,730	
Total	\$ 1,798,155	1,809,679	\$ (11,524)
Fire protection:			
Salaries and employee benefits		27,780	
Operating expenses		61,927	
Total	78,893	89,707	(10,814)
Rural fire department:			
Salaries and employee benefits		27,780	
Operating expenses		73,192	
Total	78,893	100,972	(22,079)
Total public safety	1,955,941	2,000,358	(44,417)
Transportation:			
Streets			
Salaries and employee benefits		483,707	
Powell Bill and other operating expenses		209,886	
Total transportation	699,805	693,593	6,212
Environmental protection:			
Sanitation:			
Salaries and employee benefits		172,763	
Other operating expenses		152,186	
Total environmental protection	262,763	324,949	(62,186)
Economic and physical development:			
Planning & Economic Development:			
Salaries and employee benefit		191,958	
Other expenses		162,894	
Reimbursement of services		(75,677)	
Total economic and physical development	270,364	279,175	(8,811)

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

Schedule A-5

Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Expenditures (continued):			
Current (continued):			
Cultural and recreational:			
Library:			
Salaries and employee benefits		\$ 94,754	
Operating expenses		30,445	
Total	\$ 132,633	125,199	7,434
Recreation:			
Salaries and employee benefits		244,870	
Operating expenses		212,643	
Total	465,953	457,513	8,440
Total cultural and recreational	598,586	582,712	15,874
Debt service:			
Note principal	281,822	277,194	
Interest and fees	31,252	25,023	
Total debt service	313,074	302,217	10,857
Capital Outlay	834,400	423,967	410,433
Total expenditures	5,344,212	5,011,623	332,589
Revenues over (under) expenditures	(1,150,777)	(1,069,908)	(584,309)

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

Schedule A-5

Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses)			
Transfers from other funds	\$ 653,593	\$ 653,593	\$ -
Transfers to other funds	(125,000)	(11,752)	113,248
Issuance of Debt	-	-	-
Insurance proceeds	-	3,938	3,938
Fund balance appropriated	622,184	-	(622,184)
Total other financing sources (uses)	1,150,777	645,779	(504,998)
 Revenues and other financing sources (uses) and appropriated fund balance over expenditures	 \$ -	 (424,129)	 \$ (424,129)
 Fund balance			
Beginning of year - July 1		2,382,632	
End of year - June 30		<u>\$ 1,958,503</u>	

TOWN OF AYDEN, NORTH CAROLINA
Combining Balance Sheet
Non-Major Governmental Funds

Schedule A-6

June 30, 2020

	Special Revenue Funds			Capital Projects Fund	Total
	Library Fund	Police Unauthorized Substance Tax Fund	Federal & State Grants Fund	Capital Projects Fund	
Assets					
Restricted cash and investments	\$ 37,209	1,049	\$ -	\$ -	\$ 38,258
Accounts receivable	-	-	-	-	-
Total assets	<u>\$ 37,209</u>	<u>\$ 1,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,258</u>
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted:					
Restricted, other	37,209	1,049	-	-	38,258
Total fund balances	<u>37,209</u>	<u>1,049</u>	<u>-</u>	<u>-</u>	<u>38,258</u>
Total liabilities and fund balances	<u>\$ 37,209</u>	<u>\$ 1,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,258</u>

TOWN OF AYDEN, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non Major Governmental Funds

Schedule A-7

Year Ended June 30, 2020

	Special Revenue Funds			Capital Projects Fund	Total
	Library Fund	Police Unauthorized Substance Tax Fund	Federal & State Assistance	Capital Projects Fund	
Revenues:					
Restricted intergovernmental	\$ -	\$ -	\$ 517,398	\$ -	\$ 517,398
Investment earnings	462	-	-	-	462
Total revenues	462	-	517,398	-	517,860
Expenditures:					
Economic and physical development	-	-	547,690	9,207	556,897
Cultural and recreational	540	-	-	-	540
Total expenditures	540	-	547,690	9,207	557,437
Excess (deficiency) of revenues over (under) expenditures	(78)	-	(30,292)	(9,207)	(39,577)
Net change in fund balances	(78)	-	(30,292)	(9,207)	(39,577)
Other Financing Sources (Uses):					
Transfers in (out):					
Water and Sewer Fund	-	-	30,292	9,207	39,499
Net change in fund balance	(78)	-	-	-	(78)
Fund balance - beginning	37,287	1,049	-	-	38,336
Fund balance - ending	\$ 37,209	\$ 1,049	\$ -	\$ -	\$ 38,258

TOWN OF AYDEN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Library Fund
Year Ended June 30, 2020
(With Comparative Totals for June 30, 2019)

Schedule A-8

	2020			
	Budget	Actual	Variance Positive (Negative)	2019
Revenues:				
Investment earnings	\$ 1,000	\$ 462	\$ (538)	\$ 990
Total revenues	<u>1,000</u>	<u>462</u>	<u>(538)</u>	<u>990</u>
Expenditures:				
Cultural and recreational: Supplies	<u>1,000</u>	<u>540</u>	<u>460</u>	<u>995</u>
Total expenditures	<u>1,000</u>	<u>540</u>	<u>460</u>	<u>995</u>
Other financing sources (uses):				
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>\$ -</u>	<u>(78)</u>	<u>\$ (78)</u>	<u>(5)</u>
Fund balances				
Beginning of year - July 1		<u>37,287</u>		<u>37,292</u>
End of year - June 30		<u>\$ 37,209</u>		<u>\$ 37,287</u>

TOWN OF AYDEN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Police Unauthorized Substance Tax Fund
Year Ended June 30, 2020
(With Comparative Totals for June 30, 2019)

Schedule A-9

	2020			
	Budget	Actual	Variance Positive (Negative)	2019
Revenues:				
Restricted intergovernmental revenue:				
Unauthorized substance tax	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Program expenses	-	-	-	-
Total expenditures	-	-	-	-
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Fund balances				
Beginning of year - July 1		<u>1,049</u>		<u>1,049</u>
End of year - June 30		<u>\$ 1,049</u>		<u>\$ 1,049</u>

TOWN OF AYDEN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Federal and State Grants Fund
From Inception and for the Year Ended June 30, 2020
(With Comparative Totals for June 30, 2019)

Schedule A-10

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental revenue	\$ 776,318	\$ 691,543	\$ 517,398	\$ 1,208,941	\$ 432,623
Total revenues	<u>776,318</u>	<u>691,543</u>	<u>517,398</u>	<u>1,208,941</u>	<u>432,623</u>
Expenditures:					
Economic and physical development	<u>776,318</u>	<u>718,864</u>	<u>547,690</u>	<u>1,266,554</u>	<u>490,236</u>
Total expenditures	<u>776,318</u>	<u>718,864</u>	<u>547,690</u>	<u>1,266,554</u>	<u>490,236</u>
Revenues over expenditures	<u>-</u>	<u>(27,321)</u>	<u>(30,292)</u>	<u>(57,613)</u>	<u>(57,613)</u>
Other Financing Sources (Uses):					
Transfers in (out)					
Water and Sewer Fund	-	27,321	30,292	57,613	57,613
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	
Fund balances					
Beginning of year - July 1			-		
End of year - June 30			<u>\$ -</u>		

TOWN OF AYDEN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – CDBG Catalyst Fund
From Inception and for the Year Ended June 30, 2020
(With Comparative Totals for June 30, 2019)

Schedule A-11

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental CDBG Catalyst program	<u>\$ 3,499,725</u>	<u>\$ 1,359,660</u>	<u>\$ 1,067,845</u>	<u>\$ 2,427,505</u>	<u>\$ (1,072,220)</u>
Total revenues	<u>3,499,725</u>	<u>1,359,660</u>	<u>1,067,845</u>	<u>2,427,505</u>	<u>(1,072,220)</u>
Expenditures:					
Program expenses	<u>3,499,725</u>	<u>1,359,762</u>	<u>1,070,391</u>	<u>2,430,153</u>	<u>1,069,572</u>
Total expenditures	<u>3,499,725</u>	<u>1,359,762</u>	<u>1,070,391</u>	<u>2,430,153</u>	<u>1,069,572</u>
Revenues over (under) expenditures	<u>-</u>	<u>(102)</u>	<u>(2,546)</u>	<u>(2,648)</u>	<u>(2,648)</u>
Other Financing Sources (Uses):					
Transfers in (out) General Fund	<u>-</u>	<u>102</u>	<u>2,546</u>	<u>2,648</u>	<u>(2,648)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance					
Beginning of year - July 1			<u>-</u>		
End of year - June 30			<u>\$ -</u>		

TOWN OF AYDEN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Governmental Capital Project Fund
From Inception and for the Year Ended June 30, 2020
(With Comparative Totals for June 30, 2019)

Schedule A-12

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Program expenses	\$ 80,000	\$ 68,752	\$ 9,207	\$ 77,959	\$ 2,041
Total expenditures	<u>80,000</u>	<u>68,752</u>	<u>9,207</u>	<u>77,959</u>	<u>2,041</u>
Revenues over (under) expenditures	<u>(80,000)</u>	<u>(68,752)</u>	<u>(9,207)</u>	<u>(77,959)</u>	<u>2,041</u>
Other Financing Sources (Uses):					
Transfers in (out):					
General Fund	80,000	68,752	9,207	77,959	2,041
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance					
Beginning of year - July 1			<u>-</u>		
End of year - June 30			<u>\$ -</u>		

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

Schedule A-13

Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Electric charges	\$ 11,550,000	\$ 11,127,345	
Service charges	246,550	257,928	
Other operating revenues	71,500	40,915	
Total operating revenues	11,868,050	11,426,188	(441,862)
Nonoperating revenues:			
Interest earnings	160,000	79,849	
Gain (loss) on disposal of capital assets	30,000	19,112	
Total revenues	\$ 12,058,050	\$ 11,525,149	\$ (532,901)
Expenditures:			
Electrical operations:			
Salaries and employee benefits	\$ 716,896	\$ 677,429	
Operating expenditures	1,358,181	1,208,635	
Maintenance and repairs	298,850	275,543	
Electrical power purchases	8,000,000	7,958,740	
Contracted services	5,910	7,036	
Total	10,379,837	10,127,383	252,454
Consumer billing and collection:			
Salaries and employee benefits	124,162	137,806	
Operating expenditures	37,629	33,223	
Contracted services	100,200	106,106	
Total	261,991	277,135	(15,144)
Debt service			
Principal payments	541,651	491,295	
Interest and fees	-	47,078	
Total	541,651	538,373	3,278
Capital outlay	1,509,630	1,223,508	286,122
Total expenditures	12,693,109	12,166,399	526,710
Revenues over (under) expenditures	(635,059)	(641,250)	(6,191)
Other financing sources (uses)			
Issuance of debt	272,000	-	
Transfers (to) from other funds			
Transfers out	(653,593)	(653,593)	
Fund balance appropriated	1,016,652	-	
Total	635,059	(653,593)	(1,288,652)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ (1,294,843)	\$ (1,294,843)

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

Schedule A-13

Year Ended June 30, 2020

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

Total revenues and other financing sources	\$ (1,294,843)
Reconciling Items:	
Depreciation	(550,499)
Bad debt provision	50,137
Principal payments	491,295
Increase in Deferred Outflows	48,780
Increase in Deferred Inflows	(12,903)
Increase in Net Pension Liability	(85,102)
Increase in OPEB	(80,086)
Capital Outlay	<u>1,223,508</u>
Change in net position	<u><u>\$ (209,713)</u></u>

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

Schedule A-14

Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Water sales	\$ 1,236,240	\$ 1,135,384	
Sewer charges	1,642,200	1,613,187	
Miscellaneous revenue	41,500	49,705	
Water and sewer taps	6,000	31,785	
Total operating revenues	2,925,940	2,830,061	(95,879)
Nonoperating revenues and other financing sources:			
Interest earnings	20,000	14,093	
Total revenues	2,945,940	2,844,154	(101,786)
Operating expenditures			
General operations:			
Salaries and employee benefits	489,230	454,237	
Operating expenditures	384,116	401,913	
Maintenance and repairs	151,000	131,085	
Contracted services	1,582,250	1,565,694	
Total operating expenditures	2,606,596	2,552,929	53,667
Debt service:			
Principal payments	528,145	322,154	
Interest and fees	-	190,680	
Total	528,145	512,834	15,311
Capital outlay	47,000	46,841	159
Other financing sources (uses):			
Issuance of debt	90,000	-	90,000
Capital contribution	-	-	-
Transfers out	-	(179,745)	179,745
Contribution to fund balance	145,801	-	(145,801)
Total expenditures and other financing uses	2,945,940	3,292,349	(346,409)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ (448,195)	\$ (448,195)

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

Schedule A-14

Year Ended June 30, 2020

Revenues and other sources over (under)	
expenditures and other uses	\$ (448,195)
Reconciling Items:	
Capital outlay	46,841
Depreciation	(446,289)
Bad debt provision	(4,331)
Principal payments	322,154
Increase in compensated absences	(4,931)
Increase in Deferred Outflows	23,342
Decrease in Deferred Inflows	(7,008)
Increase in Net Pension Liability	(44,127)
Increase in OPEB Liability	(41,525)
Transfers to capital projects fund	149,452
Revenue and other financing sources from Capital Projects Fund	494,051
Capital project expenditures	<u>2,887</u>
Change in net position	<u>\$ 42,321</u>

TOWN OF AYDEN, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (Non-U.S. GAAP)
Proprietary Fund - Stormwater

Schedule A-15

Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Stormwater Fees	\$ 112,000	\$ 130,809	\$ 18,809
Total operating revenues	112,000	130,809	18,809
Total revenues	<u>112,000</u>	<u>130,809</u>	<u>18,809</u>
Operating expenditures:			
General operations:			
Operating expenditures	20,701	18,180	
Maintenance and repairs	91,299	78,038	
Contracted services	-	3	
Total operating expenditures	<u>112,000</u>	<u>96,221</u>	<u>15,779</u>
Total expenditures and other financing uses	<u>112,000</u>	<u>96,221</u>	<u>15,779</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 34,588</u>	<u>\$ 34,588</u>
Revenues and other sources over (under) expenditures and other uses		\$ 34,588	
Reconciling items:			
Bad debt provision		<u>(1,270)</u>	
Change in net position		<u>\$ 33,318</u>	

TOWN OF AYDEN, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (Non-U.S. GAAP)
Water and Sewer Capital Projects Fund
From Inception and for the Year Ended June 30, 2020
(With Comparative Totals for June 30, 2019)

Schedule A-16

	Project Authorization	Prior Years	Current Year	Closed Projects	Total To Date	Variance Positive (Negative)
Expenditures:						
Construction	\$ 2,741,562	\$ 1,848,289	\$ 821,910	\$ 1,933,628	\$ 2,670,199	\$ 71,363
Engineering	541,800	420,495	-	420,495	420,495	121,305
Contingency	156,238	51,154	8,180	59,334	59,334	96,904
Total expenditures	3,439,600	2,319,938	830,090	2,413,457	3,150,028	289,572
Revenues over (under) expenditures	(3,439,600)	(2,319,938)	(830,090)	(2,413,457)	(3,150,028)	(289,572)
Other Financing Sources (Uses):						
Loan proceeds	2,466,000	2,283,434	189,474	-	2,472,908	6,908
Grant proceeds	784,000	-	494,051	-	-	-
Town contribution	189,600	36,504	149,452	-	185,956	3,644
Total other financing sources	3,439,600	2,319,938	832,977	-	2,658,864	10,552
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ 2,887	\$ (2,413,457)	\$ (491,164)	\$ 2,887

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

Schedule A-17

June 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 1,308,602	\$ 1,283,164	\$ 25,438
2018-2019	15,234	-	6,652	8,582
2017-2018	13,085	-	3,441	9,644
2016-2017	5,539	-	676	4,863
2015-2016	25,739	-	308	25,431
2014-2015	22,847	-	-	22,847
2013-2014	9,876	-	17	9,859
2012-2013	14,041	-	26	14,015
2011-2012	7,103	-	135	6,968
2010-2011	5,245	-	62	5,183
2009-2010	5,973	-	5,973	-
2008-2009	4,234	-	4,234	-
	<u>\$ 128,916</u>	<u>\$ 1,308,602</u>	<u>\$ 1,304,688</u>	<u>132,830</u>
Less: allowance for uncollectible accounts				
General fund				<u>(65,245)</u>
Ad valorem taxes receivable - net				<u>\$ 67,585</u>
Ad valorem taxes - General Fund				\$ 1,336,609
Reconciling Items:				
Penalties and interest				(16,115)
Prepaid taxes				(1,959)
Adjustments				(6,310)
Write-offs				10,207
Municipal Vehicle Fee				<u>(17,744)</u>
Subtotal				<u>(31,921)</u>
Total Collections and Credits				<u>\$ 1,304,688</u>

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

Schedule A-18

June 30, 2020

	Town - Wide		Total Levy	
	Property Valuation	Rate	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:				
Property taxed at current year's rate	\$ 243,211,481	0.54	\$ 1,313,342	\$ 1,144,227
Penalties	-		-	-
Total	<u>243,211,481</u>		<u>1,313,342</u>	<u>1,144,227</u>
Discoveries:				
Current year taxes	3,794,674	0.54	20,491	20,491
Penalties	-		-	-
Total	<u>3,794,674</u>		<u>20,491</u>	<u>20,491</u>
Abatements	<u>(4,672,476)</u>		<u>(25,231)</u>	<u>-</u>
Total property valuation	<u>\$ 242,333,679</u>			
Net Levy			1,308,602	1,139,487
Uncollected taxes as of June 30, 2020			<u>25,438</u>	<u>23,003</u>
Current year's taxes collected			<u>\$ 1,283,164</u>	<u>\$ 1,116,484</u>
Current levy collection percentage			<u>98.06%</u>	<u>97.98%</u>
Prior year collection percentage			<u>98.81%</u>	<u>99.50%</u>

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STATISTICAL SECTION

TOWN OF AYDEN, NORTH CAROLINA
Net Position by Component

Table 1

Last Ten Fiscal Years
(unaudited)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities:										
Net investment in capital assets	\$ 3,765,711	\$ 3,809,354	\$ 4,174,459	\$ 4,743,747	\$ 4,483,995	\$ 4,588,597	\$ 4,451,727	\$ 4,274,148	\$ 4,413,435	\$ 4,561,415
Restricted for stabilization	645,041	588,086	499,582	636,185	531,177	634,346	886,344	823,371	994,002	807,813
Restricted	82,979	53,037	200,059	169,099	379,435	482,463	333,835	372,402	572,436	483,471
Unrestricted	1,118,802	1,641,106	1,569,802	1,646,514	1,304,202	501,901	358,423	241,581	(395,223)	(863,074)
Total Governmental Activities Net Position	5,612,533	6,091,583	6,443,902	7,195,545	6,698,809	6,207,307	6,030,329	5,711,502	5,584,650	4,989,625
Business-type Activities:										
Net investment in capital assets	13,811,977	13,201,172	8,573,742	8,539,499	9,892,721	10,050,359	8,486,229	8,566,881	8,836,727	10,564,216
Restricted								293,700	293,700	293,700
Unrestricted	9,229,443	9,128,592	7,615,207	7,159,925	5,944,121	5,655,917	7,380,250	7,507,183	7,651,673	5,790,110
Total Business-type Activities Net Position	23,041,420	22,329,764	16,188,949	15,699,424	15,836,842	15,706,276	15,866,479	16,367,764	16,782,100	16,648,026
Primary Government:										
Net investment in capital assets	17,577,688	17,010,526	12,748,201	13,283,246	14,376,676	14,638,956	12,937,956	12,841,029	13,250,162	15,125,631
Restricted for stabilization	645,041	588,086	499,582	636,185	531,177	634,346	886,344	823,371	994,002	807,813
Restricted	82,979	53,037	200,059	169,099	379,435	482,463	333,835	666,102	866,136	777,171
Unrestricted	10,348,245	10,769,698	9,185,009	8,806,439	7,248,323	6,157,818	7,738,673	7,748,764	7,256,450	4,927,036
Total Primary Government Net Position	\$ 28,653,953	\$ 28,421,347	\$ 22,632,851	\$ 22,894,969	\$ 22,535,611	\$ 21,913,583	\$ 21,896,808	\$ 22,079,266	\$ 22,366,750	\$ 21,637,651

TOWN OF AYDEN, NORTH CAROLINA
Changes in Net Position

Table 2

Last Ten Fiscal Years
(unaudited)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses:										
Governmental Activities:										
General government	\$ 804,013	\$ 666,360	\$ 743,600	\$ 726,966	\$ 661,639	\$ 1,235,644	\$ 823,723	\$ 923,565	\$ 787,462	\$ 518,919
Public safety	1,641,574	1,376,675	1,565,843	1,630,617	1,627,515	1,595,026	1,788,273	1,829,536	2,125,164	2,428,589
Transportation	572,786	522,395	661,647	591,579	669,403	700,389	788,981	771,898	585,502	754,125
Environmental Protection	215,400	189,537	198,438	220,042	235,489	218,076	295,492	305,365	365,550	409,708
Econ and Physical Development	351,730	539,699	202,990	207,294	472,657	447,007	473,052	1,220,725	1,449,789	2,089,405
Cultural and Recreational	389,589	373,905	421,874	599,715	501,867	494,183	894,560	595,154	620,138	586,746
Interest on long-term debt	10,562	6,123	4,176	8,917	27,309	95,211	68,389	15,189	10,843	25,023
Total Governmental Activities Expenses	3,985,654	3,674,694	3,798,568	3,985,130	4,195,879	4,785,536	5,132,470	5,661,432	5,944,448	6,812,515
Business-type Activities:										
Electric	12,401,694	12,788,639	12,675,340	13,048,383	12,025,369	10,261,525	10,968,831	10,661,688	10,998,554	11,081,269
Water and Sewer	2,347,075	2,394,413	2,409,206	2,630,572	2,709,417	2,930,107	2,933,911	3,021,229	4,650,807	3,265,591
Stormwater	-	-	-	-	-	-	-	-	162,520	97,491
Total Business-type Activities Expenses	14,748,769	15,183,052	15,084,546	15,678,955	14,734,786	13,191,632	13,902,742	13,682,917	15,811,881	14,444,351
Total Primary Government Expenses	\$ 18,734,423	\$ 18,857,746	\$ 18,883,114	\$ 19,664,085	\$ 18,930,665	\$ 17,977,168	\$ 19,035,212	\$ 19,344,349	\$ 21,756,329	\$ 21,256,866
Program Revenues										
Governmental Activities:										
Charges for Services:										
Refuse collection	\$ 292,668	\$ 293,725	\$ 298,668	\$ 300,794	\$ 287,604	\$ 306,944	\$ 362,143	\$ 311,349	\$ 313,870	\$ 316,956
Culture and recreation	9,533	14,066	25,438	41,709	60,003	69,347	84,498	91,405	79,044	56,544
Other activities	277,519	244,428	342,393	327,277	321,026	375,167	478,034	421,253	228,733	223,726
Operating grants and contributions	472,246	508,673	270,092	839,769	55,148	66,571	349,273	518,227	548,804	621,900
Capital grants and contributions	362,721	164,806	252,637	209,472	419,311	372,469	390,845	688,060	841,300	1,212,828
Total Governmental Activities Program Revenues	1,414,687	1,225,698	1,189,228	1,719,021	1,143,092	1,190,498	1,664,793	2,030,294	2,011,751	2,431,954
Business-type activities:										
Charges for Services:										
Electric	12,712,314	12,144,594	12,612,648	13,136,959	13,031,644	10,974,130	11,413,703	11,814,889	11,851,392	11,426,188
Water and Sewer	2,189,864	2,212,658	2,313,533	2,359,362	2,451,240	2,511,347	2,819,500	2,930,153	2,832,347	2,830,061
Stormwater	-	-	-	-	-	-	-	-	121,820	130,809
Capital grants and contributions	304,898	829,867	77,976	92,097	-	-	-	-	1,768,837	494,051
Total Business-type Activities Program Revenues	15,207,076	15,187,119	15,004,157	15,588,418	15,482,884	13,485,477	14,233,203	14,745,042	16,574,396	14,881,109
Total Primary Government Program Revenues	\$ 16,621,763	\$ 16,412,817	\$ 16,193,385	\$ 17,307,439	\$ 16,625,976	\$ 14,675,975	\$ 15,897,996	\$ 16,775,336	\$ 18,586,147	\$ 17,313,063
Net (Expense)/Revenue										
Governmental activities	\$ (2,570,967)	\$ (2,448,996)	\$ (2,609,340)	\$ (2,266,109)	\$ (3,052,787)	\$ (3,595,038)	\$ (3,467,676)	\$ (3,631,138)	\$ (3,932,697)	\$ (4,380,561)
Business-type activities	329,334	(256,747)	(80,389)	(90,537)	748,098	293,845	330,461	1,062,125	762,515	436,758
Total primary government net expense	\$ (2,241,633)	\$ (2,705,743)	\$ (2,689,729)	\$ (2,356,646)	\$ (2,304,689)	\$ (3,301,193)	\$ (3,137,215)	\$ (2,569,013)	\$ (3,170,182)	\$ (3,943,803)

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

Table 2

Last Ten Fiscal Years
(unaudited)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property taxes	\$ 1,091,098	\$ 1,119,855	\$ 1,190,108	\$ 1,265,139	\$ 1,247,917	\$ 1,259,559	\$ 1,298,611	\$ 1,226,773	\$ 1,307,139	\$ 1,338,855
Sales taxes	822,208	860,151	859,168	844,197	981,370	899,890	1,047,280	1,086,698	1,143,664	1,164,360
Franchise taxes	420,888	411,409	423,210	418,296	393,042	505,295	520,104	514,568	527,327	514,999
Investment earnings	22,598	15,719	12,113	8,649	7,195	14,312	5,595	24,199	49,764	26,192
Miscellaneous	67,093	62,373	59,295	60,807	53,789	-	204,785	168,849	181,796	57,244
Transfers	413,850	458,540	417,765	420,664	424,520	424,520	599,520	529,015	596,154	683,886
Total Governmental Activities	2,837,735	2,928,047	2,961,659	3,017,752	3,107,833	3,103,576	3,675,895	3,550,102	3,805,844	3,785,536
Business-type Activities:										
Investment earnings	4,867	3,631	848	176	102	109	25,910	89,507	158,466	93,942
Miscellaneous	-	-	-	21,500	-	-	-	-	-	19,112
Transfers	(413,850)	(458,540)	(417,765)	(420,664)	(424,520)	(424,520)	(599,520)	(529,015)	(596,154)	(683,886)
Total Business-type Activities	(408,983)	(454,909)	(416,917)	(398,988)	(424,418)	(424,411)	(573,610)	(439,508)	(437,688)	(570,832)
Total Primary Government	\$ 2,428,752	\$ 2,473,138	\$ 2,544,742	\$ 2,618,764	\$ 2,683,415	\$ 2,679,165	\$ 3,102,285	\$ 3,110,594	\$ 3,368,156	\$ 3,214,704
Changes in Net Assets:										
Governmental activities	\$ 266,769	\$ 479,050	\$ 352,319	\$ 751,643	\$ 55,046	\$ (491,462)	\$ 208,219	\$ (81,036)	\$ (126,853)	\$ (595,025)
Business-type activities	(79,649)	(711,656)	(497,306)	(489,525)	323,680	(130,566)	(243,149)	622,617	324,827	(134,074)
Prior period adjustments	-	-	-	-	-	-	18,155	(359,122)	89,509	-
Total primary gov't change in net position	\$ 187,120	\$ (232,606)	\$ (144,987)	\$ 262,118	\$ 378,726	\$ (622,028)	\$ (16,775)	\$ 182,459	\$ 287,483	\$ (729,099)

TOWN OF AYDEN, NORTH CAROLINA
Fund Balances of Governmental Funds

Table 3

Last Ten Fiscal Years
(unaudited)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund:										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 264,866	\$ -	\$ 27,533	\$ 38,744	\$ 138,538	\$ 20,933
Restricted for Stabilization	506,278	588,086	473,014	472,266	531,177	634,346	886,344	823,371	994,002	807,813
Restricted	43,837	53,037	57,218	83,477	237,540	391,455	293,434	377,085	534,100	445,213
Committed	5,684	4,567	52,112	65,582	48,279	47,704	-	-	-	-
Assigned	-	-	-	-	59,351	70,121	102,822	224,950	240,082	59,627
Unassigned:	1,293,193	1,615,205	1,631,837	1,400,923	1,352,380	773,658	1,086,369	1,164,649	475,910	624,917
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	-	-
Total General Fund	\$ 1,848,992	\$ 2,260,895	\$ 2,214,181	\$ 2,022,248	\$ 2,493,593	\$ 1,917,284	\$ 2,396,502	\$ 2,628,799	\$ 2,382,632	\$ 1,958,503
All Other Governmental Funds:										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for Stabilization	-	-	26,568	163,625	-	-	-	-	-	-
Restricted	138,763	124,477	142,841	85,622	141,895	91,008	40,401	(4,683)	38,336	38,258
Committed	39,142	1,039	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned:	(84,182)	-	(26,568)	(158,900)	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Permanent funds	-	-	-	-	-	-	-	-	-	-
Total All Other Government Funds	\$ 93,723	\$ 125,516	\$ 142,841	\$ 90,347	\$ 141,895	\$ 91,008	\$ 40,401	\$ (4,683)	\$ 38,336	\$ 38,258

TOWN OF AYDEN, NORTH CAROLINA**Table 4**

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years
(unaudited)

Fiscal Year Ending	Real Property Residential and Commercial Property	Personal Property Motor Vehicle and Other Personal Property	Total Taxable Assessed Value	(1) Total Direct Tax Rate	Estimated Actual Taxable/ Market Value	(2) Assessed Value as a Percentage of Market Value
2011	\$ 190,603,756	\$ 25,766,000	\$ 216,369,756	\$ 0.50	n/a	n/a
2012	195,593,162	27,921,400	223,514,562	0.50	n/a	n/a
2013	192,572,117	28,103,889	220,676,006	0.54	n/a	n/a
2014	197,685,555	36,490,926	234,176,481	0.54	n/a	98.50%
2015	200,998,070	29,499,074	230,497,144	0.54	n/a	98.61%
2016	201,997,068	27,118,889	229,115,957	0.54	229,115,957	100.00%
2017	202,776,666	29,428,889	232,205,555	0.54	232,205,555	100.00%
2018	205,197,258	28,863,230	234,060,487	0.54	234,060,487	100.00%
2019	206,545,356	30,759,698	237,305,054	0.54	237,305,054	100.00%
2020	211,016,087	31,317,592	242,333,679	0.54	242,333,679	100.00%

(1) Per \$100 Value

(2) Source: Pitt County Tax Assessor's Office

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

Table 5

Last Ten Fiscal Years
(unaudited)

Fiscal Year Ending	Town Direct Rates		Overlapping Rates		
	Basic Rate	Total Direct	Rescue District	Fire District	County
2010	\$ 0.50	\$ 0.50	\$ 0.0440	\$ 0.0300	\$ 0.6650
2011	0.50	0.50	0.0440	0.0425	0.6650
2012	0.50	0.50	0.0460	0.0475	0.6650
2013	0.54	0.54	0.0460	0.0475	0.6800
2014	0.54	0.54	0.0460	0.0475	0.6800
2015	0.54	0.54	0.0460	0.0475	0.6800
2016	0.54	0.54	0.0460	0.0599	0.6800
2017	0.54	0.54	0.0460	0.0599	0.6860
2018	0.54	0.54	0.0460	0.0724	0.0696
2019	0.54	0.54	0.0460	0.0799	0.0696
2020	0.54	0.54	0.0460	0.0799	0.0696

Note: Tax rates are based on \$100 per assessed valuation for Town of Ayden and all overlapping governments.

Source: Pitt County Tax Assessor

TOWN OF AYDEN, NORTH CAROLINA

Principal Taxpayers

Table 6

Last Ten Fiscal Years
(unaudited)

Taxpayer	2020			2011		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
ROSEMYR CORPORATION, THE	\$ 5,911,969	1	2.35%	\$ -		
HILLCO LTD	3,333,588	2	1.32%	2,009,822	2	0.92%
ROBINSON, MARIE S	1,846,475	3	0.73%	-		
AYDEN PLAZA, LLC	1,801,326	4	0.72%	1,374,962	5	0.63%
GREENBRIAR APARTMENTS	1,799,431	5	0.71%	1,604,956	3	0.74%
BOLLYWOOD BEATS LLC	1,753,210	6	0.70%	-		
HENRY, DOUGLAS W	1,730,458	7	0.69%	-		
AYDEN GOLD AND COUNTRY CLUB	1,721,185	8	0.68%	-		
LENIOR CMTY COLLEGE FOUNDATION INC	1,670,069	9	0.66%	-		
DECC INC	1,665,396	10	0.66%	-		
AYDEN ASSOCIATES	-			2,942,444	1	1.35%
INDIVIDUAL TRUST	-			1,394,250	4	0.64%
CAROLINA DH IX, LLC	-			1,294,692	6	0.60%
FAIRMONT VILLAGE APARTMENTS	-			1,216,970	7	0.56%
JUSTIN POPE, LLC	-			1,167,830	8	0.54%
BRIARCLIFF MANOR APTS	-			993,594	9	0.46%
DM PROPERTIES OF PIIT COUNTY	-			931,778	10	0.43%
Totals	\$ 23,233,107		9.23%	\$ 14,931,298		6.87%

Source: Pitt County Tax Office

TOWN OF AYDEN, NORTH CAROLINA

Property Tax Levies and Collections

Table 7

Last Ten Fiscal Years
(unaudited)

Fiscal Year Ending 30-Jun	Total Levy for Fiscal Year	Collected within the Fiscal Year of the Levy			Collections in Subsequent Years	Total Collections to Date	
		Amount	of Levy			Amount	Percentage of Levy
2011	\$ 1,087,394	\$ 1,037,439	95.80%	\$	43,653	\$ 1,081,092	99.42%
2012	1,123,507	1,069,742	95.41%		41,937	1,111,679	98.95%
2013	1,197,941	1,116,143	95.21%		36,235	1,152,378	96.20%
2014	1,271,512	1,211,509	93.17%		57,911	1,269,420	99.84%
2015	1,245,006	1,141,635	95.28%		48,622	1,190,257	95.60%
2016	1,214,741	1,178,388	91.70%		15,204	1,193,592	98.26%
2017	1,259,310	1,242,225	98.64%		6,869	1,249,094	99.19%
2018	1,263,927	1,237,936	97.94%		3,441	1,241,377	98.22%
2019	1,281,447	1,266,213	98.81%		-	1,266,213	98.81%
2020	1,313,342	1,283,164	97.70%		-	1,283,164	97.70%

TOWN OF AYDEN, NORTH CAROLINA

Ratios of Outstanding Debt by Type

Table 8

Last Ten Fiscal Years
(unaudited)

Fiscal Year Ending	General Obligation Bonds	Installment Purchases	Revenue Bonds	Installment Purchases	Notes Payable	Total Primary Government	Per Capita
2011	\$ -	\$ 129,453	\$ 2,906,000	\$ -	\$ 2,221,922	\$ 5,257,375	\$ 1,047
2012	-	88,280	2,873,000	-	2,091,221	5,052,501	1,004
2013	-	455,160	2,839,000	-	1,960,520	5,254,680	1,041
2014	-	422,466	2,803,000	-	1,829,819	5,055,285	999
2015	-	317,058	2,766,000	-	1,699,118	4,782,176	946
2016	-	644,819	2,727,000	316,975	1,568,415	5,257,209	1,013
2017	-	632,312	2,686,000	1,941,352	1,437,714	6,697,378	1,290
2018	-	626,094	2,644,000	1,678,344	2,061,610	7,010,048	1,363
2019	-	1,055,274	2,600,000	2,059,905	3,574,413	9,289,592	1,806
2020	-	778,081	3,454,000	1,568,610	2,587,551	8,388,242	1,632

TOWN OF AYDEN, NORTH CAROLINA
 Direct and Overlapping Activities Debt

Table 9

Last Ten Fiscal Years
 (unaudited)

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

TOWN OF AYDEN, NORTH CAROLINA

Legal Debt Margin Information

Table 10

Last Ten Fiscal Years
(unaudited)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit	\$ 17,309,580	\$ 17,881,165	\$ 17,654,080	\$ 18,734,118	\$ 18,439,772	\$ 18,329,277	\$ 18,576,444	\$ 18,724,839	\$ 18,984,404	\$ 19,386,694
Total net debt applicable to limit	5,386,828	5,052,501	5,254,680	5,055,285	4,782,176	4,940,234	6,697,378	-	-	-
Legal debt margin	<u>\$ 11,876,446</u>	<u>\$ 11,922,752</u>	<u>\$ 12,828,664</u>	<u>\$ 12,399,400</u>	<u>\$ 13,678,833</u>	<u>\$ 13,657,596</u>	<u>\$ 13,389,043</u>	<u>\$ 11,879,066</u>	<u>\$ 18,724,839</u>	<u>\$ 19,386,694</u>
Total net debt applicable to the limit as a percentage of debt limit	31.12%	28.26%	29.76%	26.98%	25.93%	26.95%	36.05%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year Ending 2020

Assessed value	\$ 242,333,679
Debt limit (8% of assessed value)	19,386,694
Debt applicable to limit:	
General obligation bonds	-
Legal debt margin	<u><u>\$ 19,386,694</u></u>

Pledged-Revenue Coverage

Last Ten Fiscal Years
(unaudited)

Fiscal Year Ending	Water Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2011	\$ 2,178,059	\$ 1,693,895	\$ 484,164	\$ 31,000	\$ 128,494	304%
2012	2,211,108	1,810,078	401,030	33,000	127,138	250%
2013	2,313,533	1,828,086	485,447	34,000	125,684	304%
2014	2,359,362	2,048,888	310,474	36,000	124,206	194%
2015	2,476,405	2,116,348	360,057	36,000	123,631	226%
2016	2,511,347	2,379,382	131,965	39,000	121,013	82%
2017	2,819,500	2,465,037	354,463	41,000	119,306	221%
2018	2,946,457	2,410,752	535,705	42,000	117,513	336%
2019	2,851,759	2,305,600	546,159	44,000	115,675	342%
2020	2,844,154	2,631,509	212,645	46,000	113,750	133%

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

Last Ten Fiscal Years
(unaudited)

Year	Population	Personal Income (thousands of dollars)	County Public School Enrollment (2)	County employment Rate (3)	Median Age
2011	5,008	\$ 89,127	23,235	7.8%	39.3
2012	5,022	89,377	23,386	10.6%	40.0
2013	5,032	89,555	23,495	9.6%	36.6
2014	5,048	85,907	23,500	6.9%	37.5
2015	5,059	95,514	23,511	6.9%	38.1
2016	5,053	93,774	23,056	5.9%	36.8
2017	5,191	(4)	23,310	4.9%	(4)
2018	5,143	(4)	23,301	4.5%	(4)
2019	5,143	(4)	23,487	5.2%	(4)
2020	5,141	(4)	23,343	7.1%	(4)

1 Provided by the U.S. Census Bureau Quick Facts

2 Provided by the Pitt County Board of Education

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

4 Information unavailable for this period

Principal Employers

Current Year and Nine Years Ago
(unaudited)

Employer	2020			2011		
	FT Employees	Rank	Percentage of Total city Employment	FT Employees	Rank	Percentage of Total city Employment
Weyerhaeuser	168	1	n/a	200	1	n/a
Minges Bottling Group	156	2	n/a	160	2	n/a
Carolina Catfish	126	3	n/a	128	3	n/a
Town of Ayden	67	4	n/a	70	5	n/a
Ayden Court	61	5	n/a	92	4	n/a
RSB Tobacco	46	6	n/a	-		n/a
CMI Plastics	32	7	n/a	30	7	n/a
Growers Gin	31	8	n/a	35	6	n/a
Harvest Time Foods	25	9	n/a	27	8	n/a
Russ Pest Control	13	10	n/a	17	9	n/a
Free Will Baptist Press	-			16	10	n/a
	<u>725</u>			<u>775</u>		

TOWN OF AYDEN, NORTH CAROLINA**Table 14**

Full-time Equivalent Town Government Employees by Function/ Program

Last Ten Fiscal Years
 (unaudited)

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government:										
Administration	2	2	2	2	2	2	2	2	2	2
Finance	3	3	3	3	3	3	3	3	3	3
Tax Collector	1	1	1	1	1	1	-	-	-	-
Garage	1	1	1	1	1	1	1	2	2	2
Buildings	2	2	2	2	2	2	2	2	2	2
Public Safety:										
Sworn Officers	16	17	18	18	18	18	18	18	19	19
Civilians	4	4	3	4	4	4	4	4	4	4
	8	7	7	8	8	8	7	8	9	9
Sanitation	2	3	3	3	3	3	3	3	3	3
Economic & Physical Dev.	3	3	3	3	3	3	3	3	3	3
Cultural and Recreation	4	4	4	4	4	4	4	4	5	5
Electric Operation	11	11	12	12	12	12	12	9	11	11
Billing and Collections	3	2	2	2	2	3	3	3	3	3
Water and Sewer Operations	6	6	6	6	6	6	4	6	6	6
Total	66	66	67	69	69	70	66	67	72	72

Source: Town Finance Department as of 6/30/20

TOWN OF AYDEN, NORTH CAROLINA

Capital Asset Statistics by Function/Program

Table 15

Last Ten Fiscal Years
(unaudited)

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	12	12	12	12	12	11	11	11	15	15
Fire Stations	1	1	1	1	1	1	1	2	2	2
Refuse Collection:										
Collection trucks	2	2	3	3	3	3	3	3	4	4
Other Public Works:										
Streets (miles)	30	30	31	31	31	31	31	31	31	31
Highways (miles)	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Streetlights	595	601	611	613	625	625	634	634	634	634
Traffic signals	5	5	5	5	5	5	5	5	5	5
Parks and Recreation:										
Acreage	9	9	9	61	61	61	61	61	61	61
Playgrounds	2	2	2	3	3	3	3	3	3	3
Baseball/softball diamonds	1	1	1	1	1	1	1	1	1	1
Soccer/football fields	1	1	1	3	3	3	2	2	2	2
Community centers	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains (miles)	60	60	60	60	60	60	60	60	61	61
Fire hydrants	241	248	251	252	252	252	252	252	252	252
Wastewater:										
Sanitary sewers (miles)	40	40	40	40	40	40	40	40	44	44
Treatment capacity (thousa	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650

Sources: Town departments

TOWN OF AYDEN, NORTH CAROLINA

Operating Indicators by Function/Program

Table 16

Last Ten Fiscal Years
(unaudited)

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government:										
Zoning Compliance Issued	81	99	90	88	83	84	85	72	84	118
Cemetery Lots/Plots Sold	18	21	21	26	24	25	21	19	17	
Police:										
Traffic Citations	1,536	1,058	1,072	1,158	738	312	575	1,026	1,356	1,394
Physical Arrests	546	453	511	472	285	-	364	385	179	211
Fire Stations:										
Emergency Responses (town)	307	374	259	352	297	268	360	298	294	355
Emergency Responses (Rural)	142	130	118	144	127	115	154	134	120	
Refuse Collection:										
Refuse Collected (tons)	1,448	1,421	1,819	1,799	2,242	2,212	2,315	2,269	2,300	2,400
Recycling Collected (tons)	109	1,047	149	136	140	124	128	110	115	
Tires/White Goods (Tons)	4	4	4	4	5	4	-	-	-	
Other Public Works:										
Streets Resurfaced (linear ft.)	3,350	4,070	2,875	2,770	-	-	-	325	-	
Graves Opened/Closed	32	32	38	40	55	56	53	48	18	31
Parks and Recreation:										
Program Participants	287	304	360	402	1,156	1,784	1,901	2,023	1,841	1,476
Facility Rentals	84	88	95	108	108	144	160	224	131	59
Library:										
Total Visitors	9,667	9,209	9,950	9,978	8,913	9,420	10,230	9,437	9,771	6,759
New Library Patrons	280	267	279	242	279	384	253	280	339	224
Book Checkouts	5,980	5,881	5,922	6,003	5,514	6,010	5,046	5,540	5,875	4,283
Internet Patrons	2,928	3,257	4,677	4,921	4,652	5,652	4,927	4,347	3,633	2,332
Billing and Collections:										
New Account Connections	630	708	663	642	647	681	689	688	758	830
Electric Operations:										
New Underground/Overhead Services	29	21	23	19	22	19	32	43	70	83
Water/Sewer Operations:										
Water Taps/ System Dev. fees	16	9	18	12	12	12	5	5	26	8
Sewer Taps/ System Dev. fees	12	2	7	4	15	5	19	19	16	12

Sources: Town departments

SINGLE AUDIT AND COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Ayden, North Carolina (the "Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 1, 2021. Our report includes a reference to other auditors who audited the financial statements of the Ayden Housing Authority, as described in our report on the Town's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be a material weaknesses.

We consider the following deficiency described in the accompanying schedule of findings and responses to be a material weaknesses: 2020-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. The results of our tests disclosed instances of noncompliance that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2020-002 and 2020-003.

Town's Response to Findings

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

Purpose of this Report

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

A handwritten signature in dark ink that reads "Cheryl Bekaert LLP". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
June 1, 2021

**Report of Independent Auditor on Compliance for Each Major
Federal Program and on Internal Control over Compliance in Accordance with
OMB Uniform Guidance and the State Single Audit Implementation Act**

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Ayden, North Carolina (the “Town”), 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’s major federal programs for the year ended June 30, 2020. The Town’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Our audit, described below, did not include the operations of the Ayden Housing Authority (the “Authority”), a discretely presented component unit. Our audit, described below, did not include the operations of this component units since it was audited by another auditor.

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’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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”); and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State 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’s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town 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 other major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Town 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'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 compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an 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 this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. 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.

Cherny Bekaert LLP

Raleigh, North Carolina
June 1, 2021

**Report of Independent Auditor on Compliance for Each Major State Program and on
Internal Control over Compliance in Accordance with the
Uniform Guidance and the State Single Audit Implementation Act**

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

Report on Compliance for Each Major State Program

We have audited the Town of Ayden, North Carolina (the "Town") compliance with the types of compliance requirements described in 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's major state programs for the year ended June 30, 2020. The Town's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Our audit, described below, did not include the operations of the Ayden Housing Authority (the "Authority"), a discretely presented component unit. Our audit, described below, did not include the operations of the component unit since it was audited by another auditor.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major state 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance") as described in the Audit Manual for Governmental Auditors in North Carolina; and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State 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 state program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Town 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 state programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with applicable sections of the Uniform Guidance as described in the Audit Manual for Governmental Auditors in North Carolina and which is described in the accompanying schedule of findings and questioned costs as items 2020-004. Our opinion on each major state program is not modified with respect to these matters.

Town's Response to Finding

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

Report on Internal Control over Compliance

Management of the Town 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'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 compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an 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 this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. 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 the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cheryl Bekaert LLP

Raleigh, North Carolina
June 1, 2021

TOWN OF AYDEN, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported
- Noncompliance material to financial statements noted? ☒ yes ☐ no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ no
- Noncompliance material to federal awards noted? ☐ yes ☒ no

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ yes ☒ no

Identification of major federal programs:

CFDA Numbers

Names of Federal Program or Cluster

14.218

Community Development Block Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

TOWN OF AYDEN, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

Section I—Summary of Auditor's Results (continued)

State Awards

Internal control over major state programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X no
- Noncompliance material to state awards noted? _____ yes X no

Type of auditor's report issued on compliance for major state programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act

 X yes _____ no

Identification of major state programs:

Program Name

Rural Infrastructure Program

Section II—Findings Related to the Audit of the Basic Financial Statements

Finding 2020-001

Material Weakness

Financial Reporting

Criteria: Management should have sufficient controls over financial reporting such that the financial statements are materially correct without proposed audit adjustments.

Condition:

- During the audit and preparation of the financial statements several material audit adjustments were noted as needed and requested from management as well as several entries that were proposed to management. Several schedules provided as supporting detail of account balances were either not accurate or did not include all necessary amounts.
- There was no consistency noted in the journal entry preparation and review process. Also several journal entries were missing the supporting documentation.
- Auditor prepared draft financial statements and made several material adjustments outside of the necessary conversion entries to convert the fund financial statements from modified to full accrual basis of accounting for the government wide financial statements.

Effect: Management agreed with and posted the proposed audit adjustments and draft financial statements.

Recommendation: Management should continue efforts to improve the accuracy of year-end financial reporting by reviewing the procedures that have been implemented and make appropriate changes as needed. Management also needs to follow policies and procedures related to journal entry preparation and review consistently throughout the year.

Management Response: The Town agrees with this finding and will take the necessary actions as described in the Corrective Action Plan to deal with this issue.

TOWN OF AYDEN, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

Section II—Findings Related to the Audit of the Basic Financial Statements (continued)

Finding 2020-002

Nonmaterial Noncompliance

Statutory Violations (N.C. General Statute 159)

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

Condition: The expenditures made in the General Fund for public safety, environmental protection, and economic and physical development exceeded budgeted expenditures by \$ 44,417, \$62,186, and \$8,811, respectively.

Effect: Budgeted expenditure amounts for these two departments violated N.C. General Statute 159-28.

Recommendation: Changes should be made to the budget resolution when necessary to cover expenditures.

Management Response: The Town agrees with this finding and understands that it must comply with statutory and other legally imposed requirements regarding the expenditure of funds within the limits of legally required budgets and other legal requirements.

Finding 2020-003

Nonmaterial noncompliance

Debt Covenant Violation

Criteria: The Town is required to be in compliance with covenants set forth by Section 5 of the Bond Order, authorizing the issuance of the Series 2010 and 2020 water and sewer revenue bonds.

Condition: The Town failed to meet minimum requirement of two key ratios set forth by the Bond Order.

Effect: The Town is in contract violation of the Bond Order.

Recommendation: We recommend the Town begin monitoring the required bond covenant ratios on a monthly basis.

Management Response: Management will begin monitoring key bond covenant ratios on a monthly basis.

Section III—Federal Award Findings and Questioned Costs

None reported.

TOWN OF AYDEN, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

Section IV—State Award Findings and Questioned Costs

Finding: 2020-004

North Carolina Department of Commerce
Program Name: Rural Infrastructure Program, COM-9

Nonmaterial Noncompliance – Reporting

Criteria: Town should adhere and abide by the reporting requirements in accordance with the grant agreement.

Condition: During our testing of reporting for rural housing grant, we noted there was noncompliance in the timing for the reporting requirements per the grant agreement.

Questioned costs: None noted

Context: The final report and job verification document are due at the time of project completion. The grant funds were expended with a one-time payment in November 2019 which the completion request should have been submitted within 30 days. The final report was not submitted until January 2021.

Effect: Per the grant agreement, failure to submit the progress reports can result in termination of the grant or repayment of funds paid by Department of Commerce. Not abiding by the grant terms could also negatively impact the Town's eligibility for future Commerce grants.

Cause: Town oversight on the grant terms.

Recommendation: It is recommended that the Town pays close attention to the grant terms and agreements and ensures that someone at the Town is held accountable to make sure they remain in compliance, verifying that all appropriate documentation is maintained, proper approvals are in place, and reporting is timely.

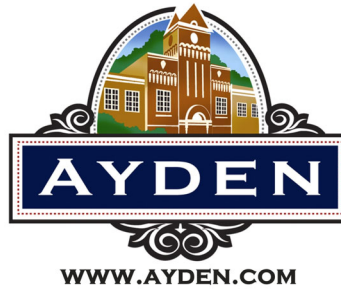
Management Response: Management agrees with the finding and will develop policies and procedures that will enable them to comply with the grant terms.

TOWN OF AYDEN, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED JUNE 30, 2020

Section V—Status of Prior Year Findings and Questioned Costs

None reported.



Corrective Action Plan

Year Ended June 30, 2020

Section II—Findings Related to the Audit of the Basic Financial Statements

Finding: 2020-001

Name of contact person: Joanne Floyd

Corrective action plan: The Town will ensure that it has the necessary finance personnel and/or resources in place to provide accurate information for financial reporting at year end.

Proposed completion date: Immediately

Finding: 2020-002

Name of contact person: Joanne Floyd

Corrective action plan: The Town will hold staff accountable to ensure that each expenditure is subject to the preaudit requirements and that budget amendments taken to the board for approval as necessary.

Proposed completion date: Immediately

Finding: 2020-003

Name of contact person: Joanne Floyd

Corrective action plan: The Town will take steps to resolve the current covenant violation and then monitor compliance with the bond covenant on a monthly basis going forward.

Proposed completion date: Immediately

Section III—Federal Award Findings and Questioned Costs

None reported.

Section IV—State Award Findings and Questioned Costs

Finding: 2020-004

Name of contact person: Joanne Floyd

Corrective action plan: The Town will hold staff accountable to ensure the Town remains in compliance with the terms of the grant agreements.

Proposed completion date: Immediately

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

TOWN OF AYDEN, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

Grantor/Pass Through Grantor/Program Title	Project Code	Federal CFDA Number	Grant Number	Federal (Direct and Pass Through) Expenditures	State Expenditures
FEDERAL FINANCIAL ASSISTANCE:					
U.S. Department of Housing and Urban Development					
Passed through N.C. Department of Commerce					
CDBG 16-E-2936		14.228	16-E-2936	\$ 467,200	
Passed through N.C. Department of Environmental Quality					
CDBG 16-I-2712		14.228	16-I-2712	588,167	
CDBG 15-I-2759		14.228	15-I-2759	15,024	
U.S. Environmental Protection Agency					
Sanitary Sewer Replacement - loan		SRF 66.458	CS370902-01	8,180	
Sanitary Sewer Replacement loan/grant		SRF66.458	CS370902-02	821,856	
Total U.S. Department of Housing and Urban Development				1,900,427	-
Department of Emergency Management					
F.E.M.A - Hurricane Florence Disaster Relief	MATT	97.036	XXXX	31,681	-
Total Department of Emergency Management				31,681	-
STATE OF NORTH CAROLINA FINANCIAL ASSISTANCE					
State of North Carolina					
N.C. Department of Commerce					
Food Commercialization Center			2017-107-5301-1534	-	
Rural Housing Recovery Infrastructure			2019-131-3215-2545		315,800
Westhaven Storm Drainage			2017-150-3214-2593	-	5,000
N.C. Department Environmental Quality					
AIA Grant					120,816
Total State of North Carolina					441,616
Department of Transportation					
Division of Highways -					
Powell Bill Funds		DOT-4	XXXX	-	144,983
Total Department of Transportation					144,983
Golden Leaf Foundation					
MLK Jr Storm Drain			FY2019-028		96,101
Monclair Subdivision Storm Drainage				-	-
Total Golden Leaf					96,101
Total Federal and State Assistance				\$ 1,932,108	\$ 682,700

TOWN OF AYDEN, NORTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

Note 1—Basis of Presentation

The accompanying schedule of expenditures of federal and State awards ("SEFSA") includes the federal and State grant activity of the Town of Ayden ("Town") under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the Town, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the Town.

Note 2—Summary of Significant Accounting Policies

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

The Town has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

The Town did not incur any passed-through sub-recipient expenditures during the fiscal year ended June 30, 2020.