

**TOWN OF EDENTON,
NORTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

MAYOR

Jimmy Stalling

COMMISSIONERS

Elton Bond, Jr (Mayor Pro-Tem)

Roger Coleman

Aaron Coston

Sambo Dixon

Hackney High, Jr

Craig Miller

TOWN MANAGER

Corey Gooden

FINANCE OFFICER

Virginia Smith

Town of Edenton
TABLE OF CONTENTS
For Year Ended June 30, 2023

Exhibit

Financial Section

Independent Auditor's Report 1-4

Management's Discussion and Analysis 5-10

Basic Financial Statements:

Government-Wide Financial Statements:

1 Statement of Net Position 11

2 Statement of Activities 12

Fund Financial Statements:

3 Balance Sheet-Governmental Funds 13
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position

4 Statement of Revenues, Expenditures, and Changes in 14-15
Fund Balances - Governmental funds
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities

5 Statement of Revenues, Expenditures, and Changes in 16
Fund Balance - Budget and Actual - General Fund

6 Statement of Revenues, Expenditures, and Changes in 17
Fund Balance - Budget and Actual - Governmental Special Project

7 Statement of Net Position - Proprietary Funds 18

8 Statement of Revenues, Expenses, and Changes in 19
Fund Net Position - Proprietary Funds

9 Statement of Cash Flows - Proprietary Funds 20

Notes to the Financial Statements 21-45

Required Supplemental Financial Data:

| | |
|--|----|
| Schedule of the Proportionate Share of the Net Pension Liability – Local Government Employees’ Retirement System | 46 |
| Schedule of Town Contributions – Local Government Employees’ Retirement System | 47 |
| Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance | 48 |
| Schedule of Total Pension Liability as a Percentage of Covered Payroll | 49 |
| Schedule of Changes in Net OPEB Liability and Related Ratios | 50 |

Individual Fund Statements and Schedules:

| | |
|--|-------|
| Schedule of Revenues, Expenditures, and Changes in Fund Balance - General Fund - Budget and Actual | 51-53 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual: Governmental Special Projects Fund | 54 |
| Combining Balance Sheet - Non-major Governmental Funds | 55 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-major Governmental Funds | 56 |
| Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | |
| North Carolina Housing Finance Grant Fund | 57 |
| Coronavirus Relief Fund | 58 |
| FEMA Proceeds Fund | 59 |
| ARPA Fund | 60 |
| Harbor Town Ferry Project Fund | 61 |
| Enterprise Funds: Schedules of Revenues and Expenditures - Budget and Actual (NON-GAAP) | |
| Electric Fund | 62-63 |
| Electric Fund Small Capital Projects | 64 |
| Water and Sewer Fund | 65-66 |
| Waste Water Treatment Plant Capital Project Fund | 67 |

| | |
|---|-------|
| Waste Water Abatement Capital Project Fund | 68 |
| Water Treatment Plants Capital Project Fund | 69 |
| Water Supply Well Rehab Fund | 70 |
| NCDEQ Grant Project Fund | 71 |
| Airport Fund | 72-73 |
| Parallel Taxiway Project | 74 |

Other Schedules:

| | |
|---|----|
| Schedule of Ad Valorem Taxes Receivable | 75 |
| Analysis of Current Tax Levy Town-Wide Levy | 76 |

Compliance Section:

| | |
|---|-------|
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in Accordance With <i>Government Auditing Standards</i> | 77-78 |
| Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act | 79-81 |
| Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act | 82-84 |
| Schedule of Findings and Questioned Costs | 85-87 |
| Corrective Action Plan | 88 |
| Schedule of Expenditures of Federal and State Awards | 89-90 |

FINANCIAL SECTION



Thompson, Price, Scott, Adams & Co., P.A.
4024 Oleander Drive Suite 103
Wilmington, North Carolina 28403
Telephone (910) 791-4872
Fax (910) 239-8294

Independent Auditor's Report

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

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Edenton, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Edenton's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit, the accompanying 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 as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Edenton and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the Town of Edenton's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect material statement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards* we

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Edenton's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Edenton's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Other Postemployment Benefits and Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contribution, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Edenton's basic financial statements. The combining and individual fund financial statements, budgetary schedules, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards

are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2023, on our consideration of the Town of Edenton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Edenton's 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.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

October 26, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Edenton, we offer readers of the Town of Edenton's (the "Town") financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023. 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.

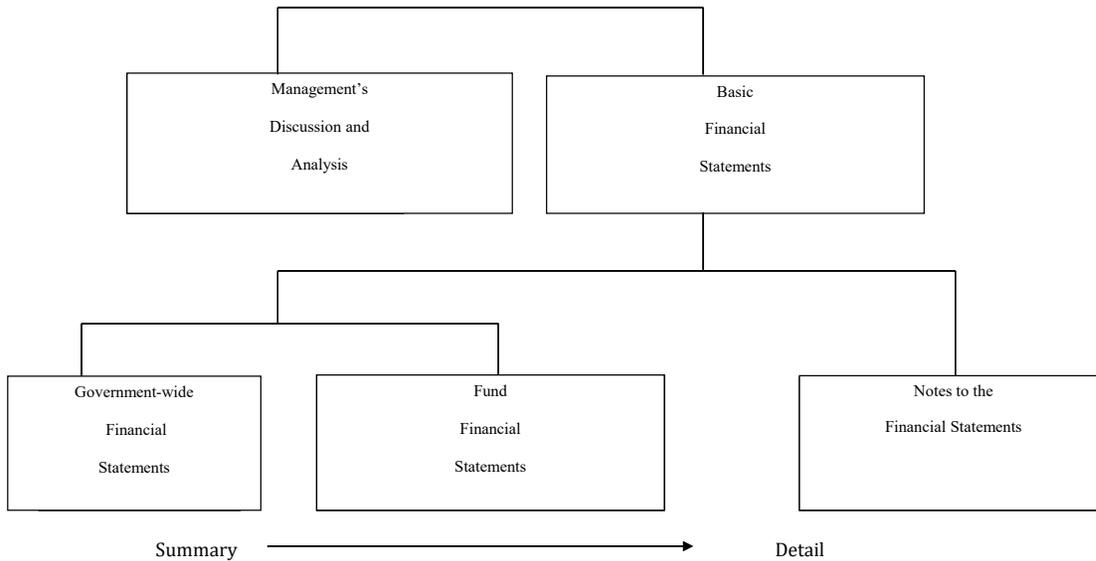
Financial Highlights

- 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 \$22,542,050 (net position).
- The government's total net position increased by \$1,159,131 primarily due to increased net position in governmental type activities.
- As of the close of the current fiscal year, the Town of Edenton's governmental funds reported combined ending fund balances of \$4,338,164, after a net increase in fund balance of \$104,313. Approximately 23% of this total amount, or \$1,012,970, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,310,296 or 31% of total General Fund expenditures.
- The Town of Edenton's total debt increased by \$662,651 during the current 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&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 3-9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the government fund statements; 2) the budgetary comparison statements for major governmental funds; and 3) the proprietary governmental funds 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 major and non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the Town's pension and benefit plans.

Government-Wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, 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 where services are provided and customers are charged for those services. 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 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of 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 North Carolina General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in the 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* which provides a current financial 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, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds - The Town has three kind 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 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.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Edenton's progress in funding its obligation to provide pension and OPEB benefits to it's employees.

Interdependence with Other Entities - The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

Government-Wide Financial Analysis

The Town of Edenton's Net Position
Figure 2

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------|----------------------------|---------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Current and other assets | \$ 4,834,075 | \$ 5,264,546 | \$ 3,010,638 | \$ 3,717,288 | \$ 7,844,713 | \$ 8,981,834 |
| Capital assets | 9,462,527 | 7,539,067 | 20,016,419 | 18,973,436 | 29,478,946 | 26,512,503 |
| Total assets | <u>14,296,602</u> | <u>12,803,613</u> | <u>23,027,057</u> | <u>22,690,724</u> | <u>37,323,659</u> | <u>35,494,337</u> |
| Deferred outflows of resources | 1,896,310 | 1,520,762 | 845,414 | 642,082 | 2,741,724 | 2,162,844 |
| Current liabilities | 964,140 | 1,559,896 | 1,498,515 | 1,272,988 | 2,462,655 | 2,832,884 |
| Long-term liabilities | 7,477,045 | 6,289,432 | 7,001,490 | 5,773,512 | 14,478,535 | 12,062,944 |
| Total liabilities | <u>8,441,185</u> | <u>7,849,328</u> | <u>8,500,005</u> | <u>7,046,500</u> | <u>16,941,190</u> | <u>14,895,828</u> |
| Deferred inflows of resources | 431,671 | 944,828 | 150,472 | 433,606 | 582,143 | 1,378,434 |
| Net Position: | | | | | | |
| Net investment | | | | | | |
| in capital assets | 5,552,986 | 3,563,642 | 14,414,806 | 14,100,358 | 19,967,792 | 17,664,000 |
| Transportation | 93,792 | 57,314 | - | - | 93,792 | 57,314 |
| Stabilization by State Statute | 883,185 | 739,249 | - | - | 883,185 | 739,249 |
| Unrestricted | 790,093 | 1,170,014 | 807,188 | 1,752,342 | 1,597,281 | 2,922,356 |
| Total net position | <u>\$ 7,320,056</u> | <u>\$ 5,530,219</u> | <u>\$ 15,221,994</u> | <u>\$ 15,852,700</u> | <u>\$ 22,542,050</u> | <u>\$ 21,382,919</u> |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town of Edenton exceeded liabilities and deferred inflows by \$22,542,050 as of June 30, 2023. Current and other assets decreased by \$1,137,121 from the prior year. A significant contributing factor to the decrease was the purchasing of new fixed assets. The Town's net position increased by \$1,159,131 in the same period. One of the largest portions \$19,967,792 (89%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment). 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 investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Current liabilities decreased by \$370,229 from the prior year. The main factor causing the decrease was the decrease in liabilities to be paid from restricted assets.

Long-term liabilities which include bonds, notes, compensated absences, pension, and postemployment obligations of the primary governments increased by \$2,415,591. The main cause of the increase was the issuance of a \$1,013,258 installment purchase obligation, and an increase of a \$2,175,540 for the Town's net pension liability for the Local Government Employees' Retirement System. The overall increase in long-term liabilities were partially offset by the reduction of bonds payable based on the debt service principal payments made during the current year.

An additional portion of the Town of Edenton's net position \$976,977 (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,597,281 (7%) is unrestricted.

Several aspects of the Town's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.18%.

**The Town of Edenton
Changes in Net Position
Figure 3**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|----------------------------|---------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 1,840,327 | \$ 1,220,655 | \$ 15,273,792 | \$ 15,527,716 | \$ 17,114,119 | \$ 16,748,371 |
| Operating grants and contributions | 813,359 | 1,016,977 | 306,033 | 495,338 | 1,119,392 | 1,512,315 |
| Capital grants and contributions | 1,884,922 | 224,000 | - | - | 1,884,922 | 224,000 |
| General revenues: | | | | | | |
| Property taxes | 2,879,551 | 2,181,788 | - | - | 2,879,551 | 2,181,788 |
| Other taxes | 1,824,058 | 1,729,286 | - | - | 1,824,058 | 1,729,286 |
| Other | 196,574 | 33,853 | 134,046 | 278,373 | 330,620 | 312,226 |
| Total revenues | 9,438,791 | 6,406,559 | 15,713,871 | 16,301,427 | 25,152,662 | 22,707,986 |
| Expenses: | | | | | | |
| General government | 901,990 | 872,562 | - | - | 901,990 | 872,562 |
| Public Safety | 1,332,340 | 2,601,726 | - | - | 1,332,340 | 2,601,726 |
| Transportation | 1,612,627 | 966,244 | - | - | 1,612,627 | 966,244 |
| Environmental protection | 1,450,773 | 1,020,055 | - | - | 1,450,773 | 1,020,055 |
| Economic and physical development | 2,320,904 | 891,881 | - | - | 2,320,904 | 891,881 |
| Cultural and recreation | - | 53,545 | - | - | - | 53,545 |
| Interest on long-term debt | 80,273 | 59,362 | - | - | 80,273 | 59,362 |
| Airport | - | - | 522,512 | 507,529 | 522,512 | 507,529 |
| Water and sewer | - | - | 3,089,398 | 2,645,300 | 3,089,398 | 2,645,300 |
| Electric | - | - | 12,682,714 | 12,227,963 | 12,682,714 | 12,227,963 |
| Total expenses | 7,698,907 | 6,465,375 | 16,294,624 | 15,380,792 | 23,993,531 | 21,846,167 |
| Increase (decrease) in net position before transfers and special items | 1,739,884 | (58,816) | (580,753) | 920,635 | 1,159,131 | 861,819 |
| Transfers | 49,953 | 332,293 | (49,953) | (332,293) | - | - |
| Increase (decrease) in net position | 1,789,837 | 273,477 | (630,706) | 588,342 | 1,159,131 | 861,819 |
| Net position, beginning | 5,530,219 | 5,256,742 | 15,852,700 | 15,264,358 | 21,382,919 | 20,521,100 |
| Net position, ending | \$ 7,320,056 | \$ 5,530,219 | \$ 15,221,994 | \$ 15,852,700 | \$ 22,542,050 | \$ 21,382,919 |

Governmental activities: Governmental activities increased the Town's net position by \$1,789,837.

Business-type activities: Business-type activities decreased the Town's net position by \$630,706.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Edenton's financing requirements. Specifically, fund balance available for appropriation 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. At the end of the current fiscal year, the Town's fund balance available in the General Fund was \$2,310,296 while total fund balance reached \$3,314,557. The Town currently has an unassigned fund balance of 31% of General Fund expenditures while total fund balance represents 44% of the same amount.

At June 30, 2023, the governmental funds of the Town reported a combined fund balance of \$4,338,164, a \$104,313 increase over last year.

Like governmental activities, the General Fund also had increased property tax revenues because of the increased property valuation used for the calculation of the current year tax levy. During the current year the Town of Edenton enhanced its tax collection policies and procedures. The effort focused on the collection of prior year unpaid taxes. On the accrual basis used for government-wide financial statements the taxes were previously recognized as revenue in the period they were intended to finance. However, on the modified accrual basis used for governmental fund financial statements property tax revenues must be available to be recognized as revenue. The unpaid taxes of prior year only become available when they are actually collected. The enhanced collection efforts in the current year resulted in the collection and recognition of revenue of approximately \$22,578.

General Fund Budgetary Highlights:

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

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 \$505,117, the Water and Sewer Fund amounted to \$666,030, and those for the Airport Fund amounted to (\$363,959).

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, 2023, totals \$29,478,946 (net of accumulated depreciation). These assets include land, buildings, improvements, machinery and equipment, and vehicles.

Major capital assets transactions during the year include:

- New Pierce pumper truck in Fire Department
- Several new equipments in general, water and sewer, and electric funds
- Construction in progress - general fund, airport fund, and water fund projects

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------------|----------------------------|---------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land | \$ 1,403,409 | \$ 1,403,409 | \$ 105,758 | \$ 105,758 | \$ 1,509,167 | \$ 1,509,167 |
| Infrastructure | 2,026,237 | 2,103,001 | - | - | 2,026,237 | 2,103,001 |
| Runways | - | - | 892,165 | 1,053,095 | 892,165 | 1,053,095 |
| Buildings | 2,452,207 | 2,518,146 | 489,861 | 406,495 | 2,942,068 | 2,924,641 |
| Plant distribution and system | - | - | 10,253,916 | 6,718,391 | 10,253,916 | 6,718,391 |
| Neighborhood redevelopment program | - | - | 10,049 | 10,677 | 10,049 | 10,677 |
| Equipment | 283,892 | 327,166 | 708,739 | 553,364 | 992,631 | 880,530 |
| Vehicles | 1,378,946 | 566,037 | 449,181 | 911,912 | 1,828,127 | 1,477,949 |
| Construction in progress | 1,917,836 | 621,308 | 7,106,750 | 9,213,744 | 9,024,586 | 9,835,052 |
| Total | \$ 9,462,527 | \$ 7,539,067 | \$ 20,016,419 | \$ 18,973,436 | \$ 29,478,946 | \$ 26,512,503 |

Additional information on the Town of Edenton's capital assets can be found in the notes to the financial statements.

Long-Term Debt. As of June 30, 2023, the Town of Edenton had total debt outstanding of \$3,909,541 in the Governmental Funds and \$5,601,613 in the Enterprise Funds.

The Town of Edenton's Outstanding Debt
Figure 5

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Installment purchases | \$ 3,909,541 | \$ 3,975,425 | \$ 1,950,712 | \$ 1,111,061 | \$ 5,860,253 | \$ 5,086,486 |
| Sewer Revolving Loan | - | - | 935,000 | 990,000 | 935,000 | 990,000 |
| Water Tank Rehabilitation Loan | - | - | 269,901 | 276,017 | 269,901 | 276,017 |
| Water Treatment Plant Bond | - | - | 2,446,000 | 2,496,000 | 2,446,000 | 2,496,000 |
| Total | \$ 3,909,541 | \$ 3,975,425 | \$ 5,601,613 | \$ 4,873,078 | \$ 9,511,154 | \$ 8,848,503 |

The Town of Edenton's total debt increased by \$662,651 during the past fiscal year. More detailed information on the Town of Edenton's long-term debt and capital asset activity can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- The Town continues to support the Chowan County Tourism Development Authority and the efforts to promote Edenton as a travel destination and a community of value to retirees. The ECP continues to work with consultants trying to attract investment in a care retirement community. Such a facility would increase Edenton's appeal as a retirement destination.
- The Town is making great progress implementing the goals and objects of the Moseley Street and North Oakum Street neighborhood redevelopment plans in distressed neighborhoods to combat blight that exists due to vacant and abandoned housing.
- The local economy appears to be stable, but like most rural towns in North Carolina, the economy is growing at an extremely slow rate. The business climate is improving for our local manufacturers.

Budget Highlights for the Fiscal Year Ending June 30, 2024

Governmental Activities

Property taxes are expected to remain the same as the current tax rate. The Town will use increases in revenues to finance programs currently in place. No new revenues are anticipated and other current sources remain constant. Management continually seeks grants and funding from outside sources to supplement the Town's revenue streams.

Business-type Activities

The water and sewer rates in the Town were left unchanged for the coming year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Town of Edenton, North Carolina
Statement of Net Position
June 30, 2023

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 3,708,954 | \$ 1,459,419 | \$ 5,168,373 |
| Taxes receivable, net | 96,718 | - | 96,718 |
| Accrued interest receivable on taxes | 15,433 | - | 15,433 |
| Accounts receivable, net | 510,814 | 427,209 | 938,023 |
| Internal balances | 372,371 | (372,371) | - |
| Inventories | 35,993 | 1,198,075 | 1,234,068 |
| Restricted cash and cash equivalents | 93,792 | 298,306 | 392,098 |
| Total current assets | <u>4,834,075</u> | <u>3,010,638</u> | <u>7,844,713</u> |
| Non-current assets: | | | |
| Capital assets: | | | |
| Land and construction in progress | 3,321,245 | 7,212,508 | 10,533,753 |
| Other capital assets, net of depreciation | 6,141,282 | 12,803,911 | 18,945,193 |
| Total capital assets | <u>9,462,527</u> | <u>20,016,419</u> | <u>29,478,946</u> |
| Total assets | <u>14,296,602</u> | <u>23,027,057</u> | <u>37,323,659</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension deferrals | 1,456,748 | 628,912 | 2,085,660 |
| OPEB deferrals | 439,562 | 216,502 | 656,064 |
| Total deferrals outflows of resources | <u>1,896,310</u> | <u>845,414</u> | <u>2,741,724</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued expenses | 379,509 | 885,030 | 1,264,539 |
| Unearned revenue | 4,250 | - | 4,250 |
| Accrued interest payable | 80,158 | 6,011 | 86,169 |
| Customer deposits | - | 298,306 | 298,306 |
| Compensated absences, current | 45,150 | 23,065 | 68,215 |
| Installment notes payable, current | 455,073 | 286,103 | 741,176 |
| Total current liabilities | <u>964,140</u> | <u>1,498,515</u> | <u>2,462,655</u> |
| Long term Liabilities: | | | |
| Installment notes payable | 3,454,468 | 5,315,510 | 8,769,978 |
| Compensated absences | 180,598 | 92,255 | 272,853 |
| Net pension liability | 2,038,542 | 959,313 | 2,997,855 |
| Total pension liability (LEO) | 515,388 | - | 515,388 |
| Total OPEB liability | 1,288,049 | 634,412 | 1,922,461 |
| Total long-term liabilities | <u>7,477,045</u> | <u>7,001,490</u> | <u>14,478,535</u> |
| Total liabilities | <u>8,441,185</u> | <u>8,500,005</u> | <u>16,941,190</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension deferrals | 171,551 | 22,353 | 193,904 |
| OPEB deferrals | 260,120 | 128,119 | 388,239 |
| Total deferrals inflows of resources | <u>431,671</u> | <u>150,472</u> | <u>582,143</u> |
| NET POSITION | | | |
| Net investment in capital assets | 5,552,986 | 14,414,806 | 19,967,792 |
| Restricted: | | | |
| Transportation | 93,792 | - | 93,792 |
| Stabilization by State Statue | 883,185 | - | 883,185 |
| Unrestricted | 790,093 | 807,188 | 1,597,281 |
| Total net position | <u>\$ 7,320,056</u> | <u>\$ 15,221,994</u> | <u>\$ 22,542,050</u> |

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, 2023**

| 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 |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 901,990 | \$ 1,701,890 | \$ 599,724 | \$ 1,769,545 | \$ 3,169,169 | \$ - | \$ 3,169,169 |
| Public safety | 1,332,340 | - | - | - | (1,332,340) | - | (1,332,340) |
| Transportation | 1,612,627 | 138,437 | 35,000 | 115,377 | (1,323,813) | - | (1,323,813) |
| Environmental protection | 1,450,773 | - | 178,635 | - | (1,272,138) | - | (1,272,138) |
| Economic and physical development | 2,320,904 | - | - | - | (2,320,904) | - | (2,320,904) |
| Interest on long-term debt | 80,273 | - | - | - | (80,273) | - | (80,273) |
| Total governmental activities | <u>7,698,907</u> | <u>1,840,327</u> | <u>813,359</u> | <u>1,884,922</u> | <u>(3,160,299)</u> | <u>-</u> | <u>(3,160,299)</u> |
| Business-type activities: | | | | | | | |
| Airport | 522,512 | 317,040 | 306,033 | - | - | 100,561 | 100,561 |
| Electric | 12,682,714 | 12,066,992 | - | - | - | (615,722) | (615,722) |
| Water and Sewer | 3,089,398 | 2,889,760 | - | - | - | (199,638) | (199,638) |
| Total business-type activities | <u>16,294,624</u> | <u>15,273,792</u> | <u>306,033</u> | <u>-</u> | <u>-</u> | <u>(714,799)</u> | <u>(714,799)</u> |
| | <u>\$ 23,993,531</u> | <u>\$ 17,114,119</u> | <u>\$ 1,119,392</u> | <u>\$ 1,884,922</u> | <u>(3,160,299)</u> | <u>(714,799)</u> | <u>(3,875,098)</u> |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purpose | | | | | 2,879,551 | - | 2,879,551 |
| Local option sales tax | | | | | 1,632,130 | - | 1,632,130 |
| Other taxes and licenses | | | | | 191,928 | - | 191,928 |
| Investment earnings, unrestricted | | | | | 178,708 | 4,235 | 182,943 |
| Miscellaneous | | | | | - | 129,811 | 129,811 |
| Sale of capital assets | | | | | 17,866 | - | 17,866 |
| Transfers | | | | | 49,953 | (49,953) | - |
| Total general revenues | | | | | <u>4,950,136</u> | <u>84,093</u> | <u>5,034,229</u> |
| Change in net position | | | | | 1,789,837 | (630,706) | 1,159,131 |
| Net position, beginning | | | | | 5,530,219 | 15,852,700 | 21,382,919 |
| Net position, ending | | | | | <u>\$ 7,320,056</u> | <u>\$ 15,221,994</u> | <u>\$ 22,542,050</u> |

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

**Town of Edenton, North Carolina
Balance Sheet
Governmental Funds
June 30, 2023**

| | <u>Major</u> | | <u>NonMajor</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---|---|-------------------------------------|
| | <u>General Fund</u> | <u>Governmental Special Project</u> | <u>Other Governmental Funds</u> | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 2,585,263 | 1,119,473 | \$ 4,217 | \$ 3,708,953 |
| Restricted cash | 93,792 | - | - | 93,792 |
| Taxes receivable, net | 96,718 | - | - | 96,718 |
| Inventories | 35,993 | - | - | 35,993 |
| Due from other funds | 372,371 | - | - | 372,371 |
| Accounts receivable, net | 502,105 | 8,618 | 91 | 510,814 |
| Total assets | <u>3,686,242</u> | <u>1,128,091</u> | <u>4,308</u> | <u>4,818,641</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | 274,967 | - | 104,542 | 379,509 |
| Unearned revenue | - | - | 4,250 | 4,250 |
| Total liabilities | <u>274,967</u> | <u>-</u> | <u>108,792</u> | <u>383,759</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Property taxes receivable | 96,718 | - | - | 96,718 |
| Total deferred inflows of resources | <u>96,718</u> | <u>-</u> | <u>-</u> | <u>96,718</u> |
| Fund balances: | | | | |
| Nonspendable | | | | |
| Inventories | 35,993 | - | - | 35,993 |
| Restricted | | | | |
| Stabilization by State Statue | 874,476 | 8,618 | 91 | 883,185 |
| Transportation | 93,792 | - | - | 93,792 |
| Unassigned | 2,310,296 | 1,119,473 | (104,575) | 3,325,194 |
| Total fund balances | <u>3,314,557</u> | <u>1,128,091</u> | <u>(104,484)</u> | <u>4,338,164</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 3,686,242</u> | <u>\$ 1,128,091</u> | <u>\$ 4,308</u> | |

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

| | |
|---|---------------------|
| Deferred outflows of resources related to pensions and OPEB are not reported in the funds | 1,896,310 |
| Liabilities for earned revenues considered deferred inflows of resources in fund statements. | 96,718 |
| Other long- term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are not accrued as income in the funds. | 15,433 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 9,462,527 |
| Deferred inflows of resources related to pensions and OPEB are not reported in the funds | (431,671) |
| Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.) | (4,135,288) |
| Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds. | (80,158) |
| Net OPEB liability. | (1,288,049) |
| Net pension liability - LEOSSA. | (515,388) |
| Net pension liability - LGERS. | <u>(2,038,542)</u> |
| Net position of governmental activities | <u>\$ 7,320,056</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
Governmental Funds
For the Year Ended June 30, 2023

| | Major | | Non-Major | Total |
|--|--------------|---------------------------------|--------------------------------|--------------|
| | General Fund | Governmental Special Project | Other Governmental Funds | |
| REVENUES | | | | |
| Ad valorem taxes | \$ 2,852,351 | \$ - | \$ - | \$ 2,852,351 |
| Other taxes and licenses | 191,928 | - | - | 191,928 |
| Restricted intergovernmental | 738,161 | 454,893 | 1,643,664 | 2,836,718 |
| Unrestricted intergovernmental | 1,632,130 | - | - | 1,632,130 |
| Permits and fees | 80,701 | - | - | 80,701 |
| Sales and services | 1,621,189 | - | - | 1,621,189 |
| Investment earnings | 178,642 | - | - | 178,642 |
| Total revenues | 7,295,102 | 454,893 | 1,643,664 | 9,393,659 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 927,962 | - | - | 927,962 |
| Public safety | 3,117,471 | - | - | 3,117,471 |
| Transportation and utilities | 1,477,279 | - | - | 1,477,279 |
| Environmental protection | 1,360,770 | - | - | 1,360,770 |
| Economic and physical development | 75,617 | 2,013,114 | 232,173 | 2,320,904 |
| Debt service: | | | | |
| Principal | 428,797 | - | - | 428,797 |
| Interest | 86,961 | - | - | 86,961 |
| Total expenditures | 7,474,857 | 2,013,114 | 232,173 | 9,720,144 |
| Excess (deficiency) of revenues over expenditures | (179,755) | (1,558,221) | 1,411,491 | (326,485) |
| OTHER FINANCING SOURCES | | | | |
| Sale of capital assets | 17,866 | - | - | 17,866 |
| Installment purchase obligations | 184,076 | 178,837 | - | 362,913 |
| Interest income | - | 66 | - | 66 |
| Transfer from other funds | 704,188 | 1,664,735 | - | 2,368,923 |
| Transfer to other funds | (969,500) | - | (1,349,470) | (2,318,970) |
| Total other financing sources and uses | (63,370) | 1,843,638 | (1,349,470) | 430,798 |
| Net change in fund balance | (243,125) | 285,417 | 62,021 | 104,313 |
| Fund balances-beginning | 3,557,682 | 842,674 | (166,505) | 4,233,851 |
| Fund balances-ending | \$ 3,314,557 | \$ 1,128,091 | \$ (104,484) | \$ 4,338,164 |

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
Governmental Funds
For the Year Ended June 30, 2023

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

Net changes in fund balance - total government funds \$ 104,313

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 increases exceeded the book value of capital outlay decreases in fiscal year.

| | | |
|--|------------------|-----------|
| Capital outlay expenditures which were capitalized | 2,480,331 | |
| Depreciation expense for governmental assets | <u>(556,871)</u> | 1,923,460 |

| | | |
|--|--|--------|
| Benefits payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities | | 43,165 |
|--|--|--------|

| | | |
|--|--|--------|
| OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities | | 52,364 |
|--|--|--------|

| | | |
|--|--|---------|
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | | 360,097 |
|--|--|---------|

| | | |
|--|--|--------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds: | | 27,200 |
|--|--|--------|

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

| | | |
|---|--------------|--------|
| New long-term debt issued | (362,913) | |
| Principal payments on long-term debt | 428,797 | |
| (Increase)/decrease in accrued interest payable | <u>6,688</u> | 72,572 |

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 | (23,596) | |
| Pension expenses | (631,304) | |
| OPEB expense | <u>(138,434)</u> | (793,334) |

| | | |
|--|--|----------------------------|
| Total changes in net position of governmental activities | | <u><u>\$ 1,789,837</u></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 -
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2023

| | General Fund | | | Variance With Final Positive (Negative) |
|---|--------------------|------------------|---------------------|--|
| | Original Budget | Final Budget | Actual | |
| Revenues: | | | | |
| Ad valorem taxes | \$ 2,555,273 | \$ 2,555,273 | \$ 2,852,351 | \$ 297,078 |
| Other taxes and licenses | 150,000 | 150,000 | 191,928 | 41,928 |
| Restricted intergovernmental revenues | 726,797 | 726,797 | 738,161 | 11,364 |
| Unrestricted intergovernmental revenues | 1,402,077 | 1,485,077 | 1,632,130 | 147,053 |
| Permits and fees | 44,700 | 57,065 | 80,701 | 23,636 |
| Sales and services | 1,573,569 | 1,573,569 | 1,621,189 | 47,620 |
| Investment earnings | 1,408 | 100,509 | 178,642 | 78,133 |
| Total revenues | <u>6,453,824</u> | <u>6,648,290</u> | <u>7,295,102</u> | <u>646,812</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 907,167 | 941,581 | 927,962 | 13,619 |
| Public safety | 2,889,993 | 3,218,244 | 3,117,471 | 100,773 |
| Transportation and utilities | 1,191,871 | 1,492,529 | 1,477,279 | 15,250 |
| Environmental protection | 1,250,700 | 1,370,871 | 1,360,770 | 10,101 |
| Economic and physical development | 64,000 | 83,990 | 75,617 | 8,373 |
| Debt service: | | | | |
| Principal retirement | 841,378 | 435,654 | 428,797 | 6,857 |
| Interest and other charges | - | 105,411 | 86,961 | 18,450 |
| Total expenditures | <u>7,145,109</u> | <u>7,648,280</u> | <u>7,474,857</u> | <u>173,423</u> |
| Revenues over (under) expenditures | (691,285) | (999,990) | (179,755) | 820,235 |
| Other financing sources (Uses) | | | | |
| Sale of capital assets | 61,000 | 11,413 | 17,866 | 6,453 |
| Loan proceed | - | 184,076 | 184,076 | - |
| Transfer from other funds | - | (265,312) | (265,312) | - |
| Total other financing sources (uses) | <u>691,285</u> | <u>999,990</u> | <u>(63,370)</u> | <u>(1,063,360)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | (243,125) | <u>\$ (243,125)</u> |
| Fund balances - Beginning | | | 3,557,682 | |
| Fund balances - Ending | | | <u>\$ 3,314,557</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 -
Budget and Actual - Governmental Special Project
For the Fiscal Year Ended June 30, 2023

| | Governmental Special Project | | | Variance With Final Positive (Negative) |
|---------------------------------------|------------------------------|------------------|---------------------|--|
| | Original Budget | Final Budget | Actual | |
| Revenues: | | | | |
| Restricted intergovernmental revenues | \$ 473,050 | \$ 473,050 | \$ 454,893 | \$ (18,157) |
| Total revenues | <u>473,050</u> | <u>473,050</u> | <u>454,893</u> | <u>(18,157)</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 2,317,873 | 2,317,873 | 2,013,114 | 304,759 |
| Total expenditures | <u>2,317,873</u> | <u>2,317,873</u> | <u>2,013,114</u> | <u>304,759</u> |
| Revenues over (under) expenditures | (1,844,823) | (1,844,823) | (1,558,221) | 286,602 |
| Other financing sources (Uses) | | | | |
| Interest income | - | - | 66 | 66 |
| Loan proceed | 178,838 | 178,838 | 178,837 | (1) |
| Contribution | 1,250 | 1,250 | - | (1,250) |
| Transfer from other funds | 1,664,735 | 1,664,735 | 1,664,735 | - |
| Fund balance appropriated | - | - | - | - |
| Total other financing sources (uses) | <u>1,844,823</u> | <u>1,844,823</u> | <u>1,843,638</u> | <u>(1,185)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 285,417 | <u>\$ 285,417</u> |
| Fund balances - Beginning | | | 842,674 | |
| Fund balances - Ending | | | <u>\$ 1,128,091</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, 2023

| | Electric Fund | Water and Sewer Fund | Airport Fund | Total |
|---|---------------------|-------------------------|---------------------|----------------------|
| Assets | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 745,050 | \$ 714,268 | \$ 100 | \$ 1,459,418 |
| Accounts receivable, net | 128,912 | 285,204 | 13,093 | 427,209 |
| Inventories | 1,008,327 | 163,850 | 25,898 | 1,198,075 |
| Total current assets | <u>1,882,289</u> | <u>1,163,322</u> | <u>39,091</u> | <u>3,084,702</u> |
| Noncurrent assets: | | | | |
| Restricted cash and cash equivalents | 279,530 | 18,776 | - | 298,306 |
| Capital assets: | | | | |
| Land and construction in progress | 84,147 | 4,767,772 | 2,360,589 | 7,212,508 |
| Other capital assets, net of depreciation | 3,265,771 | 8,140,925 | 1,397,215 | 12,803,911 |
| Capital assets (net) | <u>3,349,918</u> | <u>12,908,697</u> | <u>3,757,804</u> | <u>20,016,419</u> |
| Total noncurrent assets | <u>3,629,448</u> | <u>12,927,473</u> | <u>3,757,804</u> | <u>20,314,725</u> |
| Total assets | <u>5,511,737</u> | <u>14,090,795</u> | <u>3,796,895</u> | <u>23,399,427</u> |
| Deferred outflows of resources | <u>445,641</u> | <u>393,212</u> | <u>6,561</u> | <u>845,414</u> |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable & accrued expenses | 856,838 | 14,059 | 14,133 | 885,030 |
| Due to other funds | - | - | 372,371 | 372,371 |
| Customer deposits | 279,530 | 18,776 | - | 298,306 |
| Accrued interest payable | - | 6,011 | - | 6,011 |
| Compensated absences, current | 10,330 | 12,735 | - | 23,065 |
| Installment notes payable, current | 42,639 | 243,464 | - | 286,103 |
| Total current liabilities | <u>1,189,337</u> | <u>295,045</u> | <u>386,504</u> | <u>1,870,886</u> |
| Noncurrent liabilities: | | | | |
| Total OPEB liability | 326,818 | 288,369 | 19,225 | 634,412 |
| Compensated absences | 41,317 | 50,938 | - | 92,255 |
| Net pension liability | 509,635 | 449,678 | - | 959,313 |
| Installment notes payable | 42,639 | 5,272,871 | - | 5,315,510 |
| Total noncurrent liabilities | <u>920,409</u> | <u>6,061,856</u> | <u>19,225</u> | <u>7,001,490</u> |
| Total liabilities | <u>2,109,746</u> | <u>6,356,901</u> | <u>405,729</u> | <u>8,872,376</u> |
| Deferred inflows of resources | <u>77,875</u> | <u>68,714</u> | <u>3,882</u> | <u>150,471</u> |
| Net position | | | | |
| Net investment in capital assets | 3,264,640 | 7,392,362 | 3,757,804 | 14,414,806 |
| Unrestricted | <u>505,117</u> | <u>666,030</u> | <u>(363,959)</u> | <u>807,188</u> |
| Total net position | <u>\$ 3,769,757</u> | <u>\$ 8,058,392</u> | <u>\$ 3,393,845</u> | <u>\$ 15,221,994</u> |

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

Town of Edenton, North Carolina
Statement of Revenues and Expenditures and
Changes in Fund Net Position
Proprietary Funds
For The Year Ended June 30, 2023

| | Electric Fund | Water and Sewer Fund | Airport Fund | Total |
|--|---------------------|-------------------------|---------------------|----------------------|
| Operating revenues: | | | | |
| Charges for services | \$ 12,066,992 | \$ 2,872,710 | \$ 208,930 | \$ 15,148,632 |
| Other operating revenues | - | 17,050 | 108,110 | 125,160 |
| Total operating revenues | <u>12,066,992</u> | <u>2,889,760</u> | <u>317,040</u> | <u>15,273,792</u> |
| Operating expenses: | | | | |
| Electric operations | 1,860,245 | - | - | 1,860,245 |
| Electric power purchases | 8,567,119 | - | - | 8,567,119 |
| Administrative services | 1,953,134 | - | - | 1,953,134 |
| Water operations | - | 888,488 | - | 888,488 |
| Sewer operations | - | 834,367 | - | 834,367 |
| Water and sewer line maintenance | - | 935,576 | - | 935,576 |
| Airport operations | - | - | 326,712 | 326,712 |
| Depreciation | 298,801 | 352,426 | 195,800 | 847,027 |
| Total operating expenses | <u>12,679,299</u> | <u>3,010,857</u> | <u>522,512</u> | <u>16,212,668</u> |
| Total operating income (loss) | <u>(612,307)</u> | <u>(121,097)</u> | <u>(205,472)</u> | <u>(938,876)</u> |
| Nonoperating revenues(expenses): | | | | |
| Miscellaneous revenue | - | 3,545 | - | 3,545 |
| Investment earnings | 4,235 | - | - | 4,235 |
| Rental income | - | 100,443 | - | 100,443 |
| Interest expense | (3,415) | (78,541) | - | (81,956) |
| Sale of merchandise and scrap | - | 15,823 | 10,000 | 25,823 |
| Total nonoperating revenues (expenses) | <u>820</u> | <u>41,270</u> | <u>10,000</u> | <u>52,090</u> |
| Net income (loss) before contributions and transfers | <u>(611,487)</u> | <u>(79,827)</u> | <u>(195,472)</u> | <u>(886,786)</u> |
| Capital contributions | - | - | 306,033 | 306,033 |
| Transfer from other funds | - | 300,000 | - | 300,000 |
| Transfer to other funds | <u>(349,953)</u> | <u>-</u> | <u>-</u> | <u>(349,953)</u> |
| Total other financing sources and uses | <u>(349,953)</u> | <u>300,000</u> | <u>306,033</u> | <u>256,080</u> |
| Changes in net position | <u>(961,440)</u> | <u>220,173</u> | <u>110,561</u> | <u>(630,706)</u> |
| Total net position, beginning | <u>4,731,197</u> | <u>7,838,219</u> | <u>3,283,284</u> | <u>15,852,700</u> |
| Total net position, Ending | <u>\$ 3,769,757</u> | <u>\$ 8,058,392</u> | <u>\$ 3,393,845</u> | <u>\$ 15,221,994</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, 2023

| | Electric Fund | Water and Sewer Fund | Airport Fund | Total |
|--|---------------------|-------------------------|--------------------|---------------------|
| Cash flows from operating activities: | | | | |
| Cash received from customers/others | \$ 12,078,791 | \$ 2,873,788 | \$ 305,949 | \$ 15,258,528 |
| Cash paid to suppliers for goods and services | (11,534,831) | (1,517,460) | (359,876) | (13,412,167) |
| Cash paid to employees for services | (1,103,501) | (1,083,845) | - | (2,187,346) |
| Customer deposit | 9,816 | 5,408 | - | 15,224 |
| Net cash provided by (used for) operating activities | <u>(549,725)</u> | <u>277,891</u> | <u>(53,927)</u> | <u>(325,761)</u> |
| Cash flows from (use by) capital and related financing activities: | | | | |
| Capital contributions | - | - | 306,033 | 306,033 |
| Proceeds from financing | - | 1,013,258 | - | 1,013,258 |
| Loan repayment | - | - | - | - |
| Principal repayments on long-term debt | (42,639) | (242,084) | - | (284,723) |
| Sale of merchandise and scrap | - | - | 10,000 | 10,000 |
| Acquisition of capital assets | (368,225) | (1,259,680) | (262,106) | (1,890,011) |
| Interest income | 4,235 | - | - | 4,235 |
| Other income | - | 119,811 | - | 119,811 |
| Interest expense | (3,415) | (78,541) | - | (81,956) |
| Net cash flows provided (used) by capital financing activities | <u>(410,044)</u> | <u>(447,236)</u> | <u>53,927</u> | <u>(803,353)</u> |
| Cash flows from (used for) noncapital financing activities: | | | | |
| Transfers from/to other funds | (349,953) | 300,000 | - | (49,953) |
| Net cash flows provided (used) by noncapital financing activities | <u>(349,953)</u> | <u>300,000</u> | <u>-</u> | <u>(49,953)</u> |
| Net increase (decrease) in cash and cash equivalents | (1,309,722) | 130,655 | - | (1,179,067) |
| Cash and cash equivalents, beginning of year | 2,334,302 | 602,389 | 100 | 2,936,791 |
| Cash and cash equivalents, end of year | <u>\$ 1,024,580</u> | <u>\$ 733,044</u> | <u>\$ 100</u> | <u>\$ 1,757,724</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | | |
| Operating income (loss) | \$ (612,307) | \$ (121,097) | \$ (205,472) | \$ (938,876) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | |
| Depreciation expense | 298,801 | 352,426 | 195,800 | 847,027 |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in accounts receivable | 11,799 | (15,972) | (11,091) | (15,264) |
| Increase (decrease) in accounts payable and accrued liabilities | 59,691 | 13,730 | (32,747) | 40,674 |
| (Increase) decrease in inventory | (382,691) | (28,165) | (1,701) | (412,557) |
| Increase (decrease) in net pension liability | 369,842 | 326,331 | - | 696,173 |
| Increase (decrease) in customer deposits | 9,816 | 5,408 | - | 15,224 |
| Increase (decrease) in OPEB liability | (34,567) | (30,500) | (2,033) | (67,100) |
| (Increase) decrease in deferred outflows of resources for pensions | (108,456) | (95,695) | 819 | (203,332) |
| Increase (decrease) in deferred inflows of resources for pensions | (151,743) | (133,890) | 2,498 | (283,135) |
| Increase (decrease) in accrued vacation pay | (9,910) | 5,315 | - | (4,595) |
| Net cash provided (used) by operating activities | <u>\$ (549,725)</u> | <u>\$ 277,891</u> | <u>\$ (53,927)</u> | <u>\$ (325,761)</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
For the Year Ended June 30, 2023

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The Town has no fiduciary funds to report. 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 nonmajor 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. Nonoperating revenues, such as subsidies, result from non-exchange transactions. Other non-operating items such as investment earnings are ancillary activities.

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 grant, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

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

The Town reports the following non-major governmental fund:

NC Housing Finance Grant Fund - This fund is used to account for revenues and expenses related to the N.C. Housing Agency grant.

Coronavirus Relief Fund - This fund is used to account for revenues and expenses related to Covid-19 grant.

FEMA Proceeds Fund - This fund is used to account for revenues and expenses related to FEMA.

ARP Fund - This fund is used in the recovery of the coronavirus.

Capital Project Fund - Harbor Town Ferry Project Fund - This fund is used to for the Harbor Town Ferry construction.

Harbor Town Ferry Project Fund - This fund is used for the Harbor Town Ferry construction.

The Town reports the following major enterprise funds:

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

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

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

C. Measurement Focus Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year on 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, entitlements, 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, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a 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. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as franchise tax, collected and held by the State at year-end on behalf of The Town, are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Edenton because the tax is levied by Chowan County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and the 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 multi-year funds. Amendments are required for 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 board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflow/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 generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which approximates fair value, and is the NCCMT's share price. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Town of Edenton Restricted Cash

Governmental Activities:

General Fund

| | |
|-------------------------------|------------------|
| Streets | \$ 93,792 |
| Total governmental activities | <u>\$ 93,792</u> |

Business-Type Activities:

Electric Fund

| | |
|--------------------------------|-------------------|
| Customer deposits | 279,530 |
| Water and Sewer Fund | |
| Customer deposits | 18,776 |
| Total business-type activities | <u>\$ 298,306</u> |

| | |
|-----------------------|--------------------------|
| Total restricted cash | <u><u>\$ 392,098</u></u> |
|-----------------------|--------------------------|

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, penalties and interest do not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2022. As allowed by State law, the Town has established a schedule of discounts that apply to taxes, which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowance for Doubtful Accounts

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

6. Inventories and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable fuel that is recognized as an expenditure when purchased. If significant, the amount of inventory on hand at year end is reported on the balance sheet in the governmental funds. However, in the Government-wide Statement Activities the cost of these inventories is expensed as the items are used.

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

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

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 follow: 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 of The Town are depreciated on a straight-line basis over the following estimated useful lives:

| <u>Asset Class</u> | <u>Years</u> |
|-------------------------|----------------|
| Buildings | 20 to 40 years |
| Infrastructure | 20 to 40 years |
| Substations | 33 years |
| Vehicles | 5 years |
| Furniture and equipment | 7 years |
| Computer equipment | 5 years |

8. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, pension and OPEB deferrals for the 2023 fiscal year. In addition to liabilities, the statement of net 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 this criterion for this category – prepaid taxes, property taxes receivable unavailable revenues (reported only on the Balance Sheet of the Governmental Funds), pension, 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 liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premium 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 discounts. 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 the 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 unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave 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 represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

Assigned Fund Balance – portion of fund balance that The Town 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.

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 order: bond/debt proceeds, federal funds, State funds, local non-town funds, and Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and addition 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.

II. Stewardship, Compliance, and Accountability

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

None.

B. Deficit Fund Balance or Net Position of Individual Funds

North Carolina Housing Finance Grant Fund, FEMA Proceeds Fund, Waste Water Treatment Plant Fund, Waste Water Abatement Fund, and Water Supply Well Rehab Fund had deficit fund balance at June 30, 2023 related to grant timing issues.

C. Excess of Expenditures over Appropriations

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding 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 escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for the 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, 2023, the Town's deposits had a carrying amount of \$1,567,019 and a bank balance of \$1,397,451. All of which was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2023, the Town's petty cash fund totaled \$1,451.

2. Investments

As of June 30, 2023, the Town's investments consisted of \$3,992,001 in the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no formal policy on credit risk.

| | Valuation Measurement Method | Fair Value | Less than 6 Months | 6-12 Months | 1- 3 Years |
|-----------------|------------------------------|--------------|--------------------|-------------|------------|
| Ginnie Mae Pool | Fair Value - Level 1 | \$ 3,992,001 | \$ - | \$ - | \$ - |

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

Credit Risk. The Town limits 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 investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2023. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high grade money market instruments as permitted under North Carolina General Statute 159-30 as amended. The Town's investment in US Agencies (US Government Bonds) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy limits at least half of the County's investment portfolio to maturities of less than 12 months. Also, the Town's investment policy requires purchases of securities to be tiered with staggered maturity dates and limits all securities to a final maturity of no more than three years.

3. Receivables

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2023, are net of the following allowances for doubtful accounts:

| | |
|--|---------------------|
| General Fund: | |
| Taxes receivables | \$ 96,718 |
| Accrued interest receivable on taxes | \$ 15,433 |
| Accounts receivable | 510,814 |
| Total General Fund | <u>622,965</u> |
| Enterprise Funds: | |
| Electric Fund - accounts receivable | 128,912 |
| Airport Fund - accounts receivable | 13,093 |
| Water and Sewer Fund - accounts receivable | 285,204 |
| Total Enterprise Fund | <u>427,209</u> |
| Total | <u>\$ 1,050,174</u> |

4. Capital Assets**Primary Government**

Capital asset activity for the year ended June 30, 2023, was as follows:

| | Beginning Balances July 1, 2022 | Increases | Decreases | Ending Balances June 30, 2023 |
|--|---------------------------------------|-------------------|--------------------|-------------------------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,403,409 | \$ - | \$ - | \$ 1,403,409 |
| Construction in Progress | 621,308 | 1,296,528 | - | 1,917,836 |
| Total capital assets not being depreciated | <u>2,024,717</u> | <u>1,296,528</u> | <u>-</u> | <u>3,321,245</u> |
| Capital assets being depreciated: | | | | |
| Infrastructure | 2,391,106 | - | - | 2,391,106 |
| Buildings | 4,704,755 | - | - | 4,704,755 |
| Equipment | 1,217,326 | 29,517 | - | 1,246,843 |
| Vehicles | 1,990,422 | 1,154,286 | (82,507) | 3,062,201 |
| Total capital assets being depreciated | <u>10,303,609</u> | <u>1,183,803</u> | <u>(82,507)</u> | <u>11,404,905</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | 288,105 | 76,764 | - | 364,869 |
| Buildings | 2,186,609 | 65,939 | - | 2,252,548 |
| Equipment | 890,160 | 72,791 | - | 962,951 |
| Vehicles | 1,424,385 | 341,377 | (82,507) | 1,683,255 |
| Total accumulated depreciation | <u>4,789,259</u> | <u>\$ 556,871</u> | <u>\$ (82,507)</u> | <u>5,263,623</u> |
| Total capital assets being depreciated, net | <u>5,514,350</u> | | | <u>6,141,282</u> |
| Governmental activity capital assets, net | <u>\$ 7,539,067</u> | | | <u>\$ 9,462,527</u> |

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

| | |
|----------------------------|-------------------|
| General government | \$ 56,011 |
| Public Safety | 336,423 |
| Transportation | 102,586 |
| Cultural and Recreational | 37,372 |
| Environmental protection | 24,479 |
| Total Depreciation Expense | <u>\$ 556,871</u> |

| | Beginning Balances July 1, 2022 | Increases | Decreases | Ending Balances June 30, 2023 |
|---|---------------------------------------|-------------------|--------------------|-------------------------------------|
| Business-type Activities | | | | |
| Electric Fund | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 45,142 | \$ - | \$ - | \$ 45,142 |
| Construction in progress | 39,005 | - | - | 39,005 |
| Total capital assets not being depreciated | <u>84,147</u> | - | - | <u>84,147</u> |
| Capital assets being depreciated: | | | | |
| Plant and systems | 8,994,973 | - | - | 8,994,973 |
| PDS-Solar farm | 439,453 | - | - | 439,453 |
| Neighborhood redevelopment program | 12,561 | - | - | 12,561 |
| Furniture and equipment | 1,167,825 | 244,225 | - | 1,412,050 |
| Vehicles | 1,159,530 | 124,000 | (32,646) | 1,250,884 |
| Total capital assets being depreciated | <u>11,774,342</u> | <u>368,225</u> | <u>(32,646)</u> | <u>12,109,921</u> |
| Less accumulated depreciation for: | | | | |
| Plant and systems | 6,818,721 | 133,446 | - | 6,952,167 |
| PDS-Solar farm | 32,958 | 10,986 | - | 43,944 |
| Neighborhood redevelopment program | 1,884 | 628 | - | 2,512 |
| Furniture and equipment | 855,068 | 86,258 | - | 941,326 |
| Vehicles | 869,364 | 67,483 | (32,646) | 904,201 |
| Total accumulated depreciation | <u>8,577,995</u> | <u>\$ 298,801</u> | <u>\$ (32,646)</u> | <u>8,844,150</u> |
| Total capital assets being depreciated, net | <u>3,196,347</u> | | | <u>3,265,771</u> |
| Electric Fund capital assets, net | <u>\$ 3,280,494</u> | | | <u>\$ 3,349,918</u> |

| | Beginning Balances July 1, 2022 | Increases | Decreases | Ending Balances June 30, 2023 |
|---|---------------------------------------|-------------------|--------------------|-------------------------------------|
| Business-type Activities | | | | |
| Water and Sewer Fund | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 45,216 | \$ - | \$ - | \$ 45,216 |
| Construction in progress | 7,091,656 | 959,316 | (3,328,416) | 4,722,556 |
| Total capital assets not being depreciated | <u>7,136,872</u> | <u>959,316</u> | <u>(3,328,416)</u> | <u>4,767,772</u> |
| Capital assets being depreciated: | | | | |
| Plant and distribution systems | 14,944,366 | 3,556,765 | - | 18,501,131 |
| Furniture and equipment | 664,060 | 32,904 | - | 696,964 |
| Vehicles | 351,193 | 39,111 | - | 390,304 |
| Total capital assets being depreciated | <u>15,959,619</u> | <u>3,628,780</u> | <u>-</u> | <u>19,588,399</u> |
| Less accumulated depreciation for: | | | | |
| Plant and distribution systems | 10,402,229 | 283,301 | - | 10,685,530 |
| Furniture and equipment | 441,921 | 32,217 | - | 474,138 |
| Vehicles | 250,898 | 36,908 | - | 287,806 |
| Total accumulated depreciation | <u>11,095,048</u> | <u>\$ 352,426</u> | <u>\$ -</u> | <u>\$ 11,447,474</u> |
| Total capital assets being depreciated, net | <u>4,864,572</u> | | | <u>8,140,925</u> |
| Water and Sewer Fund capital assets, net | <u>\$ 12,001,444</u> | | | <u>\$ 12,908,697</u> |

| | Beginning Balances July 1, 2022 | Increases | Decreases | Ending Balances June 30, 2023 |
|---|---------------------------------------|------------|-----------|-------------------------------------|
| Business-type Activities | | | | |
| Airport Fund | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 15,400 | \$ - | \$ - | \$ 15,400 |
| Construction in progress | 2,083,083 | 262,106 | - | 2,345,189 |
| Total capital assets not being depreciated | 2,098,483 | 262,106 | - | 2,360,589 |
| Capital assets being depreciated: | | | | |
| Runways | 3,470,612 | - | - | 3,470,612 |
| Equipments | 87,631 | - | - | 87,631 |
| Hangars and terminal buildings | 1,263,601 | - | - | 1,263,601 |
| Total capital assets being depreciated | 4,821,844 | - | - | 4,821,844 |
| Less accumulated depreciation for: | | | | |
| Runways | 2,417,517 | 160,930 | - | 2,578,447 |
| Equipments | 69,162 | 3,280 | - | 72,442 |
| Hangars and terminal buildings | 742,150 | 31,590 | - | 773,740 |
| Total accumulated depreciation | 3,228,829 | \$ 195,800 | \$ - | \$ 3,424,629 |
| Total capital assets being depreciated, net | 1,593,015 | | | 1,397,215 |
| Airport Fund capital assets, net | \$ 3,691,498 | | | \$ 3,757,804 |
| Total Business-Type | \$ 18,973,436 | | | \$ 20,016,419 |

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2023, were as follows:

| | Vendors | Other | Total |
|----------------------------------|------------|-------|------------|
| Governmental Activities: | | | |
| General | \$ 75,261 | \$ - | \$ 75,261 |
| Other governmental | - | - | - |
| Total governmental activities | \$ 75,261 | \$ - | \$ 75,261 |
| Business-Type Activities: | | | |
| Electric | \$ 856,838 | \$ - | \$ 856,838 |
| Water and Sewer | 14,059 | - | 14,059 |
| Airport | 14,133 | - | 14,133 |
| Total business-type activities | \$ 885,030 | \$ - | \$ 885,030 |

2. Pension Plan and Other Post Employment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County 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's contractually required contribution rate for the year ended June 30, 2023, was 12.15% of compensation for law enforcement officers and 13.04% 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 were \$529,554 for the year ended June 30, 2023.

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, 2023, the Town reported a liability of \$2,997,855 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2022, The Town's proportion was 0.05314%, which was an decrease of 0.00048% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, The Town recognized pension expense of \$842,726. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
|---|---------------------------------------|-----------|--------------------------------------|--------|
| Differences between expected and actual experience | \$ | 129,175 | \$ | 12,665 |
| Changes of assumptions | | 299,119 | | - |
| Net difference between projected and actual earnings on pension plan investments | | 990,822 | | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | | 16,680 | | 57,187 |
| Town contributions subsequent to the measurement date | | 529,554 | | - |
| Total | \$ | 1,965,350 | \$ | 69,852 |

\$529,554 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30 | |
|---------------------------|---------------------|
| 2024 | 433,656 |
| 2025 | 360,230 |
| 2026 | 100,012 |
| 2027 | 472,046 |
| 2028 | - |
| Thereafter | - |
| Total | <u>\$ 1,365,944</u> |

Actuarial Assumptions. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.5 percent |
| Salary Increases | 3.25 to 8.25 percent, including inflation and productivity factor |
| Investment rate of return | 6.50 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, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2011 through December 31, 2015.

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, 2022 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of |
|--------------------|--------------------------|--|
| | | Return |
| Fixed Income | 33.0% | 0.9% |
| Global Equity | 38.0% | 6.5% |
| Real Estate | 8.0% | 5.9% |
| Alternatives | 8.0% | 8.2% |
| Credit | 7.0% | 5.0% |
| Inflation | 6.0% | 2.7% |
| Total | <u>100%</u> | |

The information above is based on 30 year expectations developed with the consulting actuary for the 2022 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 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 6.50 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 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

| | 1 % Decrease (5.50%) | Discount Rate (6.50%) | 1% Increase (7.50%) |
|---|---------------------------------|----------------------------------|--------------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ 5,410,742 | \$ 2,997,855 | \$ 1,009,496 |

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

b. Law Enforcement Officers Special Separation Allowance

(1) Plan Description

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

All full-time Town law enforcement officers are covered by the Separation Allowance. At the December 31, 2021, the Separation Allowance's membership consisted of:

| | |
|--|-----------|
| Retirees Receiving Benefits | 3 |
| Terminated Plan Members Entitled to, But Not Yet Receiving Benefits | - |
| Active Plan Members | 15 |
| Total | <u>18</u> |

(2) Summary of Significant Accounting Policies

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

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

(3) Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2020 valuation. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|--|
| Inflation | 2.50 percent |
| Salary increases | 3.25 to 7.75 percent, including inflation and productivity |
| Discount rate | 4.31 percent |

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2021.

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

(4) Contributions

The Town is required by article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The Town paid \$43,165 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, 2023, The Town reported a total pension liability of \$515,388. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, The Town recognized pension expense of \$71,759.

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience | \$ 47,930 | \$ 36,921 |
| Changes of assumptions and other inputs | 72,380 | 87,131 |
| Benefit payments and administrative expenses subsequent to the measurement date. | - | - |
| | <u>\$ 120,310</u> | <u>\$ 124,052</u> |

\$0.00 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30 | |
|-------------------------------|-------------------|
| 2024 | \$ 21,194 |
| 2025 | 8,708 |
| 2026 | (6,822) |
| 2027 | (21,822) |
| 2028 | (5,000) |
| Thereafter | - |
| | <u>\$ (3,742)</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 4.31 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 (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

| | 1% Decrease (3.31%) | Discount Rate (4.31%) | 1% Increase (5.31%) |
|-------------------------|--------------------------------|----------------------------------|--------------------------------|
| Total pension liability | \$ 557,813 | \$ 515,388 | \$ 477,187 |

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

| | 2023 |
|--|-------------------|
| Beginning balance | \$ 642,197 |
| Service Cost | 32,382 |
| Interest on the total pension liability | 13,964 |
| Changes of benefit terms | - |
| Differences between expected and actual experience in the measurement of the total pension liability | (37,566) |
| Changes of assumptions or other inputs | (92,424) |
| Benefit payments | (43,165) |
| Other changes | - |
| Ending balance of the total pension liability | <u>\$ 515,388</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, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2011 through December 31, 2015.

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:

| | LGERS | LEOSSA | Total |
|--|------------|-----------|------------|
| Pension expense | \$ 842,726 | \$ 71,759 | \$ 914,485 |
| Pension liability | 2,997,855 | 515,388 | 3,513,243 |
| Proportionate share of the net pension liability | 0.05314% | n/a | |
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | 129,175 | 47,930 | 177,105 |
| Changes of assumption | 299,119 | 72,380 | 371,499 |
| Net difference between projected and actual earnings on plan investments | 990,822 | - | 990,822 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 16,680 | - | 16,680 |
| Contributions/Benefit payments and administrative costs paid subsequent to the measurement date | 529,554 | - | 529,554 |
| Deferred Inflows of Resources | | | |
| Difference between expected and actual experience | 12,665 | 36,921 | 49,586 |
| Changes of assumptions | - | 87,131 | 87,131 |
| Net difference between projected and actual earnings on plan investments | - | - | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 57,187 | - | 57,187 |

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by The Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included on the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, 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 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 \$77,500 for the reporting year. No amounts were forfeited.

d. Other Post Employment Benefits

Healthcare Benefits

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

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

Membership of the HCB Plan consisted of the following at December 31, 2022, the date of latest actuarial valuation:

| | <u>Employees</u> |
|--|------------------|
| Retirees and dependents receiving benefits | 4 |
| Terminated plan members entitled to but not yet receiving benefits | - |
| Active plan members | <u>73</u> |
| Total | <u><u>77</u></u> |

Total OPEB Liability

The Town's total OPEB liability of \$1,922,461 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

| | |
|-----------------------------|--|
| Inflation | 2.50 percent |
| Salary increases | 3.25 percent, average, including inflation |
| Discount rate | 3.54 percent |
| Healthcare cost trend rates | 7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2031 |

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

Changes in the Total OPEB Liability

| | |
|--|----------------------------|
| Balance at July 1, 2022 | \$ 2,125,794 |
| Changes for the year | |
| Service cost | 121,987 |
| Interest | 47,713 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | 11,685 |
| Changes in assumptions or other inputs | (306,563) |
| Benefit payments | <u>(78,155)</u> |
| Net changes | <u>(203,333)</u> |
| Balance at June 30, 2023 | <u><u>\$ 1,922,461</u></u> |

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.54%.

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

The actuarial assumptions used in the December 31, 2022, valuation were based on the results of an actuarial experience study for the period January 2011 through December 2015.

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 (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

| | 1% Decrease | Discount Rate | 1% Increase |
|----------------------|--------------------|----------------------|--------------------|
| | (2.54%) | (3.54%) | (4.54%) |
| Total OPEB Liability | \$ 2,138,855 | \$ 1,922,461 | \$ 1,733,507 |

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-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | <u>1% Decrease</u> | <u>Current</u> | <u>1% Increase</u> |
|----------------------|--------------------|----------------|--------------------|
| Total OPEB liability | \$ 1,682,366 | \$ 1,922,461 | \$ 2,214,824 |

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

For the year ended June 30, 2023, the Town recognized OPEB expense of \$206,618. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience | \$ 274,936 | \$ 69,042 |
| Changes of assumptions | 381,128 | 319,197 |
| Town contributions subsequent to the measurement date | - | |
| Total | <u>\$ 656,064</u> | <u>\$ 388,239</u> |

\$0.00 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30 | |
|---------------------------|-------------------|
| 2024 | \$ 36,918 |
| 2025 | 36,918 |
| 2026 | 36,918 |
| 2027 | 39,219 |
| 2028 | 42,972 |
| Thereafter | 74,880 |
| Total | <u>\$ 267,825</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 retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not be 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 | \$ 529,554 |
| Benefit payments and administrative expenses for LEOWSA made subsequent to the measurement date | - |
| Benefit payments and administrative expenses for OPEB made subsequent to the measurement date | - |
| Differences between expected and actual experience | 452,041 |
| Changes of assumptions | 752,627 |
| Net difference between projected and actual earnings on plan investments | 990,822 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 16,680 |
| | <u>\$ 2,741,724</u> |

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

| | Statement of Net Position | General Fund Balance Sheet |
|---|------------------------------|-------------------------------|
| Taxes receivable, less penalties (General Fund) | \$ - | \$ 96,718 |
| Changes of assumptions | 406,328 | - |
| Net different between projected and actual earnings on pension plan investments | - | - |
| Differences between expected and actual experience | 118,628 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 57,187 | - |
| | <u>\$ 582,143</u> | <u>\$ 96,718</u> |

5. Risk Management

The Town is exposed to various risks of losses 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 pool 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 the 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 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 from the previous 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 of the Town's funds at any given time 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 policy for \$25,000.

6. Claims, Judgments and Contingent Liabilities

At June 30, 2023, the Town had no threatened pending litigations.

7. Long-Term Obligations

a. Installment Purchases

Governmental Activities

In July 2006, the Town entered into a \$230,000 direct placement contract to finance the purchase of a new fire truck. The contract requires twenty annual payments with an interest rate of 4.25%. The annual payments as of June 30, 2023 for the fire truck, including \$6,769 of interest, are as follows:

| Year ending June 30 | <u>Governmental Activities</u> | |
|---------------------|--------------------------------|-----------------|
| | Principal | Interest |
| 2024 | \$ 14,648 | \$ 2,653 |
| 2025 | 15,260 | 2,041 |
| 2026 | 11,253 | 2,075 |
| Total payments | <u>\$ 41,161</u> | <u>\$ 6,769</u> |

In 2016, the Town entered into a \$2,480,000 direct placement contract to finance the construction of a new police station. The contract requires fifteen annual payments with an interest rate of \$2.98%. The annual payments as of June 30, 2023 for the police station, including \$221,028 of interest, are as follows:

| Year ending June 30 | <u>Governmental Activities</u> | |
|---------------------|--------------------------------|-------------------|
| | Principal | Interest |
| 2024 | \$ 165,333 | \$ 44,342 |
| 2025 | 165,333 | 39,410 |
| 2026 | 165,333 | 34,489 |
| 2027 | 165,333 | 29,562 |
| 2028 | 165,333 | 24,635 |
| 2029-2032 | 661,335 | 48,590 |
| Total payments | <u>\$ 1,488,000</u> | <u>\$ 221,028</u> |

In February 2017, the Town entered into a \$242,000 direct placement contract to finance flood and erosion control improvements to the bulkhead. The contract require ten annual payments with an interest rate of 3.09%. The annual payments as of June 30, 2023 for the bulkhead improvements, including \$7,478 of interest, are as follows:

| Year ending June 30 | <u>Governmental Activities</u> | |
|---------------------|--------------------------------|-----------------|
| | Principal | Interest |
| 2024 | \$ 24,200 | \$ 2,991 |
| 2025 | 24,200 | 4,487 |
| 2026 | 24,200 | - |
| 2027 | 24,200 | - |
| Total payments | <u>\$ 96,800</u> | <u>\$ 7,478</u> |

In September 2017, the Town entered into a \$75,500 direct placement contract to finance the purchase of a sanitation truck. The contract require twenty annual payments with an interest rate of 3.25%. The annual payments as of June 30, 2023 for the sanitation truck, including \$17,026 of interest, are as follows:

| Year ending June 30 | <u>Governmental Activities</u> | |
|---------------------|--------------------------------|------------------|
| | Principal | Interest |
| 2024 | \$ 3,113 | \$ 1,979 |
| 2025 | 3,313 | 1,880 |
| 2026 | 3,426 | 1,767 |
| 2027 | 3,538 | 1,655 |
| 2028 | 3,653 | 1,540 |
| 2029-2033 | 20,115 | 5,850 |
| 2034-2038 | 23,610 | 2,355 |
| 2039-2041 | 116 | - |
| Total payments | <u>\$ 60,884</u> | <u>\$ 17,026</u> |

In November 2018, the Town entered into a \$57,743 direct placement contract to finance the purchase of police vehicles. The contract require five annual payments with an interest rate of 2.61%. The annual payments as of June 30, 2023 for the police vehicles, including \$302 of interest, are as follows:

| Year ending June 30 | <u>Governmental Activities</u> | |
|---------------------|--------------------------------|---------------|
| | Principal | Interest |
| 2024 | \$ 11,549 | \$ 302 |
| Total payments | <u>\$ 11,549</u> | <u>\$ 302</u> |

In November 2018, the Town entered into a \$230,000 direct placement contract to finance the purchase of a street sweeper. The contract require six annual payments with an interest rate of 3.05%. The annual payments as of June 30, 2023 for the police vehicles, including \$3,510 of interest, are as follows:

| Year ending June 30 | <u>Governmental Activities</u> | |
|---------------------|--------------------------------|-----------------|
| | Principal | Interest |
| 2024 | \$ 38,333 | \$ 2,338 |
| 2025 | 38,333 | 1,172 |
| Total payments | <u>\$ 76,666</u> | <u>\$ 3,510</u> |

In July 2020, the Town entered into a \$70,000 direct placement contract to finance the purchase of police and fire vehicles. The contract require seven annual payments with an interest rate of 2.25%. The annual payments as of June 30, 2023 for the police and fire vehicles, including \$3,502 of interest, are as follows:

| Year ending June 30 | <u>Governmental Activities</u> | |
|---------------------|--------------------------------|-----------------|
| | Principal | Interest |
| 2024 | \$ 9,771 | \$ 1,150 |
| 2025 | 9,989 | 932 |
| 2026 | 10,216 | 705 |
| 2027 | 10,446 | 475 |
| 2028 | 10,676 | 240 |
| Total payments | <u>\$ 51,098</u> | <u>\$ 3,502</u> |

In August 2020, the Town entered into a \$78,000 direct placement contract to finance the purchase of 2012 Supreme Trolley. The contract require seven annual payments with an interest rate of 2.14%. The annual payments as of June 30, 2023 for the police and fire vehicles, including \$3,700 of interest, are as follows:

| Year ending June 30 | <u>Governmental Activities</u> | |
|---------------------|--------------------------------|----------|
| | Principal | Interest |
| 2024 | \$ 10,900 | \$ 1,214 |
| 2025 | 11,133 | 984 |
| 2026 | 11,371 | 746 |
| 2027 | 11,614 | 502 |
| 2028 | 12,730 | 254 |
| Total payments | \$ 57,748 | \$ 3,700 |

In November 2020, the Town entered into a \$907,900 direct placement contract to finance the street repairing and repaving. The contract require twelve annual payments with an interest rate of 2.16%. The annual payments as of June 30, 2023 for the street repairing and repaving, including \$115,604 of interest, are as follows:

| Year ending June 30 | <u>Governmental Activities</u> | |
|---------------------|--------------------------------|------------|
| | Principal | Interest |
| 2024 | \$ 68,861 | \$ 20,238 |
| 2025 | 70,659 | 18,440 |
| 2026 | 72,503 | 16,596 |
| 2027 | 74,395 | 14,704 |
| 2028 | 76,337 | 12,762 |
| 2029-2033 | 412,632 | 32,864 |
| Total payments | \$ 775,387 | \$ 115,604 |

In August 2021, the Town entered into a \$870,000 direct placement contract to finance the new Pierce pumper truck. The contract require twenty annual payments with an interest rate of 2.26%. The annual payments as of June 30, 2023 for the new Pierce pumper truck, including \$145,819 of interest, are as follows:

| Year ending June 30 | <u>Governmental Activities</u> | |
|---------------------|--------------------------------|------------|
| | Principal | Interest |
| 2024 | \$ 50,486 | \$ 18,546 |
| 2025 | 51,627 | 17,405 |
| 2026 | 52,794 | 16,238 |
| 2027 | 53,987 | 15,045 |
| 2028 | 55,207 | 13,825 |
| 2029-2033 | 295,324 | 49,837 |
| 2034-2036 | 261,206 | 14,923 |
| Total payments | \$ 820,631 | \$ 145,819 |

In February 2022, the Town entered into a \$83,382 direct placement contract to finance the radios system. The contract require five annual payments with an interest rate of 1.10%. The annual payments as of June 30, 2023 for the radios system, including \$1,836 of interest, are as follows:

| Year ending June 30 | <u>Governmental Activities</u> | |
|---------------------|--------------------------------|----------|
| | Principal | Interest |
| 2024 | \$ 16,676 | \$ 736 |
| 2025 | 16,676 | 550 |
| 2026 | 16,676 | 367 |
| 2027 | 16,676 | 183 |
| Total payments | \$ 66,704 | \$ 1,836 |

In March 2023, the Town entered into a \$178,837 direct placement contract to finance the radios system for fire department. The contract require seven annual payments with an interest rate of 3.49%. The annual payments as of June 30, 2023 for the radios system, including \$24,991 of interest, are as follows:

| Year ending June 30 | <u>Governmental Activities</u> | |
|---------------------|--------------------------------|------------------|
| | Principal | Interest |
| 2024 | \$ 25,548 | \$ 6,259 |
| 2025 | 25,548 | 5,350 |
| 2026 | 25,548 | 4,458 |
| 2027 | 25,548 | 3,567 |
| 2028 | 25,548 | 2,682 |
| 2029-2030 | 51,097 | 2,675 |
| Total payments | <u>\$ 178,837</u> | <u>\$ 24,991</u> |

In October 2022, the Town entered into a \$184,076 direct placement contract to finance the sanitation vacuum truck. The contract require ten annual payments with an interest rate of 3.55%. The annual payments as of June 30, 2023 for the radios system, including \$37,818 of interest, are as follows:

| Year ending June 30 | <u>Governmental Activities</u> | |
|---------------------|--------------------------------|------------------|
| | Principal | Interest |
| 2024 | \$ 15,655 | \$ 6,535 |
| 2025 | 16,210 | 5,979 |
| 2026 | 16,786 | 5,403 |
| 2027 | 17,382 | 4,808 |
| 2028 | 17,999 | 4,191 |
| 2029-2032 | 100,044 | 10,902 |
| Total payments | <u>\$ 184,076</u> | <u>\$ 37,818</u> |

Business-Type Activities

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 annual payments as of June 30, 2023 for the water tank rehabilitation, including \$136,233 of interest, are as follows:

| Year ending June 30 | <u>Business Activities</u> | |
|---------------------|----------------------------|-------------------|
| | Principal | Interest |
| 2024 | \$ 6,496 | \$ 8,590 |
| 2025 | 6,705 | 8,436 |
| 2026 | 6,779 | 8,307 |
| 2027 | 6,977 | 8,109 |
| 2028 | 7,256 | 7,860 |
| 2029-2033 | 39,786 | 35,644 |
| 2034-2038 | 46,690 | 28,740 |
| 2039-2043 | 54,779 | 20,651 |
| 2044-2048 | 64,298 | 9,896 |
| 2049-2051 | 30,135 | - |
| Total payments | <u>\$ 269,901</u> | <u>\$ 136,233</u> |

The Town entered into an agreement with the United States Department of State Agriculture to finance the capital improvements to the Town's Freemason and Beaver Hill water treatment plant. The contract requires 40 annual payments with an interest rate of 1.625%. The future minimum payments as of June 30, 2023 for the capital improvements, including \$804,311 of interest, are as follows:

| Year ending June 30 | <u>Business Activities</u> | |
|---------------------|----------------------------|-------------------|
| | Principal | Interest |
| 2024 | \$ 51,000 | \$ 39,748 |
| 2025 | 51,000 | 38,919 |
| 2026 | 52,000 | 38,090 |
| 2027 | 53,000 | 37,245 |
| 2028 | 54,000 | 36,384 |
| 2029-2033 | 284,000 | 168,431 |
| 2034-2038 | 305,000 | 144,706 |
| 2039-2043 | 332,000 | 119,096 |
| 2044-2048 | 360,000 | 91,163 |
| 2049-2053 | 391,000 | 60,938 |
| 2054-2058 | 424,000 | 28,145 |
| 2059-2060 | 89,000 | 1,446 |
| Total payments | <u>\$ 2,446,000</u> | <u>\$ 804,311</u> |

The Town entered into an agreement with the Department of Environmental Quality for a Sanitary Sewer Project. Funds available to the Town total \$1,100,000. At June 30, 2021, the total amount drawn by the Town was \$1,099,992. The revolving loan is to be repaid in twenty annual principal payments of \$55,000. Interest is calculated at 0.00%. Principal payments are due on May 1 of each year. The first payment will be on May 1, 2021. At June 30, 2023, the outstanding balance was \$935,000.

| Year ending June 30 | <u>Business Activities</u> | |
|---------------------|----------------------------|-------------|
| | Principal | Interest |
| 2024 | \$ 55,000 | \$ - |
| 2025 | 55,000 | - |
| 2026 | 55,000 | - |
| 2027 | 55,000 | - |
| 2028 | 55,000 | - |
| 2029-2033 | 275,000 | - |
| 2034-2038 | 275,000 | - |
| 2039-2042 | 110,000 | - |
| Total payments | <u>\$ 935,000</u> | <u>\$ -</u> |

The Town entered into an agreement with the Department of Environmental Quality for a Water Supply Well Project. Funds available to the Town total \$1,818,364. At June 30, 2023, the total amount drawn by the Town was \$1,505,434. At June 30, 2023, the outstanding balance was \$1,505,343.

| Year ending June 30 | <u>Business Activities</u> | |
|---------------------|----------------------------|-------------------|
| | Principal | Interest |
| 2024 | \$ 90,968 | \$ 19,531 |
| 2025 | 90,968 | 18,503 |
| 2026 | 90,968 | 17,475 |
| 2027 | 90,968 | 16,447 |
| 2028 | 90,968 | 15,419 |
| 2029-2032 | 325,697 | 56,536 |
| 2033-2037 | 454,840 | 35,978 |
| 2038-2040 | 270,057 | 10,279 |
| Total payments | <u>\$ 1,505,434</u> | <u>\$ 190,168</u> |

In February 2021, the Town entered into a \$213,195 direct placement contract to finance to purchase Bucket Truck. The contract require four annual payments with an interest rate of 2.65%. The annual payments as of June 30, 2023 for the street repairing and repaving, including \$3,393 of interest, are as follows:

| Year ending June 30 | <u>Governmental Activities</u> | |
|---------------------|--------------------------------|----------|
| | Principal | Interest |
| 2024 | \$ 42,639 | \$ 2,260 |
| 2025 | 42,639 | 1,133 |
| Total payments | \$ 85,278 | \$ 3,393 |

In October 2021, the Town entered into a \$400,000 direct placement contract to finance to purchase water meters and computer software. The contract require ten annual payments with an interest rate of 1.85%. The annual payments as of June 30, 2023 for the street repairing and repaving, including \$33,316 of interest, are as follows:

| Year ending June 30 | <u>Business Activities</u> | |
|---------------------|----------------------------|-----------|
| | Principal | Interest |
| 2024 | \$ 40,000 | \$ 6,660 |
| 2025 | 40,000 | 5,936 |
| 2026 | 40,000 | 5,180 |
| 2027 | 40,000 | 4,440 |
| 2028 | 40,000 | 3,700 |
| 2029-2032 | 160,000 | 7,400 |
| Total payments | \$ 360,000 | \$ 33,316 |

b. Changes in Long-Term Debt

The following is a summary of changes in the Town's long-term obligations for the fiscal year ended June 30, 2023:

| | Balance 7/1/2022 | Increases | Decreases | Balance 6/30/2023 | Current Portion |
|--|---------------------|---------------------|---------------------|----------------------|--------------------|
| Governmental Activities: | | | | | |
| Direct placement installment purchases | \$ 3,975,425 | \$ 362,913 | \$ (428,797) | \$ 3,909,541 | \$ 455,073 |
| Net pension liability (LGERS) | 559,174 | 1,479,368 | - | 2,038,542 | - |
| Total pension liability (LEO) | 642,197 | - | (126,809) | 515,388 | - |
| Total OPEB liability | 1,424,282 | - | (136,233) | 1,288,049 | - |
| Compensated absences | 202,152 | 80,936 | (57,340) | 225,748 | 45,150 |
| Total | \$ 6,803,230 | \$ 1,923,217 | \$ (749,179) | \$ 7,977,268 | \$ 500,223 |
| Business-type Activities: | | | | | |
| Direct placement installment purchases | \$ 1,111,061 | \$ 1,013,258 | \$ (173,607) | \$ 1,950,712 | \$ 173,607 |
| Sewer revolving Loan | 990,000 | - | (55,000) | 935,000 | 55,000 |
| Water Tank Rehabilitation Loan | 276,017 | - | (6,116) | 269,901 | 6,496 |
| Water Treatment Plant Bond | 2,496,000 | - | (50,000) | 2,446,000 | 51,000 |
| Net pension liability (LGERS) | 263,140 | 696,173 | - | 959,313 | - |
| Total OPEB liability | 701,512 | - | (67,100) | 634,412 | - |
| Compensated absences | 119,916 | 39,162 | (43,758) | 115,320 | 23,065 |
| Total | \$ 5,957,646 | \$ 1,748,593 | \$ (395,581) | \$ 7,310,658 | \$ 309,168 |

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

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2023, consist of the following:

| | Amount |
|---|------------------|
| From Electric Fund to General Fund - operating transfer | \$ 49,953 |
| | <u>\$ 49,953</u> |

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, 2023, is as follows:

| | <u>Governmental</u> | <u>Business-type</u> |
|----------------------------------|---------------------|----------------------|
| Capital assets | \$ 9,462,527 | \$ 20,016,419 |
| Less: Long-term debt | (3,909,541) | (5,601,613) |
| Net investment in capital assets | <u>\$ 5,552,986</u> | <u>\$ 14,414,806</u> |

E. Fund Balance

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

| | |
|--|---------------------|
| Total fund balance - General Fund | \$ 3,314,557 |
| Less: | |
| Stabilization by State Statute | 874,476 |
| Streets - Powell Bill | 93,792 |
| Inventories | 35,993 |
| Remaining Fund Balance | \$ 2,310,296 |

IV. Jointly Governed Organization

The Town in conjunction with thirty-one other local governments, is a member of the North Carolina Eastern Municipal Power Agency (NCEPMA). NCEMPA was formed to enable municipalities that own and operate their own electric distributions to collectively purchase wholesale power. Each participating government appoints one commissioner to NCEMPA's governing board. The 32 members who receive power from NCEMPA have signed power sales agreements to purchase a specified share of the wholesale power purchased by NCEMPA. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2023 were \$8,567,119.

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, 2023 and October 26, 2023 which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. No such items were noted.

REQUIRED
SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally
accounting principals.

Schedule of the Proportionate Share of the Net Pension
Liability – Local Government Employees’ Retirement System

Schedule of Contributions – Local Government Employees’
Retirement System

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll
- Law Enforcement Officers' Special Separation Allowance

Schedule of Changes in the Total OPEB Liability and Related Ratios

Town of Edenton, North Carolina
Town of Edenton's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Ten Fiscal Years*

Local Government Employees' Retirement System

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Board's proportion of the net pension liability (asset) (%) | 0.05314% | 0.05362% | 0.05414% | 0.04921% | 0.05200% | 0.05000% | 0.05000% | 0.05300% | 0.05100% | 0.05200% |
| Board's proportion of the net pension liability (asset) (\$) | \$ 2,997,855 | \$ 822,314 | \$ 1,934,653 | \$ 1,343,887 | \$ 1,238,600 | \$ 770,889 | \$ 1,061,380 | \$ 239,298 | \$ (307,435) | \$ 609,924 |
| Board's covered-employee payroll | \$ 3,757,676 | \$ 3,692,938 | \$ 3,512,948 | \$ 3,250,734 | \$ 3,159,091 | \$ 3,123,019 | \$ 3,013,958 | \$ 3,034,304 | \$ 2,940,730 | \$ 2,695,027 |
| Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 79.78% | 22.27% | 55.07% | 41.34% | 39.21% | 24.68% | 35.22% | 7.89% | -10.45% | 22.63% |
| Plan fiduciary net position as a percentage of the total pension liability** | 84.41% | 95.51% | 88.61% | 90.86% | 91.63% | 94.18% | 91.47% | 98.09% | 102.64% | 94.35% |

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

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

**Town of Edenton, North Carolina
Town of Edenton's Contributions
Required Supplementary Information
Last Ten Fiscal Years**

Local Government Employees' Retirement System

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 529,554 | \$ 433,517 | \$ 382,184 | \$ 322,431 | \$ 256,618 | \$ 242,234 | \$ 230,899 | \$ 210,038 | \$ 217,206 | \$ 209,466 |
| Contributions in relation to the contractually required contribution | 529,554 | 433,517 | 382,184 | 322,431 | 256,618 | 242,234 | 230,899 | 210,038 | 217,206 | 209,466 |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Town's covered-employee payroll | \$ 4,293,372 | \$ 3,757,676 | \$ 3,692,938 | \$ 3,512,948 | \$ 3,250,734 | \$ 3,159,091 | \$ 3,123,019 | \$ 3,013,958 | \$ 3,034,304 | \$ 2,940,730 |
| Contributions as a percentage of covered-employee payroll | 12.33% | 11.54% | 10.35% | 9.18% | 7.89% | 7.67% | 7.39% | 6.97% | 7.16% | 7.14% |

Town of Edenton, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Five Fiscal Years *

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Beginning balance | \$ 642,197 | \$ 595,064 | \$ 466,502 | \$ 420,679 | \$ 426,912 |
| Service cost | 32,382 | 39,139 | 20,734 | 17,348 | 22,169 |
| Interest on the total pension liability | 13,964 | 11,068 | 14,409 | 14,463 | 12,753 |
| Changes of benefit terms | - | - | - | - | - |
| Differences between expected and actual experience in the measurement of the total pension liability | (37,566) | 57,114 | (14,769) | 48,586 | 20,340 |
| Changes of assumptions or other inputs | (92,424) | (17,023) | 157,177 | 12,098 | (14,823) |
| Benefit payments | (43,165) | (43,165) | (48,989) | (46,672) | (46,672) |
| Other changes | - | - | - | - | - |
| Ending balance of the total pension liability | <u>\$ 515,388</u> | <u>\$ 642,197</u> | <u>\$ 595,064</u> | <u>\$ 466,502</u> | <u>\$ 420,679</u> |

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

Town of Edenton, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Five Fiscal Years

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Total pension liability | \$ 515,388 | \$ 642,197 | \$ 595,064 | \$ 466,502 | \$ 420,679 |
| Covered payroll | 786,943 | 908,103 | 846,027 | 741,688 | 882,153 |
| Total pension liability as a percentage of covered payroll | 65.49% | 70.72% | 70.34% | 62.90% | 47.69% |

Notes to the schedules:

The Town of Edenton has no assets accumulated in a trust that meets 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
Last Five Fiscal Years

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Total OPEB Liability | | | | | |
| Service cost | \$ 121,987 | \$ 77,944 | \$ 55,692 | \$ 51,908 | \$ 53,993 |
| Interest | 47,713 | 32,879 | 43,913 | 48,925 | 45,079 |
| Changes of benefit items | - | - | - | - | - |
| Differences between expected and actual experience | 11,685 | 314,389 | 1,985 | (116,330) | 14,075 |
| Changes of assumptions | (306,563) | 319,738 | 165,876 | 25,389 | (41,456) |
| Benefit payments | (78,155) | (57,550) | (55,651) | (81,264) | (79,323) |
| Net change in total OPEB liability | <u>(203,333)</u> | <u>687,400</u> | <u>211,815</u> | <u>(71,372)</u> | <u>\$ (7,632)</u> |
| Total OPEB liability - beginning | <u>2,125,794</u> | <u>1,438,394</u> | <u>1,226,579</u> | <u>1,297,951</u> | <u>1,305,583</u> |
| Total OPEB liability - ending | <u><u>\$ 1,922,461</u></u> | <u><u>\$ 2,125,794</u></u> | <u><u>\$ 1,438,394</u></u> | <u><u>\$ 1,226,579</u></u> | <u><u>\$ 1,297,951</u></u> |
| Covered payroll | 3,378,024 | 2,944,699 | 2,944,699 | 2,836,544 | 2,836,544 |
| Total OPEB liability as a percentage of covered payroll | 56.91% | 72.19% | 48.85% | 43.24% | 46.03% |

Notes to Schedule

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

| Fiscal year | Rate |
|--------------------|-------------|
| 2023 | 3.54% |
| 2022 | 2.16% |
| 2021 | 2.21% |
| 2020 | 3.50% |
| 2019 | 3.89% |

GENERAL FUND

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

Town of Edenton, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2023

| | Final Budget | Actual | Variance Positive (Negative) |
|--|---------------------|------------------|------------------------------------|
| Revenues: | | | |
| Ad valorem taxes: | | | |
| Taxes | | \$ 2,842,134 | |
| Penalties and interest | | 10,217 | |
| Total | <u>\$ 2,555,273</u> | <u>2,852,351</u> | <u>\$ 297,078</u> |
| Other taxes and licenses: | | | |
| Land transfer tax | | 191,928 | |
| Total | <u>150,000</u> | <u>191,928</u> | <u>41,928</u> |
| Unrestricted intergovernmental revenues: | | | |
| Utility franchise tax | | 409,460 | |
| Local option sales taxes | | 1,127,589 | |
| Payments in lieu of taxes | | 74,794 | |
| Beer and wine tax | | 20,287 | |
| Total | <u>1,485,077</u> | <u>1,632,130</u> | <u>147,053</u> |
| Restricted intergovernmental: | | | |
| Powell Bill revenue | | 138,437 | |
| Chowan County - Fire protection | | 596,236 | |
| Solid Waste disposal tax | | 3,488 | |
| Total | <u>726,797</u> | <u>738,161</u> | <u>11,364</u> |
| Permits and fees: | | | |
| Video programming fees | | 17,701 | |
| Officer fees | | 1,867 | |
| Police revenue | | 16,760 | |
| Nuisance fees | | 44,373 | |
| Total | <u>57,065</u> | <u>80,701</u> | <u>23,636</u> |
| Sales and services: | | | |
| Refuse collections | | 303,835 | |
| Cemetary lot sales | | 50,370 | |
| Rents | | 17,223 | |
| Garage | | 396,648 | |
| Trolley ticket sales | | 67,250 | |
| Administrative fees from other funds | | 761,687 | |
| Miscellaneous | | 24,176 | |
| Total | <u>1,573,569</u> | <u>1,621,189</u> | <u>47,620</u> |
| Investment earnings: interest | | | |
| General fund - unrestricted | | 177,133 | |
| General fund - restricted | | 1,509 | |
| Total | <u>100,509</u> | <u>178,642</u> | <u>78,133</u> |
| Total revenues | <u>6,648,290</u> | <u>7,295,102</u> | <u>646,812</u> |

**Town of Edenton, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2023**

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|------------------------------------|-------------------------|------------------|---|
| Expenditures: | | | |
| General Government: | | | |
| Elected officials | | | |
| Salaries and employee benefits | | 38,754 | |
| Training and travel | | 11,845 | |
| Total | <u>56,254</u> | <u>50,599</u> | <u>5,655</u> |
| Administration | | | |
| Salaries and employee benefits | | 361,412 | |
| Other operating expenses | | 353,205 | |
| Total | <u>718,679</u> | <u>714,617</u> | <u>4,062</u> |
| Inspections: | | | |
| Salaries and employee benefits | | 120,677 | |
| Other operating expenses | | 42,069 | |
| Total | <u>166,648</u> | <u>162,746</u> | <u>3,902</u> |
| Total general government | <u>941,581</u> | <u>927,962</u> | <u>13,619</u> |
| Public Safety: | | | |
| Police: | | | |
| Salaries and employee benefits | | 1,575,531 | |
| Other operating expenses | | 266,427 | |
| Capital outlay | | 115,566 | |
| Total | <u>1,960,071</u> | <u>1,957,524</u> | <u>2,547</u> |
| Fire: | | | |
| Salaries and employee benefits | | 935,215 | |
| Other operating expenses | | 212,533 | |
| Capital outlay | | 12,199 | |
| Total | <u>1,258,173</u> | <u>1,159,947</u> | <u>98,226</u> |
| Total public safety | <u>3,218,244</u> | <u>3,117,471</u> | <u>100,773</u> |
| Transportation and utilities | | | |
| Street: | | | |
| Salaries and employee benefits | | 296,258 | |
| Other operating expenses | | 545,131 | |
| Capital outlay | | 184,076 | |
| Total | <u>1,038,038</u> | <u>1,025,465</u> | <u>12,573</u> |
| Garage: | | | |
| Salaries and employee benefits | | 166,831 | |
| Other operating expenses | | 284,983 | |
| Total | <u>454,491</u> | <u>451,814</u> | <u>2,677</u> |
| Total transportation and utilities | <u>1,492,529</u> | <u>1,477,279</u> | <u>15,250</u> |

Town of Edenton, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2023

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|-------------------------|---------------------|---|
| Environmental protection: | | | |
| Sanitation | | | |
| Salaries and employee benefits | | 439,592 | |
| Other operating expenses | | 197,692 | |
| Total | <u>639,672</u> | <u>637,284</u> | <u>2,388</u> |
| Mosquito control | | | |
| Salaries and employee benefits | | 1,915 | |
| Other operating expenses | | 1,265 | |
| Total | <u>4,015</u> | <u>3,180</u> | <u>835</u> |
| Cemetery: | | | |
| Salaries and employee benefits | | 414,096 | |
| Other operating expenses | | 266,210 | |
| Capital outlay | | 40,000 | |
| Total | <u>727,184</u> | <u>720,306</u> | <u>6,878</u> |
| Total environmental protection | <u>1,370,871</u> | <u>1,360,770</u> | <u>10,101</u> |
| Economic and physical development: | | | |
| Main Street Program | | | |
| Other operating expenses | | 75,617 | |
| Total economic and physical development | <u>83,990</u> | <u>75,617</u> | <u>8,373</u> |
| Debt Service: | | | |
| Principal retirement | | 428,797 | |
| Interest expense | | 86,961 | |
| Total | <u>541,065</u> | <u>515,758</u> | <u>25,307</u> |
| Total expenditures | <u>7,648,280</u> | <u>7,474,857</u> | <u>173,423</u> |
| Revenues over (under) expenditures | <u>(999,990)</u> | <u>(179,755)</u> | <u>820,235</u> |
| Other financing sources (uses): | | | |
| Sale of capital assets | | 17,866 | |
| Loan proceed | | 184,076 | |
| Transfers out | | (969,500) | |
| Transfers in | | 704,188 | |
| Total other financing sources (uses) | <u>999,990</u> | <u>(63,370)</u> | <u>(1,063,360)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>(243,125)</u> | <u>\$ (243,125)</u> |
| Fund balances: | | | |
| Beginning of year, July 1 | | <u>3,557,682</u> | |
| End of year, June 30 | | <u>\$ 3,314,557</u> | |

OTHER MAJOR GOVERNMENTAL FUNDS

Major Governmental Funds -Governmental Special Projects Fund

Town of Edenton, North Carolina
Governmental Special Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2023

| | 2023 | | Variance Favorable (Unfavorable) |
|--------------------------------------|-----------------|--------------|--|
| | Final Budget | Actual | |
| Revenues | | | |
| Restricted intergovernmental | | | |
| Grants | | \$ 454,893 | |
| Total restricted intergovernmental | \$ 473,050 | 454,893 | \$ (18,157) |
| Expenditures: | | | |
| Construction | | 1,181,151 | |
| Total Contengencies | 1,399,300 | 1,181,151 | 218,149 |
| Capital outlay: | | | |
| Pierce pumper truck | | 831,963 | |
| Total capital outlay | 918,573 | 831,963 | 86,610 |
| Total expenditures | 2,317,873 | 2,013,114 | 304,759 |
| Revenues over (under) expenditures | (1,844,823) | (1,558,221) | 286,602 |
| Other financing sources (uses): | | | |
| Interest income | | 66 | |
| Loan proceeds | | 178,837 | |
| Transfer in (out) | | 1,664,735 | |
| Total other financing sources (uses) | 1,844,823 | 1,843,638 | 1,185 |
| Net change in fund balance | - | 285,417 | 285,417 |
| Net change in fund balance | \$ - | 285,417 | \$ 285,417 |
| Fund balance: | | | |
| Beginning of year, July 1 | | 842,674 | |
| End of year, June 30 | | \$ 1,128,091 | |

**Town of Edenton, North Carolina
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2023**

| | NC Housing Finance Grant Fund | Coronavirus Relief Fund | FEMA Proceeds Fund | ARPA Fund | Total Nonmajor Special Revenue Funds | Harbor Town Ferry Project | Total Nonmajor Capital Project Funds | Total Nonmajor Governmental Funds |
|--|-------------------------------------|----------------------------|--------------------------|-----------------|---|------------------------------|--|---|
| Assets: | | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ 4,217 | \$ 4,217 | \$ - | \$ - | \$ 4,217 |
| Accounts receivable, net | - | - | - | 33 | 33 | 58 | 58 | 91 |
| Total assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,250</u> | <u>4,250</u> | <u>58</u> | <u>58</u> | <u>4,308</u> |
| Liabilities and fund balances: | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable | - | - | 39,483 | - | 39,483 | 58 | 58 | 39,541 |
| Unearned revenue | - | - | - | 4,250 | 4,250 | - | - | 4,250 |
| Due to other funds | 65,001 | - | - | - | 65,001 | - | - | 65,001 |
| Total liabilities | <u>65,001</u> | <u>-</u> | <u>39,483</u> | <u>4,250</u> | <u>108,734</u> | <u>58</u> | <u>58</u> | <u>108,792</u> |
| Deferred inflows of resources | | | | | | | | |
| Property taxes receivable | - | - | - | - | - | - | - | - |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances: | | | | | | | | |
| Restricted | | | | | | | | |
| Stabilization by State Statue | - | - | - | 33 | 33 | 58 | 58 | 91 |
| Unrestricted | (65,001) | - | (39,483) | (33) | (104,517) | (58) | (58) | (104,575) |
| Total fund balances | <u>(65,001)</u> | <u>-</u> | <u>(39,483)</u> | <u>-</u> | <u>(104,484)</u> | <u>-</u> | <u>-</u> | <u>(104,484)</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,250</u> | <u>\$ 4,250</u> | <u>\$ 58</u> | <u>\$ 58</u> | <u>\$ 4,308</u> |

Town of Edenton, North Carolina
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
For the Fiscal Year Ended June 30, 2023

| | NC Housing Finance Grant | Coronavirus Relief Fund | FEMA Proceeds Fund | ARPA Fund | Total Nonmajor Special Revenue Funds | Harbor Town Ferry Project | Total Nonmajor Capital Project Funds | Total Nonmajor Governmental Funds |
|--|--------------------------------|----------------------------|--------------------------|--------------------|--|------------------------------|--|---|
| Revenues: | | | | | | | | |
| Restricted intergovernmental | \$ - | \$ - | \$ 178,635 | \$ 1,349,652 | \$ 1,528,287 | \$ 115,377 | \$ 115,377 | \$ 1,643,664 |
| Total revenues | <u>-</u> | <u>-</u> | <u>178,635</u> | <u>1,349,652</u> | <u>1,528,287</u> | <u>115,377</u> | <u>115,377</u> | <u>1,643,664</u> |
| Expenditures: | | | | | | | | |
| Economic and physical development | 51,906 | 6,752 | 57,956 | 182 | 116,796 | 115,377 | 115,377 | 232,173 |
| Total expenditures | <u>51,906</u> | <u>6,752</u> | <u>57,956</u> | <u>182</u> | <u>116,796</u> | <u>115,377</u> | <u>115,377</u> | <u>232,173</u> |
| Excess (deficiency) of revenues over expenditures | <u>(51,906)</u> | <u>(6,752)</u> | <u>120,679</u> | <u>1,349,470</u> | <u>1,411,491</u> | <u>-</u> | <u>-</u> | <u>1,411,491</u> |
| Other financing sources (uses): | | | | | | | | |
| Transfers in (out) | - | - | - | (1,349,470) | (1,349,470) | - | - | (1,349,470) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,349,470)</u> | <u>(1,349,470)</u> | <u>-</u> | <u>-</u> | <u>(1,349,470)</u> |
| Net change in fund balance | (51,906) | (6,752) | 120,679 | - | 62,021 | - | - | 62,021 |
| Fund balances: | | | | | | | | |
| Beginning of year, July 1 | <u>(13,095)</u> | <u>6,752</u> | <u>(160,162)</u> | <u>-</u> | <u>(166,505)</u> | <u>-</u> | <u>-</u> | <u>(166,505)</u> |
| End of year, June 30 | <u>\$ (65,001)</u> | <u>\$ -</u> | <u>\$ (39,483)</u> | <u>\$ -</u> | <u>\$ (104,484)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (104,484)</u> |

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Town of Edenton, North Carolina
North Carolina Housing Finance Grant Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2023

| | Project Author - ization | Prior Years | Actual Current Year | Total to Date | Variance Favorable (Unfavorable) |
|---|--------------------------------|-----------------|---------------------------|--------------------|--|
| Revenues: | | | | | |
| Restricted intergovernmental revenues: | | | | | |
| Federal grant no. SFRLP 2014 | | \$ 273,044 | \$ - | \$ 273,044 | |
| Total restricted intergovernmental | <u>\$ 750,000</u> | <u>273,044</u> | <u>-</u> | <u>273,044</u> | <u>\$ (476,956)</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Economic and physical development: | | | | | |
| Administration | | 68,181 | 51,906 | 120,087 | |
| Rehabilitation | | 217,958 | - | 217,958 | |
| Total economic and physical development | <u>750,000</u> | <u>286,139</u> | <u>51,906</u> | <u>338,045</u> | <u>411,955</u> |
| Revenues over expenditures | <u>-</u> | <u>(13,095)</u> | <u>(51,906)</u> | <u>(65,001)</u> | <u>(65,001)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>(51,906)</u> | <u>\$ (65,001)</u> | <u>\$ (65,001)</u> |
| Fund balance: | | | | | |
| Beginning of year, July 1 | | | <u>(13,095)</u> | | |
| End of year, June 30 | | | <u>\$ (65,001)</u> | | |

Town of Edenton, North Carolina
Coronavirus Relief Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2023

| | 2023 | | Variance Favorable (Unfavorable) |
|------------------------------------|-----------------|----------------|--|
| | Final Budget | Actual | |
| Revenues | | | |
| Restricted intergovernmental | | | |
| NC Pandemic Recovery Grant | \$ 186,866 | \$ - | \$ 186,866 |
| Total restricted intergovernmental | <u>186,866</u> | <u>-</u> | <u>(186,866)</u> |
| Expenditures: | | | |
| Public health | | | |
| Administration | 186,866 | 6,752 | 180,114 |
| Total expenditures | <u>186,866</u> | <u>6,752</u> | <u>(6,752)</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>(6,752)</u> | <u>(6,752)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>(6,752)</u> | <u>\$ (6,752)</u> |
| Fund balance: | | | |
| Beginning of year, July 1 | | <u>6,752</u> | |
| End of year, June 30 | | <u>\$ -</u> | |

Town of Edenton, North Carolina
FEMA Proceeds Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2023

| | 2023 | | Variance Favorable (Unfavorable) |
|--------------------------------------|-----------------|--------------------|--|
| | Final Budget | Actual | |
| Revenues | | | |
| Restricted intergovernmental | | | |
| FEMA Proceeds | \$ 618,807 | \$ 178,635 | \$ (440,172) |
| Total restricted intergovernmental | <u>618,807</u> | <u>178,635</u> | <u>(440,172)</u> |
| Expenditures: | | | |
| Economic and physical development: | | | |
| Repairs and maintenance | | 57,956 | |
| Total expenditures | <u>618,807</u> | <u>57,956</u> | <u>560,851</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>120,679</u> | <u>120,679</u> |
| Other financing sources (uses): | | | |
| Transfer in (out) | | - | |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | - | 120,679 | 120,679 |
| Fund balance appropriated | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>120,679</u> | <u>\$ 120,679</u> |
| Fund balance: | | | |
| Beginning of year, July 1 | | <u>(160,162)</u> | |
| End of year, June 30 | | <u>\$ (39,483)</u> | |

Town of Edenton, North Carolina
ARPA Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2023

| | 2023 | | Variance Favorable (Unfavorable) |
|--------------------------------------|---------------------|--------------------|--|
| | Final Budget | Actual | |
| Revenues | | | |
| Restricted intergovernmental | | \$ 1,349,652 | |
| Interest | | - | |
| Total revenues | <u>\$ 1,349,470</u> | <u>1,349,652</u> | <u>\$ 182</u> |
| Expenditures: | | | |
| Operating expenditures | | 182 | |
| Total expenditures | <u>-</u> | <u>182</u> | <u>(182)</u> |
| Revenues over (under) expenditures | <u>1,349,470</u> | <u>1,349,470</u> | <u>-</u> |
| Other financing sources (uses): | | | |
| Transfer in (out) | | (1,349,470) | |
| Total other financing sources (uses) | <u>(1,349,470)</u> | <u>(1,349,470)</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> |
| Fund balance: | | | |
| Beginning of year, July 1 | | <u>-</u> | |
| End of year, June 30 | | <u>\$ -</u> | |

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds

Town of Edenton, North Carolina
Harbor Town Ferry Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2023

| | 2023 | | Variance Favorable (Unfavorable) |
|------------------------------------|-----------------|------------|--|
| | Final Budget | Actual | |
| Revenues | | | |
| Restricted intergovernmental | | \$ 115,377 | |
| Total revenues | \$ 500,000 | 115,377 | \$ (384,623) |
| Expenditures: | | | |
| Operating expenditures | | 115,377 | |
| Total expenditures | 500,000 | 115,377 | 384,623 |
| Revenues over (under) expenditures | - | - | - |
| Net change in fund balance | \$ - | - | \$ - |
| Fund balance: | | | |
| Beginning of year, July 1 | | - | |
| End of year, June 30 | | \$ - | |

PROPRIETARY FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Town of Edenton, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual - (Non-GAAP)
For the Fiscal Year Ended June 30, 2023

| | 2023 | | Variance Positive (Negative) |
|--------------------------------|----------------------|-------------------|------------------------------------|
| | Final Budget | Actual | |
| Revenues: | | | |
| Operating revenues | | | |
| Charges for services: | | | |
| Electricity sales | | \$ 11,766,228 | |
| Penalties | | 60,826 | |
| Pole rent | | 29,717 | |
| Sale of merchandise and scrap | | 20,469 | |
| Connection fees and services | | 64,247 | |
| Miscellaneous | | 125,505 | |
| Total operating revenues | <u>\$ 13,180,012</u> | <u>12,066,992</u> | <u>\$ (1,113,020)</u> |
| Nonoperating Revenues | | | |
| Investment earnings | | 4,235 | |
| Total non-operating revenues | <u>100</u> | <u>4,235</u> | <u>4,135</u> |
| Total revenues | <u>13,180,112</u> | <u>12,071,227</u> | <u>(1,108,885)</u> |
| Expenditures: | | | |
| Electric administration: | | | |
| Salaries and employee benefits | | 388,851 | |
| Contracted services | | 4,408 | |
| Services | | 611,188 | |
| Industrial development | | 40,000 | |
| Maintenance and repair | | 22,035 | |
| Other operating expenses | | 886,652 | |
| Total electric administration | <u>2,044,388</u> | <u>1,953,134</u> | <u>91,254</u> |
| Billing and collection: | | | |
| Salaries and employee benefits | | 272,504 | |
| Other operating expenses | | 137,558 | |
| Total billing and collection | <u>410,099</u> | <u>410,062</u> | <u>37</u> |
| Electric power | | | |
| Salaries and employee benefits | | 442,146 | |
| Electricity purchases | | 8,567,119 | |
| Other operating expenses | | 942,871 | |
| Total electric power | <u>9,959,593</u> | <u>9,952,136</u> | <u>7,457</u> |

Town of Edenton, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual - (Non-GAAP)
For the Fiscal Year Ended June 30, 2023

| | 2023 | | Variance Positive (Negative) |
|--|-------------------|-----------------------|------------------------------------|
| | Final Budget | Actual | |
| Debt service: | | | |
| Debt principal | | 42,639 | |
| Interst and fees | | 3,415 | |
| Total debt service | <u>46,079</u> | <u>46,054</u> | <u>25</u> |
| Capital outlay | | | |
| Equipments | | 244,225 | |
| Vehicles | | 124,000 | |
| Total capital outlay | <u>370,000</u> | <u>368,225</u> | <u>1,775</u> |
| Total expenditures | <u>12,830,159</u> | <u>12,729,611</u> | <u>100,548</u> |
| Revenues over (under) expenditures | <u>349,953</u> | <u>(658,384)</u> | <u>(1,008,337)</u> |
| Other financing sources and (uses): | | | |
| Transfer out | | (349,953) | |
| Total other financing sources (uses) | <u>(349,953)</u> | <u>(349,953)</u> | <u>-</u> |
| Revenues and other sources over (Under) expenses and other uses | <u>-</u> | <u>(1,008,337)</u> | <u>(1,008,337)</u> |
| Expenditures and other uses | <u>\$ -</u> | <u>\$ (1,008,337)</u> | <u>\$ 1,008,337</u> |

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

| | |
|---|-----------------------|
| Revenues, other sources and appropriated | |
| Fund balance over (under) | |
| Expenditures and other uses | <u>\$ (1,008,337)</u> |
| Reconciling items: | |
| Depreciation | <u>(298,801)</u> |
| Capital outlay | 368,225 |
| Principal payments | 42,639 |
| Change in accrued vacation pay | 9,910 |
| (Increase) decrease in net pension liability | (369,842) |
| Increase (decrease) in deferred outflows of resources for pensions | 108,456 |
| (Increase) decrease in deferred inflows of resources for pensions | 151,743 |
| Change in accrued OPEB | 34,567 |
| Total reconciling items | 46,897 |
| Change in net position | <u>\$ (961,440)</u> |

Town of Edenton, North Carolina
Electric Fund Small Capital Projects
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2023

| | Project Author - ization | Actual | | Total to Date | Variance Favorable (Unfavorable) |
|---|--------------------------------|----------------|-----------------|------------------|--|
| | | Prior Years | Current Year | | |
| Revenues: | | | | | |
| Non-operating revenue | | | | | |
| Investment earnings | | \$ 146 | \$ - | \$ 146 | \$ - |
| Total non-operating revenue | | 146 | - | 146 | 146 |
| Expenditures: | | | | | |
| Capital outlay | | - | - | - | - |
| Total | | - | - | - | - |
| Revenues over (under) expenditures | - | 146 | - | 146 | 146 |
| Other financing sources (uses): | | | | | |
| Long-term debt issued | | | | - | - |
| Total | - | - | - | - | - |
| Revenues and other financing sources over (under) expenditures | \$ - | \$ 146 | \$ - | \$ 146 | \$ 146 |
| Beginning of year, July 1 | | | 146 | | |
| End of year, June 30 | | | \$ 146 | | |

Town of Edenton, North Carolina
Airport Fund
Schedule of Revenues and Expenditures
Budget and Actual - (Non-GAAP)
For the Fiscal Year Ended June 30, 2023

| | 2023 | | Variance Positive (Negative) |
|--|-------------------|----------------|------------------------------------|
| | Final Budget | Actual | |
| Revenues: | | | |
| Operating revenues | | | |
| Charges for services: | | | |
| Hangar rentals | | \$ 39,302 | |
| Sale of fuel | | 208,930 | |
| Other operating revenue | | 68,808 | |
| Total operating revenues | <u>\$ 418,188</u> | <u>317,040</u> | <u>\$(101,148)</u> |
| Total revenues | <u>418,188</u> | <u>317,040</u> | <u>(101,148)</u> |
| Expenditures: | | | |
| Administration | | | |
| Salaries and employee benefits | | 54,012 | |
| Insurance | | 8,541 | |
| Fuel purchases | | 175,665 | |
| Repairs & maintenance | | 31,274 | |
| Other operating expenses | | 55,936 | |
| Total administration | <u>428,188</u> | <u>325,428</u> | <u>102,760</u> |
| Total expenditures | <u>428,188</u> | <u>325,428</u> | <u>102,760</u> |
| Revenues over (under) expenditures | <u>(10,000)</u> | <u>(8,388)</u> | <u>1,612</u> |
| Other financing sources and (uses): | | | |
| Sale of merchandise and scrap | | 10,000 | |
| Total other financing sources (uses) | <u>10,000</u> | <u>10,000</u> | <u>-</u> |
| Revenues, Other Sources and Appropriated Fund balance over (under) Expenditures and other uses | <u>\$ -</u> | <u>1,612</u> | <u>\$ 1,612</u> |

Town of Edenton, North Carolina
Airport Fund
Schedule of Revenues and Expenditures
Budget and Actual - (Non-GAAP)
For the Fiscal Year Ended June 30, 2023

| | 2023 | | |
|--|-----------------|------------|------------------------------------|
| | Final Budget | Actual | Variance Positive (Negative) |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | |
| Revenues, other sources and appropriated | | | |
| Fund balance over (under) | | | |
| Expenditures and other uses | | \$ 1,612 | |
| Reconciling items: | | | |
| Capital outlay | | - | |
| Other revenues from capital projects | | 306,033 | |
| Increase (decrease) in deferred outflows of resources for pensions | | (819) | |
| (Increase) decrease in deferred inflows of resources for pensions | | (2,498) | |
| Change in accrued OPEB | | 2,033 | |
| Depreciation | | (195,800) | |
| Total reconciling items | | 108,949 | |
| Change in net position | | \$ 110,561 | |

Town of Edenton, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual - (Non-GAAP)
For the Fiscal Year Ended June 30, 2023

| | 2023 | | Variance Positive (Negative) |
|---|---------------------|-------------------|------------------------------------|
| | Final Budget | Actual | |
| Revenues: | | | |
| Operating revenues | | | |
| Charges for services: | | | |
| Charges for water and sewer | | \$ 2,872,710 | |
| Other operating revenues | | 17,050 | |
| Total operating revenues | <u>\$ 3,137,842</u> | <u>2,889,760</u> | <u>\$ (248,082)</u> |
| Non-operating revenues | | | |
| Sale of merchandise and scrap | | 15,823 | |
| Miscellaneous | | 3,545 | |
| Rents | | 100,443 | |
| Total non-operating revenues | <u>112,497</u> | <u>119,811</u> | <u>7,314</u> |
| Total revenues | <u>3,250,339</u> | <u>3,009,571</u> | <u>(240,768)</u> |
| Expenditures: | | | |
| Water operations: | | | |
| Salaries and employee benefits | | 193,645 | |
| Services | | 150,499 | |
| Utilities | | 70,220 | |
| Repairs & maintenance | | 202,865 | |
| Other operating expenses | | 271,259 | |
| Total water operations | <u>918,177</u> | <u>888,488</u> | <u>29,689</u> |
| Sewage collections | | | |
| Salaries and employee benefits | | 507,507 | |
| Utilities | | 80,171 | |
| Repairs & maintenance | | 56,868 | |
| Other operating expenses | | 189,821 | |
| Total sewage collections | <u>856,277</u> | <u>834,367</u> | <u>21,910</u> |
| Water and sewer line maintenance | | | |
| Salaries and employee benefits | | 382,693 | |
| Repairs & maintenance | | 89,661 | |
| Other operating expenses | | 364,818 | |
| Total water and sewer line maintenance | <u>1,108,151</u> | <u>837,172</u> | <u>270,979</u> |
| Debt service | | | |
| Debt principal | | 242,084 | |
| Interest and fees | | 78,541 | |
| Total debt service | <u>339,788</u> | <u>320,625</u> | <u>19,163</u> |
| Capital outlay | | | |
| Vehicles | | 39,111 | |
| Plant and distribution systems | | 228,349 | |
| Tools & equipment | | 32,904 | |
| Total capital outlay | <u>358,520</u> | <u>300,364</u> | <u>58,156</u> |
| Total expenditures | <u>3,580,913</u> | <u>3,181,016</u> | <u>399,897</u> |
| Revenues over (under) expenditures | <u>(330,574)</u> | <u>(171,445)</u> | <u>159,129</u> |
| Other financing sources and (uses): | | | |
| Transfers in (out) | | 300,000 | - |
| Total other financing sources (uses) | <u>300,000</u> | <u>300,000</u> | <u>-</u> |
| Revenues and other sources over (Under) expenses and other uses | <u>(30,574)</u> | <u>128,555</u> | <u>159,129</u> |
| Appropriated Fund Balance | <u>30,574</u> | <u>-</u> | <u>(30,574)</u> |
| Revenues, Other Sources and Appropriated Fund Balance Over (Under) | <u>\$ -</u> | <u>\$ 128,555</u> | <u>\$ 128,555</u> |
| Expenditures and Other Uses | <u>\$ -</u> | <u>\$ 128,555</u> | <u>\$ 128,555</u> |

Town of Edenton, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual - (Non-GAAP)
For the Fiscal Year Ended June 30, 2023

| | 2023 | | |
|--|-----------------|------------|------------------------------------|
| | Final Budget | Actual | Variance Positive (Negative) |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | |
| Revenues, other sources and appropriated | | | |
| Fund balance over (under) | | | |
| Expenditures and other uses | | 128,555 | |
| Reconciling items: | | | |
| Capital outlay | | 300,364 | |
| Principal payments | | 242,084 | |
| Change in accrued vacation pay | | (5,315) | |
| (Increase) decrease in net pension liability | | (326,331) | |
| Increase (decrease) in deferred outflows of resources for pensions | | 95,695 | |
| Other expenses from Water and Sewer Capital Projects | | (26,843) | |
| (Increase) decrease in deferred inflows of resources for pensions | | 133,890 | |
| Change in accrued OPEB | | 30,500 | |
| Depreciation | | (352,426) | |
| Total reconciling items | | 91,618 | |
| Change in net position | | \$ 220,173 | |

Town of Edenton, North Carolina
Waste Water Treatment Plant Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2023

| | Project Author - ization | Prior Years | Actual Current Year | Total to Date | Variance Favorable (Unfavorable) |
|---|--------------------------------|---------------------|---------------------------|---------------------|--|
| Revenues: | | | | | |
| Non-operating revenue | | | | | |
| Investment earnings | \$ 5,994,000 | \$ - | \$ - | \$ - | \$ 5,994,000 |
| Total non-operating revenue | <u>5,994,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(5,994,000)</u> |
| Expenditures: | | | | | |
| Capital outlay | 4,521,250 | 306,382 | - | 306,382 | 4,214,868 |
| Operating expenses | 1,229,900 | 207,017 | 26,843 | 233,860 | 996,040 |
| Total | <u>5,751,150</u> | <u>513,399</u> | <u>26,843</u> | <u>540,242</u> | <u>5,210,908</u> |
| Revenues over (under) expenditures | <u>242,850</u> | <u>(513,399)</u> | <u>(26,843)</u> | <u>(540,242)</u> | <u>(783,092)</u> |
| Other financing sources (uses): | | | | | |
| Long-term debt issued | 242,850 | - | - | - | (242,850) |
| Total | <u>242,850</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(242,850)</u> |
| Revenues and other financing sources over (under) expenditures | <u>\$ -</u> | <u>\$ (513,399)</u> | (26,843) | <u>\$ (540,242)</u> | <u>\$ (1,025,942)</u> |
| Beginning of year, July 1 | | | <u>(513,399)</u> | | |
| End of year, June 30 | | | <u>\$ (540,242)</u> | | |

Town of Edenton, North Carolina
Waste Water Abatement Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2023

| | Project Author - ization | Prior Years | Actual Current Year | Total to Date | Variance Favorable (Unfavorable) |
|---|--------------------------------|--------------------|---------------------------|--------------------|--|
| Revenues: | | | | | |
| Restricted intergovernmental | | | | | |
| N.C. Department of Commerce Grant | \$ 2,352,935 | \$ 182,981 | \$ - | \$ 182,981 | \$ (2,169,954) |
| Local Funds | - | 40,008 | - | 40,008 | 40,008 |
| Total non-operating revenue | <u>2,352,935</u> | <u>222,989</u> | <u>-</u> | <u>222,989</u> | <u>(2,129,946)</u> |
| Expenditures: | | | | | |
| Loan fee | 42,500 | 22,000 | - | 22,000 | 20,500 |
| Construction | 2,310,435 | 1,415,524 | 33,226 | 1,448,750 | 861,685 |
| Total | <u>2,352,935</u> | <u>1,437,524</u> | <u>33,226</u> | <u>1,470,750</u> | <u>882,185</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>(1,214,535)</u> | <u>(33,226)</u> | <u>(1,247,761)</u> | <u>(1,247,761)</u> |
| Other financing sources (uses): | | | | | |
| Transfers In | - | 106,611 | - | 106,611 | 106,611 |
| Long-term debt issued | - | 1,099,992 | - | 1,099,992 | 1,099,992 |
| Total | <u>-</u> | <u>1,206,603</u> | <u>-</u> | <u>1,206,603</u> | <u>1,206,603</u> |
| Revenues and other financing sources over (under) expenditures | <u>\$ -</u> | <u>\$ (7,932)</u> | <u>(33,226)</u> | <u>\$ (41,158)</u> | <u>\$ (41,158)</u> |
| Beginning of year, July 1 | | | <u>(7,932)</u> | | |
| End of year, June 30 | | | <u>\$ (41,158)</u> | | |

Town of Edenton, North Carolina
Water Treatment Plants Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2023

| | Project Author - ization | Prior Years | Actual Current Year | Total to Date | Variance Favorable (Unfavorable) |
|---|--------------------------------|--------------------|---------------------------|--------------------|--|
| Revenues: | | | | | |
| Restricted intergovernmental | | | | | |
| U.S.D.A. Grant | \$ 1,115,149 | \$ 1,115,000 | \$ - | \$ 1,115,000 | |
| Total non-operating revenue | <u>1,115,149</u> | <u>1,115,000</u> | <u>-</u> | <u>1,115,000</u> | <u>(149)</u> |
| Expenditures: | | | | | |
| Professional services | 503,500 | 10,565 | - | 10,565 | |
| Interest | 135,556 | 135,555 | - | 135,555 | |
| Capital outlay | 3,117,093 | 3,609,879 | - | 3,609,879 | |
| Total | <u>3,756,149</u> | <u>3,755,999</u> | <u>-</u> | <u>3,755,999</u> | <u>150</u> |
| Revenues over (under) expenditures | <u>(2,641,000)</u> | <u>(2,640,999)</u> | <u>-</u> | <u>(2,640,999)</u> | <u>1</u> |
| Other financing sources (uses): | | | | | |
| Long-term debt issued | 2,641,000 | 2,641,000 | - | 2,641,000 | - |
| Total | <u>2,641,000</u> | <u>2,641,000</u> | <u>-</u> | <u>2,641,000</u> | <u>-</u> |
| Revenues and other financing sources over (under) expenditures | <u>\$ -</u> | <u>\$ 1</u> | <u>-</u> | <u>\$ 1</u> | <u>\$ 1</u> |
| Beginning of year, July 1 | | | <u>1</u> | | |
| End of year, June 30 | | | <u>\$ 1</u> | | |

Town of Edenton, North Carolina
Water Supply Well Rehab Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2023

| | Project Author - ization | Prior Years | Actual Current Year | Total to Date | Variance Favorable (Unfavorable) |
|---|--------------------------------|---------------------|---------------------------|---------------------|--|
| Revenues: | | | | | |
| Restricted intergovernmental | | | | | |
| NC Department of Commerce | \$ 1,855,751 | \$ - | \$ - | \$ - | \$ (1,855,751) |
| Total non-operating revenue | <u>1,855,751</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,855,751)</u> |
| Expenditures: | | | | | |
| Construction | 1,855,751 | 985,747 | 882,847 | 1,868,594 | (12,843) |
| Total | <u>1,855,751</u> | <u>985,747</u> | <u>882,847</u> | <u>1,868,594</u> | <u>(12,843)</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>(985,747)</u> | <u>(882,847)</u> | <u>(1,868,594)</u> | <u>(1,868,594)</u> |
| Other financing sources (uses): | | | | | |
| Transfer in (out) | - | 36,387 | - | 36,387 | 36,387 |
| Long-term debt issued | - | 652,644 | 1,013,258 | 1,665,902 | 1,665,902 |
| Total | <u>-</u> | <u>689,031</u> | <u>1,013,258</u> | <u>1,702,289</u> | <u>1,702,289</u> |
| Revenues and other financing sources over (under) expenditures | <u>\$ -</u> | <u>\$ (296,716)</u> | 130,411 | <u>\$ (166,305)</u> | <u>\$ (166,305)</u> |
| Beginning of year, July 1 | | | <u>(296,716)</u> | | |
| End of year, June 30 | | | <u>\$ (166,305)</u> | | |

Town of Edenton, North Carolina
NCDEQ Grant and Small Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2023

| | Project Author - ization | Actual | | Total to Date | Variance Favorable (Unfavorable) |
|---|--------------------------------|------------------|------------------|------------------|--|
| | | Prior Years | Current Year | | |
| Revenues: | | | | | |
| NCDEQ proceeds | \$ 1,038,250 | \$ 16,850 | \$ - | \$ 16,850 | \$ (1,021,400) |
| Interest | - | 66 | - | 66 | 66 |
| Grants | - | 480,407 | - | 480,407 | 480,407 |
| Total revenue | <u>1,038,250</u> | <u>497,323</u> | <u>-</u> | <u>497,323</u> | <u>(540,927)</u> |
| Expenditures: | | | | | |
| Construction | 840,250 | 729,599 | 43,243 | 772,842 | 67,408 |
| Capital outlay | 394,644 | 274,995 | - | 274,995 | 119,649 |
| Total | <u>1,234,894</u> | <u>1,004,594</u> | <u>43,243</u> | <u>1,047,837</u> | <u>187,057</u> |
| Revenues over (under) expenditures | <u>(196,644)</u> | <u>(507,271)</u> | <u>(43,243)</u> | <u>(550,514)</u> | <u>(353,870)</u> |
| Other financing sources (uses): | | | | | |
| Long-term debt issued | - | 400,000 | - | 400,000 | 400,000 |
| Transfers in | <u>196,644</u> | <u>195,694</u> | <u>-</u> | <u>195,694</u> | <u>(950)</u> |
| Total | <u>196,644</u> | <u>595,694</u> | <u>-</u> | <u>595,694</u> | <u>399,050</u> |
| Revenues and other financing sources over (under) expenditures | <u>\$ -</u> | <u>\$ 88,423</u> | <u>(43,243)</u> | <u>\$ 45,180</u> | <u>\$ 45,180</u> |
| Beginning of year, July 1 | | | <u>88,423</u> | | |
| End of year, June 30 | | | <u>\$ 45,180</u> | | |

Town of Edenton, North Carolina
Parallel Taxiway Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2023

| | Project Author - ization | Prior Years | Actual Current Year | Total to Date | Variance Favorable (Unfavorable) |
|---|--------------------------------|--------------------|---------------------------|--------------------|--|
| Revenues: | | | | | |
| Restricted intergovernmental Grant proceeds | \$ 1,190,508 | \$ 801,489 | \$ 306,033 | \$ 1,107,522 | \$ (82,986) |
| Total non-operating revenue | <u>1,190,508</u> | <u>801,489</u> | <u>306,033</u> | <u>1,107,522</u> | <u>(82,986)</u> |
| Expenditures: | | | | | |
| Capital outlay | 1,190,508 | 883,168 | 262,106 | 1,145,274 | 45,234 |
| Total | <u>1,190,508</u> | <u>883,168</u> | <u>262,106</u> | <u>1,145,274</u> | <u>45,234</u> |
| Revenues over (under) expenditures | - | (81,679) | 43,927 | (37,752) | (37,752) |
| Revenues and other financing sources over (under) expenditures | <u>\$ -</u> | <u>\$ (81,679)</u> | 43,927 | <u>\$ (37,752)</u> | <u>\$ (37,752)</u> |
| Fund balance: | | | | | |
| Beginning of year, July 1 | | | <u>(81,679)</u> | | |
| End of year, June 30 | | | <u>\$ (37,752)</u> | | |

OTHER SCHEDULES

This section includes additional information on property taxes.

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

Town of Edenton, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2023

| <u>Fiscal Year</u> | <u>Uncollected Balance July 1, 2022</u> | <u>Additions</u> | <u>Collections And Credits</u> | <u>Uncollected Balance June 30, 2023</u> |
|---|---|---------------------|------------------------------------|--|
| 2022-2023 | \$ | \$ 2,876,651 | \$ 2,824,342 | \$ 52,309 |
| 2021-2022 | 29,347 | - | 17,666 | 11,681 |
| 2020-2021 | 7466 | - | 1,561 | 5,905 |
| 2019-2020 | 7,665 | - | 888 | 6,777 |
| 2018-2019 | 6,310 | - | 896 | 5,414 |
| 2017-2018 | 3,690 | - | 649 | 3,041 |
| 2016-2017 | 2,851 | - | 325 | 2,526 |
| 2015-2016 | 2,527 | - | 376 | 2,151 |
| 2014-2015 | 3,217 | - | 310 | 2,907 |
| 2013-2014 | 4,167 | - | 160 | 4,007 |
| 2012-2013 | 3,541 | - | 3,541 | - |
| TOTALS | <u>\$ 70,781</u> | <u>\$ 2,876,651</u> | <u>\$ 2,850,714</u> | <u>\$ 96,718</u> |
| Less: Allowance for uncollectable taxes | | | | <u>-</u> |
| Ad valorem taxes - General Fund | | | | <u>\$ 96,718</u> |
| <u>Reconcilement with revenues:</u> | | | | |
| Ad valorem taxes - General Fund | | | | \$ 2,852,351 |
| Reconciling items: | | | | |
| Penalties and Interest | | | | (10,217) |
| Releases | | | | 8,580 |
| Total Reconciling Items | | | | <u>(1,637)</u> |
| Total Collections and Credits | | | | <u>\$ 2,850,714</u> |

Town of Edenton, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2023

| | Town - wide | | | Total Levy | |
|-------------------------------------|-----------------------|-------|---------------------|--|---------------------------------|
| | Property Valuation | Rate | Amount of Levy | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy: | | | | | |
| Property Taxes at Current Year Rate | \$ 668,988,605 | 0.43% | \$ 2,876,651 | \$ 2,553,877 | \$ 322,774 |
| Total Original Levy | <u>668,988,605</u> | | <u>2,876,651</u> | <u>2,553,877</u> | <u>322,774</u> |
| | | | | | |
| Total for Year | <u>\$ 668,988,605</u> | | 2,876,651 | 2,553,877 | 322,774 |
| | | | | | |
| Uncollected taxes at June 30, 2023 | | | <u>(52,309)</u> | <u>(52,309)</u> | - |
| | | | | | |
| Current year's taxes collected | | | <u>\$ 2,824,342</u> | <u>\$ 2,501,568</u> | <u>\$ 322,774</u> |
| | | | | | |
| Current levy collection percentage | | | <u>98.18%</u> | <u>97.95%</u> | <u>100.00%</u> |

COMPLIANCE SECTION



Thompson, Price, Scott, Adams & Co., P.A.
4024 Oleander Drive Suite 103
Wilmington, North Carolina 28403
Telephone (910) 791-4872
Fax (910) 239-8294

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

Independent Auditor's Report

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

We 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, 2023, and the related notes to the financial statements, which collectively comprises the Town of Edenton's basic financial statements, and have issued our report thereon dated October 26, 2023.

Report on Internal Control Over Financial Reporting

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

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

significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Edenton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

October 26, 2023



Thompson, Price, Scott, Adams & Co., P.A.
4024 Oleander Drive Suite 103
Wilmington, North Carolina 28403
Telephone (910) 791-4872
Fax (910) 239-8294

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We 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, 2023. 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.

In our 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Edenton and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Edenton's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Town of Edenton federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Edenton's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Edenton's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Edenton compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Town of Edenton's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Town of Edenton's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Thompson, Price, Scott, Adams & Co., PA
Wilmington, North Carolina
October 26, 2023



Thompson, Price, Scott, Adams & Co., P.A.
4024 Oleander Drive Suite 103
Wilmington, North Carolina 28403
Telephone (910) 791-4872
Fax (910) 239-8294

**Report on Compliance for Each Major State Program; Report on Internal Control
Over Compliance; With OMB Uniform Guidance and the State Single Audit
Implementation Act**

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We 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 State programs for the year ended June 30, 2023. The Town of Edenton's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Edenton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Edenton and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit

does not provide a legal determination of the Town of Edenton's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Town of Edenton State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Edenton's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Edenton's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Edenton's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Town of Edenton's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Town of Edenton's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

October 26, 2023

Town of Edenton, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2023

Section I. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? yes no

 - Significant Deficiency(s) identified yes none reported
- Noncompliance material to financial statements noted yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant Deficiency(s) identified? yes None Reported

Type of report the auditor issued on compliance for major Federal programs: Unmodified.

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

Identification of major Federal programs:

| Assistance Listing No () | Names of Federal Program or Cluster |
|---------------------------|---|
| 21.027 | Coronavirus State and Local Fiscal Recovery |

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

Auditee qualified as low-risk auditee? yes no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? yes no

Town of Edenton, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2023

- Significant Deficiency(s) identified that are not considered to be material weaknesses ___ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act __ yes X no

Identification of major State programs:

Program name

N.C. Department of Commerce:

Rural Infrastructure Program COM-9

Golden Leaf Foundation

Dollar threshold used to determine a State major program \$500,000

Auditee qualified as State as low-risk auditee? ___yes X no

Town of Edenton, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2023

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.



EDENTON

North Carolina

Town of Edenton, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2023

Section II - Financial Statement Findings

None reported.

TOWN OF EDENTON, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2023

| Grantor/Pass-through Grantor/Program Title | Federal Assistance Listing No. | State/ Pass-through Grantor's No. | Fed. (Direct & Pass-through) Expenditures | State Expenditures | Pass-through to subrecipients |
|---|--------------------------------------|---|---|-----------------------|-------------------------------------|
| Federal Grants: | | | | | |
| Cash Programs: | | | | | |
| <u>U.S. Dept. of Agriculture</u> | | | | | |
| Community Facilities Loans and Grants (Note 4) | 10.766 | | \$ 26,843 | \$ - | \$ - |
| <u>U.S. Department of Transportation</u> | | | | | |
| Passed-through the N.C. Division of Aviation: | | | | | |
| Airport Improvement Program | 20.106 | 36237.15.17.1 | 91,070 | - | - |
| <u>U. S. Department of Treasury</u> | | | | | |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 | | 1,349,652 | - | - |
| <u>U. S. Department of Homeland Security</u> | | | | | |
| Passed-through N.C. Department of Public Safety | | | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | | | | | |
| | 97.036 | | 42,114 | - | - |
| Total assistance - federal programs | | | | | |
| | | | <u>1,509,679</u> | <u>-</u> | <u>-</u> |
| State Grants: | | | | | |
| Cash Assistance: | | | | | |
| <u>N.C. Department of Commerce:</u> | | | | | |
| Rural Infrastructure Program | | COM-9 | - | 225,000 | 225,000 |
| Housing Repairs | | 20-C3630 | - | 51,066 | - |
| Golden Leaf Grant | | | - | 216,909 | - |
| <u>N.C. Office of State Budget and Management:</u> | | | | | |
| Harbor Town Ferry Project | | | - | 115,377 | - |
| <u>N.C. Department of Transportation:</u> | | | | | |
| Powell Bill | | 32570 | - | 246,814 | - |
| Divison of Aviation: | | | | | |
| Airport Improvement Program | | 36244.22.8.1 | - | 76,963 | - |
| Airport Improvement Program | | 36237.15.14.1 | - | 1,000 | - |
| Airport Improvement Program | | 36237.15.16.1 | - | 56,312 | - |
| Airport Improvement Program | | 36237.15.17.1 | - | 10,120 | - |
| Total assistance - State programs | | | | | |
| | | | <u>-</u> | <u>999,561</u> | <u>225,000</u> |
| Total assistance | | | | | |
| | | | <u>\$ 1,509,679</u> | <u>\$ 999,561</u> | <u>\$ 225,000</u> |

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Edenton under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Edenton, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Edenton.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

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

Note 4: Loans Outstanding

The Town of Edenton had the following loan balances outstanding at June 30, 2023 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2023 consist of:

| <u>Program Title</u> | <u>Assistance Listing No.</u> | <u>Pass-through Grantor's Number</u> | <u>Amount Outstanding</u> |
|---------------------------------------|-------------------------------|--------------------------------------|---------------------------|
| Community Facilities Loans and Grants | 10.766 | 38-021-566001216 | \$ 5,955,000 |
| NCDEQ Loan | | H-LRX-F-19-1944 | \$ 1,505,434 |