

TOWN OF EDENTON, NORTH CAROLINA

North Carolina

**AUDIT REPORT
June 30, 2019**

TOWN OF EDENTON, NORTH CAROLINA
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FINANCIAL SECTION

TOWN OF EDENTON, NORTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2019

TOWN COUNCIL

Roland Vaughan, Mayor

Steve Biggs, Mayor Pro-Tem
Roscoe Poole, Jr.
Elton Bond, Jr.

Craig Miller
Samuel Dixon
Jimmy Stallings

M. H. Hood Ellis, Town Attorney

Administrative and Financial Staff

Anne-Marie Knighton, Town Manager
Virginia Smith, Finance Officer

Henry King, Jr., Police Chief

Billy Bass, Fire Chief

Mike Nichols, Electric Director

Corey Gooden, Public Works Director

Janis Belch, Nuisance Code Enforcement Officer

Harry Davis, Airport Manager

Tammy Woodley, Human Resources Technician

Elizabeth Bryant, Town Planner

Bud Powell, Purchasing Agent

DONNA H. WINBORNE, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

To the Honorable Mayor and Town Council
Town of Edenton, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Edenton, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, 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 presented on pages 3 through 13, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and related Ratios on page 65, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability and Contributions, on pages 60-61, respectively, the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 62, and the Law Enforcement Officers' Special Separation Allowance's Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, on pages 63-64, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Edenton's basic financial statements. The combining and individual non-major fund financial statements and schedules, budgetary schedules and other schedules, 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, 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 combining and individual fund statements, budgetary schedules, other schedules, and the accompanying 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 my opinion, the combining and individual non-major fund financial statements, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 30, 2019 on my consideration of the Town of Edenton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Edenton's internal control over financial reporting and compliance.

 Steven H. Wilber, CPA, P.C.

Edenton, North Carolina
November 30, 2019

Management's Discussion and Analysis

As management of the Town of Edenton, we offer readers of the Town of Edenton's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

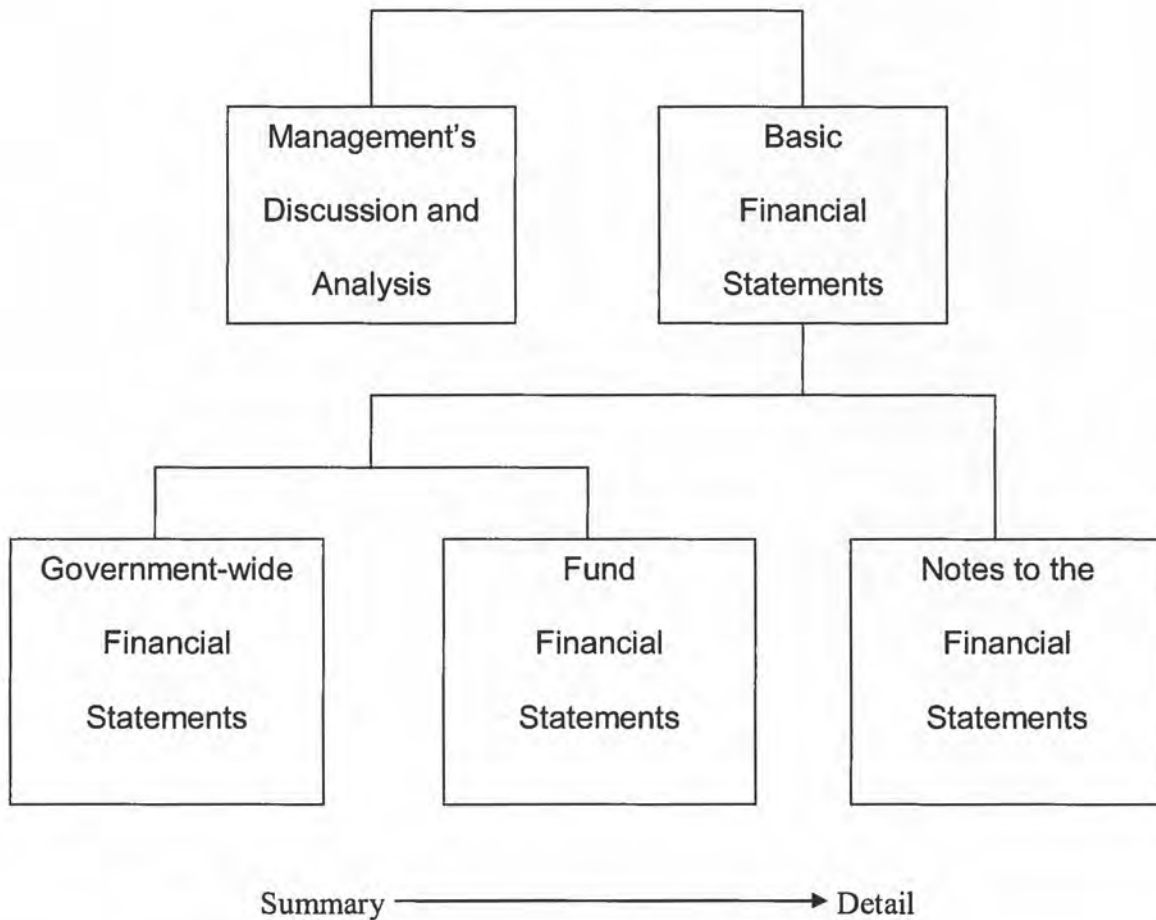
- The assets and deferred outflows of resources of the Town of Edenton *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$18,831,912 (*net position*).
- The government's total net position *increased* by \$1,791,218 primarily due to *increases* in the *business-type* activities net position.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,717,580 an *increase* of \$253,403 in comparison with the prior year. Approximately 66.13%, or \$1,797,281 of this total amount is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,797,281 or 33.61% percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net position is one way to gauge the Town's financial condition.

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

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

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Edenton, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Edenton can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

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

The Town of Edenton 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 of Edenton, the management of the Town of Edenton, and the decisions of the Town 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds

The Town of Edenton has three kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Edenton uses enterprise funds to account for its water and sewer activity, its electric operations, and its airport services. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 24-59 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information concerning the Town of Edenton's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 60-65.

Government-Wide Financial Analysis

The Town of Edenton's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 2,861,401	\$ 3,327,946	\$ 5,721,649	\$ 3,007,528	\$ 8,583,050	\$ 6,335,474
Capital assets	7,036,250	6,550,797	12,559,417	11,619,228	19,595,667	18,170,025
Total assets	9,897,651	9,878,743	18,281,066	14,626,756	28,178,717	24,505,499
Deferred outflows of resources						
Contributions to pension plan	742,594	482,808	321,162	203,346	1,063,756	686,154
Current liabilities	459,954	1,136,125	3,847,137	1,374,081	4,307,091	2,510,206
Long-term liabilities	4,795,738	4,482,957	1,182,518	1,054,027	5,978,256	5,536,984
Total liabilities	5,255,692	5,619,082	5,029,655	2,428,108	10,285,347	8,047,190
Deferred inflows of resources						
Pension deferral	89,718	72,283	35,496	31,486	125,214	103,769
Net Position						
Net investment in capital assets	4,160,161	3,825,313	9,559,164	11,179,521	13,719,325	15,004,834
Transportation	140,747	302,202	-	-	140,747	302,202
Stabilization by State Statute	744,283	1,464,717	-	-	744,283	1,464,717
Unrestricted	249,644	(922,046)	3,977,913	1,190,987	4,227,557	268,941
Total net position	\$ 5,294,835	\$ 4,670,186	\$ 13,537,077	\$ 12,370,508	\$ 18,831,912	\$ 17,040,694

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Edenton exceeded liabilities by \$18,831,912 as of June 30, 2019. The Town of Edenton's net position *increased* by \$1,791,218 for the fiscal year ended June 30, 2019. However, the largest portion (72.86%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Edenton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Edenton's net 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 of Edenton's net position 3.95% represents resources that are subject to external restrictions on how it may be used.

Town of Edenton Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,207,446	\$ 1,123,606	\$ 14,413,475	\$ 14,077,295	\$ 15,620,921	\$ 15,200,901
Operating grants and contributions	607,243	759,559	-	-	607,243	759,559
Capital grants and contributions	678,131	568,196	647,709	1,042,643	1,325,840	1,610,839
General revenues:						
Property taxes	1,995,397	1,916,964	-	-	1,995,397	1,916,964
Other taxes	1,360,570	1,267,783	-	-	1,360,570	1,267,783
Other	236,865	49,049	400,955	100,536	637,820	149,585
Total revenues	6,085,652	5,685,157	15,462,139	15,220,474	21,547,791	20,905,631
Expenses:						
General government	1,198,695	408,149	-	-	1,198,695	408,149
Public safety	2,322,504	2,285,170	-	-	2,322,504	2,285,170
Transportation	947,426	822,767	-	-	947,426	822,767
Environmental protection	982,435	1,129,583	-	-	982,435	1,129,583
Economic and physical development	243,548	487,690	-	-	243,548	487,690
Cultural and recreation	14,413	20,678	-	-	14,413	20,678
Interest on long-term debt	87,881	167,162	61,281	12,046	149,162	179,208
Airport	-	-	496,975	427,305	496,975	427,305
Water and sewer	-	-	11,375,217	2,189,491	11,375,217	2,189,491
Electric	-	-	1,965,501	11,732,691	1,965,501	11,732,691
Total expenses	5,796,902	5,321,199	13,898,974	14,361,533	19,695,876	19,682,732
Increase in net position before transfers	288,750	363,958	1,563,165	858,941	1,851,915	1,222,899
Transfers	335,899	334,180	(406,899)	(334,180)	(71,000)	-
Increase in net position	624,649	698,138	1,156,266	524,761	1,780,915	1,222,899
Beginning net position, previously reported	4,670,186	4,731,441	12,370,508	12,204,868	17,040,694	16,936,309
Restatement	-	(759,393)	10,303	(359,121)	10,303	(1,118,514)
Net position, beginning, restated	4,670,186	3,972,048	12,380,811	11,845,747	17,050,997	15,817,795
Net position, June 30	\$ 5,294,835	\$ 4,670,186	\$ 13,537,077	\$ 12,370,508	\$ 18,831,912	\$ 17,040,694

Governmental activities. Governmental activities increased the Town's net position by \$624,649.

Business-type activities: Business-type activities increased the Town's net position by \$1,166,569.

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 of Edenton's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Edenton's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Edenton. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,797,281 while total fund balance reached \$2,717,580. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 31 percent of total General Fund expenditures.

At June 30, 2019, the governmental funds of the Town of Edenton reported a combined fund balance of \$2,717,580, a 10.28 percent increase over last year.

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

Revenues were slightly less than the budgeted amounts primarily because Hurricane Matthew Capital Project Ordinance was closed out.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Electric Fund at the end of the fiscal year amounted to \$1,087,222; the Water and Sewer Fund amounted to \$3,340,964 and those for the Airport Fund amounted to (\$450,272).

Capital Asset and Debt Administration

Capital assets. The Town of Edenton's net investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$13,719,325. These assets include buildings, improvements, land, machinery and equipment, and vehicles.

Major capital asset transactions during the year include the following additions:

- Acquisition of new police vehicles
- Acquisition of new street sweeper
- Completion of New Fuel Farm System and Paving at Airport

- Upgrades to Electric Distribution System
- Construction in Progress to Upgrade and Renovate Beaver Hill Water Treatment Plant

**Town of Edenton's Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,403,409	\$ 1,266,051	\$ 95,698	\$ 95,698	\$ 1,499,107	\$ 1,361,749
Infrastructure	2,045,065	891,678	-	-	2,045,065	891,678
Runways	-	-	1,538,150	1,699,835	1,538,150	1,699,835
Buildings	2,788,944	2,850,657	616,221	647,811	3,405,165	3,498,468
Plant distribution and system	-	-	7,963,264	7,879,855	7,963,264	7,879,855
Neighborhood Redevelopment Program	-	-	12,561	-	12,561	-
Equipment	259,536	260,659	130,387	175,208	389,923	435,867
Vehicles	539,296	221,628	264,695	277,816	803,991	499,444
Construction in progress	-	1,060,124	1,938,442	843,005	1,938,442	1,903,129
Total	\$ 7,036,250	\$ 6,550,797	\$ 12,559,418	\$ 11,619,228	\$ 19,595,668	\$ 18,170,025

Additional information regarding the Town of Edenton's long-term debt can be found in Note III B7 beginning on page 53 of this report.

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

Long-term Debt. As of June 30, 2019, the Town of Edenton had total debt outstanding of \$2,876,069 in the Governmental funds and \$3,000,253 in the Enterprise Funds.

The Town of Edenton's total debt increased by \$2,623,131 as compared to the past fiscal year. North Carolina general statutes limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for the Town of Edenton is \$41,721,811. The Town entered into an agreement with the NC Department of State Treasurer to finance capital improvements to the Town's two water treatment

plants. Funds available total \$2,641,000. The bond is to be paid in full on or before February 1, 2020.

Management projected revenues to increase slightly based on previous year actual receipts. As part of the Town's long term rate stabilization plan, Water & Sewer rates were increased again for the ninth year in a row. The Town has raise Water & Sewer rates every year for the last nine years as part of a ten year plan to increase rates.

The Town actively participates in the operation and management of the Edenton-Chowan Partnership (ECP), the non-profit economic development agency charged with improving business climate. The Town and the ECP have actively supported major industrial expansions which will improve the tax base and the local economy. Regulator Marine, a major employer has recently finished an expansion of facilities which created more than 60 new manufacturing jobs. Colony Tire is in the midst of building a 200,000 sq/ft warehouse to support growing sales that will create 40 new positions. The Town and Destination Downtown Edenton actively working to create investment downtown. A new fast food restaurant, Taco Bell, is scheduled to be open for business in their newly constructed building in January 2020.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for Chowan County in October 2019 was 4.2%, which is a slight increase from a rate of 4.1% a year ago. This compares to the State's average unemployment rate of 4.1% in September 2019 which is a slight decrease from the September 2018 rate of 4.5%. The unemployment rates in the months of March thru May 2019 were factored into consideration when preparations were made for the Town's 2019/2020 Fiscal Year Budget. The local economy appears to be stable, but like most rural towns in North Carolina, the economy is growing at an extremely slow rate. The business climate is improving for our local manufacturers. Colony Tire is expanding and we are actively working with a new client anxious to lease a vacant manufacturing facility that would create 23 new manufacturing jobs. Downtown Edenton Inc., our Main Street organization, has hardly any vacant spaces to market. We continue to work with developer who purchased former Hotel Hinton building with plans to redevelop a 48 room boutique hotel in the heart of downtown. The Town sold a building located on the waterfront that will be redeveloped as a brewery and brew pub. And drum roll please – Edenton's own Food Network's Chopped Champion and International Award Winning Pitmaster has recently opened a restaurant with locally sourced, farm to table food!

The Town continues to support the Chowan County Tourism Development Authority and the efforts to promote Edenton as a travel destination and a community of value to retirees. The ECP continues to work with consultants trying to attract investment in a care retirement community. Such a facility would increase Edenton's appeal as a retirement destination.

The Town is making great progress implementing the goals and objects of the Moseley Street and North Oakum Street neighborhood redevelopment plans in distressed neighborhoods to combat blight that exists due to vacant and abandoned housing.

Budget Highlights for Fiscal Year Ending June 2020:

Governmental Activities:

Total General Government budget revenues (\$5,418,746) for FY 2019/20 are approximately 1.13% *higher* (\$68,350) than in 2018/19 - this is mainly attributable to increase in property tax collections and land transfer tax.

Business Type Activities:

Total budgeted revenues for FY 2019-20 for business-type activities are \$15,309,162 which is \$88,688 higher than revenues for FY 2018-19. The increase is primarily due to increase in rates charged for water and sewer services and electric retail rate increase.

Requests for Information

This report is designed to provide an overview of the Town of Edenton finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Finance Director, Town of Edenton, Post Office Box 300, Edenton, North Carolina 27932 or by email via virginia.smith@edenton.nc.gov.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF EDENTON, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2019

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,846,061	\$ 2,209,694	\$ 4,055,755
Taxes receivable (net)	79,874	-	79,874
Accrued interest receivable on taxes	23,196	-	23,196
Accounts receivable (net)	281,150	614,174	895,324
Due from other governments	14,417	-	14,417
Internal balances	433,942	(433,942)	-
Inventories	13,061	420,221	433,282
Restricted cash and cash equivalents	147,492	2,911,502	3,058,994
Total current assets	2,839,193	5,721,649	8,560,842
Non-current assets:			
Security deposits	22,208	-	22,208
Capital assets (Note 4):			
Land and construction in progress	1,403,409	2,034,139	3,437,548
Other capital assets, net of depreciation	5,632,841	10,525,278	16,158,119
Total capital assets	7,036,250	12,559,417	19,595,667
Total assets	9,897,651	18,281,066	28,178,717
Deferred Outflows of Resources	742,594	321,162	1,063,756
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	33,319	800,971	834,290
Accrued interest payable	74,681	50,450	125,131
Customer deposits	-	270,502	270,502
Compensated absences, current	76,548	45,470	122,018
Installment notes payable, current	275,406	2,679,744	2,955,150
Total current liabilities	459,954	3,847,137	4,307,091
Long-term liabilities:			
Installment notes payable	2,600,683	320,509	2,921,192
Compensated absences	62,631	37,203	99,834
Net pension liability	842,248	396,352	1,238,600
Total pension liability	420,679	-	420,679
Total OPEB liability	869,497	428,454	1,297,951
Total long-term liabilities	4,795,738	1,182,518	5,978,256
Total liabilities	5,255,692	5,029,655	10,285,347
Deferred Inflows of Resources	89,718	35,496	125,214
Net Position			
Net investment in capital assets	4,160,161	9,559,164	13,719,325
Restricted:			
Public Safety	-	-	-
Transportation	140,747	-	140,747
Stabilization by State Statute	744,283	-	744,283
Unrestricted	249,644	3,977,913	4,227,557
Total net position	\$ 5,294,835	\$ 13,537,077	\$ 18,831,912

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

TOWN OF EDENTON, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,198,695	\$ 32,962	\$ -	\$ 144,929	\$ (1,020,804)	\$ -	\$ (1,020,804)
Public safety	2,322,504	42,755	393,151	-	(1,886,598)	-	(1,886,598)
Transportation	947,426	-	210,771	-	(736,655)	-	(736,655)
Environmental protection	982,435	1,068,635	3,321	518,785	608,306	-	608,306
Cultural and recreational	14,413	63,094	-	14,417	63,098	-	63,098
Economic and physical development	243,548	-	-	-	(243,548)	-	(243,548)
Interest on long-term debt	87,881	-	-	-	(87,881)	(61,281)	(149,162)
Total governmental activities	5,796,902	1,207,446	607,243	678,131	(3,304,082)	(61,281)	(3,365,363)
Business-type activities:							
Airport	496,975	326,247	-	563,705	-	392,977	392,977
Electric	11,375,217	11,900,826	-	-	-	525,609	525,609
Water and sewer	2,036,501	2,186,402	-	84,004	-	233,905	233,905
Total business-type activities	13,908,693	14,413,475	-	647,709	-	1,152,491	1,152,491
Total primary government	\$ 19,705,595	\$ 15,620,921	\$ 607,243	\$ 1,325,840	(3,304,082)	1,091,210	(2,212,872)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					1,995,397	-	1,995,397
Local option sales tax					902,188	-	902,188
Other taxes and licenses					458,382	-	458,382
Investment earnings, unrestricted					40,899	5,254	46,153
Gain on sale of capital assets					21,687	19,100	40,787
Insurance recovery					16,073	-	16,073
Miscellaneous					158,206	376,601	534,807
Transfers					335,899	(335,899)	-
Total general revenues					3,928,731	65,056	3,993,787
Change in net position					624,649	1,156,266	1,780,915
Net position, beginning, previously reported					4,670,186	12,370,508	17,040,694
Restatement					-	10,303	10,303
Net position, beginning, restated					4,670,186	12,380,811	17,050,997
Net position, ending,					\$ 5,294,835	\$ 13,537,077	\$ 18,831,912

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

FUND FINANCIAL STATEMENTS

TOWN OF EDENTON, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

Exhibit 3

	Major	Non-major	
	General Fund	Other Governmental Funds	Total
Assets			
Cash and cash equivalents	\$ 1,846,061	\$ -	\$ 1,846,061
Receivables, net			
Taxes	79,874	-	79,874
Accounts	281,150	-	281,150
Inventories	13,061	-	13,061
Restricted cash	147,492	-	147,492
Due from other governments	-	14,417	14,417
Due from other funds	440,927	-	440,927
Security deposits	22,208	-	22,208
Total assets	<u>\$ 2,830,773</u>	<u>\$ 14,417</u>	<u>\$ 2,845,190</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable and accrued liabilities	\$ 33,319	\$ -	\$ 33,319
Due to other funds	-	6,987	6,987
Total liabilities	<u>33,319</u>	<u>6,987</u>	<u>40,306</u>
Deferred inflows of resources - property taxes receivable	<u>79,874</u>	<u>-</u>	<u>79,874</u>
Fund balances:			
Nonspendable:			
Inventories	13,061	-	13,061
Security Deposit	22,208	-	22,208
Restricted:			
Stabilization by State Statute	744,283	-	744,283
Transportation	140,747	-	140,747
Unassigned	1,797,281	7,430	1,804,711
Total fund balances	<u>2,717,580</u>	<u>7,430</u>	<u>2,725,010</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,830,773</u>	<u>\$ 14,417</u>	

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

TOWN OF EDENTON, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

Exhibit 3

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds

Gross capital assets at historical cost	\$ 10,947,024	
Accumulated depreciation	<u>(3,910,774)</u>	7,036,250

Deferred outflows of resources related to pensions are not reported in the funds	708,095
--	---------

Deferred outflows of resources related to OPEB are not reported in the funds	34,501
--	--------

Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds	23,196
--	--------

Earned revenues considered deferred inflows of resources in the fund statements	79,874
---	--------

Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds

Gross long-term debt	\$ (2,876,089)	
Total OPEB liability	(869,497)	
Net pension liability	(842,248)	
Total pension liability	<u>(420,679)</u>	(5,008,513)

Deferred inflows of resources related to OPEB are not reported in the funds	(63,205)
---	----------

Deferred inflows of resources related to pensions are not reported in the funds	(26,513)
---	----------

Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds	(213,860)
--	-----------

Net position of governmental activities	<u>\$ 5,294,835</u>
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TOWN OF EDENTON, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Exhibit 4

	Major	Non-major	
		Other	
	General Fund	Governmental Funds	Total
Revenues:			
Ad valorem taxes	\$ 1,984,031	\$ -	\$ 1,984,031
Other taxes and licenses	114,764	-	\$ 114,764
Restricted intergovernmental	598,836	678,131	\$ 1,276,967
Unrestricted intergovernmental	1,223,845	-	\$ 1,223,845
Permits and fees	64,716	-	\$ 64,716
Sales and services	1,322,897	-	\$ 1,322,897
Investment earnings	41,307	-	\$ 41,307
Total revenue	<u>5,350,396</u>	<u>678,131</u>	<u>6,028,527</u>
Expenditures:			
Current			
General government	821,353	-	821,353
Public safety	2,180,892	-	2,180,892
Transportation and utilities	1,053,855	-	1,053,855
Environmental protection	923,139	-	923,139
Economic and physical development	57,674	1,080,982	1,138,656
Debt service:			
Principal	225,137	-	225,137
Interest	86,064	-	86,064
Total expenditures	<u>5,348,114</u>	<u>1,080,982</u>	<u>6,429,096</u>
Excess of revenues over expenditures	<u>2,282</u>	<u>(402,851)</u>	<u>(400,569)</u>
Other financing sources (uses):			
Proceeds from installment agreement	-	287,743	287,743
Sale of capital assets	21,687	-	21,687
Insurance recovery	16,073	-	16,073
Transfer from other funds	335,899	122,538	458,437
Transfer to other funds	(122,538)	-	(122,538)
Total other financing sources (uses)	<u>251,121</u>	<u>410,281</u>	<u>661,402</u>
Net changes in fund balances	253,403	7,430	260,833
Fund balances, beginning	2,464,177	-	2,464,177
Fund balances, ending	<u>\$ 2,717,580</u>	<u>\$ 7,430</u>	<u>\$ 2,725,010</u>

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

TOWN OF EDENTON, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Exhibit 4

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

Net changes in fund balances - total governmental funds	\$	260,833
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized	\$ 739,631	
Depreciation expense for governmental assets	<u>(254,178)</u>	485,453
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		174,500
Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities		46,674
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		11,495
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		11,366
The issuance of long-term debt provides financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
New long-term debt issued	\$ (287,743)	
Principal payments on long-term debt	225,138	
Increase in accrued interest payable	<u>(1,817)</u>	(64,422)
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	\$ (17,423)	
Pension expense	(276,705)	
OPEB plan expense	<u>(7,122)</u>	(301,250)
Total changes in net position of governmental activities	\$	<u>624,649</u>

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

TOWN OF EDENTON, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

Exhibit 5

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 1,942,675	\$ 1,942,675	\$ 1,984,031	\$ 41,356
Other taxes and licenses	99,000	99,000	114,764	15,764
Restricted intergovernmental	1,617,252	833,312	598,836	(234,476)
Unrestricted intergovernmental	1,155,180	1,142,150	1,223,845	81,695
Permits and fees	43,300	49,300	64,716	15,416
Sales and services	1,593,868	1,307,368	1,322,897	15,529
Investment earnings	10,400	10,400	41,307	30,907
Total revenues	<u>6,461,675</u>	<u>5,384,205</u>	<u>5,350,396</u>	<u>(33,809)</u>
Expenditures:				
Current:				
General government	785,785	833,338	821,353	11,985
Public safety	2,487,133	2,366,080	2,180,892	185,188
Transportation and utilities	2,017,575	1,058,576	1,053,855	4,721
Environmental protection	1,181,378	931,320	923,139	8,181
Economic and physical development	-	298,935	57,674	241,261
Debt service:				
Principal retirement	222,740	222,797	225,137	(2,340)
Interest and other charges	86,064	86,064	86,064	-
Total expenditures	<u>6,780,675</u>	<u>5,797,110</u>	<u>5,348,114</u>	<u>448,996</u>
Revenues over (under) expenditures	<u>(319,000)</u>	<u>(412,905)</u>	<u>2,282</u>	<u>415,187</u>
Other financing sources (uses):				
Sale of capital assets	9,000	9,000	21,687	12,687
Insurance recovery	-	-	16,073	16,073
Transfer from other funds	275,000	368,905	213,361	(155,544)
Fund balance appropriated	35,000	35,000	-	(35,000)
Total other financing sources (uses)	<u>319,000</u>	<u>412,905</u>	<u>251,121</u>	<u>(161,784)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>253,403</u>	<u>\$ 253,403</u>
Fund balance, beginning			2,464,177	
Fund balance, ending			<u>\$ 2,717,580</u>	

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

TOWN OF EDENTON, NORTH CAROLINA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

Exhibit 6

	Major			
	Electric Fund	Water and Sewer Fund	Airport Fund	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,326,204	\$ 883,390	\$ 100	\$ 2,209,694
Accounts receivable (net)	451,613	148,855	13,706	614,174
Due from other funds	17,793	-	-	17,793
Inventories	356,359	50,454	13,408	420,221
Total current assets	2,151,969	1,082,699	27,214	3,261,882
Noncurrent assets:				
Restricted cash and cash equivalents	259,268	2,652,234	-	2,911,502
Capital assets:				
Land and construction in progress	84,147	684,814	1,265,178	2,034,139
Other capital assets, net of depreciation	3,128,037	5,234,844	2,162,397	10,525,278
Capital assets	3,212,184	5,919,658	3,427,575	12,559,417
Total noncurrent assets	3,471,452	8,571,892	3,427,575	15,470,919
Total assets	5,623,421	9,654,591	3,454,789	18,732,801
Deferred outflows of resources	169,650	150,847	665	321,162
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	765,322	20,207	15,442	800,971
Due to other funds	-	7,247	444,488	451,735
Customer deposits	259,268	11,234	-	270,502
Accrued interest payable	-	50,450	-	50,450
Compensated absences, current	21,208	24,262	-	45,470
Installment notes payable, current	-	2,679,744	-	2,679,744
Total current liabilities	1,045,798	2,793,144	459,930	4,298,872
Noncurrent liabilities:				
Total OPEB liability	202,870	208,581	17,003	428,454
Compensated absences	17,351	19,852	-	37,203
Net pension liability	210,562	185,790	-	396,352
Installment notes payable	-	320,509	-	320,509
Total noncurrent liabilities	430,783	734,732	17,003	1,182,518
Total liabilities	1,476,581	3,527,876	476,933	5,481,390
Deferred inflows of resources	17,085	17,193	1,218	35,496
Net Position				
Net investment in capital assets	3,212,184	2,919,405	3,427,575	9,559,164
Unrestricted	1,087,221	3,340,964	(450,272)	3,977,913
Total net position	\$ 4,299,405	\$ 6,260,369	\$ 2,977,303	\$ 13,537,077

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

TOWN OF EDENTON, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Exhibit 7

	Electric Fund	Major Water and Sewer Fund	Airport Fund	Total
Operating revenues:				
Charges for services	\$ 11,900,826	\$ 2,125,423	\$ 183,993	\$ 14,210,242
Other operating revenues	-	60,979	142,254	203,233
Total operating revenues	11,900,826	2,186,402	326,247	14,413,475
Operating expenses:				
Electric operations	2,436,530	-	-	2,436,530
Electric power purchases	8,263,877	-	-	8,263,877
Administrative services	454,759	-	-	454,759
Water operations	-	412,829	-	412,829
Sewer operations	-	647,199	-	647,199
Water and sewer line maintenance	-	656,583	-	656,583
Airport operations	-	-	303,250	303,250
Depreciation	220,051	319,890	193,725	733,666
Total operating expenses	11,375,217	2,036,501	496,975	13,908,693
Total expenses	11,375,217	2,036,501	496,975	13,908,693
Operating income (loss)	525,609	149,901	(170,728)	504,782
Non-operating revenue (expenses):				
Investment earnings	3,257	1,997	-	5,254
Rental income	-	347,738	-	347,738
Interest expense	(286)	(60,995)	-	(61,281)
Sale of capital assets	-	-	19,100	19,100
Sale of merchandise and scrap	-	28,863	-	28,863
Total non-operating revenue (expenses)	2,971	317,603	19,100	339,674
Net income (loss) before contributions and transfers	528,580	467,504	(151,628)	844,456
Capital contributions	-	84,004	563,705	647,709
Transfer to other funds	(335,899)	-	-	(335,899)
Change in net position	192,681	551,508	412,077	1,156,266
Total net position, previously reported	4,092,151	5,713,131	2,565,226	12,370,508
Restatement	14,573	(4,270)	-	10,303
Total net position, beginning, restated	4,106,724	5,708,861	2,565,226	12,380,811
Total net position, ending	\$ 4,299,405	\$ 6,260,369	\$ 2,977,303	\$ 13,537,077

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

TOWN OF EDENTON, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Exhibit 8

	Major			
	Electric Fund	Water and Sewer Fund	Airport Fund	Total
Cash flows from operating activities:				
Cash received from customers	\$ 11,881,493	\$ 2,156,616	\$ 396,152	\$ 14,434,261
Cash paid for goods and services	(10,497,255)	(887,499)	(229,354)	(11,614,108)
Cash paid to employees for services	(759,810)	(766,403)	(50,105)	(1,576,318)
Customer deposits	(6,048)	454	-	(5,594)
Net cash provided by (used in) operating activities	618,380	503,168	116,693	1,238,241
Cash flows from Noncapital financing activities:				
Decrease in due to other funds	-	(259,039)	(141,170)	(400,209)
Increase in due from other funds	(17,793)	-	-	(17,793)
Transfers to other funds	(335,899)	(71,000)	-	(406,899)
Total cash flows from noncapital financing activities	(353,692)	(330,039)	(141,170)	(824,901)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(515,697)	(594,493)	(558,328)	(1,668,518)
Short term debt issued	-	2,641,000	-	2,641,000
Principal paid on installment payables	(42,063)	(38,391)	-	(80,454)
Interest paid on installment payables	(787)	(12,231)	-	(13,018)
Sales of merchandise and scrap	5,469	28,863	19,100	53,432
Federal and State grants	-	84,004	563,705	647,709
Proceeds from rental	-	347,738	-	347,738
Net cash used in capital and related financing activities	(553,078)	2,456,490	24,477	1,927,889
Cash flows from investing activities:				
Interest on investments	3,257	1,997	-	5,254
Net increase in cash and cash equivalents	(285,133)	2,631,616	-	2,346,483
Cash and cash equivalents, beginning (Includes restricted cash of \$265,316 in Electric Fund and \$10,780 in Water Fund)	1,870,605	904,008	100	2,774,713
Cash and cash equivalents, ending (Includes restricted cash of \$259,268 in Electric Fund and \$2,652,234 in Water Fund)	\$ 1,585,472	\$ 3,535,624	\$ 100	\$ 5,121,196
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 525,609	\$ 220,901	\$ (170,728)	\$ 575,782
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	220,051	319,890	193,725	733,666
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(13,865)	(30,286)	69,905	25,754
(Increase) decrease in deferred outflows of resources - pensions	(60,687)	(53,683)	-	(114,370)
(Increase) decrease in deferred outflows of resources - OPEB	(1,279)	(1,918)	(249)	(3,446)
Increase (decrease) in net pension liability	79,511	70,158	-	149,669
Increase (decrease) in deferred inflows of resources - pensions	(3,408)	(3,008)	-	(6,416)
Increase (decrease) in deferred inflows of resources - OPEB	4,400	5,442	584	10,426
(Increase) decrease in inventory	6,110	(1,858)	19,855	24,107
Increase (decrease) in accounts payable and accrued liabilities	(133,127)	(43,468)	(347)	(176,942)
Increase (decrease) in customer deposits	(6,048)	454	-	(5,594)
Increase (decrease) in OPEB liability	(6,023)	12,742	3,948	10,667
Increase (decrease) in accrued vacation pay	7,136	7,802	-	14,938
Total adjustments	92,771	282,267	287,421	662,459
Net cash provided by (used in) operating activities	\$ 618,380	\$ 503,168	\$ 116,693	\$ 1,238,241

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

NOTES TO THE FINANCIAL STATEMENTS

**TOWN OF EDENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Edenton conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Edenton (the "Town") is a municipal corporation that is governed by an elected mayor and a six-member council. As required by generally accepted accounting principles, these financial statements include all funds and account groups, which are controlled by or are financially dependent upon the Town.

B. Basis of Presentation

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

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

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

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

**TOWN OF EDENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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The Town reports the following major governmental funds:

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

The Town reports the following non-major governmental funds:

Special Revenue Fund – Single Family Rehabilitation - This fund is used to account for revenues and expenses related to the N.C. Housing Agency grant.

Capital Project Fund – Governmental Special Projects Fund - This fund is used to account for capital projects related to governmental activities.

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.

Airport Fund - This fund is used to account for the Town's airport operations.

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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.

TOWN OF EDENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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The principal operating revenues of the Town 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 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 to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as 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 Edenton because the tax is levied by Chowan County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there 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.

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 and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the

**TOWN OF EDENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing body 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 of Edenton are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4 Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

TOWN OF EDENTON, NORTH CAROLINA
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Town of Edenton			
Governmental activities:			
General Fund	Transportation	\$	140,747
Police Department	Bullet Proof Vest Funds		3,371
Police Department	Controlled Substance Account		3,374
Total governmental activities			<u>147,492</u>
Business-type activities:			
Electric Fund	Customer deposits		259,268
Water and Sewer Fund	Customer deposits		11,234
Water and Sewer Fund	Water Treatment Plant Bond Fund Escrow		2,641,000
Total business-type activities			<u>2,911,502</u>
Total restricted cash		\$	<u>3,058,994</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the Town are valued at average cost, which approximates market. The Town's General Fund inventory consists of fuel that is recorded as an expenditure as it is used rather than when purchased.

The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

TOWN OF EDENTON, NORTH CAROLINA
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JUNE 30, 2019

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; equipment and furniture, \$5,000; and vehicles and motorized equipment, \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets 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:

Asset Class	Estimated Useful Lives
Buildings	20 to 40 years
Infrastructure	20 to 40 years
Substations	33 years
Vehicles	5 years
Furniture and equipment	7 years
Computer equipment	5 years

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has several items that meets this criterion, pension and OPEB deferrals for the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, pension deferrals, and OPEB deferrals.

TOWN OF EDENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

**TOWN OF EDENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

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

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

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

Assigned fund balance – portion of fund balance that Town of Edenton intends to use for specific purposes.

**TOWN OF EDENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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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. The governing body approves the appropriation.

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

The Town of Edenton has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, 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 Officer has the authority to deviate from this policy if it is in the best interest of the Town.

12. Defined Benefit Cost-Sharing Plans

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

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

a. North Carolina General Statutes 159-28(a) states that no obligation may be incurred unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay sums obligated by the transaction in the current fiscal year. Evidence that the budget includes the appropriation is generally in the form of a purchase order. Evidence that a sufficient balance remains to cover an expenditure is provided by the finance officer's preaudit as required by N.C.G.S. 159-28(a)(1). The Town was not in compliance with N.C.G.S. 159-28(a)(1). There were several instances during the year in which a purchase order was not prepared and there was no evidence of a preaudit that included the language required by

**TOWN OF EDENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

the statute. There were also several instances in which there was a purchase order that included the preaudit statement; however, the purchase order was dated after the invoice.

Planned corrective actions: The upgrade to the Town's financial management software was delayed due to circumstances beyond our control and was not installed in fiscal year 2018 - 2019. The upgrades were installed in August 2019. The system ties purchase orders directly to the budget which is greatly improving adherence to the pre-audit requirement. Contracts and agreements are pre-audited prior to presenting to the Town Council for approval. The samples selected by the Auditor for testing from all funds identified several instances where pre-audit language was not always present. These instances were reviewed with staff. One instance is a payment the Town makes to Chowan County – we bill town customers for the County's landfill disposal fees on a monthly basis. We remit a check to the County on a monthly basis for the fees collected. We will pre-audit the monthly expense going forward. The other instances were for appropriations specified in line item accounts in the Budget to non-profits that the Town has yearly agreements with to provide specific services. Going forward the agreements will be pre-audited.

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 agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town 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, 2019, the Town's deposits had a carrying amount of \$4,055,757 and a bank balance of \$2,759,5004. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$1,876.

**TOWN OF EDENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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2. Investments

At June 30, 2019, the Town's investment balances were as follows:

Investment Type	Valuation Measurement Method	Book Value at 6/30/19	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$ 2,538,959	N/A	AAAm
NC Capital Management Trust Comerica Business - Money Market	Fair Value Level 1	145,678	N/A	N/A
Ginnie Mae Pool	Fair Value Level 1	147,440	N/A	N/A
Ginnie Mae Pool	Fair Value Level 1	4,079	July 20, 2033	N/A
Ginnie Mae Pool	Fair Value Level 1	1,777	July 20, 2035	N/A
Ginnie Mae Pool	Fair Value Level 1	1,892	August 15, 2036	N/A
Ginnie Mae Pool	Fair Value Level 1	720	January 15, 2024	N/A
Ginnie Mae Pool	Fair Value Level 1	36	December 15, 2023	N/A
Ginnie Mae Pool	Fair Value Level 1	1,602	March 15, 2025	N/A
Ginnie Mae Pool	Fair Value Level 1	2,261	August 15, 2027	N/A
		<u>\$ 2,844,444</u>		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk.

Credit risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAA by Standard & Poor's as of June 30, 2019. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

Concentration of Credit Risk. The Town Council places no limit on the amount that the Town may invest in any one issuer. Less than 1 percent of the Town's investments are in Ginnie Mae Pool investments.

TOWN OF EDENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

3. Receivables and Allowances for Doubtful Accounts

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

Enterprise Funds:	
Electric Fund - accounts receivable	\$ 311,585
Water and Sewer Fund - accounts receivable	<u>44,724</u>
Total Enterprise Funds	<u>356,309</u>
 Total	 <u>\$ 356,309</u>

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,266,051	\$ 137,358	\$ -	\$ 1,403,409
Construction in progress	<u>1,060,124</u>	<u>-</u>	<u>1,060,124</u>	<u>-</u>
Total capital assets not being depreciated	<u>2,326,175</u>	<u>137,358</u>	<u>1,060,124</u>	<u>1,403,409</u>
Capital assets being depreciated:				
Infrastructure	959,864	1,182,242	-	2,142,106
Buildings	4,676,670	28,085	-	4,704,755
Equipment	991,431	43,366	-	1,034,797
Vehicles	<u>1,538,584</u>	<u>408,704</u>	<u>285,331</u>	<u>1,661,957</u>
Total capital assets being depreciated	<u>8,166,549</u>	<u>1,662,397</u>	<u>285,331</u>	<u>9,543,615</u>
Less accumulated depreciation for:				
Infrastructure	68,186	28,855	-	97,041
Buildings	1,826,013	89,798	-	1,915,811
Equipment	730,772	44,489	-	775,261
Vehicles	<u>1,316,956</u>	<u>91,036</u>	<u>285,331</u>	<u>1,122,661</u>
Total accumulated depreciation	<u>3,941,927</u>	<u>254,178</u>	<u>285,331</u>	<u>3,910,774</u>
Total capital assets being depreciated, net	<u>4,224,622</u>			<u>5,632,841</u>
Governmental activity capital assets, net	\$ <u>6,550,797</u>			\$ <u>7,036,250</u>

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

General government	\$ 57,797
Public Safety	91,909
Transportation	44,085
Environmental protection	52,124
Cultural and recreation	<u>8,263</u>
Total depreciation expense	<u>\$ 254,178</u>

TOWN OF EDENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Electric Fund:				
Capital assets not being depreciated:				
Land	\$ 45,142	\$ -	\$ -	\$ 45,142
Construction in progress	36,425	2,580	-	39,005
Total capital assets not being depreciated	81,567	2,580	-	84,147
Capital assets being depreciated:				
Plant and distribution systems	8,776,426	41,633	-	8,818,059
PDS - Solar Farm	-	439,453	-	439,453
Neighborhood Redevelopment Program	-	12,561	-	12,561
Furniture and equipment	877,376	-	-	877,376
Vehicles	956,661	28,577	91,027	1,076,265
Total capital assets being depreciated	10,610,463	509,663	91,027	11,223,714
Less accumulated depreciation for:				
Plant and distribution systems	6,274,123	136,578	-	6,410,701
Neighborhood Redevelopment Program	-	-	-	-
Furniture and equipment	772,780	23,152	-	795,932
Vehicles	737,696	60,321	91,027	889,044
Total accumulated depreciation	7,784,599	\$ 220,051	\$ 91,027	8,095,677
Total capital assets being depreciated, net	2,825,864			3,128,037
Electric Fund capital assets, net	\$ 2,907,431			\$ 3,212,184

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 35,156	\$ -	\$ -	\$ 35,156
Construction in progress	115,129	534,529	-	649,658
Total capital assets not being depreciated	150,285	534,529	-	684,814
Capital assets being depreciated:				
Plant and distribution systems	14,712,287	17,245	-	14,729,532
Furniture and equipment	497,539	-	-	497,539
Vehicles	340,411	38,950	48,142	427,503
Total capital assets being depreciated	15,550,237	56,195	48,142	15,654,574
Less accumulated depreciation for:				
Plant and distribution systems	9,334,735	278,344	-	9,613,079
Furniture and equipment	435,402	21,219	-	456,621
Vehicles	281,560	20,327	48,142	350,029
Total accumulated depreciation	10,051,697	\$ 319,890	\$ 48,142	10,419,729
Total capital assets being depreciated, net	5,498,540			5,234,845
Water and Sewer Fund capital assets, net	\$ 5,648,825			\$ 5,919,659

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	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Airport Fund:				
Capital assets not being depreciated:				
Land	\$ 15,400	\$ -	\$ -	\$ 15,400
Construction in progress	691,451	558,328	-	1,249,779
Total capital assets not being depreciated	706,851	558,328	-	1,265,179
Capital assets being depreciated:				
Runways	3,470,612	-	-	3,470,612
Equipment	82,474	-	14,654	97,128
Hangars and terminal buildings	1,263,601	-	-	1,263,601
Total capital assets being depreciated	4,816,687	-	14,654	4,831,341
Less accumulated depreciation for:				
Runways	1,770,777	161,685	-	1,932,462
Equipment	73,999	450	14,654	89,103
Hangars and terminal buildings	615,790	31,590	-	647,380
Total accumulated depreciation	2,460,566	\$ 193,725	\$ 14,654	2,668,945
Total capital assets being depreciated, net	2,356,121			2,162,396
Airport Fund capital assets, net	\$ 3,062,972			\$ 3,427,575
Business-type activities capital assets, net	\$ 11,619,228			\$ 12,559,418

Construction Commitments

The government has active construction projects as of June 30, 2019. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Water Treatment Plant Renovations	\$ 439,589	\$ 2,480,637
	<u>\$ 439,589</u>	<u>\$ 2,480,637</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2019 were as follows:

	Vendors	Other	Total
Governmental activities:			
General	\$ 33,319	\$ -	\$ 33,319
Other governmental	-	-	-
Total governmental activities	<u>\$ 33,319</u>	<u>\$ -</u>	<u>\$ 33,319</u>
Business type activities:			
Electric	\$ 761,426	\$ 3,895	\$ 765,321
Water and Sewer	20,186	21	20,207
Airport	10,725	4,717	15,442
Total business type activities	<u>\$ 792,337</u>	<u>\$ 8,633</u>	<u>\$ 800,970</u>

**TOWN OF EDENTON, NORTH CAROLINA
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2. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Edenton 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

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Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Edenton 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 Edenton's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.85% 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 Edenton were \$256,618 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Town reported a liability of \$1,238,600 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018 (measurement date), the Town's proportion was 0.052%, which was an increase of 0.002% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$276,705. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 191,087	\$ 6,412
Changes of assumptions	328,677	-
Net difference between projected and actual earnings on pension plan investments	170,023	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,892	8,630
Town contributions subsequent to the measurement date	256,618	-
Total	<u>\$ 951,297</u>	<u>\$ 15,042</u>

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\$256,618 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 328,085
2021	212,260
2022	40,241
2023	99,050
2024	-
Thereafter	-
	<u>\$ 679,636</u>

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

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

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

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

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arithmetic real rates of return for each major asset class as of June 30, 2018 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%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. 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 liability 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 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 2,975,224	\$ 1,238,600	\$(212,551)

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

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b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of Edenton administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	- 19
Active plan members	<u>21</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 are recognized when due and payable in accordance with the terms of the plan.

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

3. *Actuarial Assumptions*

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

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

The discount rate is based on the weekly S&P Municipal Bond 20-Year High Grade Rate Index as of December 31, 2017.

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

3. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The Town paid \$46,672 as benefits came due for the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of \$420,679. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$40,407.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,770	\$ -
Changes of assumptions	15,107	16,285
Benefit payments and administrative expenses subsequent to the measurement date	23,336	-
Total	<u>\$ 61,213</u>	<u>\$ 16,285</u>

\$23,336 paid as benefits came due and no administrative expenses subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 5,485
2021	5,485
2022	5,485
2023	4,495
2024	642
Thereafter	-
	<u>\$ 21,592</u>

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Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total Pension Liability	\$ 452,400	\$ 420,679	\$ 392,061

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

	2019
Beginning balance	\$ 426,912
Service cost	22,169
Interest on the total pension liability	12,753
Differences between expected and actual experience in the measurement of the total pension liability	20,340
Changes of assumptions and other inputs	(14,823)
Benefit payments	(46,672)
Ending balance of the total pension liability	<u>\$ 420,679</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.

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

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

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

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	LGERS	LEOSSA	Total
Pension Expense	\$ 347,497	\$ 40,407	\$ 387,904
Pension Liability	1,238,600	420,679	1,659,279
Proportionate share of the net pension liability	0.05046%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	191,087	22,770	213,857
Changes of assumptions	328,677	15,107	343,784
Net difference between projected and actual earnings on plan investments	170,023	-	170,023
Changes in proportion and differences between contributions and proportionate share of contributions	4,892	-	4,892
Contributions / Benefit payments and administrative costs paid subsequent to the measurement date	256,618	23,336	279,954
Deferred Inflows of Resources			
Differences between expected and actual experience	6,412	-	6,412
Changes of assumptions		16,285	16,285
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	8,630	-	8,630

c. Supplemental Retirement Income Plan for Law Enforcement Officers and General Employees

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

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

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equal to one percent of each general employee's salary, and all amounts contributed are vested immediately. The employees may also make voluntary contributions to the plan.

The Town made contributions of \$39,118 for law enforcement officers and \$20,078 for other employees during the reporting year. No amounts were forfeited.

d. Firefighters' and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town of Edenton, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 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 Firefighters' and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighters' and Rescue Squad Workers' Pension Fund. 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. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town has elected to contribute the required \$10 per month to the Fund on behalf of each plan member. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2017, the State contributed \$17,952,000 to the plan. The Town of Edenton's proportionate share of the State's contribution is \$10,338.

Refunds of Contributions – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

**TOWN OF EDENTON, NORTH CAROLINA
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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$28,126. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2019 and at June 30, 2018 was 0%.

For the year ended June 30, 2019, the Town recognized pension expense of \$7,999 and revenue of \$7,999 for support provided by the State. At June 30, 2019, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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

Inflation	3.0 percent
Salary increases	Not applicable
	7.20 percent, net of pension plan
Investment rate of return	investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

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.

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

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e. Other Postemployment Benefit

Healthcare Benefits

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

Benefits provided. As of July 1, 2007, this plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least 20 years of creditable service with the Town. Prior to July 1, 2007, employees qualified for similar level benefits after a minimum of five years of creditable service with the Town. The Town pays the full cost of coverage for employees' benefits through private insurers and employees have the option of purchasing dependent coverage at the Town's group rates. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Retired Employees' Years of Creditable Service	Date Hired	
	Pre-July 1, 2017	On or after July 1, 2017
Less than 5 years	Not eligible for coverage	Not eligible for coverage
5-20 years	Full coverage paid for by Town	Not eligible for coverage
20+ years	Full coverage paid for by Town	Full coverage paid for by Town

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

	General Employees	Firefighters	Law Enforcement Officers
Retirees and dependents receiving benefits	5	-	1
Terminated plan members entitled to but not yet receiving benefits	-	-	-
Active plan members	49	8	18
	54	8	19

Total OPEB Liability

The Town's total OPEB liability of \$1,297,951 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

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

Inflation	2.50 percent
Salary increases	3.50 to 7.75 percent, including inflation
Discount Rate	3.89 percent
Healthcare Cost Trend Rates	7.50 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2023

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	\$ 1,305,583
Changes for the Year:	
Service Cost	53,993
Interest	45,079
Difference between expected and actual experience	14,075
Changes of assumptions and other inputs	(41,456)
Benefit payments	(79,323)
Net Changes	(7,632)
Balance at June 30, 2019	<u>\$ 1,297,951</u>

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

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

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

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

	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB liability	\$ 1,428,852	\$ 1,297,951	\$ 1,182,095

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total

TOWN OF EDENTON, NORTH CAROLINA
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OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (6.50% decreasing to 4.00%)	Discount Rate (7.50% decreasing to 5.00%)	1% Increase (8.50% decreasing to 6.00%)
Total OPEB liability	\$ 1,152,479	\$ 1,297,951	\$ 1,472,333

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

For the year ended June 30, 2019, the Town recognized OPEB expense of \$91,575. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33,830	\$ -
Changes of assumptions	-	92,948
Benefit payments and administrative costs made subsequent to the measurement date	16,905	-
Total	\$ 50,735	\$ 92,948

\$16,905 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ (7,497)
2020	(7,497)
2021	(7,497)
2022	(7,497)
2023	(7,497)
Thereafter	(21,633)
	<u>\$ (59,118)</u>

3. Other Employment Benefits

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

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

4. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 256,618
Benefit payments and administrative expenses for LEOSA made subsequent to the measurement date	23,336
Benefit payments and administrative expenses for OPEB made subsequent to the measurement date	16,905
Differences between expected and actual experience	247,687
Changes of assumptions	343,784
Net difference between projected and actual earnings on plan investments	170,023
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,403
	<u>\$ 1,063,756</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 79,874
Changes of assumptions	109,233	-
Differences between expected and actual experience	6,412	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,569	-
	<u>\$ 125,214</u>	<u>\$ 79,874</u>

**TOWN OF EDENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

5. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. 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. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. 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.

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

The Town carries flood insurance through the League of Municipalities. Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the League of Municipalities. The Town only has coverage for one building, which is considered to be in the flood zone.

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 officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

6. Claims, Judgments and Contingent Liabilities

At June 30, 2019, the Town had no threatened pending litigations.

TOWN OF EDENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

7. Long-Term Obligations

a. Installment Purchases

Governmental Activities

In July 2006, the Town entered into an installment purchase contract for \$230,000 to finance the purchase of a new fire truck. The contract requires twenty annual payments with an interest rate of 4.25%. The future minimum payments as of June 30, 2019 for the fire truck, including \$23,113 of interest, are as follows:

	<u>Governmental Activities</u>	
Year ending June 30	Principal	Interest
2020	\$ 12,402	\$ 4,899
2021	12,929	4,372
2022	13,478	3,823
2023	14,051	3,250
2024	14,648	2,653
2025-2029	29,773	4,116
Total payments	<u>\$ 97,281</u>	<u>\$ 23,113</u>

In September 2012, the Town entered into an installment purchase contract for \$24,000 to finance the purchase of two public safety vehicles. The contract requires seven annual payments with an interest rate of 3.375%. The future minimum payments as of June 30, 2019 for these vehicles, including \$129 of interest, are as follows:

	<u>Governmental Activities</u>	
Year ending June 30	Principal	Interest
2020	\$ 3,778	\$ 129

In 2016, the Town entered into an installment purchase contract for \$2,480,000 to finance the construction of a new police station. The contract requires fifteen annual payments with an interest rate of 2.98%. The future minimum payments as of June 30, 2019 for the police station, including \$447,665 of interest, are as follows:

	<u>Governmental Activities</u>	
Year ending June 30	Principal	Interest
2020	\$ 165,333	\$ 64,050
2021	165,333	59,123
2022	165,333	54,196
2023	165,333	49,269
2024	165,333	44,342
2025-2029	826,667	147,808
2030-2034	496,000	28,877
Total payments	<u>\$ 2,149,332</u>	<u>\$ 447,665</u>

TOWN OF EDENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

In February 2017, the Town entered into an installment purchase contract for \$242,000 to finance flood and erosion control improvements to the bulkhead. The contract requires ten annual payments with an interest rate of 3.09%. The future minimum payments as of June 30, 2019 for the bulkhead improvements, including \$26,920 of interest, are as follows:

	<u>Governmental Activities</u>	
Year ending June 30	Principal	Interest
2020	\$ 24,200	\$ 5,982
2021	24,200	5,234
2022	24,200	4,487
2023	24,200	3,739
2024	24,200	2,991
2025-2029	72,600	4,487
Total payments	<u>\$ 193,600</u>	<u>\$ 26,920</u>

In September 2017, the Town entered into an installment purchase contract for \$75,500 to finance the purchase of a sanitation truck. The contract requires twenty annual payments with an interest rate of 3.25%. The future minimum payments as of June 30, 2019 for the sanitation truck, including \$25,929 of interest, are as follows:

	<u>Governmental Activities</u>	
Year ending June 30	Principal	Interest
2020	\$ 2,828	\$ 2,365
2021	2,914	2,279
2022	3,015	2,178
2023	3,113	2,080
2024	3,214	1,979
2025-2029	17,697	8,268
2030-2034	20,773	5,192
2035-2039	19,207	1,588
Total payments	<u>\$ 72,761</u>	<u>\$ 25,929</u>

In June 2018, the Town entered into an installment purchase contract for \$88,000 to finance the purchase of police vehicles. The contract requires five annual payments with an interest rate of 3.51%. The future minimum payments as of June 30, 2019 for the police vehicles, including \$6,391 of interest, are as follows:

	<u>Governmental Activities</u>	
Year ending June 30	Principal	Interest
2020	\$ 16,983	\$ 2,513
2021	17,579	1,917
2022	18,196	1,300
2023	18,835	661
Total payments	<u>\$ 71,593</u>	<u>\$ 6,391</u>

TOWN OF EDENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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In November 2018, the Town entered into an installment purchase contract for \$57,743 to finance the purchase of police vehicles. The contract requires five annual payments with an interest rate of 2.61%. The future minimum payments as of June 30, 2019 for the police vehicles, including \$4,525 of interest, are as follows:

	<u>Governmental Activities</u>	
Year ending June 30	Principal	Interest
2020	\$ 11,549	\$ 1,507
2021	11,549	1,209
2022	11,549	904
2023	11,549	603
2024	11,547	302
Total payments	<u>\$ 57,743</u>	<u>\$ 4,525</u>

In November 2018, the Town entered into an installment purchase contract for \$230,000 to finance the purchase of a street sweeper. The contract requires six annual payments with an interest rate of 3.05%. The future minimum payments as of June 30, 2019 for the street sweeper, including \$24,572 of interest, are as follows:

	<u>Governmental Activities</u>	
Year ending June 30	Principal	Interest
2020	\$ 38,333	\$ 7,015
2021	38,333	5,862
2022	38,333	4,677
2023	38,333	3,508
2024	38,333	2,338
2025	38,335	1,172
Total payments	<u>\$ 230,000</u>	<u>\$ 24,572</u>

Business-type Activities

The Town entered into an agreement with the North Carolina Department of Environmental and Natural Resources Division of Environmental Health to participate in the State Revolving Loan Fund. Funds available to the Town total \$630,300. At June 30, 2019, the total amount drawn by the Town was \$66,021. The revolving loan is to be repaid in nineteen annual principal payments of \$33,010. Interest is calculated at 2.55%. Principal payments are due on May 1 of each year and interest payments are calculated on a six-month basis and are due on November 1 and May 1 of each year.

	<u>Business-type Activities</u>	
Year ending June 30	Principal	Interest
2019	\$ 33,010	\$ 2,525
2020	33,011	842
Total payments	<u>\$ 66,021</u>	<u>\$ 3,367</u>

TOWN OF EDENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

The Town entered into an agreement with the United States Department of Agriculture's Rural Development Division to finance the water tank rehabilitation project. Funds available to the Town total \$335,000. The contract requires 39 annual payments with an interest rate of 3.17%. The future minimum payments as of June 30, 2019 for the rehabilitation, including \$172,530 of interest, are as follows:

Business-type Activities

Year ending June 30	Principal	Interest
2020	\$ 5,734	\$ 9,352
2021	5,915	9,171
2022	6,103	8,983
2023	6,296	8,790
2024	6,496	8,590
2025-2029	35,703	39,727
2030-2034	41,731	33,699
2035-2039	48,778	26,652
2040-2044	57,015	18,315
2045-2049	66,643	8,787
2050-2054	12,818	464
Total payments	<u>\$ 293,232</u>	<u>\$ 172,530</u>

The Town entered into an agreement with the North Carolina Department of State Treasurer to finance capital improvements to the Town's Freemason and Beaver Hill water treatment plant. Funds available to the Town total \$2,641,000, all of which had been drawn by the Town at June 30, 2019. The bond is to be paid in full on or before February 1, 2020, with interest due at maturity. Interest is calculated at 4.54%. The future minimum payment as of June 30, 2019 for the water treatment plant, including \$119,901 of interest is as follows:

Business-type Activities

Year ending June 30	Principal	Interest
2020	\$ 2,641,000	\$ 119,901

**TOWN OF EDENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

b. Changes in Long-Term Liabilities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Installment purchases	\$ 2,813,484	\$ 287,743	\$ 225,138	\$ 2,876,089	\$ 275,406
Net pension liability (LGERS)	524,206	318,042		842,248	-
Total pension liability (LEO)	426,912		6,233	420,679	-
Total OPEB liability	887,796	-	18,299	869,497	-
Compensated absences	121,756	17,423	-	139,179	76,548
Total	<u>\$ 4,774,154</u>	<u>\$ 623,208</u>	<u>\$ 249,670</u>	<u>\$ 5,147,692</u>	<u>\$ 351,954</u>
Business-type activities:					
Installment purchase - Electric	\$ 42,063	\$ -	\$ 42,063	\$ -	\$ -
Clean Water Revolving Loan	99,031	-	33,010	66,021	33,010
Water Tank Rehabilitation Loan	298,613	-	5,381	293,232	5,734
Water Treatment Plant Bond	-	2,641,000	-	2,641,000	2,641,000
Net pension liability (LGERS)	246,683	149,669	-	396,352	-
Total OPEB liability	417,787	16,690	6,023	428,454	-
Compensated absences	67,735	14,938	-	82,673	45,470
Total	<u>\$ 1,171,912</u>	<u>\$ 2,822,297</u>	<u>\$ 86,477</u>	<u>\$ 3,907,732</u>	<u>\$ 2,725,214</u>

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

C. Interfund Balances and Activity

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport Fund	\$ 444,488
General Fund	Water and Sewer Fund	\$ 7,245
General Fund	Governmental Capital Projects Fund	\$ 6,987
Electric Fund	General Fund	\$ 17,793

The interfund balances resulted from the negative cash balance owed by the Airport Fund to the General Fund and purchase of software from multiple funds.

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

	<u>Amount</u>
From the Electric Fund to the General Fund - operating transfer and payment in lieu of taxes	\$ 335,899
From the General Fund to the Governmental Special Projects Fund - operating transfer	122,538
Total	<u>\$ 458,437</u>

TOWN OF EDENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Transfers are used to move unrestricted revenues from one fund to another. The transfer from the electric fund to the general fund was to pay back the general fund for expenses related to the electric fund and for payment in lieu of taxes.

D. Net Investment in Capital Assets

The Town's net investment in capital assets as of June 30, 2019 is as follows:

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 7,036,250	\$ 12,559,418
Less: Long-term debt	(2,876,089)	(3,000,253)
Net investment in capital assets	<u>\$ 4,160,161</u>	<u>\$ 9,559,165</u>

E. Fund Balance

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

Total Fund Balance-General Fund	\$ 2,717,580
Less:	
Stabilization for State Statute	744,283
Streets - Powell Bill	140,747
Inventories	13,061
Security Deposits	22,208
Remaining Fund Balance	<u>\$ 1,797,281</u>

IV. Jointly Governed Organization

The Town, in conjunction with thirty-one other local governments, is a member of the North Carolina Eastern Municipal Power Agency (NCEMPA). NCEMPA was formed to enable municipalities that own and operate their own electric distributions to collectively purchase wholesale power. Each participating government appoints one commissioner to NCEMPA's governing board. The 32 members who receive power from NCEMPA have signed power sales agreements to purchase a specified share of the wholesale power purchased by NCEMPA. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2019 were \$8,263,877.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

**TOWN OF EDENTON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

VI. Significant Effects of Subsequent Events

The Town has evaluated events and transactions that occurred between June 30, 2019 and November 30, 2019, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. No such items were noted.

VII. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. Pursuant to the continued implementation of the statement, the Town's OPEB liability was revalued as of the measurement period (fiscal year ending June 30, 2018). As a result, the net position for the business-type activities increased by \$10,303.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

TOWN OF EDENTON, NORTH CAROLINA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
LAST SIX FISCAL YEARS

	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.052%	0.050%	0.050%	0.053%	0.051%	0.052%
Town's proportionate share of the net pension liability (asset) (\$)	\$ 1,238,600	\$ 770,889	\$ 1,061,380	\$ 239,298	\$ (307,435)	\$ 609,924
Town's covered payroll	\$ 3,159,091	\$ 3,123,019	\$ 3,013,958	\$ 3,034,304	\$ 2,940,730	\$ 2,695,027
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	39.21%	24.68%	35.22%	7.89%	-10.45%	22.63%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

TOWN OF EDENTON, NORTH CAROLINA
SCHEDULE OF CONTRIBUTIONS
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
LAST SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 256,618	\$ 242,234	\$ 230,899	\$ 210,038	\$ 217,206	\$ 209,466
Contributions in relation to the contractually required contribution	256,618	242,234	230,899	210,038	217,206	209,466
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 3,250,734	\$ 3,159,091	\$ 3,123,019	\$ 3,013,958	\$ 3,034,304	\$ 2,940,730
Town's contributions as a percentage of covered payroll	7.89%	7.67%	7.39%	6.97%	7.16%	7.12%

TOWN OF EDENTON, NORTH CAROLINA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
FIREFIGHTERS' AND RESCUE SQUAD WORKERS' PENSION PLAN
LAST FIVE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability (%)	0%	0%	0%	0%	0%
Town's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the Town	28,126	25,045	46,773	26,131	21,417
Total	<u>\$ 28,126</u>	<u>\$ 25,045</u>	<u>\$ 46,773</u>	<u>\$ 26,131</u>	<u>\$ 21,417</u>
Town's covered payroll	\$ 395,071	\$ 398,773	\$ 409,800	\$ 391,732	\$ 389,647
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	7.12%	6.28%	11.41%	6.67%	5.50%
Plan fiduciary net position as a percentage of the total pension liability (asset)	89.69%	89.35%	84.94%	91.40%	93.42%

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

TOWN OF EDENTON, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018	2017
Beginning balance	\$ 426,912	\$ 385,821	\$ 379,699
Service cost	22,169	19,662	21,930
Interest on the total pension liability	12,753	14,397	13,180
Differences between expected and actual experience in the measurement of the total pension liability	20,340	9,334	-
Changes of assumptions and other inputs	(14,823)	23,407	(7,966)
Benefit payments	(46,672)	(25,709)	(21,022)
Ending balance of the total pension liability	<u>\$ 420,679</u>	<u>\$ 426,912</u>	<u>\$ 385,821</u>

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

TOWN OF EDENTON, NORTH CAROLINA
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018	2017
Total pension liability	\$ 420,679	\$ 426,912	\$ 385,821
Covered payroll	882,153	855,015	863,216
Total pension liability as a percentage of covered payroll	47.69%	49.93%	44.70%

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

TOWN OF EDENTON, NORTH CAROLINA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>
Total OPEB Liability	
Service cost	\$ 53,993
Interest	45,079
Differences between expected and actual experience	14,075
Changes of assumptions and other inputs	(41,456)
Benefit payments	<u>(79,323)</u>
Net change in total OPEB liability	(7,632)
Total OPEB liability, beginning	1,305,583
Total OPEB liability, ending	<u>\$ 1,297,951</u>
 Covered payroll	 \$ 2,836,544
Total OPEB liability as a percentage of covered payroll	45.76%

Notes to Schedule:

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

<u>Fiscal year</u>	<u>Rate</u>
2019	3.89%
2018	3.56%
2017	3.01%

TOWN OF EDENTON, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 1,935,675	\$ 1,974,887	\$ 39,212
Penalties and interest	7,000	9,144	2,144
Total	<u>1,942,675</u>	<u>1,984,031</u>	<u>41,356</u>
Other taxes and licenses:			
Auto/Bicycle taxes	19,000	18,275	(725)
Land transfer tax	80,000	96,489	16,489
Total	<u>99,000</u>	<u>114,764</u>	<u>15,764</u>
Unrestricted intergovernmental:			
Utility franchise tax	410,000	416,295	6,295
Local option sales taxes	690,150	765,463	75,313
Payments in lieu of taxes	20,000	21,667	1,667
Beer and wine tax	22,000	20,420	(1,580)
Total	<u>1,142,150</u>	<u>1,223,845</u>	<u>81,695</u>
Restricted intergovernmental:			
Powell Bill revenue	134,000	131,938	(2,062)
Powell Bill - vehicle tax	95,000	78,425	(16,575)
Chowan County - Fire protection	385,152	385,152	-
Solid Waste disposal tax	3,100	3,321	221
NC Preservation office grant	4,500	-	(4,500)
FEMA grants	211,560	-	(211,560)
Total	<u>833,312</u>	<u>598,836</u>	<u>(234,476)</u>
Permits and fees:			
Video programming fees	25,000	21,961	(3,039)
Officers fees	1,300	1,114	(186)
Police revenue	12,000	17,400	5,400
Nuisance fees	11,000	24,241	13,241
Other	<u>49,300</u>	<u>64,716</u>	<u>15,416</u>

TOWN OF EDENTON, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
- BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Sales and services:			
Refuse collections	226,000	241,842	15,842
Cemetery lot sales	32,000	27,300	(4,700)
Rents	32,940	32,962	22
Garage	274,500	274,893	393
Trolley ticket sales	25,000	35,794	10,794
Administrative fees from other funds	551,900	551,900	-
Miscellaneous	165,028	158,206	(6,822)
Total	1,307,368	1,322,897	15,529
Investment earnings			
General Fund - unrestricted	10,000	40,899	30,899
General Fund - restricted	400	408	8
Total	10,400	41,307	30,907
Total revenues	5,384,205	5,350,396	(33,809)
Expenditures:			
General government:			
Elected officials:			
Salaries and employee benefits	38,754	38,754	-
Training and travel	10,695	8,471	2,224
Total	49,449	47,225	2,224
Administration:			
Salaries and employee benefits	282,176	285,628	(3,452)
Other operating expenses	365,983	384,374	(18,391)
Capital outlay	20,366	-	20,366
Total	668,525	670,002	(1,477)
Inspections:			
Salaries and employee benefits	78,914	70,068	8,846
Other operating expenses	36,450	34,058	2,392
Total	115,364	104,126	11,238
Total general government:	833,338	821,353	11,985

TOWN OF EDENTON, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Public safety:			
Police:			
Salaries and employee benefits	1,347,914	1,271,979	75,935
Other operating expenses	183,287	175,292	7,995
Capital outlay	43,037	7,865	35,172
Total	<u>1,574,238</u>	<u>1,455,136</u>	<u>119,102</u>
Fire:			
Salaries and employee benefits	631,295	575,147	56,148
Other operating expenses	133,047	117,515	15,532
Capital outlay	27,500	33,094	(5,594)
Total	<u>791,842</u>	<u>725,756</u>	<u>66,086</u>
Total public safety	<u>2,366,080</u>	<u>2,180,892</u>	<u>185,188</u>
Transportation and Utilities:			
Street:			
Salaries and employee benefits	201,281	173,569	27,712
Other operating expenses	292,532	348,447	(55,915)
Capital outlay	202,039	145,880	56,159
Total	<u>695,852</u>	<u>667,896</u>	<u>27,956</u>
Garage:			
Salaries and employee benefits	129,886	136,444	(6,558)
Other operating expenses	200,338	219,390	(19,052)
Capital outlay	32,500	30,125	2,375
Total	<u>362,724</u>	<u>385,959</u>	<u>(23,235)</u>
Total transportation and utilities	<u>1,058,576</u>	<u>1,053,855</u>	<u>4,721</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits	300,850	322,252	(21,402)
Other operating expenses	76,943	76,990	(47)
Capital outlay	51,500	29,629	21,871
Total	<u>429,293</u>	<u>428,871</u>	<u>422</u>

TOWN OF EDENTON, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Mosquito Control:			
Salaries and employee benefits	1,730	939	791
Other operating expenses	2,750	2,691	59
Total	4,480	3,630	850
Cemetery:			
Salaries and employee benefits	327,148	361,029	(33,881)
Other operating expenses	149,649	121,472	28,177
Capital outlay	20,750	8,137	12,613
Total	497,547	490,638	6,909
Total environmental protection	931,320	923,139	8,181
Economic and physical development:			
Main Street Program			
Capital Outlay	298,935	57,674	241,261
Total economic and physical development	298,935	57,674	241,261
Debt service:			
Principal retirement	222,797	225,137	(2,340)
Interest and other charges	86,064	86,064	-
Total	308,861	311,201	(2,340)
Total expenditures	5,797,110	5,348,114	448,996
Revenue over (under) expenditures	(412,905)	2,282	415,187
Other financing sources (uses):			
Sale of capital assets	9,000	21,687	12,687
Insurance recovery	-	16,073	16,073
Transfers from (to) other funds	368,905	213,361	(155,544)
Fund balance appropriated	35,000	-	(35,000)
Total other financing sources (uses)	412,905	251,121	161,784
Net change in fund balance	\$ -	253,403	\$ 253,403
Fund balance, beginning		2,464,177	
Fund balance, ending		<u>\$ 2,717,580</u>	

TOWN OF EDENTON, NORTH CAROLINA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>		<u>Total</u>
	<u>NC Housing Finance Grant</u>	<u>Total Special Revenue Funds</u>	<u>Governmental Special Projects Fund</u>	<u>Total Capital Project Funds</u>	<u>Non-major Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	14,417	14,417	14,417
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,417</u>	<u>\$ 14,417</u>	<u>\$ 14,417</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	6,987	6,987	6,987
Total liabilities	<u>-</u>	<u>-</u>	<u>6,987</u>	<u>6,987</u>	<u>6,987</u>
Fund balances:					
Unrestricted	-	-	7,430	7,430	7,430
Total fund balances	<u>-</u>	<u>-</u>	<u>7,430</u>	<u>7,430</u>	<u>7,430</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,417</u>	<u>\$ 14,417</u>	<u>\$ 14,417</u>

TOWN OF EDENTON, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue Funds		Capital Project Funds		Total Non-major Governmental Funds
	NC Housing Finance Grant	Total Special Revenue Funds	Governmental Special Projects Fund	Total Capital Project Funds	
Revenues:					
Restricted intergovernmental	\$ 182,785	\$ 182,785	\$ 495,346	\$ 495,346	\$ 678,131
Total revenues	<u>182,785</u>	<u>182,785</u>	<u>495,346</u>	<u>495,346</u>	<u>678,131</u>
Expenditures:					
Economic and physical development	182,785	182,785	-	-	182,785
Capital outlay	-	-	898,197	898,197	898,197
Total expenditures	<u>182,785</u>	<u>182,785</u>	<u>898,197</u>	<u>898,197</u>	<u>1,080,982</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(402,851)</u>	<u>(402,851)</u>	<u>(402,851)</u>
Other financing sources (uses):					
Installment purchase proceeds	-	-	287,743	287,743	287,743
Transfers in	-	-	122,538	122,538	122,538
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>410,281</u>	<u>410,281</u>	<u>410,281</u>
Net change in fund balances	-	-	7,430	7,430	7,430
Fund balances, beginning	-	-	-	-	-
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,430</u>	<u>\$ 7,430</u>	<u>\$ 7,430</u>

TOWN OF EDENTON, NORTH CAROLINA
NORTH CAROLINA HOUSING FINANCE GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
-- BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Federal grant no. SFRLP 2014	\$ 506,879	\$ 333,884	\$ 182,785	\$ 516,669	\$ (9,790)
Total restricted intergovernmental	506,879	333,884	182,785	516,669	(9,790)
Expenditures:					
Current:					
Economic and physical development:					
Administration	206,330	80,042	32,821	112,863	93,467
Rehabilitation	300,549	253,842	149,964	403,806	(103,257)
Total economic and physical development	506,879	333,884	182,785	516,669	(9,790)
Total economic and physical development					
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning			-		
Fund balance, ending			\$ -		

TOWN OF EDENTON, NORTH CAROLINA
GOVERNMENTAL SPECIAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Restricted intergovernmental:			
Hazard Mitigation Grant	\$ 220,902	\$ 144,929	\$ (75,973)
Regulator Building Reuse Grant	346,000	336,000	(10,000)
PARTF Grant	12,132	14,417	2,285
PARTF Grant - Town match	2,426	-	(2,426)
Other Grants	24,500	-	(24,500)
Total restricted intergovernmental	<u>605,960</u>	<u>495,346</u>	<u>(110,614)</u>
Expenditures:			
Capital Outlay:			
Police Vehicles	146,000	180,281	(34,281)
Street Sweeper	230,000	230,000	-
Hazard Mitigation Real Estate Acquisition	181,509	123,534	57,975
Hazard Mitigation Administration	19,769	3,196	16,573
Hazard Mitigation Demolition	19,624	10,628	8,996
Regulator Building Reuse Reimbursement	346,000	336,000	10,000
Fire Command Vehicle	40,000	-	40,000
Police Surveillance Cameras	24,500	-	24,500
Colonial Park Upgrades	14,558	14,558	-
Total capital outlay	<u>1,021,960</u>	<u>898,197</u>	<u>123,763</u>
Revenues over (under) expenditures	<u>(416,000)</u>	<u>(402,851)</u>	<u>13,149</u>
Other financing sources:			
Installment purchase proceeds	416,000	287,743	(128,257)
Transfers in	-	122,538	
Total other financing sources	<u>416,000</u>	<u>410,281</u>	<u>(128,257)</u>
Net change in fund balance	<u>\$ -</u>	<u>7,430</u>	<u>\$ (115,108)</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ 7,430</u>	

TOWN OF EDENTON, NORTH CAROLINA
ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Electricity sales	\$ 12,001,000	\$ 11,716,046	\$ (284,954)
Penalties	130,000	85,563	(44,437)
Pole rent	27,000	27,076	76
Sale of merchandise and scrap	11,000	5,469	(5,531)
Connection fees and service	30,000	58,262	28,262
Miscellaneous	55,000	8,410	(46,590)
Total operating revenues	12,254,000	11,900,826	(353,174)
Non-operating revenues:			
Investment earnings	850	3,257	2,407
Total non-operating revenues	850	3,257	2,407
Total revenues	12,254,850	11,904,083	(350,767)
Expenditures:			
Electric Administration:			
Salaries and employee benefits	274,193	263,088	11,105
Contracted services	38,750	49,599	(10,849)
Services	454,760	454,759	1
Industrial development	40,000	40,000	-
Maintenance and repair	12,700	14,229	(1,529)
Other operating expenses	107,566	93,434	14,132
Total electric administration	927,969	915,109	12,860
Billing and Collection:			
Salaries and employee benefits	164,594	170,207	(5,613)
Other operating expenses	38,050	32,071	5,979
Total billing and collection	202,644	202,278	366
Electric Power:			
Salaries and employee benefits	318,568	337,558	(18,990)
Electricity purchases	8,471,271	8,263,877	207,394
Sales tax	700,000	654,898	45,102
Maintenance and repair	465,000	473,421	(8,421)
Contracted services	10,000	4,137	5,863
Other operating expenses	193,700	166,144	27,556
Total electric power	10,158,539	9,900,035	258,504
Debt service:			
Debt principal	42,064	42,063	1
Interest and fees	2,454	787	1,667
Total debt service	44,518	42,850	1,668

**TOWN OF EDENTON, NORTH CAROLINA
ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Variance Positive (Negative)
Capital outlay:			
Plant Distribution System	300,000	80,460	219,540
Neighborhood Redevelopment	100,000	14,764	85,236
Furniture and Equipment	116,000	102,110	13,890
Total capital outlay	<u>516,000</u>	<u>197,334</u>	<u>318,666</u>
Total expenditures	<u>11,849,670</u>	<u>11,257,606</u>	<u>592,064</u>
Revenues over (under) expenditures	<u>405,180</u>	<u>646,477</u>	<u>241,297</u>
Other financing sources (uses):			
Transfer to general fund	<u>(405,180)</u>	<u>(335,899)</u>	<u>(69,281)</u>
Total other financing sources (uses)	<u>(405,180)</u>	<u>(335,899)</u>	<u>(69,281)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>310,578</u>	<u>\$ 310,578</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Debt principal		42,063	
Capital outlay		85,350	
Solar Farm Project Fund Expenditures		(439,453)	
Solar Farm Project Fund - Capital Outlay		439,453	
Increase in deferred outflows of resources - pensions		60,687	
Increase in net pension liability		(79,511)	
Decrease in deferred inflows of resources - pensions		3,408	
Increase in inventory		(6,110)	
Increase in accrued vacation		(7,136)	
Increase in deferred outflows of resources - OPEB		1,279	
Increase in deferred inflows of resources - OPEB		(4,400)	
Decrease in OPEB liability		6,023	
Depreciation		(220,051)	
Decrease in accrued interest		501	
Total reconciling items		<u>(117,897)</u>	
Change in net position (full accrual)		<u>\$ 192,681</u>	

TOWN OF EDENTON, NORTH CAROLINA
SOLAR FARM PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenue:					
Non-operating revenue:					
O2 EMC Solar Farm Grant	\$ 827,722	\$ 446,082	\$ -	\$ 446,082	\$ (381,640)
Total non-operating revenue	827,722	446,082	-	446,082	(381,640)
Expenditures:					
Capital outlay	827,722	-	439,453	439,453	388,269
Total	827,722	-	439,453	439,453	388,269
Revenue over (under) expenditures	-	446,082	(439,453)	6,629	6,629
Other financing sources:					
Long-term debt issued	-	-	-	-	-
Total	-	-	-	-	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 446,082	\$ (439,453)	\$ 6,629	\$ 6,629

TOWN OF EDENTON, NORTH CAROLINA
AIRPORT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Hangar rentals	\$ 43,783	\$ 41,812	\$ (1,971)
Sale of fuel	137,463	142,181	4,718
Other operating revenue	635,311	142,254	(493,057)
Total operating revenues	<u>816,557</u>	<u>326,247</u>	<u>(490,310)</u>
Non-operating revenues:			
Restricted intergovernmental:			
Federal and state grants	57,938	563,705	505,767
Total non-operating revenues	<u>57,938</u>	<u>563,705</u>	<u>505,767</u>
Total revenues	<u>874,495</u>	<u>889,952</u>	<u>15,457</u>
Expenditures:			
Administration:			
Salaries and employee benefits	49,978	50,105	(127)
Insurance	21,000	21,019	(19)
Fuel Purchases	119,353	105,768	13,585
Other operating expenses	117,260	102,220	15,040
Total administration	<u>307,591</u>	<u>279,112</u>	<u>28,479</u>
Capital outlay	587,436	558,328	29,108
Total capital outlay	<u>587,436</u>	<u>558,328</u>	<u>29,108</u>
Total expenditures	<u>895,027</u>	<u>837,440</u>	<u>57,587</u>
Revenues over (under) expenditures	<u>(20,532)</u>	<u>52,512</u>	<u>73,044</u>
Other financing sources (uses):			
Sale of capital assets	20,532	19,100	1,432
Total other financing sources (uses)	<u>20,532</u>	<u>19,100</u>	<u>1,432</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>71,612</u>	<u>\$ 71,612</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		558,328	
Decrease in inventory		(19,855)	
Increase in deferred outflows of resources - OPEB		249	
Increase in deferred inflows of resources - OPEB		(584)	
Increase in OPEB liability		(3,948)	
Depreciation		(193,725)	
Total reconciling items		<u>340,465</u>	
Change in net position (full accrual)		<u>\$ 412,077</u>	

TOWN OF EDENTON, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Charges for water and sewer	\$ 1,978,342	\$ 2,125,423	\$ 147,081
Other operating revenue	40,000	60,979	20,979
Total operating revenues	2,018,342	2,186,402	168,060
Non-operating revenues:			
Sale of merchandise and scrap	6,000	28,863	22,863
Rents	96,935	347,738	250,803
Interest earned	600	1,997	1,397
Total non-operating revenues	103,535	378,598	275,063
Total revenues	2,121,877	2,565,000	443,123
Expenditures:			
Water Operations:			
Salaries and employee benefits	88,638	75,734	12,904
Services	97,140	97,140	-
Utilities	54,000	60,344	(6,344)
Maintenance and repair	23,400	11,963	11,437
Other operating expenses	134,100	128,809	5,291
Total water operations	397,278	373,990	23,288
Sewage Collections:			
Salaries and employee benefits	244,440	274,134	(29,694)
Utilities	124,000	122,568	1,432
Maintenance and repair	72,000	141,470	(69,470)
Chemicals	4,500	2,224	2,276
Other operating expenses	92,700	93,163	(463)
Total sewage collections	537,640	633,559	(95,919)
Water and Sewer Line Maintenance:			
Salaries and employee benefits	407,171	414,123	(6,952)
Maintenance and repair	81,500	79,694	1,806
Other operating expenses	70,767	61,679	9,088
Total water and sewer line maintenance	559,438	555,496	3,942
Debt service:			
Debt principal	38,391	38,391	-
Interest and fees	12,230	12,231	(1)
Total debt service	50,621	50,622	(1)

TOWN OF EDENTON, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Capital outlay:			
Plant Distribution System	656,430	174,084	482,346
Total capital outlay	656,430	174,084	482,346
Total expenditures	2,201,407	1,787,751	413,656
Revenues over (under) expenditures	(79,530)	777,249	856,779
Other financing sources (uses):			
Installment purchase obligations issued	150,530	-	(150,530)
Transfers to other funds	(337,285)	-	337,285
Fund balance appropriated	266,285	-	(266,285)
Total other sources	79,530	-	(79,530)
Revenues and other financing sources over (under) expenditures	\$ -	777,249	\$ 777,249
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Debt principal		38,391	
Capital outlay		56,195	
Waste Water Treatment Plant Fund Expenditures		(83,943)	
Waste Water Treatment Plant Fund - Capital Outlay		83,943	
Waste Water Abatement Fund Grant Revenue		84,004	
Waste Water Abatement Fund Expenditures		(95,126)	
Waste Water Abatement Fund - Capital Outlay		95,126	
Waste Treatment Plants Fund Expenditures		(330,460)	
Waste Treatment Plants Fund - Capital Outlay		330,460	
Water Supply Well Rehab Fund Expenditures		(25,000)	
Water Supply Well Rehab Fund - Capital Outlay		25,000	
Increase in deferred outflows of resources - pensions		53,683	
Increase in net pension liability		(70,158)	
Decrease in deferred inflows of resources - pensions		3,008	
Increase in inventory		1,858	
Increase in accrued vacation		(7,802)	
Increase in deferred outflows of resources - OPEB		1,918	
Increase in deferred inflows of resources - OPEB		(5,442)	
Increase in OPEB liability		(12,742)	
Depreciation		(319,890)	
Increase in accrued interest		(48,764)	
Total reconciling items		(225,741)	
Change in net position (full accrual)		\$ 551,508	

**TOWN OF EDENTON, NORTH CAROLINA
WASTE WATER TREATMENT PLANT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019**

		Actual			Variance
	Project	Prior Years	Current Year	Total to Date	Positive
	Authorization				(Negative)
Revenue:					
Non-operating revenue:					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total non-operating revenue	-	-	-	-	-
Expenditures:					
Professional services	30,000	10,500	15,000	25,500	4,500
Capital outlay	380,900	33,870	68,943	102,813	278,087
Total	410,900	44,370	83,943	128,313	282,587
Revenue over (under) expenditures	(410,900)	(44,370)	(83,943)	(128,313)	282,587
Other financing sources:					
Long-term debt issued	410,900	-	-	-	(410,900)
Total	410,900	-	-	-	(410,900)
Revenues and other financing sources over (under) expenditures	\$ -	\$ (44,370)	\$ (83,943)	\$ (128,313)	\$ (128,313)

**TOWN OF EDENTON, NORTH CAROLINA
WASTE WATER ABATEMENT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019**

		Actual			Variance
	Project				Positive
	Authorization	Prior Years	Current Year	Total to Date	(Negative)
Revenue:					
Restricted intergovernmental:					
N.C. Department of Commerce Grant	\$ 187,995	\$ -	\$ 84,004	\$ -	\$ (187,995)
Total non-operating revenue	187,995	-	84,004	-	(187,995)
Expenditures:					
Professional services	129,000	34,593	95,126	129,719	(719)
Capital outlay	1,058,995	72,192	-	72,192	986,803
Total	1,187,995	106,785	95,126	201,911	986,084
Revenue over (under) expenditures	(1,000,000)	(106,785)	(11,122)	(201,911)	798,089
Other financing sources:					
Long-term debt issued	1,000,000	-	-	-	(1,000,000)
Total	1,000,000	-	-	-	(1,000,000)
Revenues and other financing sources over (under) expenditures	\$ -	\$ (106,785)	\$ (11,122)	\$ (201,911)	\$ (201,911)

**TOWN OF EDENTON, NORTH CAROLINA
WATER TREATMENT PLANTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019**

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenue:					
Restricted intergovernmental:					
U.S.D.A. Grant	\$ 1,115,197	\$ -	\$ -	\$ -	\$(1,115,197)
Total non-operating revenue	<u>1,115,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,115,197)</u>
Expenditures:					
Professional services	489,000	115,129	143,220	258,349	230,651
Contingencies	292,620	-	-	-	292,620
Capital outlay	2,974,577	-	187,240	187,240	2,787,337
Total	<u>3,756,197</u>	<u>115,129</u>	<u>330,460</u>	<u>445,589</u>	<u>3,310,608</u>
Revenue over (under) expenditures	<u>(2,641,000)</u>	<u>(115,129)</u>	<u>(330,460)</u>	<u>(445,589)</u>	<u>2,195,411</u>
Other financing sources:					
Short-term debt issued	2,641,000	-	2,641,000	2,641,000	-
Total	<u>2,641,000</u>	<u>-</u>	<u>2,641,000</u>	<u>2,641,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (115,129)</u>	<u>\$ 2,310,540</u>	<u>\$ 2,195,411</u>	<u>\$ 2,195,411</u>

**TOWN OF EDENTON, NORTH CAROLINA
WATER SUPPLY WELL REHAB FUND
SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenue:					
Restricted intergovernmental:					
NC Department of Commerce	\$ 1,336,000	\$ -	\$ -	\$ -	\$(1,336,000)
Total non-operating revenue	<u>1,336,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,336,000)</u>
Expenditures:					
Professional services	214,000	-	25,000	25,000	189,000
Capital outlay	<u>1,122,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,122,000</u>
Total	<u>1,336,000</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>1,311,000</u>
Revenue over (under) expenditures	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>
Other financing sources:					
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,000)</u>	<u>\$ (25,000)</u>	<u>\$ (25,000)</u>

OTHER SCHEDULES

This section includes additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

**TOWN OF EDENTON, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2019**

Fiscal Year	Uncollected Balance July 1, 2018	Additions	Collections/ (Adjustments)	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 2,007,862	\$ 1,976,133	\$ 31,729
2017-2018	18,510		6,769	11,741
2016-2017	9,882		4,265	5,617
2015-2016	5,235		1,370	3,865
2014-2015	5,240		783	4,457
2013-2014	6,119		1,367	4,752
2012-2013	6,086		1,053	5,033
2011-2012	5,484		438	5,046
2010-2011	3,972		278	3,694
2009-2010	4,099		158	3,941
2008-2009	3,619		3,619	-
	<u>\$ 68,246</u>	<u>\$ 2,007,862</u>	<u>\$ 1,996,233</u>	<u>\$ 79,875</u>

Reconciliation with revenue:

Ad valorem taxes - General Fund	\$ 1,984,032
Interest collected	(9,144)
Adjustments	7,766
Taxes written off	13,579
Total collection and credits	<u>\$ 1,996,233</u>

TOWN OF EDENTON, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
JUNE 30, 2019

	Town-wide			Total Levy	
	Property Valuation	Rate per \$100	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 511,427,717	0.385	\$ 1,968,997	\$ 1,820,460	\$ 148,536
Penalties	538,317		2,073	2,073	-
Total			<u>1,971,069</u>	<u>1,822,533</u>	<u>148,536</u>
Discoveries:					
Current year taxes	11,045,223	0.385	42,524	42,524	-
Penalties	60,977		235	235	-
Total			<u>42,759</u>	<u>42,759</u>	<u>-</u>
Abatements	<u>(1,549,597)</u>	0.385	<u>(5,966)</u>	<u>(5,966)</u>	
Total property valuation	<u>\$ 521,522,636</u>		2,007,862	1,859,326	148,536
Less: Uncollected Tax at June 30, 2019			<u>(31,729)</u>	<u>(30,104)</u>	<u>(1,625)</u>
Current Year Taxes Collected			<u>\$ 1,976,133</u>	<u>\$ 1,829,222</u>	<u>\$ 146,912</u>
Current levy collection percentage			<u>98.42%</u>	<u>98.38%</u>	<u>98.91%</u>

COMPLIANCE SECTION

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

Independent Auditor's Report

To the Honorable Mayor and Town Council
Town of Edenton, North Carolina

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

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that I consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Edenton's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2019-001.

Town of Edenton's Response to Findings

The Town of Edenton's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink, reading "Sheila H. Wimbome, CPA, PC." The signature is written in a cursive, flowing style.

Edenton, North Carolina
November 30, 2019

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

Independent Auditor's Report

To the Honorable Mayor and Town Council
Town of Edenton, North Carolina

Report on Compliance for Each Major State Program

I have audited the Town of Edenton, North Carolina, 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, 2019. 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.

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

My responsibility is to express an opinion on compliance for each of the Town's major state programs based on my audit of the types of compliance requirements referred to above. I conducted the 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations 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 I 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 of Edenton's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances.

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

Opinion on Each Major State Program

In my opinion, the Town of Edenton 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, 2019.

Report on Internal Control Over Compliance

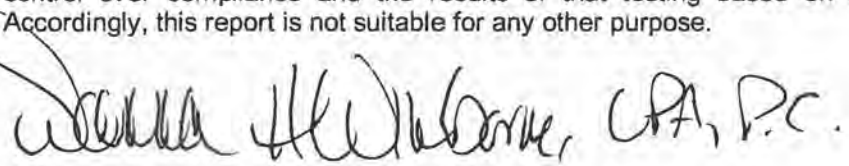
Management of the Town of Edenton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing the audit of compliance, I considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major state 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, I 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 state 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 state 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 state 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.

My 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 significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.



Edenton, North Carolina
November 30, 2019

**TOWN OF EDENTON, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant Deficiency(ies) identified

 X yes _____ none reported

Noncompliance material to financial statements noted

 X yes _____ no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes X no

Significant Deficiency(ies) identified

_____ yes X none reported

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 X no

Identification of major federal programs:

_____ CFDA Numbers _____ Names of Federal Program or Cluster
There are no major federal programs.

Dollar threshold used to distinguish between Type A and Type B Programs

 \$ 750,000

Auditee qualified as low-risk auditee?

_____ yes X no

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 none reported

Type of auditor's report issued on compliance for major State programs: N/A

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

_____ yes X no

Identification of major State programs:

_____ Names of State Program
North Carolina Department of Commerce - Rural Building Reuse Program
North Carolina Department of Transportation - Airport Improvement Program - State Block Grant

**TOWN OF EDENTON, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section II. Financial Statement Findings

Finding 2019-001 - Preaudit of expenditures

SIGNIFICANT DEFICIENCY

Criteria: North Carolina General Statutes 159-28(a) states that no obligation may be incurred unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay for that obligation in the current fiscal year. Evidence that the budget includes the appropriation is generally in the form of a purchase order. Evidence that a sufficient balance remains to cover an expenditure is provided by the finance officer's preaudit as required in N.C.G.S 159-28(a)(1).

Condition : During our testing of expenditures, we noted several instances in which a purchase order was not prepared and there was no evidence of a preaudit that included the language on the invoice or contract as required by N.C.G.S. 159-28(a)(1).

Effect: The Town was not in compliance with N.C.G.S. 159-28(a)(1).

Cause: Formal documentation of the preaudit function was not always completed.

Questioned Costs: There are no questioned costs associated with this finding.

Context: Samples were selected for testing from all funds. This is a small Town and we noted that there is constant communication between the finance staff, the Town manager, and the department heads with the authority to make purchases. We also noted that invoices are initialled and dated to indicate approval for payment; however, the preaudit language is not always present.

Recommendation: We recommend that the procedures set forth in the N.C.G.S. be followed. Having a stamp maintained by the finance officer with the preaudit language (for expenditures that are not evidenced by a purchase order) and utilizing check request forms and expense reimbursement forms that are pre-printed with the proper language including a place for signature can also be helpful.

Views of responsible officials and planned corrective actions: The upgrade to the Town's financial management software was delayed due to circumstances beyond our control and was not installed in FY 2018/19. The upgrades were installed in August 2019. The system ties purchase orders directly to the budget which is greatly improving adherence to the pre-audit requirement. Contracts and agreements are pre-audited prior to presenting to the Town Council for approval. The samples selected by the Auditor for testing from all funds identified several instances where pre-audit language was not always present. These instances were reviewed with staff. One instance is a payment the Town makes to Chowan County – we bill town customers for the County's landfill disposal fees on a monthly basis. We remit a check to the County on a monthly basis for the fees collected. We will pre-audit the monthly expense going forward. The other instances were for appropriations specified in line item accounts in the Budget to non-profits that the Town has yearly agreements with to provide specific services. Going forward the agreements will be pre-audited.

Section III. Federal Award Findings and Questioned Costs

There are no major federal programs.

Section IV. State Award Findings and Questioned Costs

No items to report.



December 19, 2019

Ms. Donna Winborne
Donna H. Winborne, CPA, P.C.
PO Box 567
Edenton, NC 27932

Dear Donna:

Below please find the planned corrective actions for Finding 2019-001 – Pre-audit of expenditures in the FY 2018/19 Audit Report.

The upgrade to the Town's financial management software was delayed due to circumstances beyond our control and was not installed in FY 2018/19. The upgrades were installed in August 2019. The system ties purchase orders directly to the budget which is greatly improving adherence to the pre-audit requirement. The Finance Officer successfully completed Introduction to Governmental Accounting offered by North Carolina Community College. She is also scheduled to take a governmental accounting and financial reporting college class as recommended by NC LGC Staff.

Also, to ensure we are adhering to the pre-audit requirement, we have recently implemented a procedure that requires all contracts and agreements be pre-audited prior to being presented to the Town Council for approval. We met with your staff and reviewed the samples selected for testing from all funds that identified several instances where pre-audit language was not always present. One instance was the payment the Town makes to Chowan County – we bill town customers for the County's landfill disposal fees on a monthly basis. We remit a check to the County on a monthly basis for the fees collected. We will pre-audit the monthly expense going forward. The other instances were for appropriations specified in line item accounts in the Budget to non-profits that the Town has yearly agreements with to provide specific services. Going forward these agreements will be pre-audited.

We will continue to work hard to ensure that we are complying with the pre-audit requirement.

Sincerely,

Anne-Marie Knighton / tw

Anne Marie Knighton
Town Manager

**TOWN OF EDENTON, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

Finding 2018-001

Status: This finding has been corrected.

Finding 2018-002

Status: This finding is repeated.

Finding 2018-003

Status: This finding has been corrected.

TOWN OF EDENTON, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
Federal Awards:						
Cash Programs:						
<u>U.S. Department of Transportation</u>						
Passed through N.C. Department of Transportation:						
Airport Improvement Program	20.106	22173	44,941	-	-	-
Total U.S. Department of Transportation			44,941	-	-	-
<u>U.S. Department of Housing and Urban Development</u>						
Passed through N.C. Housing Finance Agency:						
Community Development Block Grant, State's Program	14.228	B-13-DC-37-0001	7,500	-	-	-
Single Family Rehabilitation	14.239	AFRLP1410	182,785	-	-	-
Total U.S. Department of Housing and Urban Development			190,285	-	-	-
<u>U.S. Department of Homeland Security</u>						
Passed through the NC Department of Public Safety						
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		144,777	-	-	-
Total U.S. Department of Homeland Security			144,777	-	-	-
Total Federal awards			380,003	-	-	-
State Awards:						
<u>N.C. Department of Natural and Cultural Resources</u>						
N.C. Connect Bonds PARTF Playground Grant			-	14,559	-	-
Total N.C. Department of Natural and Cultural Resources			-	14,559	-	-
<u>N.C. Department of Transportation</u>						
Airport Improvement Program - State Block Grant			-	518,765	-	-
Powell Bill			-	713,139	-	-
Total N.C. Department of Transportation			-	1,231,904	-	-
<u>N.C. Department of Environmental Quality</u>						
Sewer Collection System			-	108,943	-	-
Total N.C. Department of Public Safety			-	108,943	-	-
<u>N.C. Department of Commerce</u>						
Fiscal Services Division						
Rural Building Reuse Program			-	320,000	-	-
Total N.C. Department of Commerce			-	320,000	-	-
Total State awards			-	1,675,406	-	-
Total Federal & State Awards			\$ 380,003	\$ 1,675,406	\$ -	\$ -

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

- 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 Edenton under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in the SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Edenton, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Edenton.
- 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- Indirect Cost Rate**
The Town of Edenton has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.