



Town of Oriental



Oriental, North Carolina



Audit Report

June 30, 2020



TOWN OF ORIENTAL

ORIENTAL, NORTH CAROLINA

TOWN OFFICIALS

Mayor

Sally Belangia

Town Commissioners

Charlie Overcash

David White

Martin Barrow

Dianne Simmons

Allen Price

Town of Oriental, North Carolina
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June 30, 2020

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oriental, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Member:

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

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Opinions

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

Other Matters

Required Supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions on pages 41 and 42, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards general accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Oriental, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2021 on our consideration of the Town of Oriental's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Oriental's internal control over financial reporting and compliance.

Larry E. Carpenter, CPA, PA

Greenville, NC
February 26, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

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

Financial Highlights

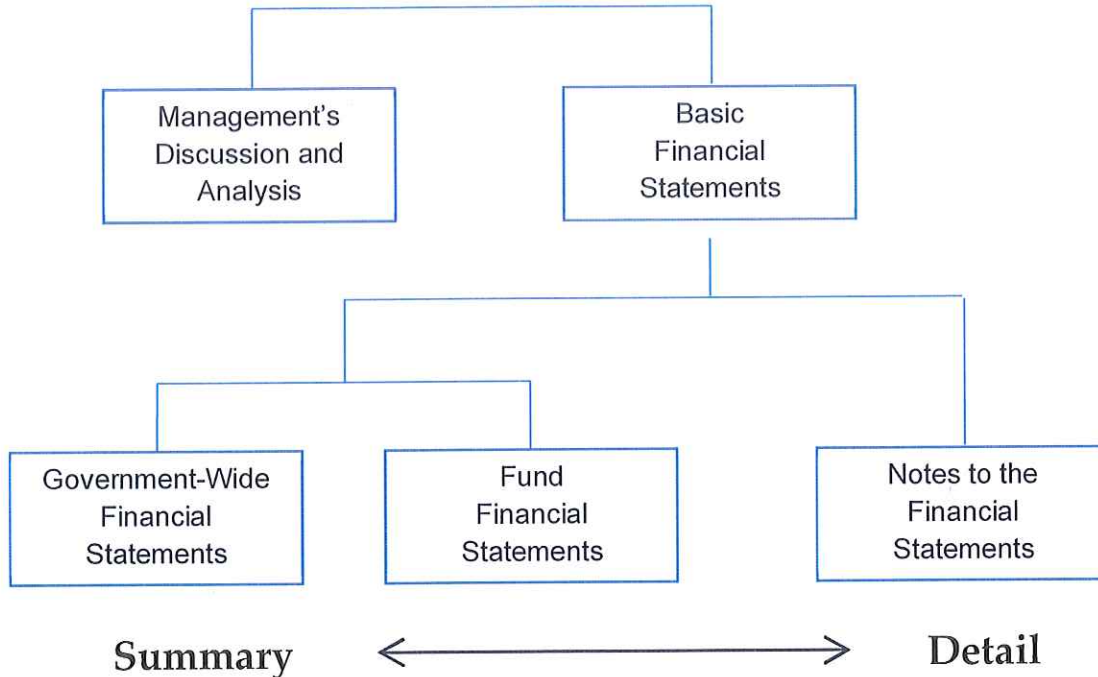
- The assets and deferred outflows of resources of the Town of Oriental exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,487,608 (*net position*).
- The government's total net position increased by \$343,906 primarily due to an increase in both the governmental and the business-type activities net position.
- As of the close of the current fiscal year, the Town of Oriental's governmental funds reported combined ending fund balances of \$855,623 with a net decrease of \$93,533 in fund balance. Approximately 107.89% percent of this total amount, or \$923,133 is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$923,133, or 46.33% percent of total general fund expenditures for the fiscal year.
- At the end of the current fiscal year, the Town of Oriental had Restricted Reserves of \$439,989.

Overview of the Financial Statements

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

Components of the Annual Financial Report

Figure 1:



Basic Financial Statements

The first two statements (Exhibits A-1 and A-2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status. The next statements (Exhibits A-3 through A-9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide financial statements

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

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

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

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Oriental, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Oriental can be divided into two categories: governmental funds and proprietary funds.

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

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

Proprietary Funds. Town of Oriental has one kind of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The

Town of Oriental uses enterprise funds to account for its water activity. This fund is the same function as shown in the business-type activities in the *Statement of Net Position* and the *Statement of Activities*

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Oriental's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 41 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Town of Oriental's Net Position

Figure 2

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|--------------|-----------------------------|--------------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Current and other assets | \$ 2,433,090 | \$ 1,105,237 | \$ 241,496 | \$ 195,691 | \$ 2,674,586 | \$ 1,300,928 |
| Pension assets | - | - | - | - | - | - |
| Capital assets | 1,410,026 | 884,567 | 1,085,769 | 1,131,239 | 2,495,795 | 2,015,806 |
| Deferred outflows of resources | 85,075 | 91,296 | 29,766 | 31,942 | 114,841 | 123,238 |
| Total assets and deferred outflows of resources | 3,928,191 | 2,081,100 | 1,357,031 | 1,358,872 | 5,285,222 | 3,439,972 |
| Current liabilities | 629,597 | 77,284 | 6,086 | 33,829 | 635,683 | 111,113 |
| Noncurrent liabilities | 23,302 | 119,682 | - | - | 23,302 | 119,682 |
| Deferred inflows of resources | 2,012 | 2,641 | 704 | 924 | 2,716 | 3,565 |
| Total liabilities and deferred inflow of resources | 654,911 | 199,607 | 6,790 | 34,753 | 661,701 | 234,360 |
| Net investment in capital assets | 1,410,026 | 884,567 | 1,085,769 | 1,131,239 | 2,495,795 | 2,015,806 |
| Restricted | 508,200 | 480,534 | - | - | 508,200 | 480,534 |
| Unrestricted | 324,825 | 496,356 | 158,788 | 151,006 | 483,613 | 647,362 |
| Total net position | \$ 2,243,051 | \$ 1,861,457 | \$ 1,244,557 | \$ 1,282,245 | \$ 3,487,608 | \$ 3,143,702 |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Oriental exceeded liabilities by \$3,487,608 as of June 30, 2020. The Town's net position increased by \$343,906 for the fiscal year ended June 30, 2020. However, the largest portion, \$2,495,795 reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Oriental uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Oriental's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Oriental's net position, \$434,989 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$483,613 is unrestricted.

Town of Oriental's Changes in Net Position

Figure 3

| | Governmental | | Business-Type | | Total | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Activities | | Activities | | | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 128,522 | \$ 128,873 | \$ 312,002 | \$ 303,418 | \$ 440,524 | \$ 432,291 |
| Operating grants and contributions | 938,246 | 272,546 | - | - | 938,246 | 272,546 |
| Capital grants and contributions | - | - | - | - | - | - |
| General revenues: | | | | | | |
| Property taxes | 515,148 | 517,115 | | | 515,148 | 517,115 |
| Other taxes | 291,685 | 292,729 | | | 291,685 | 292,729 |
| Unrestricted intergovernmental | - | - | | | - | - |
| Investment earnings | 4,057 | 6,508 | 708 | - | 4,765 | 6,508 |
| Other | 5,682 | 45,959 | 2,150 | 150 | 7,832 | 46,109 |
| Total revenues | <u>1,883,340</u> | <u>1,263,730</u> | <u>314,860</u> | <u>303,568</u> | <u>2,198,200</u> | <u>1,567,298</u> |
| Expenses: | | | | | | |
| General government | 669,323 | 466,235 | | | 669,323 | 466,235 |
| Public safety | 135,540 | 124,133 | | | 135,540 | 124,133 |
| Transportation | 37,437 | 20,280 | | | 37,437 | 20,280 |
| Economic and physical development | - | 113,837 | | | - | 113,837 |
| Environmental protection | 595,988 | 516,630 | | | 595,988 | 516,630 |
| Culture and recreation | 63,458 | 42,555 | | | 63,458 | 42,555 |
| Water and sewer | | | 352,548 | 363,966 | 352,548 | 363,966 |
| Total expenses | <u>1,501,746</u> | <u>1,283,670</u> | <u>352,548</u> | <u>363,966</u> | <u>1,854,294</u> | <u>1,647,636</u> |
| Increase in Net Position before transfers | 381,594 | (19,940) | (37,688) | (60,398) | 343,906 | (80,338) |
| Transfers | - | - | - | - | - | - |
| Increase (decrease) in Net Position | 381,594 | (19,940) | (37,688) | (60,398) | 343,906 | (80,338) |
| Net Position, July 1 | 1,861,457 | 1,881,397 | 1,282,245 | 1,342,643 | 3,143,702 | 3,224,040 |
| Net Position, June 30 | <u>\$ 2,243,051</u> | <u>\$ 1,861,457</u> | <u>\$ 1,244,557</u> | <u>\$ 1,282,245</u> | <u>\$ 3,487,608</u> | <u>\$ 3,143,702</u> |

Governmental activities: Governmental activities increased the Town net assets by \$381,594. Key elements of the increase are as follows:

- Tax Revenues remained steady
- During the current year and after experiencing the effects of Hurricane Florence, the Town made a strong and speedy effort in rebuilding the community and continues to do so at a speedy rate. However, the Town did suffer the impact of the Covid pandemic.

Business-type activities: Business-type activities decreased the Town of Oriental's net position by \$37,688 accounting for 10% of the decrease in the government's net assets.

Proprietary Funds. The Town of Oriental proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water at the end of the fiscal year amounted to \$1,244,557. The total decrease in net position was \$37,688.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Oriental'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 Oriental's financing requirements.

The general fund is the chief operating fund of the Town of Oriental. At the end of the current fiscal year, the Town of Oriental's fund balance available in the General Fund was \$923,133, while total fund balance reached \$1,431,333. The Town currently has an available fund balance of 73.31% of general fund expenditures, while total fund balance represents 1.14% of the same amount.

At June 30, 2020, the governmental funds of the Town of Oriental reported a combined fund balance of \$855,623 with a net decrease in fund balance of \$93,533.

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

General Fund Budgetary Highlights

During the fiscal year, the Town revised the budget 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.

Capital Asset and Debt Administration

Capital Assets. The Town of Oriental's Investment in Capital Assets for Its Governmental and Business—Type Activities as of June 30, 2020, totaled \$2,495,795 (*Net of Accumulated Depreciation*). These Assets Include Buildings, Roads and Bridges, Land, Machinery and Equipment, Park facilities, and vehicles.

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

| | Governmental | | Business-Type | | Total | |
|------------------------------|--------------|------------|---------------|--------------|-------------|-------------|
| | Activities | | Activities | | | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Land | \$ 709,147 | \$ 232,107 | \$ - | \$ - | \$ 709,147 | \$ 232,107 |
| Buildings | 401,644 | 401,644 | | | 401,644 | 401,644 |
| Infrastructure | 61,424 | | | | | |
| Land improvements | 310,592 | 211,349 | | | 310,592 | 211,349 |
| Equipment and machinery | 247,440 | 233,040 | 82,854 | 82,854 | 330,294 | 315,894 |
| Office furniture & equipment | 25,454 | 25,454 | | | 25,454 | 25,454 |
| Vehicles | 202,809 | 202,809 | 14,790 | 14,790 | 217,599 | 217,599 |
| Water plant | - | - | 2,403,227 | 2,403,227 | 2,403,227 | 2,403,227 |
| Subtotal | 1,958,510 | 1,306,403 | 2,500,871 | 2,500,871 | 4,397,957 | 3,807,274 |
| Accumulated depreciation | (548,484) | (483,260) | (1,415,102) | (1,369,632) | (1,963,586) | (1,852,892) |
| Capital assets, net | \$ 1,410,026 | \$ 823,143 | \$ 1,085,769 | \$ 1,131,239 | \$2,434,371 | \$1,954,382 |

Long-term Debt. As of June 30, 2020, the Town of Oriental has no debt.

Economic Factors and Next Year's Budget and Rates

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

- An aged population, and small retail business help to create a situation where the Town's customer base is eroded. The resulting ratio of expense versus revenue allows keeping rates and fees low while maintaining an adequate level of service. In addition, most residents are on fixed income.

Budget Highlights for the Fiscal Year Ending June 30, 2020

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

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

**Town Manager
Town of Oriental
P. O. Box 472
Oriental, North Carolina 28571**

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Town of Oriental, North Carolina
Statement of Net Position
June 30, 2020

| | Primary Government | | |
|---|----------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| <i>Current Assets</i> | | | |
| Cash and cash equivalents | \$ 504,480 | \$ 166,851 | \$ 671,331 |
| Taxes receivable, net | 63,303 | -- | 63,303 |
| Accounts receivable, net | 545,751 | 32,857 | 578,608 |
| Restricted cash and cash equivalents | 434,989 | 24,857 | 459,846 |
| Inventory | -- | 16,931 | 16,931 |
| Total Current Assets | 1,548,523 | 241,496 | 1,790,019 |
| <i>Noncurrent Assets</i> | | | |
| Land and other nondepreciable assets | 709,147 | -- | 709,147 |
| Other capital assets, net of depreciation | 700,879 | 1,085,769 | 1,786,648 |
| Total Assets | 2,958,549 | 1,327,265 | 4,285,814 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Aggregated deferred outflows | 85,075 | 29,766 | 114,841 |
| Total Deferred Outflows of Resources | 85,075 | 29,766 | 114,841 |
| LIABILITIES | | | |
| <i>Current Liabilities</i> | | | |
| Accounts payable and accrued liabilities | 629,597 | 35,949 | 665,546 |
| Deposits and Advances | -- | 24,857 | 24,857 |
| Total Current Liabilities | 629,597 | 60,806 | 690,403 |
| <i>Noncurrent Liabilities</i> | | | |
| Net pension liability | 145,662 | 50,964 | 196,626 |
| Compensated absences | 23,302 | -- | 23,302 |
| Total Liabilities | 798,561 | 111,770 | 910,331 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Aggregated deferred inflows | 2,012 | 704 | 2,716 |
| Total Deferred Inflows of Resources | 2,012 | 704 | 2,716 |
| NET POSITION | | | |
| Net investment in capital assets | 1,410,026 | 1,085,769 | 2,495,795 |
| <i>Restricted for:</i> | | | |
| Stabilization by State Statute | 73,211 | -- | 73,211 |
| Streets | 195,799 | -- | 195,799 |
| Economic Development | 239,190 | -- | 239,190 |
| <i>Unrestricted</i> | 324,825 | 158,788 | 483,613 |
| Total Net Position | \$ 2,243,051 | \$ 1,244,557 | \$ 3,487,608 |

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

**Town of Oriental, North Carolina
Statement of Activities
For the Year Ended June 30, 2020**

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue | |
|--|---------------------|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | |
| | | | | | Governmental Activities | Business-type Activities |
| Primary Government | | | | | | |
| Governmental Activities: | | | | | | |
| General government | 669,323 | 5,150 | 899,058 | 234,885 | — | 234,885 |
| Public safety | \$ 135,540 | \$ 130 | — | \$ (135,410) | \$ — | \$ (135,410) |
| Transportation | 37,437 | — | 39,038 | 1,601 | — | 1,601 |
| Environmental protection | 595,988 | 122,802 | — | (473,186) | — | (473,186) |
| Cultural and recreational | 63,458 | 440 | 150 | (62,868) | — | (62,868) |
| Total Governmental Activities | 1,501,746 | 128,522 | 938,246 | (434,978) | — | (434,978) |
| Business-type Activities: | | | | | | |
| Water Fund | 352,548 | 312,002 | — | — | (40,546) | (40,546) |
| Total Business-type Activities | 352,548 | 312,002 | — | — | (40,546) | (40,546) |
| Total Primary Government | \$ 1,854,294 | \$ 440,524 | \$ 938,246 | \$ (434,978) | \$ (40,546) | \$ (475,524) |
| General Purpose Revenues and Transfers: | | | | | | |
| Revenues | | | | | | |
| Ad valorem taxes | | | | 515,148 | — | 515,148 |
| Unrestricted intergovernmental | | | | 257,101 | — | 257,101 |
| Other taxes | | | | 34,584 | — | 34,584 |
| Interest and fees | | | | 4,057 | 708 | 4,765 |
| Miscellaneous Income | | | | 5,682 | 2,150 | 7,832 |
| Transfers | | | | — | — | — |
| Total General Revenues and Transfers | | | | 816,572 | 2,858 | 819,430 |
| Change in Net Position | | | | 381,594 | (37,688) | 343,906 |
| Net Position at Beginning of Period | | | | 1,861,457 | 1,282,245 | 3,143,702 |
| Net Position at End of Period | | | | \$ 2,243,051 | \$ 1,244,557 | \$ 3,487,608 |

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

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Fund Financial Statement

Town of Oriental, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

| | Major Fund General Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 504,480 | \$ -- | \$ 504,480 |
| Taxes receivable, net | 63,303 | -- | 63,303 |
| Accounts receivable, net | 545,751 | -- | 545,751 |
| Restricted cash and cash equivalents | 434,989 | -- | 434,989 |
| <i>Total Assets</i> | 1,548,523 | -- | 1,548,523 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Aggregated deferred outflows | -- | -- | -- |
| <i>Total Assets and Deferred Outflows of Resources</i> | \$ 1,548,523 | \$ -- | \$ 1,548,523 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 53,887 | \$ 575,710 | \$ 629,597 |
| <i>Total Liabilities</i> | 53,887 | 575,710 | 629,597 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Aggregated deferred inflows | 63,303 | -- | 63,303 |
| <i>Total Liabilities and Deferred Inflows of Resources</i> | 117,190 | 575,710 | 692,900 |
| FUND BALANCE | | | |
| Restricted | | | |
| Stabilization by State Statute | 73,211 | -- | 73,211 |
| Streets | 195,799 | -- | 195,799 |
| Economic Development | 239,190 | -- | 239,190 |
| Whittaker Creek Project | -- | (85,440) | (85,440) |
| Whittaker Point Restoration | -- | (490,270) | (490,270) |
| Unassigned | 923,133 | -- | 923,133 |
| <i>Total Fund Balance</i> | 1,431,333 | (575,710) | 855,623 |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i> | \$ 1,548,523 | \$ -- | \$ 1,548,523 |

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

Town of Oriental, North Carolina
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020

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

| | | |
|--|-----------|-------------------------|
| Total Fund Balance - Governmental Funds | \$ | 855,623 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 1,410,027 |
| Net Pension Liability | | (145,662) |
| Other long-term liabilities (accrued interest payable, bonds payable, earned vacation payable) are not due and payable in the current period and, therefore are not reported in the funds. | | (3,266) |
| Other long-term assets (accrued interest receivable) are not available to pay for current-period expenditures and therefore are deferred. | | (20,036) |
| Deferred outflows of resources related to pensions are not reported in the funds | | 85,075 |
| Deferred inflows of resources related to pensions are not reported in the funds | | (2,012) |
| Earned revenues considered deferred inflows of resources in fund statements. | | 63,303 |
| Total Net Position-Governmental Funds | \$ | <u>2,243,051</u> |

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

Town of Oriental, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

| | <u>Major Fund</u> <u>General Fund</u> | <u>Other</u> <u>Governmental</u> <u>Funds</u> | <u>Total</u> <u>Governmental</u> <u>Funds</u> |
|---|--|---|---|
| Revenues | | | |
| Ad valorem taxes | \$ 530,642 | \$ -- | \$ 530,642 |
| Unrestricted intergovernmental | 730,724 | -- | 730,724 |
| Restricted intergovernmental | 39,038 | -- | 39,038 |
| Other taxes | 34,584 | -- | 34,584 |
| Sales and services | 128,082 | -- | 128,082 |
| Grants & contributions | 254,774 | 170,661 | 425,435 |
| Miscellaneous Income | 1,772 | 4,500 | 6,272 |
| Interest and fees | 4,057 | -- | 4,057 |
| Total Revenues | <u>1,723,673</u> | <u>175,161</u> | <u>1,898,834</u> |
| Expenditures | | | |
| General government | 468,001 | 256,101 | 724,102 |
| Public safety | 127,269 | -- | 127,269 |
| Transportation | 26,622 | -- | 26,622 |
| Economic and physical development | -- | 477,040 | 477,040 |
| Environmental protection | 590,604 | -- | 590,604 |
| Cultural and recreational | 46,730 | -- | 46,730 |
| Total Expenditures | <u>1,259,226</u> | <u>733,141</u> | <u>1,992,367</u> |
| Excess of Revenues Over (Under) Expenditures | <u>464,447</u> | <u>(557,980)</u> | <u>(93,533)</u> |
| Net Change in Fund Balance | <u>464,447</u> | <u>(557,980)</u> | <u>(93,533)</u> |
| <i>Fund Balance at Beginning of Period</i> | <u>966,886</u> | <u>(17,730)</u> | <u>949,156</u> |
| Fund Balance at End of Period | <u>\$ 1,431,333</u> | <u>\$ (575,710)</u> | <u>\$ 855,623</u> |

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

**Town of Oriental, North Carolina
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2020**

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

| | | |
|---|-----------|-----------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ | (93,533) |
| Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | | 525,459 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. (change in earned vacation pay, change in accrued interest expense) | | (3,266) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | | <u>(15,493)</u> |
| Changes in Net Position-Governmental Funds | \$ | <u>381,594</u> |

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

Town of Oriental, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Variance |
|---|------------------|------------|--------------|---|
| | Original | Final | | Favorable (Unfavorable) Final to Actual |
| Revenues | | | | |
| Ad valorem taxes | \$ 501,334 | \$ 501,334 | \$ 530,642 | \$ 29,308 |
| Unrestricted intergovernmental | 265,274 | 562,529 | 730,724 | 168,195 |
| Restricted intergovernmental | 39,000 | 39,000 | 39,038 | 38 |
| Other taxes | 32,000 | 32,000 | 34,584 | 2,584 |
| Sales and services | 125,275 | 125,275 | 128,232 | 2,957 |
| Grants and contribution | -- | 172,033 | 254,774 | 82,741 |
| Miscellaneous Income | 1,562 | 1,562 | 1,622 | 60 |
| Interest and fees | 4,050 | 4,050 | 4,057 | 7 |
| Total Revenues | 968,495 | 1,437,783 | 1,723,673 | 285,890 |
| Other Financing Sources | | | | |
| Total Revenues and Other Financing Sources | 968,495 | 1,437,783 | 1,723,673 | 285,890 |
| Expenditures | | | | |
| General government | 310,356 | 609,710 | 468,001 | 141,709 |
| Public safety | 123,428 | 137,333 | 127,269 | 10,064 |
| Transportation | 52,750 | 54,150 | 26,622 | 27,528 |
| Environmental protection | 440,465 | 657,521 | 590,604 | 66,917 |
| Cultural and recreational | 41,496 | 54,534 | 46,730 | 7,804 |
| Total Expenditures | 968,495 | 1,513,248 | 1,259,226 | 254,022 |
| Other Financing Uses | | | | |
| Appropriations | -- | (75,465) | -- | (75,465) |
| Total Expenditures and Other Financing Uses | 968,495 | 1,437,783 | 1,259,226 | 178,557 |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | -- | -- | 464,447 | 464,447 |
| Net Change in Fund Balance | \$ -- | \$ -- | 464,447 | \$ 464,447 |
| <i>Fund Balance at Beginning of Period</i> | | | 966,886 | |
| <i>Fund Balance at End of Period</i> | | | \$ 1,431,333 | |

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

Town of Oriental, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2020

| | <u>Business-type Activities - Enterprise Funds</u> | <u>Water Fund</u> |
|---|--|-------------------------|
| ASSETS | | |
| <i>Current Assets</i> | | |
| Cash and cash equivalents | \$ | 166,851 |
| Accounts receivable, net | | 32,857 |
| Restricted cash and cash equivalents | | 24,857 |
| Inventory | | 16,931 |
| Total Current Assets | | <u>241,496</u> |
| <i>Noncurrent Assets</i> | | |
| Other capital assets, net of depreciation | | 1,085,769 |
| Total Assets | | <u>1,327,265</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Aggregated deferred outflows | | 29,766 |
| Total Deferred Outflows of Resources | | <u>29,766</u> |
| LIABILITIES | | |
| <i>Current Liabilities</i> | | |
| Accounts payable and accrued liabilities | | 35,949 |
| Deposits and Advances | | 24,857 |
| Total Current Liabilities | | <u>60,806</u> |
| <i>Noncurrent Liabilities</i> | | |
| Net pension liability | | 50,964 |
| Total Liabilities | | <u>111,770</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Aggregated deferred inflows | | 704 |
| Total Deferred Inflows of Resources | | <u>704</u> |
| NET POSITION | | |
| Net investment in capital assets | | 1,085,769 |
| <i>Unrestricted</i> | | 158,788 |
| Total Net Position | \$ | <u>1,244,557</u> |

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

Town of Oriental, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

| | | <u>Agency</u> |
|--|----|--------------------|
| | | <u>Agency Fund</u> |
| ASSETS | | |
| Cash and cash equivalents | \$ | 14,695 |
| Customer receivables, net | | 41,657 |
| <i>Total Assets</i> | | <u>56,352</u> |
| LIABILITIES | | |
| <i>Total Liabilities</i> | | <u>--</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Aggregated deferred inflows | | -- |
| <i>Total Deferred Inflows of Resources</i> | | <u>--</u> |
| NET POSITION | | |
| Held in Trust | \$ | <u>56,352</u> |

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

**Town of Oriental, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020**

| | Enterprise Funds |
|---|-------------------------|
| | Water Fund |
| Cash Flows from Operating Activities: | |
| Cash received from customers | \$ 304,386 |
| Cash paid for goods and services | (163,223) |
| Cash paid to/on behalf of employees | (116,301) |
| Customer deposits, net | 1,055 |
| Other operating revenue | 14,473 |
| Net cash provided (used) by operating activities | 40,390 |
| Cash Flows from Noncapital Financing Activities: | - |
| Cash Flows From Capital and Related Financing Activities | |
| Acquisition and construction of capital assets | - |
| Net cash provided (used) by capital and related financing activities | - |
| Cash Flows from Investing Activities: | |
| Investment income received | 708 |
| Net increase (decrease) in cash and cash equivalents | 41,098 |
| Cash and Cash Equivalents - Beginning of Year | 150,610 |
| Cash and Cash Equivalents - End of Year | \$ 191,708 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | |
| Operating income (loss) | \$ (38,396) |
| Depreciation | 45,470 |
| Change in assets and liabilities: | |
| (Increase) decrease in accounts receivables | (4,707) |
| Increase (decrease) in accounts payable and accrued liabilities | 23,580 |
| Increase (decrease) in customer deposits | 1,055 |
| Increase in deferred outflows of resources - pensions | (2,176) |
| Decrease in deferred inflows of resources - pensions | (220) |
| Increase in net pension liabilities | 9,090 |
| Pension expense | 6,694 |
| Net cash provided (used) by operating activities | \$ 40,390 |

**Town of Oriental, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020**

| | | <u>Agency</u> |
|--|----|--------------------|
| | | <u>Agency Fund</u> |
| ASSETS | | |
| Cash and cash equivalents | \$ | 14,695 |
| Customer receivables, net | | <u>41,657</u> |
| <i>Total Assets</i> | | <u>56,352</u> |
| LIABILITIES | | |
| <i>Total Liabilities</i> | | <u>--</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Aggregated deferred inflows | | <u>--</u> |
| <i>Total Deferred Inflows of Resources</i> | | <u>--</u> |
| NET POSITION | | |
| Held in Trust | \$ | <u>56,352</u> |

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Notes To The Financial Statements

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

B. Basis of Presentation

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

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

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

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

**Town of Oriental, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020**

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The Town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses.

The Town reports the following major enterprise fund:

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

The Town reports the following fund type:

Agency Fund. Agency funds are custodial in nature and do not involve measurement of operating results. Agency funds are used to account for assets the Town holds on behalf of others. The town maintains one agency fund, the Bay River Metropolitan Sewerage District Fund, which accounts for fees and deposits that are billed and collected by the Town for the District for an agreed upon fee.

C. Measurement Focus and Basis of Accounting

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

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

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

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

**Town of Oriental, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020**

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

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund 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. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. The Town Manager has the authority to amend appropriations within departments. All other amendments must be approved by the governing board.

**Town of Oriental, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020**

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

1. Deposits and Investments

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

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

The Town had no such investments at June 30, 2020

2. Cash and Cash Equivalents

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

3. Restricted Assets

Money in the Travel and Tourism Fund is classified as restricted cash because its use is restricted for travel and tourism purposes within the Town. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Governmental Activities:

| | | |
|-------------------------------|----|---------|
| General Fund | | |
| Streets | \$ | 195,799 |
| Economic development | | 239,190 |
| Total governmental activities | | 434,989 |

Business-type activities:

| | | |
|--------------------------------|--|---------|
| Water and Sewer Fund | | |
| Customer deposits | | 24,857 |
| Total Business-type Activities | | 24,857 |
| Total Restricted Cash | | 459,846 |

Town of Oriental, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020

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4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. Inventory & Prepaid Items

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

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

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

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|-------------------------|-------------------------------|
| Infrastructure | 30 years |
| Buildings | 20-40 years |
| Improvements | 10-20 years |
| Furniture and equipment | 5-10 years |
| Computers | 4-5 years |

8. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category—property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

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.

10. *Compensated Absences*

The vacation policies of the Town provide for the accumulation of up to 30 days of earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary presentation, an expense and a liability are recorded as vacation leave is earned. The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made. The Town considers all of the accrued vacation to be due within the next fiscal year based on a first-in, first-out flow policy.

The Town's sick leave policy provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligations 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, net related debt; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors,

**Town of Oriental, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020**

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contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Economic Development — portion of fund balance that is restricted for use in economic development

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

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

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

Subsequent years' expenditures— portion of fund balance that is appropriated in the next years' budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$1,000.

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

12. Pensions

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

NOTE II—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Noncompliance with North Carolina General Statutes

NONE

2. Contractual Violations

NONE

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

The Town incurred a deficit in its Capital Project Fund, (Whittaker Pointe Restoration Project) totaling \$490,270 at the end of June 30, 2020. The deficit will be funded by awarded grants proceeds forthcoming. The Town will review their budget practices to assure that this does not occur again.

4. Excess of Expenditures over Appropriations

NONE

NOTE III- DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City'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 City these deposits are considered to be held by the City'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

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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 City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City 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 City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$835,738 and a bank balance of \$773,629. Of the bank balance \$427,422 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. Petty cash was \$150.

2. Investments

At June 30, 2020, the Town had \$295,289, invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAA by Standard and Poor's. The Town has no policy regarding credit risk of its investments.

3. Receivables — Allowance for Doubtful Accounts

| | |
|----------------------|-----------|
| General Fund: | |
| Taxes receivable | \$ 16,598 |
| Accounts receivable | - |
| Total | 16,598 |
| Enterprise Fund: | |
| Customer receivables | 32 |
| Other receivables | - |
| Total | 32 |
| Grand Total | \$ 16,630 |

Town of Oriental, North Carolina
Notes to the Financial Statements
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4. Capital Assets

Governmental Capital Assets

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

General Fund Capital Assets

| | Beginning Balances | Increases | Decreases | Ending Balance |
|--|-----------------------|-----------|-----------|---------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land and land improvements | \$ 232,107 | \$ - | \$ - | \$ 232,107 |
| Work in progress | - | 477,040 | - | 477,040 |
| Total capital assets not being depreciated | 232,107 | 477,040 | - | 709,147 |
| Capital assets being depreciated: | | | | |
| Buildings | 401,644 | - | - | 401,644 |
| Infrastructure | 61,424 | - | - | 61,424 |
| Improvements | 211,349 | 99,243 | - | 310,592 |
| Equipment and machinery | 233,040 | 14,400 | - | 247,440 |
| Office furniture & equipment | 25,454 | - | - | 25,454 |
| Vehicles | 202,809 | - | - | 202,809 |
| Total capital assets being depreciated | 1,135,720 | 113,643 | - | 1,249,363 |
| Less accumulated depreciation for: | | | | |
| Buildings | 97,640 | 13,564 | - | 111,203 |
| Infrastructure | 341 | 2,047 | - | 2,388 |
| Improvements | 63,736 | 22,369 | - | 86,105 |
| Equipment and machinery | 150,671 | 14,148 | - | 164,819 |
| Office furniture & equipment | 16,331 | 2,113 | - | 18,444 |
| Vehicles | 154,541 | 10,983 | - | 165,524 |
| Total accumulated depreciation | 483,260 | \$ 65,224 | \$ - | 548,484 |
| Total capital assets being depreciated, net | 652,460 | | | 700,879 |
| Governmental activity capital assets, net | \$ 884,567 | | | \$ 1,410,026 |

**Town of Oriental, North Carolina
Notes to the Financial Statements
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Depreciation expense was charged to functional programs of the primary government as follows:

Governmental Activities:

| | |
|---------------------------|------------------|
| General government | \$ 26,049 |
| Public safety | 7,282 |
| Transportation | 10,815 |
| Environmental protection | 4,352 |
| Cultural and recreational | 16,726 |
| Total | \$ 65,224 |

Enterprise Fund Capital Assets

| | Beginning Balances | Increases | Decreases | Ending Balance |
|---|-----------------------|-----------|-----------|---------------------|
| Business-Type Activities: | | | | |
| Capital assets being depreciated: | | | | |
| Water plant | \$ 2,403,227 | \$ - | \$ - | \$ 2,403,227 |
| Equipment | 82,854 | - | - | 82,854 |
| Vehicles | 14,790 | - | - | 14,790 |
| Total capital assets being depreciated | 2,500,871 | - | - | 2,500,871 |
| Less accumulated depreciation for: | | | | |
| Water plant | 1,300,943 | 38,244 | - | 1,339,187 |
| Equipment | 53,898 | 7,226 | - | 61,124 |
| Vehicles | 14,790 | - | - | 14,790 |
| | 1,369,632 | \$ 45,470 | \$ - | 1,415,102 |
| Total capital assets being depreciated, net | 1,131,239 | | | 1,085,769 |
| Water Capital Assets, Net | \$ 1,131,239 | | | \$ 1,085,769 |

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Oriental is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in

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the LGERS Board of Trustees, which consists of 13 members — nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.ne.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Oriental employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Oriental's contractually required contribution rate for the year ended June 30, 2020, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Oriental were \$31,794 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$196,626 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2020, the Town's proportion was 0.00720% which was a decrease of 0.00039% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the Town recognized pension expense of \$86,616. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 33,667 | \$ - |
| Changes of assumptions | 32,047 | |
| Net difference between projected and actual earnings on pension plan investments | 4,796 | |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 332 | 2,716 |
| Employer contributions subsequent to the measurement date | 43,999 | |
| Total | \$ 114,841 | \$ 2,716 |

\$114,841 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 asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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For the Year Ended June 30, 2020**

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Year ended June 30:

| | |
|------------|-----------|
| 2020 | 34,027 |
| 2021 | 9,979 |
| 2022 | 18,922 |
| 2023 | 5,198 |
| 2024 | - |
| Thereafter | - |
| | \$ 68,126 |

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

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

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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income returns projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return 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, 2015 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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

| | <u>1% Decrease (6.00%)</u> | <u>Discount Rate (7.00%)</u> | <u>1% Increase (8.00%)</u> |
|---|--------------------------------|----------------------------------|--------------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ 449,720 | \$ 196,626 | \$ (13,746) |

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Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.20%, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20%) or one percentage point higher (8.20%) than the current rate:

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

2. Deferred Outflows and Inflows of Resources

The Town has several deferred inflows/outflows of resources.

| Source | Amount |
|---|------------|
| <i>Deferred outflows of resources is comprised of the following:</i> | |
| Differences between expected and actual experience | 33,667 |
| Changes of assumptions | 32,047 |
| Net difference between projected and actual earnings on pension plan investments | 4,796 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 332 |
| Contributions to pension plan in current fiscal year | 43,999 |
| Total | \$ 114,841 |

**Town of Oriental, North Carolina
Notes to the Financial Statements
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Deferred inflows of resources at year-end is comprised of the following:

| | Statement of Net Position | General Fund Balance Sheet |
|---|------------------------------|-------------------------------|
| Prepaid taxes (General Fund) | \$ - | \$ - |
| Taxes Receivable less penalties (General Fund) | - | 63,303 |
| Changes in assumptions | - | - |
| Differences between expected and actual experience | 836 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | | 2,716 |
| Total | \$ 836 | \$ 66,019 |

3. Fund Balance

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

| | |
|--|---------------------|
| Total Fund Balance-General Fund | \$ 1,431,333 |
| Less: | |
| Stabilization by State Statute | 73,211 |
| Streets-Powell Bill | 195,799 |
| Economic Development | 239,190 |
| Working Capital / Fund Balance Policy | - |
| Remaining Fund Balance | 923,133 |

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical and dental claims for employees, retirees, and dependents. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three years.

The Town carries commercial coverage for all other risks of loss. The Town does carry flood insurance.

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

**Town of Oriental, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020**

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individually bonded for \$50,000.

5. Long-Term Obligations

a. Changes in Long-Term Liabilities

Debt activity for the Town at June 30, 2020 was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balance |
|----------------------------------|-----------------------|-----------|-----------|-------------------|
| Governmental Activities: | | | | |
| Compensated Absences | \$ 20,036 | \$ 3,266 | \$ - | \$ 23,302 |
| Net Pension Liability (LGERS) | 119,682 | 25,980 | - | 145,662 |
| Total | \$ 139,718 | \$ 29,246 | \$ - | \$ 168,964 |
| Business-type activities: | | | | |
| Net Pension Liability (LGERS) | \$ 41,874 | \$ 9,090 | \$ - | \$ 50,964 |

NOTE III —JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with 9 counties and 47 municipalities, established the East Carolina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town has no equity interest nor does the town materially contribute to the continued existence of the Council. The Town's interests are other than financial.

NOTE IV —SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE V —SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 26, 2020 the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTAL FINANCIAL DATA

Schedule 1

Town of Oriental Proportionate Share of Net Pension Liability (Assets)
 Required Supplementary Information
 Last Six Fiscal Years

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|------------|------------|------------|------------|------------|-------------|------------|
| Town's proportion of net pension liability (assets) (%) | 0.00720% | 0.00681% | 0.00601% | 0.0061% | 0.00559% | 0.00468% | 0.00400% |
| Town's proportion of net pension liability (asset) (\$) | \$ 196,626 | \$ 161,556 | \$ 91,816 | \$ 129,462 | \$ 25,088 | \$ (27,600) | \$ 48,215 |
| Town's covered-employee payroll | \$ 413,397 | \$ 354,168 | \$ 352,757 | \$ 348,361 | \$ 339,154 | \$ 372,068 | \$ 372,068 |
| Town's proportion of the net pension liability (asset) as a percentage of its covered-employee payroll | 47.56% | 45.62% | 26.03% | 37.16% | 7.40% | -7.42% | 12.96% |
| Plan fiduciary net position as a percentage of the total pension liability | 91.63% | 94.58% | 94.18% | 91.47% | 98.09% | 102.64% | 94.35% |

Town of Oriental, North Carolina
Town of Oriental's Contributions
Required Supplementary Information
Town of Oriental Proportionate Share of Net Pension Liability (Assets)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|------------|------------|------------|------------|------------|------------|------------|
| Contractually required contributions | \$ 43,999 | \$ 31,794 | \$ 26,807 | \$ 24,693 | \$ 20,416 | \$ 20,578 | \$ 20,756 |
| Town's proportion of the net pension liability (asset) as a percentage of its covered-employee payroll | 43,999 | 31,794 | 26,807 | 24,693 | 20,416 | 20,578 | 20,756 |
| Town's covered-employee payroll | \$ 484,898 | \$ 413,397 | \$ 354,168 | \$ 352,757 | \$ 348,361 | \$ 339,154 | \$ 372,068 |
| Contributions as a percentage of covered-employee payroll | 9.07% | 7.69% | 7.57% | 7.00% | 5.86% | 6.07% | 5.58% |

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INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Oriental, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|----------------|----------------|---|
| Revenues | | | |
| Ad Valorem Taxes: | | | |
| Current year | | 494,280 | |
| Prior year | | 30,154 | |
| Interest on taxes | | 6,208 | |
| Total | <u>501,334</u> | <u>530,642</u> | <u>29,308</u> |
| Other taxes: | | | |
| Other taxes | | 8,318 | |
| Occupancy tax | | 26,266 | |
| Total | <u>32,000</u> | <u>34,584</u> | <u>2,584</u> |
| | | | |
| Unrestricted Intergovernmental Revenues | | | |
| Sales & use tax | | 194,033 | |
| Federal & state gas refund | | 1,366 | |
| Solid waste tax | | 696 | |
| Franchise tax | | 57,053 | |
| Federal disaster assistance grant | | 473,623 | |
| Beer & wine | | 3,953 | |
| Total | <u>562,529</u> | <u>730,724</u> | <u>168,195</u> |
| | | | |
| Restricted Intergovernmental Revenues | | | |
| Powell Bill allocation | | 39,038 | |
| Total | <u>39,000</u> | <u>39,038</u> | <u>38</u> |
| | | | |
| Sales and Services | | | |
| Solid waste fees | | 104,683 | |
| Recycling fees | | 18,119 | |
| Zoning & permit fees | | 5,150 | |
| Police fees | | 130 | |
| Other | | 150 | |
| Total | <u>125,275</u> | <u>128,232</u> | <u>2,957</u> |

Town of Oriental, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|---------------------|---------------------|---|
| Investment Earnings | | | |
| Interest | | 4,057 | |
| Total | 4,050 | 4,057 | 7 |
| | | | |
| Grants and Contributions | | | |
| Grants | | 254,774 | |
| | 172,033 | 254,774 | 82,741 |
| | | | |
| Other Revenues | | | |
| Miscellaneous | | 1,622 | |
| Total | 1,562 | 1,622 | 60 |
| Total Revenue | \$ 1,437,783 | \$ 1,723,673 | \$ 285,890 |
| | | | |
| Expenditures | | | |
| General Government/Administration | | | |
| Salaries and benefits | | 208,738 | |
| Legal & professional fees | | 35,727 | |
| Dues & subscriptions | | 4,167 | |
| Contract services | | 119,840 | |
| Tax billing | | 11,202 | |
| Utilities | | 7,480 | |
| Insurance | | 11,075 | |
| Office expenses | | 15,768 | |
| Repairs & maintenance | | 35,161 | |
| Other operating expenses | | 18,843 | |
| Total General Government | 609,710 | 468,001 | 141,709 |

Town of Oriental, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|----------------------------------|----------------|----------------|---|
| Public Safety | | | |
| Salaries and benefits | | 112,714 | |
| Supplies | | 1,958 | |
| Auto | | 6,220 | |
| Repairs & maintenance | | 1,220 | |
| Other operating expenses | | 5,157 | |
| Total | <u>137,333</u> | <u>127,269</u> | <u>10,064</u> |
| Transportation | | | |
| Street lights | | 16,401 | |
| Other operating expenses | | 10,221 | |
| Total | <u>54,150</u> | <u>26,622</u> | <u>27,528</u> |
| Environmental Protection | | | |
| Salaries and benefits | | 256,927 | |
| Contract- Garbage Collection | | 80,297 | |
| Mosquito control | | - | |
| Tipping fees | | 36,700 | |
| Recycling | | 53,545 | |
| Repairs & maintenance | | 136,193 | |
| Other operating expenses | | 26,942 | |
| Total | <u>657,521</u> | <u>590,604</u> | <u>66,917</u> |
| Cultural and Recreational | | | |
| Other operating expenses | | 46,730 | |
| Total | <u>54,534</u> | <u>46,730</u> | <u>7,804</u> |

Town of Oriental, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

| | Budget | Actual | Variance Positive (Negative) |
|---------------------------------------|-----------|--------------|------------------------------------|
| Total Expenditures | 1,513,248 | 1,259,226 | 254,022 |
| Revenues over(under) expenditures | (75,465) | 464,447 | 539,912 |
| Other Financing Sources (Uses) | | | |
| Fund balance appropriation | 75,465 | | (75,465) |
| Total | 75,465 | - | (75,465) |
| Net change in fund balance | \$ - | 464,447 | \$ 464,447 |
| Fund balance - July 1 | | 966,886 | |
| Fund balance - June 30 | | \$ 1,431,333 | |

Town of Oriental, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2020

| | Budget | Actual | Variance Positive (Negative) |
|--------------------------------|------------|------------|------------------------------------|
| Revenues | | | |
| Operating Revenue | | | |
| Charges for services | \$ - | \$ 299,679 | \$ - |
| Other revenues | | 14,473 | |
| Total operating revenues | | 314,152 | |
| | | | |
| Nonoperating Revenues | | | |
| Interest earnings | | 708 | |
| Total revenues | \$ 361,150 | 314,860 | 46,290 |
| Expenditures | | | |
| General and administrative: | | | |
| Salaries and employee benefits | | 110,033 | |
| Postage | | 2,699 | |
| Software maintenace | | 4,275 | |
| Other operating expenditures | | 6,073 | |
| Total | 151,896 | 123,080 | 28,816 |
| | | | |
| Water Treatment: | | | |
| Salaries and employee benefits | | 7,900 | |
| Chemicals, salt, and chlorine | | 61,341 | |
| Reparis & maintance | | 77,375 | |
| Utilities | | 17,618 | |
| Sample costs | | 15,903 | |
| Supplies | | 2,040 | |
| Other operating expenditures | | 3,997 | |
| Total | 191,624 | 186,174 | 5,450 |

**Town of Oriental, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2020**

| | Budget | Actual | Variance Positive (Negative) |
|--|---------------|---------------|---|
| Total expenditures | 343,520 | 309,254 | 34,266 |
| Revenues over (under) expenditures | \$ 17,630 | \$ 5,606 | \$ 12,024 |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | |
| Depreciation | | 45,470 | |
| Increase in deferred outflows of resources - pension | | 2,176 | |
| Decrease in deferred inflows of resources - pensions | | 220 | |
| Increase in net pension liabilities | | (9,090) | |
| Pension expense | | (6,694) | |
| Total reconciling items | | 32,082 | |
| Changes in Net Position, GAAP basis | | \$ 37,688 | |

Town of Oriental
Capital Project Fund
Whittaker Pointe Restoration Project
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2020 and From Inception

| | Project Authorization | Actual | | | Variance Favorable (Unfavorable) |
|---|--------------------------|--------------------|--------------------|--------------------------|--|
| | | Prior Years | Current Year | Total Project To Date | |
| Revenues: | | | | | |
| Golden Leaf Foundation | \$ 916,406 | \$ 96,107 | \$ 4,500 | \$ 100,607 | \$ 815,799 |
| NCDEQ | 200,000 | - | - | - | 200,000 |
| NFWF | 450,000 | - | 455,310 | 455,310 | (5,310) |
| Total revenues | <u>1,566,406</u> | <u>96,107</u> | <u>459,810</u> | <u>555,917</u> | <u>1,010,489</u> |
| Expenditures: | | | | | |
| Engineering Services | 120,400 | 17,730 | 56,208 | 73,938 | 46,462 |
| Construction | 648,006 | 96,107 | 407,268 | 503,375 | 144,631 |
| Land cost | 58,600 | - | - | - | 58,600 |
| Revetment improvements | 167,201 | - | - | - | 167,201 |
| Breach improvements | 484,027 | - | - | - | 484,027 |
| Marsh planting | 16,000 | - | - | - | 16,000 |
| Oyster revetment | 10,000 | - | - | - | 10,000 |
| Contingency | 122,772 | - | - | - | 122,772 |
| Administration | 50,000 | - | 13,564 | 13,564 | 36,436 |
| Total expenditures | <u>1,677,006</u> | <u>113,837</u> | <u>477,040</u> | <u>590,877</u> | <u>1,086,129</u> |
| Excess (Deficit) of revenues over (under) expenditures | (110,600) | (17,730) | (17,230) | (34,960) | (75,640) |
| Other financing sources: | | | | | |
| Donated land | 58,600 | - | - | - | 58,600 |
| Transfer from General Fund | 52,000 | - | - | - | 52,000 |
| Total other financing sources | <u>110,600</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>110,600</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (17,730)</u> | <u>\$ (17,230)</u> | <u>\$ (34,960)</u> | <u>\$ 34,960</u> |
| Fund balance, beginning of year | | | (17,230) | | |
| Fund balance, end of year | | <u>\$ (17,730)</u> | <u>\$ -</u> | | |

Town of Oriental
Bay River Metropolitan Sewerage District Fund
Statement of Changes in Assets and Liabilities
For Year Ended June 30, 2020

| <u>Metropolitan Sewerage District</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> |
|---------------------------------------|------------------------------|------------------|-------------------|---------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 41,882 | | \$ 27,187 | \$ 14,695 |
| Accounts receivable, billed | 10,062 | 31,595 | - | 41,657 |
| | <u>51,944</u> | <u>31,595</u> | <u>27,187</u> | <u>56,352</u> |
| Liabilities | | | | |
| Intergovernmental payable | \$ 51,944 | \$ 31,595 | \$ 27,187 | \$ 56,352 |
| | <u>51,944</u> | <u>31,595</u> | <u>27,187</u> | <u>56,352</u> |

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OTHER SCHEDULES

Town of Oriental, North Carolina
 General Fund
 Schedule of Ad Valorem Taxes Receivable
 For the Fiscal Year Ended June 30, 2020

| Fiscal Year | Uncollected Balance July 1, 2019 | Additions | Collections and Credits | Uncollected Balance June 30, 2020 |
|-------------|--|----------------|----------------------------|---|
| 2019-2020 | \$ - | \$ 512,762 | \$ 491,999 | \$ 20,763 |
| 2018-2019 | 28,200 | - | 17,239 | 10,961 |
| 2017-2018 | 30,844 | - | 11,296 | 19,548 |
| 2016-2017 | 6,153 | - | 1,305 | 4,848 |
| 2015-2016 | 3,305 | - | 95 | 3,210 |
| 2014-2015 | 4,692 | - | 47 | 4,645 |
| 2013-2014 | 4,746 | - | 460 | 4,286 |
| 2012-2013 | 4,494 | - | 366 | 4,128 |
| 2011-2012 | 3,831 | - | 256 | 3,575 |
| 2010-2011 | 4,198 | - | 261 | 3,937 |
| | <u>90,462</u> | <u>512,762</u> | <u>523,324</u> | <u>79,900</u> |

Less: Allowance for Uncollectible Accounts 16,598

Ad Valorem Taxes Receivables, Net 63,303

Reconciliation with Revenues:

| | |
|-------------------------------|----------------|
| Ad Valorem Tax - General Fund | 530,642 |
| Reconciling items: | |
| Interest collected | (6,208) |
| Releases and adjustments | <u>(1,110)</u> |
| Total Collections and Credits | <u>523,324</u> |

Town of Oriental, North Carolina
General Fund
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2020

| | Property Valuation | Rate per \$100 | Total Levy | Total Levy Property Excluding Registered Motor Vehicles | Registered Motor Vehicles |
|---|-----------------------|-------------------|-------------------|--|---------------------------------|
| Original Levy: | | | | | |
| Property tax at current year's tax rate | | | | | |
| Net Valuation | <u>\$ 233,073,636</u> | 0.22 | \$ 512,762 | \$ 486,397 | \$ 26,365 |
| Net levy | | | 512,762 | 486,397 | 26,365 |
| Less uncollected taxes at June 30, 2020 | | | <u>20,763</u> | <u>20,763</u> | <u>-</u> |
| Current year's taxes collected | | | <u>\$ 491,999</u> | <u>\$ 465,634</u> | <u>\$ 26,365</u> |
| Current levy collection percentage | | | <u>95.95%</u> | <u>95.73%</u> | <u>100.00%</u> |

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COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oriental, Oriental, North Carolina, as of and for the year ended June 30, 2020, which collectively comprise the Town of Oriental's basic financial statements, and have issued our report thereon dated February 26, 2021.

Internal Control over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

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

Purpose of This Report

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

Larry E. Carpenter, CPA, PA

February 26, 2021