

**TOWN OF EDENTON, NORTH CAROLINA**

**North Carolina**

**AUDIT REPORT**

**June 30, 2018**

**TOWN OF EDENTON, NORTH CAROLINA**  
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**JUNE 30, 2018**

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## **FINANCIAL SECTION**

**TOWN OF EDENTON, NORTH CAROLINA  
LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2018**

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**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  
Vacant, Fire Chief  
Vacant, Electric Director  
Corey Gooden, Public Works Director  
Harry Davis, Airport Manager

Janis Belch, Code Enforcement Officer  
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, 2018, 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, 2018, 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 2, 2018 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.



Edenton, North Carolina  
November 2, 2018



## 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, 2018. 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

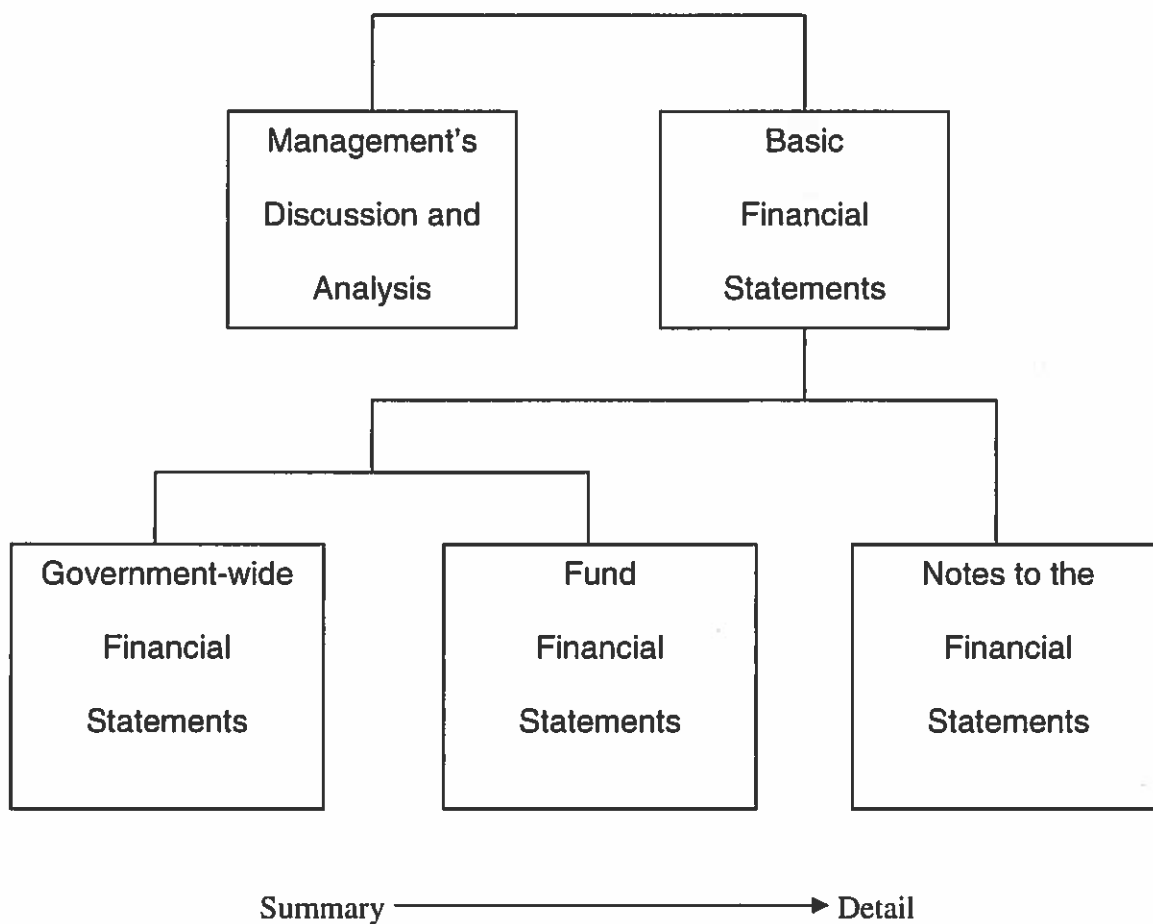
- The assets and deferred outflows of resources of the Town of Edenton *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$17,040,694 (*net position*).
- The government's total net position *increased* by \$104,385 primarily due to *increases* in the *business-type* activities net position.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,464,177 a *decrease* of \$544,965 in comparison with the prior year. Approximately 25.8 percent, or \$635,099, 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 \$635,099 or 9.85 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 3,327,946	\$ 3,288,130	\$ 3,007,528	\$ 2,725,346	\$ 6,335,474	\$ 6,013,476
Capital assets	6,550,797	5,226,698	11,619,228	11,295,624	18,170,025	16,522,322
Total assets	9,878,743	8,514,828	14,626,756	14,020,970	24,505,499	22,535,798
Deferred outflows of resources						
Contributions to pension plan	482,808	654,619	203,346	295,958	686,154	950,577
Current liabilities	1,136,125	464,384	1,374,081	1,244,377	2,510,206	1,708,761
Long-term liabilities	4,482,957	3,928,187	1,054,027	850,051	5,536,984	4,778,238
Total liabilities	5,619,082	4,392,571	2,428,108	2,094,428	8,047,190	6,486,999
Deferred inflows of resources						
Pension deferral	72,283	45,435	31,486	17,632	103,769	63,067
Net Position						
Net investment in capital assets	3,825,313	2,510,919	11,179,521	10,773,472	15,004,834	13,284,391
Transportation	302,202	245,144	-	-	302,202	245,144
Public Safety	-	64,289	-	-	-	64,289
Stabilization by State Statute	1,464,717	1,153,938	-	-	1,464,717	1,153,938
Unrestricted	(922,046)	757,151	1,190,987	1,431,396	268,941	2,188,547
Total net position	\$ 4,670,186	\$ 4,731,441	\$ 12,370,508	\$ 12,204,868	\$ 17,040,694	\$ 16,936,309

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 \$17,040,694 as of June 30, 2018. The Town of Edenton's net position *increased* by \$104,385 for the fiscal year ended June 30, 2018. However, the largest portion (88.05%) 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 8.59% 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	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,123,606	\$ 1,056,314	\$ 14,077,295	\$ 14,213,158	\$ 15,200,901	\$ 15,269,472
Operating grants and contributions	759,559	653,640	-	-	759,559	653,640
Capital grants and contributions	568,196	310,764	1,042,643	120,148	1,610,839	430,912
General revenues:						
Property taxes	1,916,964	1,820,105	-	-	1,916,964	1,820,105
Other taxes	1,267,783	1,289,805	-	-	1,267,783	1,289,805
Other	49,049	99,762	100,536	102,596	149,585	202,358
Total revenues	<u>5,685,157</u>	<u>5,230,390</u>	<u>15,220,474</u>	<u>14,435,902</u>	<u>20,905,631</u>	<u>19,666,292</u>
<b>Expenses:</b>						
General government	408,149	536,361	-	-	408,149	536,361
Public safety	2,285,170	2,373,656	-	-	2,285,170	2,373,656
Transportation	822,767	793,945	-	-	822,767	793,945
Environmental protection	1,129,583	834,865	-	-	1,129,583	834,865
Economic and physical development	487,690	400,067	-	-	487,690	400,067
Cultural and recreation	20,678	21,989	-	-	20,678	21,989
Interest on long-term debt	167,162	4,246	12,046	16,900	179,208	21,146
Airport	-	-	427,305	494,417	427,305	494,417
Water and sewer	-	-	2,189,491	1,766,786	2,189,491	1,766,786
Electric	-	-	11,732,691	11,367,743	11,732,691	11,367,743
Total expenses	<u>5,321,199</u>	<u>4,965,129</u>	<u>14,361,533</u>	<u>13,645,846</u>	<u>19,682,732</u>	<u>18,610,975</u>
<b>Increase in net position before transfers</b>	<b>363,958</b>	<b>265,261</b>	<b>858,941</b>	<b>790,056</b>	<b>1,222,899</b>	<b>1,055,317</b>
<b>Transfers</b>	<b>334,180</b>	<b>344,880</b>	<b>(334,180)</b>	<b>(344,880)</b>	<b>-</b>	<b>-</b>
<b>Increase in net position</b>	<b>698,138</b>	<b>610,141</b>	<b>524,761</b>	<b>445,176</b>	<b>1,222,899</b>	<b>1,055,317</b>
<b>Beginning net position, previously reported</b>	<b>4,731,441</b>	<b>4,520,370</b>	<b>12,204,868</b>	<b>12,627,161</b>	<b>16,936,309</b>	<b>17,147,531</b>
<b>Restatement</b>	<b>(759,393)</b>	<b>(399,070)</b>	<b>(359,121)</b>	<b>(867,469)</b>	<b>(1,118,514)</b>	<b>(1,266,539)</b>
<b>Net position, beginning, restated</b>	<b>3,972,048</b>	<b>4,121,300</b>	<b>11,845,747</b>	<b>11,759,692</b>	<b>15,817,795</b>	<b>15,880,992</b>
<b>Net position, June 30</b>	<b>\$ 4,670,186</b>	<b>\$ 4,731,441</b>	<b>\$ 12,370,508</b>	<b>\$ 12,204,868</b>	<b>\$ 17,040,694</b>	<b>\$ 16,936,309</b>

**Governmental activities.** Governmental activities increased the Town's net position by \$698,138 before the restatement which decreased net position by \$759,393.

**Business-type activities:** Business-type activities increased the Town's net position by \$524,761 before the restatement which decreased net position by \$359,121. The overall increase in the net position in these funds was \$165,640.

### **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 \$635,099, while total fund balance reached \$2,464,177. 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 9.85 percent of total General Fund expenditures.

At June 30, 2018, the governmental funds of the Town of Edenton reported a combined fund balance of \$2,464,177, a 18.88 percent decrease 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 more than the budgeted amounts primarily because tax revenues and unrestricted revenues were all higher than budgeted.



**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 \$1,226,783; the Water and Sewer Fund amounted to \$461,950 and those for the Airport Fund amounted to (\$497,746).

### 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, 2018, totals \$15,004,834. These assets include buildings, improvements, land, machinery and equipment, and vehicles.

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

- Purchase and installation of new playground at Colonial Park
- Completion of new bulkhead at waterfront
- Acquisition of three new police vehicles
- Construction in Progress for New Fuel Farm System at Airport

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,266,051	\$ 1,266,051	\$ 95,698	\$ 95,698	\$ 1,361,749	\$ 1,361,749
Infrastructure	891,678	40,065	-	-	891,678	40,065
Runways	-	-	1,699,835	1,873,366	1,699,835	1,873,366
Buildings	2,850,657	439,287	647,811	679,401	3,498,468	1,118,688
Plant distribution and system	-	-	7,879,855	8,033,503	7,879,855	8,033,503
Equipment	260,659	296,295	175,208	177,963	435,867	474,258
Vehicles	221,628	104,837	277,816	210,795	499,444	315,632
Construction in progress	1,060,124	3,080,163	843,005	224,898	1,903,129	3,305,061
<b>Total</b>	<b>\$ 6,550,797</b>	<b>\$ 5,226,698</b>	<b>\$ 11,619,228</b>	<b>\$ 11,295,624</b>	<b>\$ 18,170,025</b>	<b>\$ 16,522,322</b>

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, 2018, the Town of Edenton had total debt outstanding of \$2,813,484 in the Governmental funds and \$439,707 in the Enterprise Funds.

The Town of Edenton's total debt decreased by \$140,530 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 \$38,849,745. The Town has no bonds outstanding at June 30, 2018.

Management projected revenues to increase slightly based on previous year actual receipts. The Town Council voted to raise taxes from 38.5 to 40 cents to help fund increases in operational costs. As part of the Town's long term rate stabilization plan, Water & Sewer rates were increased again for the eight year in a row. The Town has raise Water & Sewer rates every year for the last eight 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. Several industrial expansions are underway as noted above and there have been several new commercial businesses and restaurants to open and hire workers.

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

The unemployment rate for Chowan County in August 2018 was 4.5%, which is a decrease from a rate of 5.4% a year ago. This compares to the State's average unemployment rate of 3.9% in August 2018 which is a decrease from the September 2017 rate of 4.5%. The unemployment rates in the months of March thru May 2018 were factored into consideration when preparations were made for the Town's 2018/19 Fiscal Year Budget. The local economy is recovering from the 2008 recession, but like most small rural towns in North Carolina, the economy is growing at an extremely slow rate. The business climate is improving for our local manufacturers – three plants are in expansion mode, adding investment and jobs to the local economy.

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's investment in Destination Downtown Edenton (DDE) continues to keep the downtown vibrant, both economically and culturally. The

Town, County, and DDE continue to work with owner of vacant downtown former hotel to attract financing to renovate building to create a 48 room boutique hotel.

The Town is making good 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 2019:

##### Governmental Activities:

Total General Government budget revenues (\$5,521,875) for FY 2017/18 are approximately 2.5% *lower* (-\$146,777) than in 2016/17 - this is mainly attributable to grants received in FY 2016/17.

##### Business Type Activities:

Total budgeted revenues for FY 2017-18 for business-type activities are \$15,309,162 which is \$88,688 higher than revenues for FY 2016-17. The increase is primarily due to increase in rates charged for water and sewer services.

#### 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](mailto:virginia.smith@edenton.nc.gov).

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**TOWN OF EDENTON, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,350,325	\$ 2,498,617	\$ 3,848,942
Taxes receivable (net)	68,246	-	68,246
Accrued interest receivable on taxes	23,459	-	23,459
Accounts receivable (net)	612,777	640,427	1,253,204
Internal balances	851,940	(851,940)	-
Inventories	27,159	444,328	471,487
Restricted cash and cash equivalents	394,040	276,096	670,136
Total current assets	3,327,946	3,007,528	6,335,474
Non-current assets:			
Capital assets (Note 4):			
Land and construction in progress	2,326,175	938,703	3,264,878
Other capital assets, net of depreciation	4,224,622	10,680,525	14,905,147
Total capital assets	6,550,797	11,619,228	18,170,025
Total assets	9,878,743	14,626,756	24,505,499
<b>Deferred Outflows of Resources</b>	482,808	203,346	686,154
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued expenses	772,064	937,913	1,709,977
Accrued interest payable	72,864	2,187	75,051
Customer deposits	-	276,096	276,096
Impact fee liability	-	40,000	40,000
Compensated absences, current	66,966	37,254	104,220
Installment notes payable, current	224,231	80,631	304,862
Total current liabilities	1,136,125	1,374,081	2,510,206
Long-term liabilities:			
Installment notes payable	2,589,253	359,076	2,948,329
Compensated absences	54,790	30,481	85,271
Net pension liability	524,206	246,683	770,889
Total pension liability	426,912	-	426,912
Total OPEB liability	887,796	417,787	1,305,583
Total long-term liabilities	4,482,957	1,054,027	5,536,984
Total liabilities	5,619,082	2,428,108	8,047,190
<b>Deferred Inflows of Resources</b>	72,283	31,486	103,769
<b>Net Position</b>			
Net investment in capital assets	3,825,313	11,179,521	15,004,834
Restricted:			
Public Safety	-	-	-
Transportation	302,202	-	302,202
Stabilization by State Statute	1,464,717	-	1,464,717
Unrestricted	(922,046)	1,190,987	268,941
Total net position	\$ 4,670,186	\$ 12,370,508	\$ 17,040,694

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, 2018**

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 408,149	\$ 15,153	\$ -	\$ -	\$ (392,996)	\$ -	\$ (392,996)
Public safety	2,285,170	28,821	539,543	23,821	(1,692,985)	-	(1,692,985)
Transportation	822,767	-	216,722	-	(606,045)	-	(606,045)
Environmental protection	1,129,583	1,003,494	3,294	288,720	165,925	-	165,925
Cultural and recreational	20,678	76,138	-	-	55,460	-	55,460
Economic and physical development	487,690	-	-	255,655	(232,035)	-	(232,035)
Interest on long-term debt	167,162	-	-	-	(167,162)	(12,046)	(179,208)
Total governmental activities	5,321,199	1,123,606	759,559	568,196	(2,869,838)	(12,046)	(2,881,884)
<b>Business-type activities:</b>							
Airport	427,305	169,113	-	594,594	-	336,402	336,402
Electric	11,732,691	11,834,986	-	446,082	-	548,377	548,377
Water and sewer	2,189,491	2,073,196	-	1,967	-	(114,328)	(114,328)
Total business-type activities	14,349,487	14,077,295	-	1,042,643	-	770,451	770,451
<b>Total primary government</b>	<b>\$ 19,670,686</b>	<b>\$ 15,200,901</b>	<b>\$ 759,559</b>	<b>\$ 1,610,839</b>	<b>(2,869,838)</b>	<b>758,405</b>	<b>(2,111,433)</b>

**General revenues:**

**Taxes:**

Property taxes, levied for general purposes

Local option sales tax

Other taxes and licenses

Investment earnings, unrestricted

Miscellaneous

Transfers

Total general revenues

Change in net position

Net position, beginning, previously reported

Restatement

Net position, beginning, restated

Net position, ending,

1,916,964	-	1,916,964
701,585	-	701,585
566,198	-	566,198
30,337	1,858	32,195
18,712	98,678	117,390
334,180	(334,180)	-
3,567,976	(233,644)	3,334,332
698,138	524,761	1,222,899
4,731,441	12,204,868	16,936,309
(759,393)	(359,121)	(1,118,514)
3,972,048	11,845,747	15,817,795
\$ 4,670,186	\$ 12,370,508	\$ 17,040,694

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, 2018**

Exhibit 3

	Major	Non-major	
	General Fund	Other Governmental Funds	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,350,325	\$ -	\$ 1,350,325
Receivables, net			
Taxes	68,246	-	68,246
Accounts	612,777	-	612,777
Inventories	27,159	-	27,159
Restricted cash	394,040	-	394,040
Due from other funds	851,940	-	851,940
<b>Total assets</b>	<b>\$ 3,304,487</b>	<b>\$ -</b>	<b>\$ 3,304,487</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 772,064	\$ -	\$ 772,064
Due to other funds	-	-	-
<b>Total liabilities</b>	<b>772,064</b>	<b>-</b>	<b>772,064</b>
Deferred inflows of resources - property taxes receivable	68,246	-	68,246
<b>Fund balances:</b>			
Nonspendable:			
Inventories	27,159	-	27,159
Restricted:			
Stabilization by State Statute	1,464,717	-	1,464,717
Transportation	302,202	-	302,202
Public Safety	-	-	-
Assigned:			
Subsequent year's expenditures	35,000	-	35,000
Unassigned	635,099	-	635,099
<b>Total fund balances</b>	<b>2,464,177</b>	<b>-</b>	<b>2,464,177</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 3,304,487</b>	<b>\$ -</b>	

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

**TOWN OF EDENTON, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

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	\$ 10,492,724	
Accumulated depreciation	<u>(3,941,927)</u>	6,550,797

Deferred outflows of resources related to pensions are not reported in the funds	454,541
--	---------

Deferred outflows of resources related to OPEB are not reported in the funds	28,267
--	--------

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	23,459
--	--------

Earned revenues considered deferred inflows of resources in the fund statements	68,246
---	--------

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

Gross long-term debt, beginning	\$ (2,871,559)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year)	58,075	
Total OPEB liability	(887,796)	
Net pension liability	(524,206)	
Total pension liability	<u>(426,912)</u>	(4,652,398)

Deferred inflows of resources related to OPEB are not reported in the funds	(43,046)
---	----------

Deferred inflows of resources related to pensions are not reported in the funds	(29,237)
---	----------

Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds	(194,620)
--	-----------

Net position of governmental activities	<u>\$ 4,670,186</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, 2018**

Exhibit 4

	Major	Non-major	
	General Fund	Other Governmental Funds	Total
<b>Revenues:</b>			
Ad valorem taxes	\$ 1,923,848	\$ -	\$ 1,923,848
Other taxes and licenses	72,422	-	72,422
Restricted intergovernmental	1,107,511	218,085	1,325,596
Unrestricted intergovernmental	1,152,529	-	1,152,529
Permits and fees	52,814	-	52,814
Sales and services	1,113,624	-	1,113,624
Investment earnings	30,734	11	30,745
Total revenue	<u>5,453,482</u>	<u>218,096</u>	<u>5,671,578</u>
<b>Expenditures:</b>			
Current			
General government	798,592	-	798,592
Public safety	2,214,268	64,300	2,278,568
Transportation and utilities	1,621,115	-	1,621,115
Environmental protection	1,227,488	-	1,227,488
Economic and physical development	269,398	218,085	487,483
Debt service:			
Principal	221,575	-	221,575
Interest	98,114	-	98,114
Total expenditures	<u>6,450,550</u>	<u>282,385</u>	<u>6,732,935</u>
Excess of revenues over expenditures	<u>(997,068)</u>	<u>(64,289)</u>	<u>(1,061,357)</u>
<b>Other financing sources (uses):</b>			
Proceeds from installment agreement	163,500	-	163,500
Sale of capital assets	9,865	-	9,865
Insurance recovery	8,847	-	8,847
Transfer from other funds	334,180	-	334,180
Total other financing sources (uses)	<u>516,392</u>	<u>-</u>	<u>516,392</u>
Net changes in fund balances	(480,676)	(64,289)	(544,965)
Fund balances, beginning	2,944,853	64,289	3,009,142
Fund balances, ending	<u>\$ 2,464,177</u>	<u>\$ -</u>	<u>\$ 2,464,177</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, 2018**

Exhibit 4

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

Net changes in fund balances - total governmental funds		\$	(544,965)
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	\$ 1,524,683		
Depreciation expense for governmental assets	<u>(200,584)</u>		1,324,099
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities			164,719
Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities			23,336
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities			11,900
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			(6,623)
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	\$ (163,500)		
Principal payments on long-term debt	221,575		
Increase in accrued interest payable	<u>(69,048)</u>		(10,973)
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	\$ 15,859		
Pension expense	(215,483)		
OPEB plan expense	<u>(63,731)</u>		(263,355)
Total changes in net position of governmental activities		\$	<u>698,138</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, 2018**

Exhibit 5

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,869,406	\$ 1,869,406	\$ 1,923,848	\$ 54,442
Other taxes and licenses	99,000	99,000	72,422	(26,578)
Restricted intergovernmental	938,630	883,700	1,107,511	223,811
Unrestricted intergovernmental	1,091,671	1,087,171	1,152,529	65,358
Permits and fees	41,800	41,800	52,814	11,014
Sales and services	1,083,468	1,089,966	1,113,624	23,658
Investment earnings	6,400	6,400	30,734	24,334
Total revenues	<u>5,130,375</u>	<u>5,077,443</u>	<u>5,453,482</u>	<u>376,039</u>
<b>Expenditures:</b>				
Current:				
General government	751,918	783,061	798,592	(15,531)
Public safety	2,443,735	2,408,842	2,214,268	194,574
Transportation and utilities	1,850,348	1,828,262	1,621,115	207,147
Environmental protection	1,239,327	1,249,492	1,227,488	22,004
Economic and physical development	233,164	282,013	269,398	12,615
Debt service:				
Principal retirement	221,575	221,575	221,575	-
Interest and other charges	80,812	80,813	98,114	(17,301)
Total expenditures	<u>6,820,879</u>	<u>6,854,058</u>	<u>6,450,550</u>	<u>403,508</u>
Revenues over (under) expenditures	<u>(1,690,504)</u>	<u>(1,776,615)</u>	<u>(997,068)</u>	<u>779,547</u>
<b>Other financing sources (uses):</b>				
Proceeds from installment obligation	974,495	476,831	163,500	(313,331)
Sale of capital assets	9,000	9,000	9,865	865
Insurance recovery	-	8,775	8,847	72
Transfer from other funds	278,821	119,008	334,180	215,172
Fund balance appropriated	428,188	1,163,001	-	(1,163,001)
Total other financing sources (uses)	<u>1,690,504</u>	<u>1,776,615</u>	<u>516,392</u>	<u>(1,260,223)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(480,676)</u>	<u>\$ (480,676)</u>
Fund balance, beginning			2,944,853	
Fund balance, ending			<u>\$ 2,464,177</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, 2018**

Exhibit 6

	Electric Fund	Major Water and Sewer Fund	Airport Fund	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,605,289	\$ 893,228	\$ 100	\$ 2,498,617
Accounts receivable (net)	437,749	119,067	83,611	640,427
Inventories	362,469	48,596	33,263	444,328
Total current assets	<u>2,405,507</u>	<u>1,060,891</u>	<u>116,974</u>	<u>3,583,372</u>
Noncurrent assets:				
Restricted cash and cash equivalents	265,316	10,780	-	276,096
Capital assets:				
Land and construction in progress	81,567	150,285	706,851	938,703
Other capital assets, net of depreciation	2,825,864	5,498,540	2,356,121	10,680,525
Capital assets	<u>2,907,431</u>	<u>5,648,825</u>	<u>3,062,972</u>	<u>11,619,228</u>
Total noncurrent assets	<u>3,172,747</u>	<u>5,659,605</u>	<u>3,062,972</u>	<u>11,895,324</u>
Total assets	<u>5,578,254</u>	<u>6,720,496</u>	<u>3,179,946</u>	<u>15,478,696</u>
Deferred outflows of resources	<u>107,684</u>	<u>95,246</u>	<u>416</u>	<u>203,346</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued expenses	898,447	23,675	15,791	937,913
Due to other funds	-	266,284	585,656	851,940
Customer deposits	265,316	10,780	-	276,096
Impact fee liability	-	40,000	-	40,000
Accrued interest payable	501	1,686	-	2,187
Compensated absences, current	17,282	19,972	-	37,254
Installment notes payable, current	42,063	38,568	-	80,631
Total current liabilities	<u>1,223,609</u>	<u>400,965</u>	<u>601,447</u>	<u>2,226,021</u>
Noncurrent liabilities:				
Total OPEB liability	208,893	195,839	13,055	417,787
Compensated absences	14,141	16,340	-	30,481
Net pension liability	131,051	115,632	-	246,683
Installment notes payable	-	359,076	-	359,076
Total noncurrent liabilities	<u>354,085</u>	<u>686,887</u>	<u>13,055</u>	<u>1,054,027</u>
Total liabilities	<u>1,577,694</u>	<u>1,087,852</u>	<u>614,502</u>	<u>3,280,048</u>
Deferred inflows of resources	<u>16,093</u>	<u>14,759</u>	<u>634</u>	<u>31,486</u>
<b>Net Position</b>				
Net investment in capital assets	2,865,368	5,251,181	3,062,972	11,179,521
Unrestricted	1,226,783	461,950	(497,746)	1,190,987
Total net position	<u>\$ 4,092,151</u>	<u>\$ 5,713,131</u>	<u>\$ 2,565,226</u>	<u>\$ 12,370,508</u>

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, 2018**

Exhibit 7

	Electric Fund	Major Water and Sewer Fund	Airport Fund	Total
<b>Operating revenues:</b>				
Charges for services	\$ 11,834,986	\$ 1,998,296	\$ 144,166	\$ 13,977,448
Other operating revenues	-	74,900	24,947	99,847
Total operating revenues	<u>11,834,986</u>	<u>2,073,196</u>	<u>169,113</u>	<u>14,077,295</u>
<b>Operating expenses:</b>				
Electric operations	2,588,193	-	-	2,588,193
Electric power purchases	8,484,729	-	-	8,484,729
Administrative services	454,546	-	-	454,546
Water operations	-	592,492	-	592,492
Sewer operations	-	597,480	-	597,480
Water and sewer line maintenance	-	676,501	-	676,501
Airport operations	-	-	221,734	221,734
Depreciation	205,223	323,018	205,571	733,812
Total operating expenses	<u>11,732,691</u>	<u>2,189,491</u>	<u>427,305</u>	<u>14,349,487</u>
Total expenses	<u>11,732,691</u>	<u>2,189,491</u>	<u>427,305</u>	<u>14,349,487</u>
Operating income (loss)	<u>102,295</u>	<u>(116,295)</u>	<u>(258,192)</u>	<u>(272,192)</u>
<b>Non-operating revenue (expenses):</b>				
Investment earnings	1,002	856	-	1,858
Rental income	-	92,890	-	92,890
Interest expense	(1,133)	(10,913)	-	(12,046)
Sale of merchandise and scrap	-	5,788	-	5,788
Total non-operating revenue (expenses)	<u>(131)</u>	<u>88,621</u>	<u>-</u>	<u>88,490</u>
<b>Net income (loss) before contributions and transfers</b>	<u>102,164</u>	<u>(27,674)</u>	<u>(258,192)</u>	<u>(183,702)</u>
Capital contributions	446,082	1,967	594,594	1,042,643
Transfer to other funds	<u>(334,180)</u>	<u>-</u>	<u>-</u>	<u>(334,180)</u>
Change in net position	<u>214,066</u>	<u>(25,707)</u>	<u>336,402</u>	<u>524,761</u>
Total net position, previously reported	4,054,574	5,910,738	2,239,556	12,204,868
Restatement	<u>(176,489)</u>	<u>(171,900)</u>	<u>(10,732)</u>	<u>(359,121)</u>
Total net position, beginning, restated	<u>3,878,085</u>	<u>5,738,838</u>	<u>2,228,824</u>	<u>11,845,747</u>
Total net position, ending	<u>\$ 4,092,151</u>	<u>\$ 5,713,131</u>	<u>\$ 2,565,226</u>	<u>\$ 12,370,508</u>

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, 2018**

Exhibit 8

	Electric Fund	Major Water and Sewer Fund	Airport Fund	Total
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 11,914,790	\$ 2,126,658	\$ 182,729	\$ 14,224,177
Cash paid for goods and services	(10,625,671)	(1,152,064)	(170,663)	(11,948,398)
Cash paid to employees for services	(747,688)	(731,968)	(48,853)	(1,528,509)
Customer deposits	4,575	100	-	4,675
Net cash provided by (used in) operating activities	<u>546,006</u>	<u>242,726</u>	<u>(36,787)</u>	<u>751,945</u>
<b>Cash flows from Noncapital financing activities:</b>				
Increase in due to other funds	-	266,284	73,477	339,761
Transfers to other funds	(334,180)	-	-	(334,180)
Total cash flows from noncapital financing activities	<u>(334,180)</u>	<u>266,284</u>	<u>73,477</u>	<u>5,581</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(257,615)	(168,617)	(631,184)	(1,057,416)
Principal paid on installment payables	(42,063)	(40,382)	-	(82,445)
Interest paid on installment payables	(1,638)	(11,083)	-	(12,721)
Sales of merchandise and scrap	-	5,788	-	5,788
Federal and State grants	-	1,967	594,594	596,561
Other grants	446,082	-	-	446,082
Proceeds from rental	-	92,890	-	92,890
Net cash used in capital and related financing activities	<u>144,766</u>	<u>(119,437)</u>	<u>(36,590)</u>	<u>(11,261)</u>
<b>Cash flows from investing activities:</b>				
Interest on investments	<u>1,002</u>	<u>856</u>	<u>-</u>	<u>1,858</u>
Net increase in cash and cash equivalents	357,594	390,429	100	748,123
Cash and cash equivalents, beginning (Includes restricted cash of \$271,421)	<u>1,513,011</u>	<u>513,579</u>	<u>-</u>	<u>2,026,590</u>
Cash and cash equivalents, ending (Includes restricted cash of \$276,096)	<u>\$ 1,870,605</u>	<u>\$ 904,008</u>	<u>\$ 100</u>	<u>\$ 2,774,713</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ 102,295	\$ (116,295)	\$ (258,192)	\$ (272,192)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	205,223	323,018	205,571	733,812
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	79,804	53,462	13,616	146,882
(Increase) decrease in deferred outflows of resources - pensions	56,195	49,719	-	105,914
(Increase) decrease in deferred outflows of resources - OPEB	7,337	6,879	459	14,675
Increase (decrease) in net pension liability	(49,383)	(43,575)	-	(92,958)
Increase (decrease) in deferred inflows of resources - pensions	(3,402)	(3,001)	-	(6,403)
Increase (decrease) in deferred inflows of resources - OPEB	10,128	9,495	634	20,257
(Increase) decrease in inventory	(8,970)	1,901	(13,633)	(20,702)
Increase (decrease) in accounts payable and accrued liabilities	146,969	(40,340)	15,092	121,721
Increase (decrease) in customer deposits	4,575	100	-	4,675
Increase (decrease) in OPEB liability	(5,334)	(4,999)	(334)	(10,667)
Increase (decrease) in accrued vacation pay	569	6,362	-	6,931
Total adjustments	<u>443,711</u>	<u>359,021</u>	<u>221,405</u>	<u>1,024,137</u>
Net cash provided by (used in) operating activities	<u>\$ 546,006</u>	<u>\$ 242,726</u>	<u>\$ (36,787)</u>	<u>\$ 751,945</u>

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, 2018**

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**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 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.

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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 – New Police Station** - This fund is used to account for the capital project related to constructing the new police station for the Town.

**Special Revenue Fund – Jimbo's Jumbos** - This fund is used to account for CDBG revenues and expenses related to the Jimbo's Jumbos expansion for economic development.

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 airport operations.

**Airport Fund** - This fund is used to account for the Town's water and sewer operations.

**C. Measurement Focus and Basis of Accounting**

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise 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

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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 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.

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.

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**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 Money in the Police Station Capital Project Fund is classified as restricted assets because it is unexpended installment obligation proceeds related to the project. 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			
<b>Governmental activities:</b>			
General Fund	Transportation	\$	302,202
General Fund	Unexpended installment loan proceeds-police vehicles		88,000
Police Department	Bullet Proof Vest Funds		464
Police Department	Controlled Substance Account		3,374
Total governmental activities			<u>394,040</u>
<b>Business-type activities:</b>			
Electric Fund	Customer deposits		265,316
Water and Sewer Fund	Customer deposits		10,780
Total business-type activities			<u>276,096</u>
Total restricted cash		\$	<u>670,136</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 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2017. 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.

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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.

**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	

**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 2018 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, pension deferrals, and OPEB deferrals.

**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

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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.



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

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

**Committed Fund Balance** – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of 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.

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

**TOWN OF EDENTON, NORTH CAROLINA  
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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 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: Staff turnover contributed to Town being out of compliance. On several occasions during the year a purchase order was not prepared and there was no evidence of pre-audit language as required by statute and there were also several instances in which there was a PO that included the pre-audit statement, however the PO was dated after the invoice. All supervisors and department heads are participating in training to be held on November 6, 2018. Written directives on procedures were issued on November 5, 2018. Also, planned upgrades to financial software system were delayed, but will be installed in the 3rd quarter of this fiscal year. This upgrade includes a true purchasing system with software that will require adherence to state statutes.

**III. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

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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, 2018, the Town's deposits had a carrying amount of \$1,342,570 and a bank balance of \$1,801,739. Of the bank balance, \$338,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2018, the Town's petty cash fund totaled \$1,876.

**2. Investments**

At June 30, 2018, the Town's investment balances were as follows:

<b>Investment Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/18</b>	<b>Maturity</b>	<b>Rating</b>
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$2,871,497	N/A	AAAm
NC Capital Management Trust Comerica Business - Money Market	Fair Value Level 1	143,174	N/A	N/A
Ginnie Mae Pool	Fair Value Level 1	145,807	N/A	N/A
Ginnie Mae Pool	Fair Value Level 1	4,788	July 20, 2033	N/A
Ginnie Mae Pool	Fair Value Level 1	2,077	July 20, 2035	N/A
Ginnie Mae Pool	Fair Value Level 1	2,061	August 15, 2036	N/A
Ginnie Mae Pool	Fair Value Level 1	895	January 15, 2024	N/A
Ginnie Mae Pool	Fair Value Level 1	48	December 15, 2023	N/A
Ginnie Mae Pool	Fair Value Level 1	1,826	March 15, 2025	N/A
Ginnie Mae Pool	Fair Value Level 1	2,459	August 15, 2027	N/A
		<u>\$3,174,632</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.

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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 AAAm by Standard & Poor's as of June 30, 2018.

*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.

**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, 2018 are net of the following allowances for doubtful accounts:

Enterprise Funds:	
Electric Fund - accounts receivable	\$ 310,085
Water and Sewer Fund - accounts receivable	<u>44,224</u>
Total Enterprise Funds	<u>354,309</u>
 Total	 <u>\$ 354,309</u>

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**4. Capital Assets**

Capital asset activity for the Primary Government for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,266,051	\$ -	\$ -	\$ 1,266,051
Construction in progress	3,080,163	1,060,124	3,080,163	1,060,124
Total capital assets not being depreciated	4,346,214	1,060,124	3,080,163	2,326,175
<b>Capital assets being depreciated:</b>				
Infrastructure	83,675	876,189	-	959,864
Buildings	2,196,637	2,480,033	-	4,676,670
Equipment	969,631	21,800	-	991,431
Vehicles	1,371,884	166,700	-	1,538,584
Total capital assets being depreciated	4,621,827	3,544,722	-	8,166,549
<b>Less accumulated depreciation for:</b>				
Infrastructure	43,610	24,576	-	68,186
Buildings	1,757,350	68,663	-	1,826,013
Equipment	673,336	57,436	-	730,772
Vehicles	1,267,047	49,909	-	1,316,956
Total accumulated depreciation	3,741,343	200,584	-	3,941,927
Total capital assets being depreciated, net	880,484			4,224,622
<b>Governmental activity capital assets, net</b>	<b>\$ 5,226,698</b>			<b>\$ 6,550,797</b>

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

General government	\$ 55,075
Public Safety	60,163
Transportation	18,248
Environmental protection	46,420
Cultural and recreation	20,678
<b>Total depreciation expense</b>	<b>\$ 200,584</b>

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	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Electric Fund:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 45,142	\$ -	\$ -	\$ 45,142
Construction in progress	164,631	36,425	164,631	36,425
Total capital assets not being depreciated	209,773	36,425	164,631	81,567
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	8,542,084	234,342	-	8,776,426
Furniture and equipment	854,164	23,212	-	877,376
Vehicles	828,394	128,267	-	956,661
Total capital assets being depreciated	10,224,642	385,821	-	10,610,463
<b>Less accumulated depreciation for:</b>				
Plant and distribution systems	6,139,578	134,545	-	6,274,123
Furniture and equipment	749,061	23,719	-	772,780
Vehicles	690,737	46,959	-	737,696
Total accumulated depreciation	7,579,376	205,223	-	7,784,599
Total capital assets being depreciated, net	2,645,266			2,825,864
<b>Electric Fund capital assets, net</b>	<b>\$ 2,855,039</b>			<b>\$ 2,907,431</b>
	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Water and Sewer Fund:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 35,156	\$ -	\$ -	\$ 35,156
Construction in progress	-	115,129	-	115,129
Total capital assets not being depreciated	35,156	115,129	-	150,285
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	14,688,311	23,976	-	14,712,287
Furniture and equipment	474,327	23,212	-	497,539
Vehicles	334,111	6,300	-	340,411
Total capital assets being depreciated	15,496,749	53,488	-	15,550,237
<b>Less accumulated depreciation for:</b>				
Plant and distribution systems	9,057,314	277,421	-	9,334,735
Furniture and equipment	410,392	25,010	-	435,402
Vehicles	260,973	20,587	-	281,560
Total accumulated depreciation	9,728,679	323,018	-	10,051,697
Total capital assets being depreciated, net	5,768,070			5,498,540
<b>Water and Sewer Fund capital assets, net</b>	<b>\$ 5,803,226</b>			<b>\$ 5,648,825</b>

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	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Airport Fund:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 15,400	\$ -	\$ -	\$ 15,400
Construction in progress	60,267	631,184	-	691,451
Total capital assets not being depreciated	75,667	631,184	-	706,851
<b>Capital assets being depreciated:</b>				
Runways	3,470,612	-	-	3,470,612
Equipment	82,474	-	-	82,474
Hangars and terminal buildings	1,263,601	-	-	1,263,601
Total capital assets being depreciated	4,816,687	-	-	4,816,687
<b>Less accumulated depreciation for:</b>				
Runways	1,597,246	173,531	-	1,770,777
Equipment	73,549	450	-	73,999
Hangars and terminal buildings	584,200	31,590	-	615,790
Total accumulated depreciation	2,254,995	205,571	-	2,460,566
Total capital assets being depreciated, net	2,561,692			2,356,121
<b>Airport Fund capital assets, net</b>	<b>\$ 2,637,359</b>			<b>\$ 3,062,972</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 11,295,624</b>			<b>\$ 11,619,228</b>

**Construction Commitments**

The government has active construction projects as of June 30, 2018. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Stree repaving	\$ 826,922	\$ 108,000
Sanitary sewer lines	69,071	70,414
	<u>\$ 895,993</u>	<u>\$ 178,414</u>

**B. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2018 were as follows:

	Vendors	Other	Total
<b>Governmental activities:</b>			
General	\$ 770,358	\$ 1,706	\$ 772,064
Other governmental	-	-	-
Total governmental activities	<u>\$ 770,358</u>	<u>\$ 1,706</u>	<u>\$ 772,064</u>
<b>Business type activities:</b>			
Electric	\$ 895,809	\$ 2,638	\$ 898,447
Water and Sewer	23,675	-	23,675
Airport	15,791	-	15,791
Total business type activities	<u>\$ 935,275</u>	<u>\$ 2,638</u>	<u>\$ 937,913</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](http://www.osc.nc.gov).

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

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



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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, 2018, was 8.25% of compensation for law enforcement officers and 7.60% 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 \$242,234 for the year ended June 30, 2018.

**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, 2018, the Town reported a liability of \$770,889 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the Town's proportion was 0.0505%, which was an increase of 0.0005% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$262,239. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 44,410	\$ 21,821
Changes of assumptions	110,094	-
Net difference between projected and actual earnings on pension plan investments	187,173	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	10,602	13,269
Town contributions subsequent to the measurement date	242,234	-
<b>Total</b>	<b>\$ 594,513</b>	<b>\$ 35,090</b>

**TOWN OF EDENTON, NORTH CAROLINA**  
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\$242,234 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2019	\$ 43,416
2020	221,281
2021	109,305
2022	(56,815)
2023	-
Thereafter	-
	<u>\$317,187</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

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<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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%
<b>Total</b>	<b>100%</b>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.20%. 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 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	<b>1% Decrease (6.20%)</b>	<b>Discount Rate (7.20%)</b>	<b>1% Increase (8.20%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 2,314,226	\$ 770,889	\$(517,310)

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

**b. Law Enforcement Officers Special Separation Allowance**

**TOWN OF EDENTON, NORTH CAROLINA  
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**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, 2016, 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, 2016 valuation. The total pension liability in the December 31, 2016 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	3.16 percent

The discount rate is based on the weekly S&P Municipal Bond 20-Year High Grade Rate Index.

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

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**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 \$36,190 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, 2018, the Town reported a total pension liability of \$426,912. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$38,569.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 7,679	\$ -
Changes of assumptions	19,257	5,376
Benefit payments and administrative expenses subsequent to the measurement date	23,336	-
Total	<u>\$ 50,272</u>	<u>\$ 5,376</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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2019	\$ 4,510
2020	4,510
2021	4,510
2022	4,510
2023	3,520
Thereafter	-
	<u>\$ 21,560</u>

*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 3.16 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 (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

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	<b>1% Decrease (2.16%)</b>	<b>Discount Rate (3.16%)</b>	<b>1% Increase (4.16%)</b>
Total Pension Liability	\$ 458,432	\$ 426,912	\$ 398,409

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

	<b>2018</b>
Beginning balance	\$ 385,821
Service cost	19,662
Interest on the total pension liability	14,397
Differences between expected and actual experience in the measurement of the total pension liability	9,334
Changes of assumptions and other inputs	23,407
Benefit payments	(25,709)
Ending balance of the total pension liability	<u>\$ 426,912</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, 2016 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	\$ 262,239	\$ 38,569	\$ 300,808
Pension Liability	770,889	426,912	1,197,801
Proportionate share of the net pension liability	0.05046%	n/a	
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	44,410	7,679	52,089
Changes of assumptions	110,094	19,257	129,351
Net difference between projected and actual earnings on plan investments	187,173	-	187,173
Changes in proportion and differences between contributions and proportionate share of contributions	10,602	-	10,602
Contributions / Benefit payments and administrative costs paid subsequent to the measurement date	242,234	23,336	265,570
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	21,821	-	21,821
Changes of assumptions		5,376	5,376
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	13,269	-	13,269

**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 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 \$40,066 for law enforcement officers and \$22,898 for other employees during the reporting year. No amounts were forfeited.

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**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](http://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 \$17,602,000 to the plan. The Town of Edenton's proportionate share of the State's contribution is \$8,882.

*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.

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

At June 30, 2018, 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 \$25,045. The net pension



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liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017 and at June 30, 2016 was 0%.

For the year ended June 30, 2018, the Town recognized pension expense of \$1,751 and revenue of \$1,751 for support provided by the State. At June 30, 2018, 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, 2016 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 7.20%. 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.

**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

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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, 2017, 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 \$1,305,583 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

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Inflation	2.50 percent
Salary increases	3.50 to 7.75 percent, including inflation
Discount Rate	3.56 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 June average of the Buyer Bond General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at July 1, 2017	\$ 1,338,920
Changes for the Year:	
Service Cost	58,945
Interest	38,995
Difference between expected and actual experience	26,901
Changes of assumptions and other inputs	(70,750)
Benefit payments	(87,428)
Net Changes	(33,337)
Balance at June 30, 2018	<u>\$ 1,305,583</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The actuarial assumptions used in the December 31, 2017 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 (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	\$ 1,437,778	\$ 1,305,583	\$ 1,188,414

*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 OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-

**TOWN OF EDENTON, NORTH CAROLINA  
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percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>1% Decrease (6.50% decreasing to 4.00%)</b>	<b>Discount Rate (7.50% decreasing to 5.00%)</b>	<b>1% Increase (8.50% decreasing to 6.00%)</b>
Total OPEB liability	<u>\$ 1,170,086</u>	<u>\$ 1,305,583</u>	<u>\$ 1,466,961</u>

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

For the year ended June 30, 2018, the Town recognized OPEB expense of \$93,325. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 23,869	\$ -
Changes of assumptions	-	63,303
Benefit payments and administrative costs made subsequent to the measurement date	17,500	-
Total	<u>\$ 41,369</u>	<u>\$ 63,303</u>

\$17,500 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2019	\$ (4,615)
2020	(4,615)
2021	(4,615)
2022	(4,615)
2023	(4,615)
Thereafter	(16,159)
	<u>\$ (39,234)</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

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service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. 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	\$ 242,234
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	17,500
Differences between expected and actual experience	75,958
Changes of assumptions	129,351
Net difference between projected and actual earnings on plan investments	187,173
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,602
	<u>\$ 686,154</u>

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

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NOTES TO THE FINANCIAL STATEMENTS  
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	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 68,246
Changes of assumptions	68,679	-
Differences between expected and actual experience	21,821	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,269	-
	<u>\$ 103,769</u>	<u>\$ 68,246</u>

**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, 2018, the Town had no threatened pending litigations.

**TOWN OF EDENTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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, 2018 for the fire truck, including \$28,518 of interest, are as follows:

	<u>Governmental Activities</u>	
Year ending June 30	Principal	Interest
2019	\$ 11,896	\$ 5,405
2020	12,402	4,899
2021	12,929	4,372
2022	13,478	3,823
2023	14,051	3,250
2024-2028	45,327	6,769
Total payments	<u>\$ 110,083</u>	<u>\$ 28,518</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, 2018 for these vehicles, including \$380 of interest, are as follows:

	<u>Governmental Activities</u>	
Year ending June 30	Principal	Interest
2019	\$ 3,656	\$ 251
2020	3,778	129
Total payments	<u>\$ 7,434</u>	<u>\$ 380</u>

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, 2018 for the police station, including \$516,643 of interest, are as follows:

**TOWN OF EDENTON, NORTH CAROLINA**  
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Governmental Activities

Year ending June 30	Principal	Interest
2019	\$ 165,333	\$ 68,977
2020	165,333	64,050
2021	165,333	59,123
2022	165,333	54,196
2023	165,333	49,269
2024-2028	826,667	172,443
2029-2033	661,335	48,585
Total payments	<u>\$ 2,314,667</u>	<u>\$ 516,643</u>

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, 2018 for the bulkhead improvements, including \$36,641 of interest, are as follows:

Governmental Activities

Year ending June 30	Principal	Interest
2019	\$ 24,200	\$ 6,730
2020	24,200	5,982
2021	24,200	5,234
2022	24,200	4,487
2023	24,200	3,739
2024-2028	96,800	10,469
Total payments	<u>\$ 217,800</u>	<u>\$ 36,641</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, 2018 for the sanitation truck, including \$28,383 of interest, are as follows:

Governmental Activities

Year ending June 30	Principal	Interest
2019	\$ 2,739	\$ 2,454
2020	2,828	2,365
2021	2,914	2,279
2022	3,015	2,178
2023	3,113	2,080
2024-2028	17,144	8,821
2029-2033	20,115	5,850
2034-2038	23,632	2,356
Total payments	<u>\$ 75,500</u>	<u>\$ 28,383</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



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**NOTES TO THE FINANCIAL STATEMENTS**  
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an interest rate of 3.51%. The future minimum payments as of June 30, 2018 for the police vehicles, including \$9,480 of interest, are as follows:

	<u>Governmental Activities</u>	
Year ending June 30	Principal	Interest
2019	\$ 16,407	\$ 3,089
2020	16,983	2,513
2021	17,579	1,917
2022	18,196	1,300
2023	18,835	661
Total payments	<u>\$ 88,000</u>	<u>\$ 9,480</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, 2018, the total amount drawn by the Town was \$99,031. 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	33,010	1,684
2021	33,011	842
Total payments	<u>\$ 99,031</u>	<u>\$ 5,051</u>

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, 2018 for the rehabilitation, including \$182,055 of interest, are as follows:

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**NOTES TO THE FINANCIAL STATEMENTS**  
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Business-type Activities

Year ending June 30	Principal	Interest
2019	\$ 5,558	\$ 9,528
2020	5,734	9,352
2021	5,915	9,171
2022	6,103	8,983
2023	6,296	8,790
2024-2028	34,606	40,824
2029-2033	40,449	34,981
2034-2038	47,280	28,150
2039-2043	55,264	20,066
2044-2048	64,596	10,834
2049-2053	26,812	1,376
Total payments	<u>\$ 298,613</u>	<u>\$ 182,055</u>

In November 2013, the Town entered into an installment purchase contract for \$210,316 to finance the purchase of a 2011 Electric Line Truck. The contract requires five annual payments with an interest rate of 1.94%. The future minimum payments as of June 30, 2018 for the truck, including \$816 of interest, are as follows:

Business-type Activities

Year ending June 30	Principal	Interest
2019	\$ 42,063	\$ 816
Total payments	<u>\$ 42,063</u>	<u>\$ 816</u>

**TOWN OF EDENTON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**b. Changes in Long-Term Liabilities**

	<b>Beginning Balance, as restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Current Portion of Balance</b>
<b>Governmental activities:</b>					
Installment purchases	\$ 2,871,559	\$ 163,500	\$ 221,575	\$ 2,813,484	\$ 224,231
Net pension liability (LGERS)	721,739	-	197,533	524,206	-
Total pension liability (LEO)	385,821	41,091	-	426,912	-
Total OPEB liability	910,466	-	22,670	887,796	-
Compensated absences	137,615	-	15,859	121,756	66,966
<b>Total</b>	<b>\$ 5,027,200</b>	<b>\$ 204,591</b>	<b>\$ 457,637</b>	<b>\$ 4,774,154</b>	<b>\$ 291,197</b>
<b>Business-type activities:</b>					
Installment purchase - Electric	\$ 84,126	\$ -	\$ 42,063	\$ 42,063	\$ 42,063
Clean Water Revolving Loan	132,044	-	33,013	99,031	33,010
Water Tank Rehabilitation Loan	305,982	-	7,369	298,613	5,558
Net pension liability (LGERS)	339,641	-	92,958	246,683	-
Total OPEB liability	428,454	-	10,667	417,787	-
Compensated absences	60,804	6,931	-	67,735	37,254
<b>Total</b>	<b>\$ 1,351,051</b>	<b>\$ 6,931</b>	<b>\$ 186,070</b>	<b>\$ 1,171,912</b>	<b>\$ 117,885</b>

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

**TOWN OF EDENTON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**C. Interfund Balances and Activity**

Balances due to/from other funds at June 30, 2018, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport Fund	\$ 585,656
General Fund	Water and Sewer Fund	\$ 266,284

The interfund balances resulted from the negative cash balance owed by the Airport Fund to the General Fund.

Transfers to/from other funds at June 30, 2018, consist of the following:

	<u>Amount</u>
From the Electric Fund to the General Fund - operating transfer and payment in lieu of taxes	\$ 334,180
<b>Total</b>	<b>\$ 334,180</b>

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, 2018 is as follows:

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 6,550,797	\$ 11,619,228
Less: Long-term debt	(2,813,484)	(439,707)
Add: unexpended debt proceeds	88,000	-
<b>Net investment in capital assets</b>	<b>\$ 3,825,313</b>	<b>\$ 11,179,521</b>

**E. Fund Balance**

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

<b>Total Fund Balance-General Fund</b>	<b>\$ 2,464,177</b>
<b>Less:</b>	
Stabilization for State Statute	1,464,717
Streets - Powell Bill	302,202
Inventories	27,159
Appropriation for 2018-2019 budget	35,000
<b>Remaining Fund Balance</b>	<b>\$ 635,099</b>

**TOWN OF EDENTON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**IV. Jointly Governed Organization**

The Town, in conjunction with twenty other local governments, is a member of the North Carolina City Electric Agency (Electric Agency). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The twenty-one members, who receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. 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, 2018 were \$8,484,729.

**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.

**VI. Significant Effects of Subsequent Events**

The Town has evaluated events and transactions that occurred between June 30, 2018 and November 2, 2018, 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. The implementation of the statement required the Town to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Town related to OPEB during the measurement period (fiscal year ending June 30, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities and business-type activities decreased by \$759,393 and \$359,121, respectively.

## 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 FIVE FISCAL YEARS**

	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.050%	0.050%	0.053%	0.051%	0.052%
Town's proportionate share of the net pension liability (asset) (\$)	\$ 770,889	\$ 1,061,380	\$ 239,298	\$ (307,435)	\$ 609,924
Town's covered payroll	\$ 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	24.68%	35.22%	7.89%	-10.45%	22.63%
Plan fiduciary net position as a percentage of the total pension liability	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 FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 242,234	\$ 230,899	\$ 210,038	\$ 217,206	\$ 209,466
Contributions in relation to the contractually required contribution	242,234	230,899	210,038	217,206	209,466
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 3,159,091	\$ 3,123,019	\$ 3,013,958	\$ 3,034,304	\$ 2,940,730
Town's contributions as a percentage of covered payroll	7.67%	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 FOUR FISCAL YEARS**

	2018	2017	2016	2015
Town's proportion of the net pension liability (%)	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	25,045	46,773	26,131	21,417
Total	<u>\$ 25,045</u>	<u>\$ 46,773</u>	<u>\$ 26,131</u>	<u>\$ 21,417</u>
Town's covered payroll	\$ 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	6.28%	11.41%	6.67%	5.50%
Plan fiduciary net position as a percentage of the total pension liability (asset)	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, 2018**

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	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 385,821	\$ 379,699
Service cost	19,662	21,930
Interest on the total pension liability	14,397	13,180
Differences between expected and actual experience in the measurement of the total pension liability	9,334	-
Changes of assumptions and other inputs	23,407	(7,966)
Benefit payments	(25,709)	(21,022)
Ending balance of the total pension liability	<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, 2018**

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	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 426,912	\$ 385,821
Covered payroll	855,015	863,216
Total pension liability as a percentage of covered payroll	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, 2018**

	<u>2018</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 58,945
Interest	38,995
Differences between expected and actual experience	26,901
Changes of assumptions and other inputs	(70,750)
Benefit payments	(87,428)
Net change in total OPEB liability	(33,337)
Total OPEB liability, ending	1,338,920
Total OPEB liability, beginning	<u>\$ 1,305,583</u>
 Covered payroll	 \$ 2,836,544
Total OPEB liability as a percentage of covered payroll	46.03%

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>
2018	3.56%
2017	3.01%

**COMBINING AND INDIVIDUAL  
FUND STATEMENTS AND SCHEDULES**

**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, 2018**

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$ 1,860,406	\$ 1,914,738	\$ 54,332
Penalties and interest	9,000	9,110	110
Total	<u>1,869,406</u>	<u>1,923,848</u>	<u>54,442</u>
Other taxes and licenses:			
Auto/Bicycle taxes	19,000	7,549	(11,451)
Land transfer tax	80,000	64,873	(15,127)
Total	<u>99,000</u>	<u>72,422</u>	<u>(26,578)</u>
Unrestricted intergovernmental:			
Utility franchise tax	414,171	409,342	(4,829)
Local option sales taxes	637,000	701,585	64,585
Payments in lieu of taxes	13,000	20,751	7,751
Beer and wine tax	23,000	20,851	(2,149)
Total	<u>1,087,171</u>	<u>1,152,529</u>	<u>65,358</u>
Restricted intergovernmental:			
Powell Bill revenue	136,794	135,584	(1,210)
Powell Bill - vehicle tax	95,000	80,730	(14,270)
Chowan County - Fire protection	376,195	376,192	(3)
Solid Waste disposal tax	3,100	3,294	194
USDA grant	-	85,000	85,000
Edenton Historical Commission	15,125	15,125	-
NC Forest Service grant	4,445	4,445	-
Playground grant	198,720	198,720	-
Hydrilla treatment grant	5,000	5,000	-
NC Preservation office grant	7,500	-	(7,500)
Digital repeater grant	23,821	23,821	-
FEMA grants	-	161,600	161,600
NC Division of Coastal Management grant	18,000	18,000	-
Total	<u>883,700</u>	<u>1,107,511</u>	<u>223,811</u>
Permits and fees:			
Video programming fees	25,500	23,993	(1,507)
Officers fees	1,300	1,255	(45)
Police revenue	10,000	4,345	(5,655)
Nuisance fees	5,000	23,221	18,221
Other	<u>41,800</u>	<u>52,814</u>	<u>11,014</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, 2018**

	Final Budget	Actual	Variance Positive (Negative)
<b>Sales and services:</b>			
Refuse collections	223,000	211,684	(11,316)
Cemetery lot sales	32,000	46,826	14,826
Rents	16,040	15,153	(887)
Garage	220,000	240,035	20,035
Trolley ticket sales	25,000	29,312	4,312
Administrative fees from other funds	551,900	551,775	(125)
Miscellaneous	22,026	18,839	(3,187)
Total	1,089,966	1,113,624	23,658
<b>Investment earnings</b>			
General Fund - unrestricted	6,000	30,326	24,326
General Fund - restricted	400	408	8
Total	6,400	30,734	24,334
<b>Total revenues</b>	<b>5,077,443</b>	<b>5,453,482</b>	<b>376,039</b>
<b>Expenditures:</b>			
<b>General government:</b>			
Elected officials:			
Salaries and employee benefits	34,987	34,987	-
Training and travel	9,041	7,735	1,306
Other operating expenses	5,333	4,000	1,333
Total	49,361	46,722	2,639
Administration:			
Salaries and employee benefits	265,325	266,994	(1,669)
Other operating expenses	372,552	367,476	5,076
Capital outlay	-	39,062	(39,062)
Total	637,877	673,532	(35,655)
Inspections:			
Salaries and employee benefits	62,678	50,902	11,776
Other operating expenses	33,145	27,436	5,709
Total	95,823	78,338	17,485
<b>Total general government:</b>	<b>783,061</b>	<b>798,592</b>	<b>(15,531)</b>

**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, 2018**

	Final Budget	Actual	Variance Positive (Negative)
<b>Public safety:</b>			
Police:			
Salaries and employee benefits	1,312,165	1,301,794	10,371
Other operating expenses	173,898	181,380	(7,482)
Capital outlay	119,151	32,727	86,424
Total	1,605,214	1,515,901	89,313
Fire:			
Salaries and employee benefits	610,092	573,350	36,742
Other operating expenses	120,936	96,029	24,907
Capital outlay	72,600	28,988	43,612
Total	803,628	698,367	105,261
<b>Total public safety</b>	<b>2,408,842</b>	<b>2,214,268</b>	<b>194,574</b>
<b>Transportation and Utilities:</b>			
Street:			
Salaries and employee benefits	221,433	177,834	43,599
Other operating expenses	364,628	306,908	57,720
Capital outlay	941,183	830,783	110,400
Trolley	5,000	4,831	169
Total	1,532,244	1,320,356	211,888
Garage:			
Salaries and employee benefits	114,926	114,826	100
Other operating expenses	176,981	181,822	(4,841)
Capital outlay	4,111	4,111	-
Total	296,018	300,759	(4,741)
<b>Total transportation and utilities</b>	<b>1,828,262</b>	<b>1,621,115</b>	<b>207,147</b>
<b>Environmental protection:</b>			
Sanitation:			
Salaries and employee benefits	289,077	291,096	(2,019)
Other operating expenses	76,668	77,196	(528)
Capital outlay	164,943	166,084	(1,141)
Total	530,688	534,376	(3,688)



**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, 2018**

	Final Budget	Actual	Variance Positive (Negative)
<b>Mosquito Control:</b>			
Salaries and employee benefits	1,500	749	751
Other operating expenses	3,800	2,810	990
Total	5,300	3,559	1,741
<b>Cemetery:</b>			
Salaries and employee benefits	333,716	336,083	(2,367)
Other operating expenses	115,814	116,901	(1,087)
Capital outlay	263,974	236,569	27,405
Total	713,504	689,553	23,951
<b>Total environmental protection</b>	1,249,492	1,227,488	22,004
<b>Economic and physical development:</b>			
Main Street Program			
Capital Outlay	282,013	269,398	12,615
<b>Total economic and physical development</b>	282,013	269,398	12,615
<b>Debt service:</b>			
Principal retirement	221,575	221,575	-
Interest and other charges	80,813	98,114	(17,301)
Total	302,388	319,689	(17,301)
<b>Total expenditures</b>	6,854,058	6,450,550	403,508
Revenue over (under) expenditures	(1,776,615)	(997,068)	779,547
<b>Other financing sources (uses):</b>			
Proceeds from installment agreement	476,831	163,500	(313,331)
Sale of capital assets	9,000	9,865	865
Insurance recovery	8,775	8,847	72
Transfers from (to) other funds	119,008	334,180	215,172
Fund balance appropriated	1,163,001	-	(1,163,001)
Total other financing sources (uses)	1,776,615	516,392	1,260,223
<b>Net change in fund balance</b>	\$ -	(480,676)	\$ (480,676)
Fund balance, beginning		2,944,853	
Fund balance, ending		\$ 2,464,177	

**TOWN OF EDENTON, NORTH CAROLINA  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	Special Revenue Funds			Capital Project Funds		Total Non-major Governmental Funds
	NC Housing Finance Grant	Jimbo's Jumbos	Total Special Revenue Funds	New Police Station Fund	Total Capital Project Funds	
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:						
Unrestricted	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**TOWN OF EDENTON, NORTH CAROLINA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue Funds			Capital Project Funds		Total Non-major Governmental Funds
	NC Housing Finance Grant	Jimbo's Jumbos	Total Special Revenue Funds	Police Station Fund	Total Capital Project Funds	
<b>Revenues:</b>						
Restricted intergovernmental	\$ 210,907	\$ 7,178	\$ 218,085	\$ -	\$ -	\$ 218,085
Investment earnings	-	-	-	11	11	11
Total revenues	<u>210,907</u>	<u>7,178</u>	<u>218,085</u>	<u>11</u>	<u>11</u>	<u>218,096</u>
<b>Expenditures:</b>						
Public safety	-	-	-	64,300	64,300	64,300
Economic and physical development	210,907	7,178	218,085	-	-	218,085
Total expenditures	<u>210,907</u>	<u>7,178</u>	<u>218,085</u>	<u>64,300</u>	<u>64,300</u>	<u>282,385</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,289)</u>	<u>(64,289)</u>	<u>(64,289)</u>
Fund balances, beginning	-	-	-	64,289	64,289	64,289
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2018**

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
<b>Revenues:</b>					
Restricted intergovernmental:					
Federal grant no. SFRLP 2014	\$ 506,879	\$ 122,977	\$ 210,907	\$ 333,884	\$ 172,995
Total restricted intergovernmental	<u>506,879</u>	<u>122,977</u>	<u>210,907</u>	<u>333,884</u>	<u>172,995</u>
<b>Expenditures:</b>					
Current:					
Economic and physical development:					
Administration	206,330	33,580	46,462	80,042	126,288
Rehabilitation	<u>300,549</u>	<u>89,397</u>	<u>164,445</u>	<u>253,842</u>	<u>46,707</u>
Total economic and physical development	<u>506,879</u>	<u>122,977</u>	<u>210,907</u>	<u>333,884</u>	<u>172,995</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

**TOWN OF EDENTON, NORTH CAROLINA**  
**JIMBO'S JUMBOS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**-- BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018**

		Actual			Variance
	Project	Prior Years	Current Year	Total to Date	Positive
	Authorization				(Negative)
<b>Revenues:</b>					
Restricted intergovernmental:					
Community Development Block					
Grant	\$ 562,080	\$ 513,268	\$ 7,178	\$ 520,446	\$ 41,634
Total restricted intergovernmental	562,080	513,268	7,178	520,446	41,634
<b>Expenditures:</b>					
Current:					
Economic and physical					
development:					
Administration	25,000	39,373	7,178	46,551	(21,551)
Planning	5,000	-	-	-	5,000
Electrical system improvements	165,000	159,474	-	159,474	5,526
Water system improvements	367,080	314,421	-	314,421	52,659
Total economic and physical					
development	562,080	513,268	7,178	520,446	41,634
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning			-		
Fund balance, ending			\$ -		

**TOWN OF EDENTON, NORTH CAROLINA**  
**NEW POLICE STATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**-- BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018**

		Actual			Variance
	Project				Positive
	Authorization	Prior Years	Current Year	Total to Date	(Negative)
<b>Revenues:</b>					
Investment earnings	\$ -	\$ 22	\$ 11	\$ 33	\$ 33
Total restricted intergovernmental	-	22	11	33	33
<b>Expenditures:</b>					
Current:					
Public safety:					
Architect fees	141,000	208,908	-	208,908	(67,908)
Land	206,000	219,412	-	219,412	(13,412)
Furnishings and equipment	150,000	120,340	-	120,340	29,660
Construction	1,652,000	1,867,073	64,300	1,931,373	(279,373)
Total public safety	2,149,000	2,415,733	64,300	2,480,033	(331,033)
<b>Revenues over (under)</b>					
<b>expenditures</b>	<u>(2,149,000)</u>	<u>(2,415,711)</u>	(64,289)	<u>(2,480,000)</u>	<u>(331,000)</u>
<b>Other financing sources (uses):</b>					
Proceeds from installment purchase	2,149,000	2,480,000	-	2,480,000	331,000
Net change in fund balance	<u>\$ -</u>	<u>\$ 64,289</u>	(64,289)	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			64,289		
Fund balance, ending			<u>\$ -</u>		

**TOWN OF EDENTON, NORTH CAROLINA  
ELECTRIC FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2018**

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Operating revenues:			
Charges for services:			
Electricity sales	\$ 11,819,890	\$ 11,670,284	\$ (149,606)
Penalties	130,000	81,742	(48,258)
Pole rent	27,000	26,758	(242)
Sale of merchandise and scrap	6,000	21,887	15,887
Connection fees and service	30,000	24,518	(5,482)
Miscellaneous	(150)	9,797	9,947
Total operating revenues	<u>12,012,740</u>	<u>11,834,986</u>	<u>(177,754)</u>
Non-operating revenues:			
State Grant	50,000	-	(50,000)
O2 EMC Solar Farm Grant	446,082	446,082	-
Investment earnings	850	1,002	152
Total non-operating revenues	<u>496,932</u>	<u>447,084</u>	<u>(49,848)</u>
Total revenues	<u>12,509,672</u>	<u>12,282,070</u>	<u>(227,602)</u>
<b>Expenditures:</b>			
Electric Administration:			
Salaries and employee benefits	333,103	300,273	32,830
Contracted services	15,000	19,067	(4,067)
Services	454,760	454,546	214
Industrial development	40,000	40,000	-
Maintenance and repair	75,711	72,965	2,746
Other operating expenses	105,777	75,199	30,578
Total electric administration	<u>1,024,351</u>	<u>962,050</u>	<u>62,301</u>
Billing and Collection:			
Salaries and employee benefits	156,846	156,752	94
Other operating expenses	40,250	30,455	9,795
Total billing and collection	<u>197,096</u>	<u>187,207</u>	<u>9,889</u>
Electric Power:			
Salaries and employee benefits	293,365	290,664	2,701
Electricity purchases	8,217,079	8,484,729	(267,650)
Sales tax	692,000	685,223	6,777
Maintenance and repair	543,231	577,382	(34,151)
Contracted services	18,741	10,689	8,052
Other operating expenses	145,560	135,339	10,221
Total electric power	<u>9,909,976</u>	<u>10,184,026</u>	<u>(274,050)</u>
Debt service:			
Debt principal	42,064	42,063	1
Interest and fees	2,454	1,638	816
Total debt service	<u>44,518</u>	<u>43,701</u>	<u>817</u>

**TOWN OF EDENTON, NORTH CAROLINA  
ELECTRIC FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2018**

	Final Budget	Actual	Variance Positive (Negative)
Capital outlay:			
Plant Distribution System	654,029	141,119	512,910
Furniture and Equipment	459,815	303,541	156,274
Total capital outlay	<u>1,113,844</u>	<u>444,660</u>	<u>669,184</u>
Total expenditures	<u>12,289,785</u>	<u>11,821,644</u>	<u>468,141</u>
Revenues over (under) expenditures	<u>219,887</u>	<u>460,426</u>	<u>240,539</u>
Other financing sources (uses):			
Transfer to general fund	(344,880)	(334,180)	(10,700)
Installment purchase obligations issued	124,993		124,993
Fund balance appropriated	-	-	-
Total other financing sources (uses)	<u>(219,887)</u>	<u>(334,180)</u>	<u>114,293</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>126,246</u>	<u>\$ 126,246</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Debt principal		42,063	
Capital outlay		257,615	
Decrease in deferred outflows of resources - pensions		(56,195)	
Decrease in net pension liability		49,383	
Decrease in deferred inflows of resources - pensions		3,402	
Increase in inventory		8,970	
Increase in accrued vacation		(569)	
Decrease in deferred outflows of resources - OPEB		(7,337)	
Increase in deferred inflows of resources - OPEB		(10,128)	
Decrease in OPEB liability		5,334	
Depreciation		(205,223)	
Decrease in accrued interest		505	
Total reconciling items		<u>87,820</u>	
Change in net position (full accrual)		<u>\$ 214,066</u>	



**TOWN OF EDENTON, NORTH CAROLINA  
AIRPORT FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2018**

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Operating revenues:			
Charges for services:			
Hangar rentals	\$ 46,023	\$ 40,133	\$ (5,890)
Sale of fuel	113,000	104,033	(8,967)
Other operating revenue	58,550	24,947	(33,603)
Total operating revenues	<u>217,573</u>	<u>169,113</u>	<u>(48,460)</u>
Total operating revenues	<u>217,573</u>	<u>169,113</u>	<u>(48,460)</u>
Non-operating revenues:			
Restricted intergovernmental:			
Federal and state grants	<u>1,160,932</u>	<u>594,594</u>	<u>(566,338)</u>
Total non-operating revenues	<u>1,160,932</u>	<u>594,594</u>	<u>(566,338)</u>
Total revenues	<u>1,378,505</u>	<u>763,707</u>	<u>(614,798)</u>
<b>Expenditures:</b>			
Administration:			
Salaries and employee benefits	46,664	48,853	(2,189)
Insurance	13,653	12,698	955
Fuel Purchases	92,315	94,506	(2,191)
Other operating expenses	<u>103,633</u>	<u>78,551</u>	<u>25,082</u>
Total administration	<u>256,265</u>	<u>234,608</u>	<u>21,657</u>
Capital outlay	<u>1,187,412</u>	<u>631,184</u>	<u>556,228</u>
Total capital outlay	<u>1,187,412</u>	<u>631,184</u>	<u>556,228</u>
Total expenditures	<u>1,443,677</u>	<u>865,792</u>	<u>577,885</u>
<b>Revenues over (under) expenditures</b>	<b>(65,172)</b>	<b>(102,085)</b>	<b>(36,913)</b>
<b>Other financing sources (uses):</b>			
Transfer from General Fund	<u>65,172</u>	<u>-</u>	<u>65,172</u>
Total other financing sources (uses)	<u>65,172</u>	<u>-</u>	<u>65,172</u>
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>(102,085)</b>	<b>\$ (102,085)</b>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Capital outlay		631,184	
Increase in inventory		13,633	
Decrease in deferred outflows of resources - OPEB		(459)	
Increase in deferred inflows of resources - OPEB		(634)	
Decrease in OPEB liability		334	
Depreciation		(205,571)	
Total reconciling items		<u>438,487</u>	
<b>Change in net position (full accrual)</b>		<b>\$ 336,402</b>	

**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, 2018**

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Operating revenues:			
Charges for services:			
Charges for water and sewer	\$ 1,859,599	\$ 1,998,296	\$ 138,697
Other operating revenue	40,000	74,900	34,900
Total operating revenues	<u>1,899,599</u>	<u>2,073,196</u>	<u>173,597</u>
Non-operating revenues:			
Restricted intergovernmental:			
NCLOM Safety grant	1,967	1,967	-
Sale of merchandise and scrap	10,000	5,788	(4,212)
Rents	94,247	92,890	(1,357)
Interest earned	350	856	506
Total non-operating revenues	<u>106,564</u>	<u>101,501</u>	<u>(5,063)</u>
Total revenues	<u>2,006,163</u>	<u>2,174,697</u>	<u>168,534</u>
<b>Expenditures:</b>			
Water Operations:			
Salaries and employee benefits	90,754	91,420	(666)
Services	99,697	97,228	2,469
Utilities	52,368	56,560	(4,192)
Maintenance and repair	39,583	42,051	(2,468)
Other operating expenses	143,832	151,525	(7,693)
Total water operations	<u>426,234</u>	<u>438,784</u>	<u>(12,550)</u>
Sewage Collections:			
Salaries and employee benefits	250,252	252,233	(1,981)
Utilities	108,262	110,988	(2,726)
Maintenance and repair	124,251	123,090	1,161
Chemicals	4,500	2,505	1,995
Other operating expenses	109,897	95,173	14,724
Total sewage collections	<u>597,162</u>	<u>583,989</u>	<u>13,173</u>
Water and Sewer Line Maintenance:			
Salaries and employee benefits	385,085	388,318	(3,233)
Maintenance and repair	84,369	82,468	1,901
Other operating expenses	68,671	69,291	(620)
Total water and sewer line maintenance	<u>538,125</u>	<u>540,077</u>	<u>(1,952)</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, 2018**

	Final Budget	Actual	Variance Positive (Negative)
Debt service:			
Debt principal	40,382	40,382	-
Interest and fees	11,081	11,083	(2)
Total debt service	51,463	51,465	(2)
Capital outlay:			
Plant Distribution System	497,709	182,354	315,355
Furniture and Equipment	46,000	821	45,179
Total capital outlay	543,709	183,175	360,534
Total expenditures	2,156,693	1,797,490	359,203
Revenues over (under) expenditures	(150,530)	377,207	527,737
Other financing sources (uses):			
Installment purchase obligations issued	150,530	-	(150,530)
Fund balance appropriated	-	-	-
Total other sources	150,530	-	(150,530)
Revenues and other financing sources over (under) expenditures	\$ -	377,207	\$ 377,207
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Debt principal		40,382	
Capital outlay		53,488	
Waste Water Treatment Plant Fund Expenditures		(44,370)	
Waste Water Abatement Fund Expenditures		(106,785)	
Waste Treatment Plants Fund Expenditures		(115,129)	
Waste Treatment Plants Fund Expenditures - Capital Outlay		115,129	
Decrease in deferred outflows of resources - pensions		(49,719)	
Decrease in net pension liability		43,575	
Decrease in deferred inflows of resources - pensions		3,001	
Decrease in inventory		(1,901)	
Increase in accrued vacation		(6,362)	
Decrease in deferred outflows of resources - OPEB		(6,879)	
Increase in deferred inflows of resources - OPEB		(9,495)	
Decrease in OPEB liability		4,999	
Depreciation		(323,018)	
Decrease in accrued interest		170	
Total reconciling items		(402,914)	
Change in net position (full accrual)		\$ (25,707)	

**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, 2018**

		Actual			Variance
	Project	Prior Years	Current Year	Total to Date	Positive
	Authorization				(Negative)
<b>Revenue:</b>					
Non-operating revenue:					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total non-operating revenue	-	-	-	-	-
<b>Expenditures:</b>					
Professional services	30,000	-	10,500	10,500	19,500
Capital outlay	97,900	-	33,870	33,870	64,030
Total	127,900	-	44,370	44,370	83,530
Revenue over (under) expenditures	(127,900)	-	(44,370)	(44,370)	83,530
<b>Other financing sources:</b>					
Fund balance appropriated	-	-	-	-	-
Long-term debt issued	127,900	-	-	-	(127,900)
Total	127,900	-	-	-	(127,900)
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ (44,370)	\$ (44,370)	\$ (44,370)

**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, 2018**

		Actual			Variance
	Project				Positive
	Authorization	Prior Years	Current Year	Total to Date	(Negative)
Revenue:					
Restricted intergovernmental:					
N.C. Department of Commerce Grant	\$ 187,995	\$ -	\$ -	\$ -	\$ (187,995)
Total non-operating revenue	187,995	-	-	-	(187,995)
Expenditures:					
Professional services	95,000	-	34,593	34,593	60,407
Capital outlay	1,092,995	-	72,192	72,192	1,020,803
Total	1,187,995	-	106,785	106,785	1,081,210
Revenue over (under) expenditures	(1,000,000)	-	(106,785)	(106,785)	893,215
Other financing sources:					
Fund balance appropriated	-	-	-	-	-
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)	\$ (106,785)	\$ (106,785)

**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, 2018**

		Actual			Variance
	Project				Positive
	Authorization	Prior Years	Current Year	Total to Date	(Negative)
<b>Revenue:</b>					
Restricted intergovernmental:					
U.S.D.A. Grant	\$ 1,115,197	\$ -	\$ -	\$ -	\$ (1,115,197)
Total non-operating revenue	1,115,197	-	-	-	(1,115,197)
<b>Expenditures:</b>					
Professional services	279,000	-	115,129	115,129	163,871
Contingencies	292,620	-	-	-	292,620
Capital outlay	3,184,577	-	-	-	3,184,577
Total	3,756,197	-	115,129	115,129	3,641,068
Revenue over (under) expenditures	(2,641,000)	-	(115,129)	(115,129)	2,525,871
<b>Other financing sources:</b>					
Fund balance appropriated	-	-	-	-	-
Long-term debt issued	2,641,000	-	-	-	(2,641,000)
Total	2,641,000	-	-	-	(2,641,000)
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ (115,129)	\$ (115,129)	\$ (115,129)

## **OTHER SCHEDULES**

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This section includes additional information on property taxes.

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- 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, 2018**

<b>Fiscal Year</b>	<b>Uncollected Balance July 1, 2017</b>	<b>Additions</b>	<b>Collections/ (Adjustments)</b>	<b>Uncollected Balance June 30, 2018</b>
2017-2018	\$ -	\$ 1,910,774	\$ 1,892,264	\$ 18,510
2016-2017	22,030	-	12,148	9,882
2015-2016	10,993	-	5,758	5,235
2014-2015	6,385	-	1,145	5,240
2013-2014	7,084	-	965	6,119
2012-2013	6,946	-	860	6,086
2011-2012	5,925	-	441	5,484
2010-2011	4,402	-	430	3,972
2009-2010	4,609	-	510	4,099
2008-2009	3,836	-	217	3,619
2007-2008	2,659	-	2,659	-
	<u>\$ 74,869</u>	<u>\$ 1,910,774</u>	<u>\$ 1,917,397</u>	<u>\$ 68,246</u>

**Reconciliation with revenue:**

Ad valorem taxes - General Fund	\$ 1,923,848
Interest collected	(9,110)
Taxes written off	2,659
Total collection and credits	<u>\$ 1,917,397</u>



**TOWN OF EDENTON, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
JUNE 30, 2018**

Town of Edenton	Town-wide		Total Levy		
	Property Valuation	Rate per \$100	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 485,621,818	0.385	\$ 1,869,644	\$ 1,720,426	\$ 149,218
Penalties	836,623		3,221	3,221	-
Total	<u>486,458,441</u>		<u>1,872,865</u>	<u>1,723,647</u>	<u>149,218</u>
Discoveries:					
Current year taxes	10,245,455	0.385	39,445	39,445	
Penalties	157,403		606	606	-
Total	<u>10,402,858</u>		<u>40,051</u>	<u>40,051</u>	<u>-</u>
Abatements	<u>(556,364)</u>	0.385	<u>(2,142)</u>	<u>(596)</u>	<u>(1,546)</u>
Total property valuation	<u>\$ 496,304,935</u>		1,910,774	1,763,102	147,672
Less: Uncollected Tax at June 30, 2018			<u>(18,510)</u>	<u>(18,480)</u>	<u>(30)</u>
Current Year Taxes Collected			<u>\$ 1,892,264</u>	<u>\$ 1,744,622</u>	<u>\$ 147,642</u>
Current levy collection percentage			<u>99.03%</u>	<u>98.95%</u>	<u>99.98%</u>

## **COMPLIANCE SECTION**

# DONNA H. WINBORNE, CPA, P.C.

## CERTIFIED PUBLIC ACCOUNTANT

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

#### 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, 2018, 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 2, 2018.

#### 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.

My consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control that I consider to be material weaknesses.

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. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 to be material weaknesses.

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. Given these limitations, during the audit I did not identify any deficiencies in internal control that I consider significant deficiencies. However, significant deficiencies may exist that have not been identified.

### Compliance and Other Matters

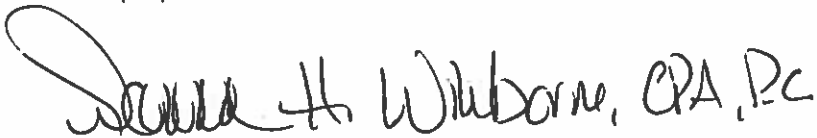
As part of obtaining reasonable assurance about whether the Town of Edenton's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 our 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 items 2018-001 and 2018-002.

### 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 "Steven H. Wilborne, CPA, PC". The signature is written in a cursive, flowing style.

Edenton, North Carolina  
November 2, 2018

# DONNA H. WINBORNE, CPA, P.C.

## CERTIFIED PUBLIC ACCOUNTANT

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

#### Independent Auditor's Report

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

#### Report on Compliance for Each Major Federal Program

I have audited the Town of Edenton, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Edenton's major federal programs for the year ended June 30, 2018. The Town of Edenton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

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

#### Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Town of Edenton's major federal 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) 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 federal 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 federal program. However, the audit does not provide a legal determination of the Town of Edenton's compliance.

#### Opinion on Each Major Federal 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 federal programs for the year ended June 30, 2018.

#### Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-003. My opinion on each major federal program is not modified with respect to these matters.

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

## 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 of Edenton's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-003 to be a material weakness.

**A significant deficiency in internal control over compliance** is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. 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. Given these limitations, during the audit I did not identify any deficiencies in internal control that I consider significant deficiencies. However, significant deficiencies may exist that have not been identified.

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

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.

~~William~~ H. Winborne, CPA, P.C.

Edenton, North Carolina  
November 2, 2018

**TOWN OF EDENTON, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**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?	<u>  X  </u> yes	<u>      </u> no
Significant Deficiency(ies) identified	<u>      </u> yes	<u>  X  </u> none reported

Noncompliance material to financial statements noted	<u>      </u> yes	<u>  X  </u> no
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**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?	<u>  X  </u> yes	<u>      </u> no
Significant Deficiency(ies) identified	<u>      </u> yes	<u>  X  </u> 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)?	<u>  X  </u> yes	<u>      </u> no
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Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
20.106	Airport Improvement Program - State Block Grant

Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$ 750,000</u>
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Auditee qualified as low-risk auditee?	<u>      </u> yes	<u>  X  </u> no
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**State Awards**

Internal control over major State programs:

Material weakness(es) identified?	<u>  N/A  </u> yes	<u>  N/A  </u> no
Significant Deficiency(ies) identified that are not considered to be material weaknesses	<u>  N/A  </u> yes	<u>  N/A  </u> 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	<u>  N/A  </u> yes	<u>  N/A  </u> no
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Identification of major State programs:

<u>CFDA /Grant Numbers</u>	<u>Names of State Program</u>
	No major state programs.

**TOWN OF EDENTON, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>Section II. Financial Statement Findings</b>
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**Finding 2018-001 - Internal Control Over Financial Statement Preparation**

**Material Weakness**

**Criteria:** Clarified Statement on Auditing Standards 122 (AU-C Section 265) indicates that the design of internal control over the preparation of financial statements should be such to allow management to prevent, or detect and correct, a potential misstatement on a timely basis.

**Condition:** We noted in the original trial balance we were given for the audit that many accounts had not been reconciled to the detailed reports, subsidiary ledgers, and/or other supporting documentation. The finance officer reconciled the accounts and supplied us with a trial balance after those adjustments were made. Approximately 40 additional adjusting journal entries had to be made in order for the financial statements to be fairly presented, in all material respects, with accounting principles generally accepted in the United States of America.

**Effect:** A material weakness exists.

**Cause:** Detailed reports and subledgers are not being properly reconciled to the general ledger; therefore, appropriate adjustments were not made throughout the year.

**Recommendation:** Balance sheet accounts should be reconciled with the detailed reports and other supporting documents on a regular basis (at least quarterly) and differences should be researched and adjusted as necessary.

**Views of responsible officials and planned corrective actions:** The Town had three finance officers in the first half of FY 2017/18. The current Finance Officer has set up process to reconcile balance sheet accounts with the detailed reports on a regular basis, at least quarterly. Differences will be researched and adjusted as necessary.

**Finding 2018-002 - Preaudit of expenditures**

**Material Weakness**

**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 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 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 required by N.C.G.S. 159-28(a)(1). We noted several other instances in which there was a purchase order that included a signed preaudit statement; however, the purchase order was dated after the invoice.

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



**TOWN OF EDENTON, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Section II. Financial Statement Findings (continued)**

**Cause:** Purchase orders are not always prepared prior to purchases being made. There is no documentation of preaudit for purchases that are not evidenced by a written purchase order.

**Context:** Samples were selected for testing from all funds. We did note that there is constant communication between the Town Manager, the Finance Officer, and the various department heads. While formal procedures were not always followed, other informal processes were taking place to make sure that funds were being spent appropriately.

**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:** Staff turnover contributed to Town being out of compliance. On several occasions during the year a purchase order was not prepared and there was no evidence of pre-audit language as required by statute and there were also several instances in which there was a PO that included the pre-audit statement, however the PO was dated after the invoice. All supervisors and department heads are participating in training to be held on November 6, 2018. Written directives on procedures were issued on November 5, 2018. Also, planned upgrades to financial software system were delayed, but will be installed in the 3rd quarter of this fiscal year. This upgrade includes a true purchasing system with software that will require adherence to state statutes. In addition, check request forms and expense reimbursement forms that are pre-printed with the proper language including a place for signature will be utilized.

**Section III. Federal Award Findings and Questioned Costs**

**U.S. Departments of Agriculture, Transportation, Homeland Security, and Housing and Urban Development  
Passed through N.C. Departments of Rural Development, Transportation, Public Safety, and the N.C. Housing  
Finance Agency**

**Program names: Community Facilities Loans and Grants, Airport Improvement Program - State Block Grant,  
Disaster Grants - Public Assistance (Presidentially Declared Disasters), Community Development Block Grant -  
State's Program, and Single Family Rehabilitation**

**Finding 2018-003 - Preaudit of expenditures**

**Material Weakness**

**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 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 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 required by N.C.G.S. 159-28(a)(1). We noted several other instances in which there was a purchase order that included a signed preaudit statement; however, the purchase order was dated after the invoice.

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

**TOWN OF EDENTON, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Section III. Federal Award Findings and Questioned Costs (continued)**

**Cause:** Purchase orders are not always prepared prior to purchases being made. There is no documentation of preaudit for purchases that are not evidenced by a written purchase order.

**Context:** Samples were selected for testing from all funds. We did note that there is constant communication between the Town Manager, the Finance Officer, and the various department heads. While formal procedures were not always followed, other informal processes were taking place to make sure that funds were being spent appropriately.

**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:** Staff turnover contributed to Town being out of compliance. On several occasions during the year a purchase order was not prepared and there was no evidence of pre-audit language as required by statute and there were also several instances in which there was a PO that included the pre-audit statement, however the PO was dated after the invoice. All supervisors and department heads are participating in training to be held on November 6, 2018. Written directives on procedures were issued on November 5, 2018. Also, planned upgrades to financial software system were delayed, but will be installed in the 3rd quarter of this fiscal year. This upgrade includes a true purchasing system with software that will require adherence to state statutes. In addition, check request forms and expense reimbursement forms that are pre-printed with the proper language including a place for signature will be utilized.

**Section IV. State Award Findings and Questioned Costs**

There are no major state programs.

**TOWN OF EDENTON, NORTH CAROLINA  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2018**

**Section II. Financial Statement Findings**

**Finding 2018-001 - Internal Control Over Financial Statement Preparation**

**Material Weakness**

Name and title of contact person: Virginia Smith, Finance Officer

Corrective Action: The Town had three finance officers in the first half of FY 2017/18. The current Finance Officer has set up process to reconcile balance sheet accounts with the detailed reports on a regular basis, at least quarterly. Differences will be researched and adjusted as necessary.

Proposed Completion Date: Immediately

**Finding 2018-002 - Preaudit of expenditures**

**Material Weakness**

Name and title of contact person: Virginia Smith, Finance Officer

Corrective Action: Staff turnover contributed to Town being out of compliance. On several occasions during the year a purchase order was not prepared and there was no evidence of pre-audit language as required by statute and there were also several instances in which there was a PO that included the pre-audit statement, however the PO was dated after the invoice. All supervisors and department heads are participating in training to be held on November 6, 2018. Written directives on procedures were issued on November 5, 2018. Also, planned upgrades to financial software system were delayed, but will be installed in the 3rd quarter of this fiscal year. This upgrade includes a true purchasing system with software that will require adherence to state statutes. In addition, check request forms and expense reimbursement forms that are pre-printed with the proper language including a place for signature will be utilized.

Proposed Completion Date: Training on November 6, 2018 and Implementation of Purchasing Software by March 31, 2019

**TOWN OF EDENTON, NORTH CAROLINA  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>Section III. Federal Award Findings and Questioned Costs</b>
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**Finding 2018-003 - Preaudit of expenditures**

**Material Weakness**

Name and title of contact person: Virginia Smith, Finance Officer

Corrective Action: Staff turnover contributed to Town being out of compliance. On several occasions during the year a purchase order was not prepared and there was no evidence of pre-audit language as required by statute and there were also several instances in which there was a PO that included the pre-audit statement, however the PO was dated after the invoice. All supervisors and department heads are participating in training to be held on November 6, 2018. Written directives on procedures were issued on November 5, 2018. Also, planned upgrades to financial software system were delayed, but will be installed in the 3rd quarter of this fiscal year. This upgrade includes a true purchasing system with software that will require adherence to state statutes. In addition, check request forms and expense reimbursement forms that are pre-printed with the proper language including a place for signature will be utilized.

Proposed Completion Date: Training on November 6, 2018 and Implementation of Purchasing Software by March 31, 2019

**TOWN OF EDENTON, NORTH CAROLINA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Finding 2017-001**

Status: This finding is repeated.

**Finding 2017-002**

Status: This finding has been corrected.

**Finding 2017-003**

Status: This finding has been corrected.

**Finding 2017-004**

Status: This finding is repeated.

**TOWN OF EDENTON, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

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
<b>Federal Awards:</b>						
<b>Cash Programs:</b>						
<u>U.S. Department of Agriculture</u>						
Passed-through the N.C. Department of Rural Development: Community Facilities Loans and Grants	10,766		\$ 160,500	\$ -	\$ -	\$ -
Total U.S. Department of Agriculture			160,500	-	-	-
<u>U.S. Department of Transportation</u>						
Passed through N.C. Department of Transportation: Airport Improvement Program - State Block Grant	20,106	22173	598,207	-	-	32,977
Total U.S. Department of Transportation			598,207	-	-	32,977
<u>U.S. Department of Housing and Urban Development</u>						
Passed through N.C. Housing Finance Agency: Community Development Block Grant, State's Program Single Family Rehabilitation	14,228 14,239	B-13-DC-37-0001 AFRLP1410	7,178 210,907 218,085	- - -	- - -	- - -
Total U.S. Department of Housing and Urban Development						
<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		161,600	-	-	-
Total U.S. Department of Homeland Security			161,600	-	-	-
Total Federal awards			1,138,392	-	-	32,977
<b>State awards:</b>						
<u>N.C. Department of Agriculture and Consumer Services</u>						
Forest Service Grant			-	4,445	-	-
Total N.C. Department of Agriculture and Consumer Services			-	4,445	-	-
<u>N.C. Department of Natural and Cultural Resources</u>						
N.C. Connect Bonds PARTF Playground Grant			-	198,720	-	-
Division of Coastal Management Drainage Study Grant			-	18,000	-	-
Total N.C. Department of Natural and Cultural Resources			-	216,720	-	-

**N.C. Department of Transportation**

Total N.C. Department of Transportation

**N.C. Department of Public Safety**

Total N.C. Department of Public Safety

Total Federal &amp; State Awards

## 1. Basis of Presentation

## 2. Summary of Significant Accounting Policies

### 3. 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.**