

**REVIEWED**

*By SLGFD at 10:40 am, May 05, 2022*

**TOWN OF ORIENTAL, NORTH CAROLINA**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED JUNE 30, 2021**

**GREGORY T. REDMAN, CPA**  
TARBORO, NORTH CAROLINA

Financial Statements  
Town of Oriental, North Carolina  
June 30, 2021

Board of Commissioners

Sally Belangia, Mayor  
Charlie Overcash  
David White  
Sandy Winfrey

Administrative Staff

Diane H. Miller, Town Manager

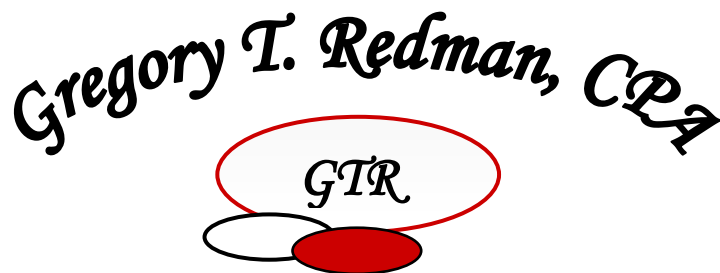
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## **Financial Section**



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## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Oriental, as of and for the year ended June 30, 2021, 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**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. 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 design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

### Opinions

In my opinion, based on my 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 and each major fund of the Town of Oriental as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the 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 to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by me. In my opinion, based on my audit, the procedures performed as described above, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated April 29, 2022 on my consideration of Town of Oriental, North Carolina's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of my 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, North Carolina's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Gregory T. Redman, CPA". The signature is written in a cursive, flowing style.

Gregory T. Redman, CPA  
Tarboro, North Carolina  
April 29, 2022

## **Management's Discussion and Analysis**

**Town of Oriental, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

As management of the Town of Oriental, North Carolina, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Oriental for the fiscal year ended June 30, 2021. 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**

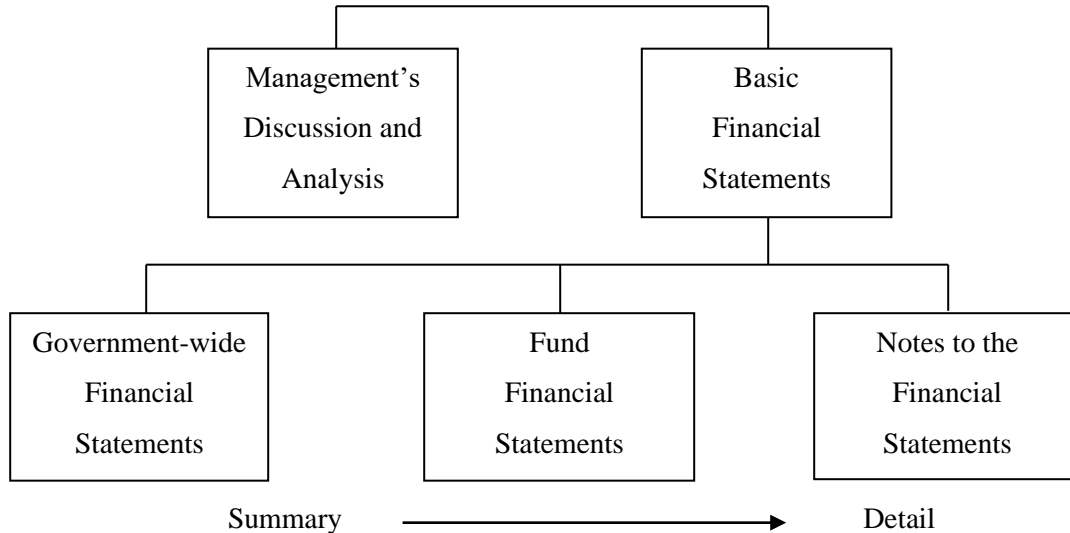
- The assets and deferred outflows of resources of the Town of Oriental exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,586,451 (net position).
- The government's total net position increased by \$2,098,843 primarily due to an increase in governmental economic development grants.
- At the close of the current fiscal year, the Town of Oriental's governmental funds combined reported ending fund balances of \$1,338,747, with a net decrease of \$57,626 in fund balance. Approximately 58% of this total amount, or \$774,823 is unrestricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$774,823 or 61% of total general fund expenditures for the fiscal year.
- At the end of the current fiscal year, the Town had Restricted Net Position of \$563,924.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the 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. 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.

**Town of Oriental, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

**Required Components of Annual Financial Report**



**Basic Financial Statements**

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

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

**Government-wide Financial Statements**

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

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

**Town of Oriental, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

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 service such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Oriental.

**Fund Financial Statements**

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Oriental, like all other government 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's, 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 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 an enterprise fund to account for its water and sewer 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.

**Town of Oriental, North Carolina**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

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

**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.

**Government-wide Financial Analysis**

**The Town of Oriental's Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,483,100	\$ 2,433,090	\$ 273,199	\$ 241,496	\$ 1,756,299	\$ 2,674,586
Capital assets	3,088,876	1,410,026	1,041,376	1,085,769	4,130,252	2,495,795
Deferred outflows of resources	85,933	85,075	57,288	29,766	143,221	114,841
Total Assets and Deferred Outflows of Resources	<u>\$ 4,657,909</u>	<u>\$ 3,928,191</u>	<u>\$ 1,371,863</u>	<u>\$ 1,357,031</u>	<u>\$ 6,029,772</u>	<u>\$ 5,285,222</u>
Current liabilities	\$ 81,095	\$ 629,597	\$ 67,793	\$ 60,806	\$ 148,888	\$ 690,403
Noncurrent liabilities	185,163	23,302	107,775	50,964	292,938	74,266
Deferred inflows of resources	897	2,012	598	704	1,495	2,716
Total Liabilities and Deferred Inflows of Resources	<u>\$ 267,155</u>	<u>\$ 654,911</u>	<u>\$ 176,166</u>	<u>\$ 112,474</u>	<u>\$ 443,321</u>	<u>\$ 767,385</u>
Net Position:						
Net investment in capital assets	\$ 3,088,876	\$ 1,410,026	\$ 1,041,376	\$ 1,085,769	\$ 4,130,252	\$ 2,495,795
Restricted	563,924	508,200	-	-	563,924	508,200
Unrestricted	737,954	324,825	154,321	158,788	892,275	483,613
Total Net Position	<u>\$ 4,390,754</u>	<u>\$ 2,243,051</u>	<u>\$ 1,195,697</u>	<u>\$ 1,244,557</u>	<u>\$ 5,586,451</u>	<u>\$ 3,487,608</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Oriental exceeded liabilities and deferred inflows by \$5,586,451 as of June 30, 2021. The Town's net position increased by \$2,098,843 for the fiscal year ended June 30, 2021. However, the largest portion \$4,130,252 or 74% 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 its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Oriental's net position \$563,924 (10%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$892,275 (16%) is unrestricted.

**Town of Oriental, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

The increase in net position is due to the increase in capital grants and contributions for the governmental activities.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.72%. The Town of Oriental contracts with Pamlico County to collect their taxes.

**Town of Oriental Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 128,805	\$ 128,522	\$ 322,608	\$ 312,002	\$ 451,413	\$ 440,524
Operating grants and contributions	125,741	938,246	-	-	125,741	938,246
Capital grants and contributions	2,119,284	-	-	-	2,119,284	-
General revenues:						
Property taxes	581,170	515,148	-	-	581,170	515,148
Other taxes	36,594	291,685	-	-	36,594	291,685
Investment earnings	259	4,057	27	708	286	4,765
Other	292,147	5,682	-	2,150	292,147	7,832
Total Revenues	<u>\$3,284,000</u>	<u>\$ 1,883,340</u>	<u>\$ 322,635</u>	<u>\$ 314,860</u>	<u>\$ 3,606,635</u>	<u>\$ 2,198,200</u>
Expenses:						
General government	\$ 308,202	\$ 669,323	\$ -	\$ -	\$ 308,202	\$ 669,323
Public safety	179,945	135,540	-	-	179,945	135,540
Transportation	49,514	37,437	-	-	49,514	37,437
Economic and physical development	59,495	-	-	-	59,495	-
Environmental protection	509,196	595,988	-	-	509,196	595,988
Culture and recreation	29,945	63,458	-	-	29,945	63,458
Water and Sewer	-	-	371,495	352,548	371,495	352,548
Total Expenses	<u>\$1,136,297</u>	<u>\$ 1,501,746</u>	<u>\$ 371,495</u>	<u>\$ 352,548</u>	<u>\$ 1,507,792</u>	<u>\$ 1,854,294</u>
Increase(decrease) in net position before transfers	\$2,147,703	\$ 381,594	\$ (48,860)	\$ (37,688)	\$2,098,843	\$ 343,906
Net position, July 1	2,243,051	1,861,457	1,244,557	1,282,245	3,487,608	3,143,702
Net position, June 30	<u>\$4,390,754</u>	<u>\$ 2,243,051</u>	<u>\$ 1,195,697</u>	<u>\$ 1,244,557</u>	<u>\$ 5,586,451</u>	<u>\$ 3,487,608</u>

**Town of Oriental, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

**Governmental Activities.** Governmental activities increased the Town's net position by \$2,147,703. Key elements of the increase are as follows:

- Tax Revenues increased

**Business-type Activities.** Business-type activities decreased the Town of Oriental's net position by \$48,860.

The Town of Oriental's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer at the end of the fiscal year amounted to \$1,195,697. The total decrease in net position was \$48,860.

### **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, Town of Oriental's fund balance available in the General Fund was \$774,823, while total fund balance reached \$1,338,747. The Town currently has an available fund balance of 61% of general fund expenditures, while total fund balance represents 106 % of the same amount.

At June 30, 2021, the governmental fund of Town of Oriental reported a combined fund balance of \$1,338,747 with a net decrease in fund balance of \$57,626.

### **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 became necessary to maintain/increase services.

### **Capital Asset and Debt Administration**

**Capital Assets:** The Town of Oriental's investments in capital assets for its governmental and business-type activities as of June 30, 2021 total \$4,130,252 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

**Town of Oriental, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

**Town of Oriental's Capital Assets  
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 2,315,576	\$ 709,147	\$ -	\$ -	\$ 2,315,576	\$ 709,147
Buildings	276,877	401,644	-	-	276,877	401,644
Infrastructure	56,989	61,424	-	-	56,989	61,424
Land improvements	202,118	310,592	-	-	202,118	310,592
Equipment and machinery	150,658	247,440	15,580	21,730	166,238	269,170
Office furniture & equipment	5,012	25,454	-	-	5,012	25,454
Vehicles	81,646	202,809	-	-	81,646	202,809
Water plant	-	-	1,025,796	1,064,040	1,025,796	1,064,040
Total	<u>\$ 3,088,876</u>	<u>\$ 1,958,510</u>	<u>\$ 1,041,376</u>	<u>\$ 1,085,770</u>	<u>\$ 4,130,252</u>	<u>\$ 3,044,280</u>

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

**Long-term Debt:** As of June 30, 2021 the Town of Oriental has no debt.

North Carolina general statutes limits the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for the Town of Oriental is \$20,027,964. The Town has not bond authorized but unissued at June 30, 2021.

**Town of Oriental's Capital Assets  
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated absences	26,113	23,302	-	-	26,113	23,302
Net pension liability	161,661	145,662	107,775	50,964	269,436	196,626
Total	<u>\$ 187,774</u>	<u>\$ 168,964</u>	<u>\$ 107,775</u>	<u>\$ 50,964</u>	<u>\$ 295,549</u>	<u>\$ 219,928</u>

**Economic Factors and Next Year's Budgets 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.

**Town of Oriental, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

**Budget Highlights for the Fiscal Year Ending June 30, 2022**

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. Electric revenues and expenditures are expected to remain constant so no increase or decrease in rate is being considered at this time.

**Governmental Activities:** Property taxes will remain constant in revenues and permits and fees are expected to be very modest. The Town will use these revenues to cover costs of expenses in material, supplies, and labor. These revenues will also be used to finance programs currently in place.

Budgeted revenues in the General Fund are expected to increase by 17% to \$1,340,930 This increase is due to a varying increase in sanitation charges, county sales tax refund, ARPA funding, and miscellaneous revenue. Budgeted expenditures will increase accordingly.

**Business-Type Activities:** The Water/Sewer Fund budget will increase to \$499,825.

**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  
Post Office Box 472  
Oriental, North Carolina 28571

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## **Financial Section**

## **Basic Financial Statements**

**Town of Oriental, North Carolina**  
**Statement of Net Position**  
**June 30, 2021**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Assets			
Current assets:			
Cash and cash equivalents	\$ 853,307	\$ 220,685	\$ 1,073,992
Taxes receivables (net)	43,191	-	43,191
Accounts receivable (net)	49,601	34,550	84,151
Accrued interest receivable	22,678	-	22,678
Due from other funds	25,950	(25,950)	-
Inventory	-	16,931	16,931
Restricted cash and cash equivalents	488,373	26,983	515,356
Total Current Assets	<u>\$ 1,483,100</u>	<u>\$ 273,199</u>	<u>\$ 1,756,299</u>
Non-current Assets:			
Capital assets:			
Land and other nondepreciable assets	\$ 2,315,576	\$ -	\$ 2,315,576
Other capital assets, net of depreciation	773,300	1,041,376	1,814,676
Total Capital Assets	<u>\$ 3,088,876</u>	<u>\$ 1,041,376</u>	<u>\$ 4,130,252</u>
Total Assets	<u>\$ 4,571,976</u>	<u>\$ 1,314,575</u>	<u>\$ 5,886,551</u>
Deferred Outflows of Resources			
Pension deferrals	<u>\$ 85,933</u>	<u>\$ 57,288</u>	<u>\$ 143,221</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 72,286	\$ 40,810	\$ 113,096
Compensated absences	2,611	-	2,611
Accrued salaries and employees payroll taxes	6,198	-	6,198
Customer deposits	-	26,983	26,983
Total Current Liabilities	<u>\$ 81,095</u>	<u>\$ 67,793</u>	<u>\$ 148,888</u>
Noncurrent liabilities:			
Compensated absences	\$ 23,502	\$ -	\$ 23,502
Net pension liability	161,661	107,775	269,436
Total Long-term liabilities	<u>\$ 185,163</u>	<u>\$ 107,775</u>	<u>\$ 292,938</u>
Total Liabilities	<u>\$ 266,258</u>	<u>\$ 175,568</u>	<u>\$ 441,826</u>
Deferred Inflows of Resources			
Pension deferrals	<u>\$ 897</u>	<u>\$ 598</u>	<u>\$ 1,495</u>
Net Position			
Net investment in capital assets	\$ 3,088,876	\$ 1,041,376	\$ 4,130,252
Restricted for:			
Stabilization by State Statute	75,551	-	75,551
Streets	225,217	-	225,217
Economic development	263,156	-	263,156
Unrestricted	<u>737,954</u>	<u>154,321</u>	<u>892,275</u>
Total Net Position	<u><u>\$ 4,390,754</u></u>	<u><u>\$ 1,195,697</u></u>	<u><u>\$ 5,586,451</u></u>

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

**Town of Oriental, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government							
Governmental Activities:							
General government	\$ 308,202	\$ 920	\$ -	\$ -	\$ (307,282)	\$ -	\$ (307,282)
Public safety	179,945	30	-	-	(179,915)	-	(179,915)
Transportation	49,514	-	36,150	-	(13,364)	-	(13,364)
Environmental protection	509,196	127,855	686	-	(380,655)	-	(380,655)
Cultural and recreational	29,945	-	-	-	(29,945)	-	(29,945)
Economic and physical development	59,495	-	88,905	2,119,284	2,148,694	-	2,148,694
Total Governmental Activities	<u>\$ 1,136,297</u>	<u>\$ 128,805</u>	<u>\$ 125,741</u>	<u>\$ 2,119,284</u>	<u>\$ 1,237,533</u>	<u>\$ -</u>	<u>\$ 1,237,533</u>
Business-type activities:							
Water Fund	371,495	322,608	-	-	-	(48,887)	(48,887)
Total Business-type Activities	<u>\$ 371,495</u>	<u>\$ 322,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (48,887)</u>	<u>\$ (48,887)</u>
Total Primary Government	<u>\$ 1,507,792</u>	<u>\$ 451,413</u>	<u>\$ 125,741</u>	<u>\$ 2,119,284</u>	<u>\$ 1,237,533</u>	<u>\$ (48,887)</u>	<u>\$ 1,188,646</u>
General Revenues							
Revenues:							
Ad valorem taxes					\$ 581,170	\$ -	\$ 581,170
Unrestricted intergovernmental					292,147	-	292,147
Other taxes					36,594	-	36,594
Interest and fees					259	27	286
Miscellaneous income					-	-	-
Total General Revenues, not including transfers					<u>\$ 910,170</u>	<u>\$ 27</u>	<u>\$ 910,197</u>
Change in Net Position					\$ 2,147,703	\$ (48,860)	\$ 2,098,843
Net Position, beginning					2,243,051	1,244,557	3,487,608
Net Position, ending					<u>\$ 4,390,754</u>	<u>\$ 1,195,697</u>	<u>\$ 5,586,451</u>

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

**Town of Oriental, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

	<b>Major Funds</b>		
	<b>General</b>	<b>Capital Project Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 853,307	\$ -	\$ 853,307
Restricted cash	488,373	-	488,373
Receivables, net:			
Taxes	43,191	-	43,191
Accounts	30,888	-	30,888
Due from other governments	18,713	-	18,713
Due from other funds	25,950	-	25,950
Total Assets	<u>\$ 1,460,422</u>	<u>\$ -</u>	<u>\$ 1,460,422</u>
<b>Liabilities</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 72,286	\$ -	\$ 72,286
Accrued salaries and employees payroll taxes	6,198	-	6,198
Total Liabilities	<u>\$ 78,484</u>	<u>\$ -</u>	<u>\$ 78,484</u>
<b>Deferred Inflows of Resources</b>			
Property taxes receivable	<u>\$ 43,191</u>	<u>\$ -</u>	<u>\$ 43,191</u>
<b>Fund Balances</b>			
Restricted			
Stabilization by State Statute	\$ 75,551	\$ -	\$ 75,551
Streets	225,217	-	225,217
Economic development	263,156	-	263,156
Unassigned	774,823	-	774,823
Total Fund Balance	<u>\$ 1,338,747</u>	<u>\$ -</u>	<u>\$ 1,338,747</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 1,460,422</u>	 <u>\$ -</u>	 <u>\$ 1,460,422</u>

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

**Town of Oriental, North Carolina**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2021**

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

Ending Fund Balance - Governmental Funds	\$ 1,338,747
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,088,876
Deferred outflows of resources related to pensions are not reported in the funds.	85,933
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures.	22,678
Liabilities for earned but deferred revenues in fund statements.	43,191
Deferred inflows of resources related to pensions are not reported in the funds.	(897)
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds.	
Net pension liability	(161,661)
Long-term debt	-
Compensated absences	(26,113)
Net Position of Governmental Activities	<u><u>\$ 4,390,754</u></u>

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

**Town of Oriental, North Carolina**  
**Statement of Revenues, Expenditures And Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

	<b>Major Funds</b>		<b>Total</b>
	<b>General</b>	<b>Capital Project Fund</b>	<b>Governmental Funds</b>
Revenues:			
Ad valorem taxes	\$ 578,604	\$ -	\$ 578,604
Other taxes and licenses	36,594	-	36,594
Unrestricted intergovernmental	292,147	-	292,147
Restricted intergovernmental	125,741	1,641,389	1,767,130
Sales and services	128,805	-	128,805
Interest and fees	259	-	259
Miscellaneous income	-	-	-
Total Revenues	<u>\$ 1,162,150</u>	<u>\$ 1,641,389</u>	<u>\$ 2,803,539</u>
Expenditures:			
Current:			
General government	\$ 328,044	\$ -	\$ 328,044
Public safety	172,145	-	172,145
Transportation	21,992	-	21,992
Economic and physical development	59,495	1,606,429	1,665,924
Environmental protection	655,927	-	655,927
Cultural and Recreational	17,133	-	17,133
Total Expenditures	<u>\$ 1,254,736</u>	<u>\$ 1,606,429</u>	<u>\$ 2,861,165</u>
Revenues Over (Under) Expenditures	\$ (92,586)	\$ 34,960	\$ (57,626)
Fund Balances			
Beginning of year	<u>1,431,333</u>	<u>(34,960)</u>	<u>1,396,373</u>
End of year	<u>\$ 1,338,747</u>	<u>\$ -</u>	<u>\$ 1,338,747</u>

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

**Town of Oriental, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the Statement Activities**  
**For the Year Ended June 30, 2021**

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

Net Change in Fund Balance - Governmental Funds	\$ (57,626)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimate useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital outlay expenditures which were capitalized	2,328,198
Depreciation expense	(79,416)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	49,042
Change in unavailable revenue for tax revenues.	2,566
Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension expense	(92,250)
Compensated absences	(2,811)
Total Changes in Net Position of Governmental Activities	<u>\$ 2,147,703</u>

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

**Town of Oriental, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

	<b>General Fund</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
			<b>Amounts</b>	<b>Positive</b>
				<b>(Negative)</b>
Revenues:				
Ad valorem taxes	\$ 516,418	\$ 516,418	\$ 578,604	\$ 62,186
Other taxes and licenses	22,000	22,000	36,594	14,594
Unrestricted intergovernmental	262,784	262,784	292,147	29,363
Restricted intergovernmental	41,399	208,009	125,741	(82,268)
Sales and services	132,962	128,752	128,805	53
Interest and fees	900	900	259	(641)
Miscellaneous income	-	-	-	-
Total Revenues	<u>\$ 976,463</u>	<u>\$ 1,138,863</u>	<u>\$ 1,162,150</u>	<u>\$ 23,287</u>
Expenditures:				
Current				
General government	\$ 308,957	\$ 335,024	\$ 328,044	\$ 6,980
Public safety	129,790	202,417	172,145	30,272
Transportation	55,300	55,300	21,992	33,308
Economic and physical development	50,690	100,345	59,495	
Environmental protection	460,906	662,171	655,927	6,244
Cultural and recreational	11,808	17,608	17,133	475
Total Expenditures	<u>\$ 1,017,451</u>	<u>\$ 1,372,865</u>	<u>\$ 1,254,736</u>	<u>\$ 77,279</u>
Revenues Over (Under) Expenditures	\$ (40,988)	\$ (234,002)	\$ (92,586)	\$ 100,566
Other Financing Sources (Uses):				
Appropriations	<u>\$ 40,988</u>	<u>\$ 234,002</u>	<u>\$ -</u>	<u>\$ (234,002)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (92,586)</u>	<u>\$ (133,436)</u>
Fund Balances				
Beginning of year			1,431,333	
End of year			<u><u>\$ 1,338,747</u></u>	

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

**Town of Oriental, North Carolina**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2021**

	<u><b>Enterprise Fund</b></u> <u><b>Sewer Fund</b></u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 220,685
Accounts receivable (net)	34,550
Restricted cash and cash equivalents	26,983
Inventory	16,931
Total Current Assets	<u>\$ 299,149</u>
Noncurrent assets:	
Capital assets:	
Water systems, net of depreciaton	\$ 1,025,796
Other capital assets, net of depreciation	15,580
Capital assets	<u>\$ 1,041,376</u>
Total Noncurrent Assets	<u>\$ 1,041,376</u>
Total Assets	<u><u>\$ 1,340,525</u></u>
Deferred Outflows of Resources	
Pension deferrals	<u>\$ 57,288</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 40,810
Due to other funds	25,950
Compensated absences	-
Customer deposits and advances	26,983
Total Current Liabilities	<u>\$ 93,743</u>
Noncurrent liabilities:	
Compensated absences, non-current portion	\$ -
Net pension liability	107,775
Total noncurrent liabilities	<u>\$ 107,775</u>
Total Liabilities	<u>\$ 201,518</u>
Deferred Inflows of Resources	
Pension deferrals	<u>\$ 598</u>
Net Position	
Net investment in capital assets	\$ 1,041,376
Unrestricted	154,321
Total Net Position	<u><u>\$ 1,195,697</u></u>

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

**Town of Oriental, North Carolina**  
**Statement of Revenues, Expenses, And Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	<u><b>Enterprise Fund</b></u> <u><b>Water Fund</b></u>
Operating Revenues	
Charges for sales & services	\$ 309,982
Miscellaneous income	12,626
Total Operating Revenues	<u>\$ 322,608</u>
Operating Expenses	
Water administration	\$ 82,659
Water treatment and distributions	244,442
Depreciation	44,394
Total Operating Expenses	<u>\$ 371,495</u>
Operating income (loss)	<u>\$ (48,887)</u>
Non-operating revenues (expenses)	
Interest and other charges	\$ -
Interest income	27
Total Other Financing Sources (Uses)	<u>\$ 27</u>
Change in Net Position	\$ (48,860)
Net Position, beginning	1,244,557
Net Position, ending	<u><u>\$ 1,195,697</u></u>

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

**Town of Oriental, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	<u><b>Enterprise Funds</b></u> <u><b>Sewer Fund</b></u>
Cash Flows From Operating Activities:	
Cash received from customers	\$ 308,289
Cash paid for goods and services	(203,740)
Cash paid to or on behalf of employees for services	(89,318)
Customer deposits, net	2,126
Other operating revenues	12,626
Net Cash Provided (used) by Operating Activities	<u>\$ 29,983</u>
Cash Flows From Noncapital Financing Activities:	
Interprogram transactions	\$ 25,950
Other revenue (expenses)	-
Net Cash Provided by Noncapital Financing Activities	<u>\$ 25,950</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition and construction of capital assets	\$ -
Net Cash Provided (used) by Capital and Related Financing Activities	<u>\$ -</u>
Cash Flows From Investing Activities:	
Investment income received	\$ 27
Net Increase (decrease) in Cash and Cash Equivalents	<u>\$ 55,960</u>
Balances - Beginning of year	191,708
Balances - End of year	<u><u>\$ 247,668</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	<u>\$ (48,887)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	\$ 44,394
Changes in assets and liabilities:	
(Increase) decrease in accounts receivables	(1,693)
(Increase) decrease in inventory	-
Increase (decrease) in accounts payable and accrued liabilities	4,861
Increase (decrease) in customer deposits	2,126
Increase (decrease) in net pension liabilities	56,811
Increase (decrease) in deferred inflows of resources	(106)
Increase (decrease) in deferred outflows of resources	(27,523)
Total adjustments	<u>\$ 78,870</u>
Net Cash Provided by Operating Activities	<u><u>\$ 29,983</u></u>

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

**Town of Oriental, North Carolina**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2021**

	<u><b>Custodial Funds</b></u>
Assets	
Cash and cash equivalents	\$ -
Customer receivables, net	<u>50,093</u>
Total Assets	<u>\$ 50,093</u>
Liabilities	
Customer deposits	<u>\$ 15,486</u>
Total Current Liabilities	<u>\$ 15,486</u>
Net Position	
Restricted for other organizations	<u>\$ 34,607</u>
Total Net Position	<u><u>\$ 34,607</u></u>

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

**Town of Oriental, North Carolina**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2021**

	<u><b>Custodial Funds</b></u>
Additions	
Sewer revenues collected for other governments	\$ 281,248
Collections on behalf of inmates	-
Total Additions	<u>\$ 281,248</u>
Deductions	
Revenue distributions to other governments	<u>\$ 302,993</u>
Total Deductions	<u>\$ 302,993</u>
Net Increase (Decrease) in Fiduciary Net Position	\$ (21,745)
Net Position, beginning	<u>\$ 56,352</u>
Net Position, ending	<u><u>\$ 34,607</u></u>

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

**Town of Oriental, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

**I. Summary of Significant Accounting Policies**

The accounting policies of 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 Town of Oriental, North Carolina.

**B. Basis of Presentation**

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

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

*Fund Financial Statements.* The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. There are no remaining governmental and enterprise funds 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, 2021**

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

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

The Town reports the following fiduciary fund type:

Custodial Fund – This fund is used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The custodial fund is used to account for assets the Town holds on behalf of others that meet certain criteria. The Town maintains the following custodial funds: the Bay River Metropolitan Sewerage District Fund, which accounts for sewer revenues that are billed and collected by the Town.

**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 funds are charges to customers for sales and

**Town of Oriental, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

Sales taxes and certain intergovernmental revenues, such as beer and wine 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 Greene County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting.

**Town of Oriental, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year fund. 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.

**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, and bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and Super NOW 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) external investment pool, is measured at fair value. Because the NCCMT-Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

The Town had no such investments at June 30, 2021.

**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 is classified as restricted cash because its use is restricted for economic development 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. Customer deposits in the Water Fund are also classified as restricted cash.

**Town of Oriental, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2021**

Governmental Activities	
General Fund:	
Streets	\$ 225,217
Economic development	263,156
Total Government Activities	<u>\$ 488,373</u>
Business-type Activities	
Water Fund:	
Customer deposits	\$ 26,983
Total Business-type Activities	<u>\$ 26,983</u>
Total Restricted Cash	<u><u>\$ 515,356</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2020. 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

**Town of Oriental, North Carolina**  
**Notes to the Financial Statements**  
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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:

Asset Class	Estimated Useful Lives
Infrastructure	30 years
Buildings	20-40 years
Improvements	10-20 years
Furniture and equipment	5-10 years
Computer equipment	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 meet this criterion, contributions made to the pension plan in the 2021 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 receivables, 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

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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; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

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

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town has no nonspendable fund balance.

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

North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds.

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

**Town of Oriental, North Carolina**  
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*Restricted for Stabilization by State Statute* – portion of fund balance that is restricted by State Statute [G.S. 159-89a)].

*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 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 revise the limitation. Any changes or removal of specific purpose requires majority action by the governing body.

Assigned Fund Balance – portion of fund balance that Town of Oriental intends to use for specific purposes. The Town has no assigned fund balance.

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

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

12. 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.

**Town of Oriental, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2021**

**II. Stewardship, Compliance, and Accountability**

A. Material Violations of Finance-related Legal and Contractual Provisions

There were no violations of N.C. General Statutes reported for the year ended June 30, 2021.

B. Excess of Expenditures over Appropriation

None.

C. Noncompliance with North Carolina General Statutes

*Annual Audit*

In accordance with G.S. 159-34, each unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year. The audit for the year ended June 30, 2021 was not completed until April 29, 2022. Due to changeover in finance personnel and COVID-19 related issues, the final accounting records were not received for audit until March 2022. The Town has hired new staff and believe that under normal circumstances management anticipates more timely audits in the future.

**III. Detail Notes on All Funds**

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

**Town of Oriental, North Carolina**  
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At June 30, 2021, the Town's deposits had a carrying amount of \$1,243,759 and a bank balance of \$1,332,680. Of the bank balance, \$426,461 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. Petty cash was \$150.00.

**2. Investments**

At June 30, 2021, the Town's deposits had \$345,439 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk of its investments.

At June 30, 2021, the Town's investment balances were as follows:

<b>Investment by Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/2021</b>	<b>Maturity</b>	<b>Rating</b>
NC Capital Management Trust Government Portfolio	Fair Value Level 1	\$ 345,439	N/A	AAAm
Total		\$ 345,439		

**Interest Rate Risk**

The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy limits at least half of the Town's investment portfolio to maturities of less than 12 months. Also, the Town's internal management policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

**Credit Risk**

The Town has adopted a formal policy regarding credit risk and has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAAm-mf by Moody's Investors Service as of June 30, 2021.

**3. Receivables – Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 are net of the following allowances for doubtful accounts:

**Town of Oriental, North Carolina**  
**Notes to the Financial Statements**  
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General Fund:	
Taxes receivables	\$ 16,598
Accounts receivables	892
Total	<u>\$ 17,490</u>
Enterprise Fund:	
Customer receivables	\$ 32
Other receivables	-
Total	<u>\$ 35,012</u>

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land and land improvements	\$ 232,107	\$ -	\$ -	\$ 232,107
Construction in progress	477,040	1,606,429	-	2,083,469
Total capital assets not being	<u>\$ 709,147</u>	<u>\$ 1,606,429</u>	<u>\$ -</u>	<u>\$ 2,315,576</u>
Capital assets being depreciated:				
Buildings	\$ 401,644	\$ -	\$ -	\$ 401,644
Infrastructure	61,424	-	-	61,424
Improvements	310,592	-	-	310,592
Equipment and machinery	247,440	86,564	-	334,004
Office furniture and equipment	25,454	-	-	25,454
Vehicles	202,809	65,272	-	268,081
Total capital assets being depreciated	<u>\$ 1,249,363</u>	<u>\$ 151,836</u>	<u>\$ -</u>	<u>\$ 1,401,199</u>
Less accumulated depreciation for:				
Buildings	\$ 111,203	\$ 13,564	\$ -	\$ 124,767
Infrastructure	2,388	2,047	-	4,435
Improvements	86,105	22,369	-	108,474
Equipment and machinery	164,819	18,527	-	183,346
Office furniture and equipment	18,444	1,998	-	20,442
Vehicles	165,524	20,911	-	186,435
Total accumulated depreciation	<u>\$ 548,483</u>	<u>\$ 79,416</u>	<u>\$ -</u>	<u>\$ 627,899</u>
Total capital assets being	<u>\$ 700,880</u>			<u>\$ 773,300</u>
Governmental activity capital assets, net	<u>\$ 1,410,027</u>			<u>\$ 3,088,876</u>

**Town of Oriental, North Carolina**  
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 26,177
Public safety	7,800
Transportation	27,522
Environmental protection	5,105
Cultural and recreational	12,812
Total	<u>\$ 79,416</u>

Capital asset activity for the Town's Enterprise Fund for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
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	<u>\$2,500,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,500,871</u>
Less Accumulated Depreciation For:				
Water plant	\$1,339,187	\$ 38,244	\$ -	\$1,377,431
Equipment	61,124	6,150	-	67,274
Vehicles	14,790	-	-	14,790
Total Accumulated Depreciation	<u>\$1,415,101</u>	<u>\$ 44,394</u>	<u>\$ -</u>	<u>\$1,459,495</u>
Sewer Capital Assets, Net	<u>\$1,085,770</u>			<u>\$1,041,376</u>

**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 the LGERS Board of Trustees, which consist of 13 members – nine appointed by the Governor, one appointed

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

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. 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 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. The 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, 2021, was 10.26% of compensation for employees, 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 \$49,042 for the year ended June 30, 2021.

**Town of Oriental, North Carolina**  
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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 \$269,436 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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 0.00754%, which was 0.00034% less than its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$92,250. At June 30, 2021, 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	\$ 34,025	\$ -
Changes of assumptions	20,051	-
Net difference between projected and actual earnings on pension plan investments	37,916	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,187	1,495
Town contributions subsequent to the measurement date	49,042	-
Total	<u>\$ 143,221</u>	<u>\$ 1,495</u>

\$49,042 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30	
2022	\$ 25,723
2023	35,053
2024	20,686
2025	11,221
2026	-
Thereafter	-
	\$ 92,683

*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	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 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	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	<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)	\$ 546,657	\$ 269,436	\$ 39,046

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

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

b. Supplemental Retirement Income Plan for Law Enforcement Officers

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The City's contributions for the year ended June 30, 2021 were \$3,906.

c. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

**Town of Oriental, North Carolina  
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2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end are composed of the following elements:

Contributions to pension plan in current fiscal year	\$ 49,042
Differences between expected and actual experience	34,025
Changes of assumptions	20,051
Net difference between projected and actual earnings	37,916
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,187
Total	<u>\$ 143,221</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivables, less penalties (General Fund)	\$ -	\$ 43,191
contributions and proportionate share of contributions	1,495	-
	<u>\$ 1,495</u>	<u>\$ 43,191</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters; 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 individually bonded for \$50,000.

**Town of Oriental, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

4. Long-term Obligations

a. Changes in Long-Term Liabilities

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Compensated absences	\$ 23,302	\$ 2,811	\$ -	\$ 26,113
Net pension liability (LGERS)	145,662	15,999	-	161,661
Total	<u>\$ 168,964</u>	<u>\$ 18,810</u>	<u>\$ -</u>	<u>\$ 187,774</u>
Business-type Activities:				
Net pension liability (LGERS)	\$ 50,964	\$ 56,811	\$ -	\$ 107,775
Total	<u>\$ 50,964</u>	<u>\$ 56,811</u>	<u>\$ -</u>	<u>\$ 107,775</u>

5. Claims, Judgements, and Contingent Liabilities

No claims or judgements existed at June 30, 2021.

6. Fund Balance

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

Total fund balance - General Fund	\$ 1,338,747
Less:	
Stabilization by State Statute	75,551
Streets-Powell Bill	225,217
Economic Development	263,156
Remaining Fund Balance	774,823

**IV. Related Party Transaction**

The Town has participated in no related party transactions for the year ended June 30, 2021.

**V. 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.

**Town of Oriental, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2021**

**VI. Summary Disclosure of Significant Contingencies**

Federal and State Assisted Programs

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

**VI. Subsequent Events**

As of April 29, 2022, the date of the completion of the financial statements, there were no material subsequent events that were required to be reported.

## **Required Supplementary Financial Data**

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This section contains additional information required by generally accepted accounting principles.

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- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contribution to Local Government Employees' Retirement System

**Town of Oriental's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Eight Fiscal Years**

**Local Government Employees' Retirement System**

	2021	2020	2019	2018	2017	2016	2015	2014
Town of Oriental's proportion of the net pension liability (asset) (%)	0.00754%	0.00720%	0.00681%	0.00601%	0.00610%	0.00559%	0.00468%	0.00400%
Town of Oriental's proportion of the net pension liability (asset) (\$)	\$ 269,436	\$ 196,626	\$ 161,556	\$ 91,816	\$ 129,462	\$ 25,088	\$ (27,600)	\$ 48,215
Town of Oriental's covered-employee payroll	\$ 484,898	\$ 413,397	\$ 354,168	\$ 352,757	\$ 348,361	\$ 339,154	\$ 372,068	\$ 372,068
Town of Oriental's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	55.57%	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%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

**Town of Oriental, North Carolina**  
**Town of Oriental's Contributions**  
**Required Supplementary Information**  
**Last Eight Fiscal Years**

**Local Government Employees' Retirement System**

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 49,042	\$ 43,999	\$ 31,794	\$ 26,807	\$ 24,693	\$ 20,416	\$ 20,578	\$ 20,756
Contributions in relation to the contractually required contributions	49,042	43,999	31,794	26,807	24,693	20,416	20,578	20,756
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Oriental's covered-employee payroll	\$ 477,857	\$ 484,898	\$ 413,397	\$ 354,168	\$ 352,757	\$ 348,361	\$ 339,154	\$ 372,068
Contributions as a percentage of covered- employee payroll	10.26%	9.07%	7.69%	7.57%	7.00%	5.86%	6.07%	5.58%

## **Individual Fund Statements and Schedules**

**Town of Oriental, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, And Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad Valorem Taxes:			
Taxes	\$ 513,668	\$ 574,971	\$ 61,303
Interest	2,750	3,633	883
Total	<u>\$ 516,418</u>	<u>\$ 578,604</u>	<u>\$ 62,186</u>
Other Taxes and Licenses:			
Other taxes	\$ -	\$ -	\$ -
Occupancy tax	22,000	36,594	14,594
Total	<u>\$ 22,000</u>	<u>\$ 36,594</u>	<u>\$ 14,594</u>
Unrestricted Intergovernmental:			
Local option sales taxes	\$ 176,040	\$ 218,182	\$ 42,142
Federal and state gas refund	921	1,375	454
Tax refunds	4,500	-	(4,500)
Franchise tax	76,907	68,764	(8,143)
Beer and wine tax	4,416	3,826	(590)
Total	<u>\$ 262,784</u>	<u>\$ 292,147</u>	<u>\$ 29,363</u>
Restricted Intergovernmental:			
Solid waste disposal tax	\$ 710	\$ 686	\$ (24)
Fire district tax	-	-	-
Various grants	165,900	88,905	(76,995)
Powell Bill allocation	41,399	36,150	(5,249)
Total	<u>\$ 208,009</u>	<u>\$ 125,741</u>	<u>\$ (82,268)</u>
Sales and Services:			
Solid waste fees	\$ 105,297	\$ 106,372	\$ 1,075
Recycling fees	18,250	18,253	3
Zoning and permit fees	3,500	3,230	(270)
Police fees	575	30	(545)
Other	1,130	920	(210)
Total	<u>\$ 128,752</u>	<u>\$ 128,805</u>	<u>\$ 53</u>
Investment Earnings	<u>\$ 900</u>	<u>\$ 259</u>	<u>\$ (641)</u>
Total Revenues	<u>\$ 1,138,863</u>	<u>\$ 1,162,150</u>	<u>\$ 23,287</u>

**Town of Oriental, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, And Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

	<u><b>Budget</b></u>	<u><b>Actual</b></u>	<u><b>Variance Positive (Negative)</b></u>
Expenditures			
General Government:			
Administration:			
Salaries and employee benefits		\$ 203,308	
Legal and professional fees		35,933	
Dues and subscriptions		4,578	
Office expenses		15,237	
Tax billing		12,207	
Utilities		3,950	
Insurance		18,698	
Other operating expenditures		33,834	
Repairs and maintenance		299	
Total General Government	<u>\$ 335,024</u>	<u>\$ 328,044</u>	<u>\$ 6,980</u>
Public Safety:			
Police:			
Salaries and employee benefits		\$ 101,347	
Supplies		56,101	
Vehicle expenses		9,065	
Other operating expenses		5,632	
Capital outlay		-	
Total Public Safety	<u>\$ 202,417</u>	<u>\$ 172,145</u>	<u>\$ 30,272</u>
Transportation:			
Streets and Highways:			
Street lights		\$ 14,912	
Other operating expenditures		7,080	
Total Transportation	<u>\$ 55,300</u>	<u>\$ 21,992</u>	<u>\$ 33,308</u>

**Town of Oriental, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, And Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Environmental Protection:			
Public Works:			
Salaries and employee benefits		\$ 250,478	
Contract - garbage collection		99,624	
Mosquito control		2,422	
Tipping fees		38,903	
Recycling		65,480	
Vehicle expenses		21,690	
Other operating expenditures		25,494	
Capital outlay		151,836	
Total Environmental Protection	<u>\$ 662,171</u>	<u>\$ 655,927</u>	<u>\$ 6,244</u>
Cultural and Recreational:			
Operating expenditures		\$ 17,133	
Total Cultural and Recreational	<u>\$ 17,608</u>	<u>\$ 17,133</u>	<u>\$ 475</u>
Economic and Physical Development			
Operating expenditures		\$ 59,495	
Total Economic and Physical Development	<u>\$ 100,345</u>	<u>\$ 59,495</u>	<u>\$ 40,850</u>
Total Expenditures	<u>\$ 1,372,865</u>	<u>\$ 1,254,736</u>	<u>\$ 118,129</u>
Revenues Over (Under) Expenditures	<u>\$ (234,002)</u>	<u>\$ (92,586)</u>	<u>\$ 141,416</u>
Other Financing Sources (uses):			
Fund balance appropriation	\$ 234,002	\$ -	\$ (234,002)
Total	<u>\$ 234,002</u>	<u>\$ -</u>	<u>\$ (234,002)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (92,586)</u>	<u>\$ (92,586)</u>
Fund Balances			
Beginning of year		1,431,333	
End of year		<u>\$ 1,338,747</u>	

**Town of Oriental, North Carolina**  
**Capital Project Funds - Whitaker Pointe Restoration Project**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2021**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>					
Golden Leaf Foundation - Local	\$ 916,406	\$ 100,607	\$ 588,969	\$ 689,576	\$ 226,830
NCDEQ - State	200,000	-	134,912	134,912	65,088
USDA - Federal	1,547,721	306,652	538,810	845,462	702,259
NC Dept of Agriculture - State	456,025	100,322	158,839	259,161	196,864
NFWF - Local	450,000	48,336	219,859	268,195	181,805
Total Revenues	<u>\$ 3,570,152</u>	<u>\$ 555,917</u>	<u>\$ 1,641,389</u>	<u>\$ 2,197,306</u>	<u>\$ 1,372,846</u>
<b>Expenditures:</b>					
Engineering services	\$ 120,400	\$ 73,938	\$ (2,916)	\$ 71,022	\$ 49,378
Construction	2,651,752	503,375	1,596,444	2,099,819	551,933
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	12,901	26,465	23,535
Total Expenditures	<u>\$ 3,680,752</u>	<u>\$ 590,877</u>	<u>\$ 1,606,429</u>	<u>\$ 2,197,306</u>	<u>\$ 1,483,446</u>
Revenues Over (Under) Expenditures	\$ (110,600)	\$ (34,960)	\$ 34,960	\$ -	\$ (110,600)
<b>Other Financing Sources:</b>					
Donated land	\$ 58,600	\$ -	\$ -	\$ -	\$ 58,600
Transfer from General Fund	52,000	-	-	-	52,000
Total Expenditures	<u>\$ 110,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,600</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (34,960)</u>	<u>\$ 34,960</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>					
Beginning of year, July 1			<u>(34,960)</u>		
End of year, June 30			<u>\$ -</u>		

**Town of Oriental, North Carolina**  
**Water Fund**  
**Schedule of Revenues And Expenditures - Budget and Actual (Non - GAAP)**  
**For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating Revenues:			
Water sales		\$ 287,174	
Penalties		2,770	
Miscellaneous revenues		32,664	
Total Operating Revenues	<u>\$ -</u>	<u>\$ 322,608</u>	<u>\$ 322,608</u>
Nonoperating Revenues:			
Interest earnings		\$ 27	
Total Revenues	<u>\$ 323,307</u>	<u>\$ 322,635</u>	<u>\$ (672)</u>
Expenditures			
General and Administrative:			
Salaries and employee benefits		\$ 38,119	
Postage		3,792	
Software maintenance		4,058	
Other operating expenditures		36,690	
Total	<u>\$ 90,429</u>	<u>\$ 82,659</u>	<u>\$ 7,770</u>
Water Treatment:			
Salaries and employee benefits		\$ 14,133	
Chemicals, salt, and chlorine		67,217	
Repairs and maintenance		68,591	
Utilities		16,632	
Sample costs		15,489	
Supplies		13,575	
Other operating expenditures		19,622	
Total Water Treatment	<u>\$ 232,678</u>	<u>\$ 215,259</u>	<u>\$ 17,419</u>
Total Expenditures	<u>\$ 323,107</u>	<u>\$ 297,918</u>	<u>\$ 25,189</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 24,717</u>	<u>\$ 24,717</u>
Other Financing Sources (Uses)			
Fund balance appropriated		\$ -	
Transfers		-	
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 24,717</u>	<u>\$ 24,717</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		\$ (44,394)	
Increase in deferred outflows of resources - pension		27,522	
Decrease in deferred inflows of resources - pension		106	
Increase in net position liabilities		(56,811)	
Total		<u>\$ (73,577)</u>	
Change in Net Position		<u>\$ (48,860)</u>	

## **Other Schedules**

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This section contains additional information on property taxes.

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

**Town of Oriental, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**For the Year Ended June 30, 2021**

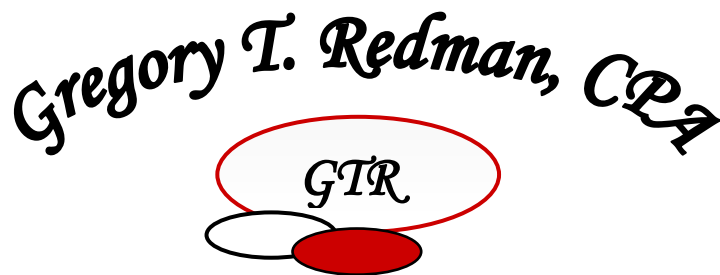
<b>Fiscal Year</b>	<b>Uncollected Balance June 30, 2020</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2021</b>
2020-2021	\$ -	\$ 557,479	\$ 550,360	\$ 7,119
2019-2020	20,763	-	16,195	4,568
2018-2019	10,961	-	993	9,968
2017-2018	19,548	-	2,949	16,599
2016-2017	4,848	-	1,015	3,833
2015-2016	3,210	-	306	2,904
2014-2015	4,645	-	599	4,046
2013-2014	4,286	-	551	3,735
2012-2013	4,128	-	182	3,946
2011-2012	3,575	-	504	3,071
2010-2011	3,937	-	3,937	-
<b>Total</b>	<u>\$ 79,901</u>	<u>\$ 557,479</u>	<u>\$ 577,591</u>	\$ 59,789
Less: Allowance for Uncollectible Accounts				<u>16,598</u>
Ad Valorem Tax Receivables, Net				<u><u>43,191</u></u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 578,604
Reconciling items:	
Interest collected	(3,633)
Discounts, write-offs and adjustments	<u>2,620</u>
Total collections and credits	<u><u>\$ 577,591</u></u>

**Town of Oriental, North Carolina**  
**Analysis of Current Tax Levy**  
**Town - Wide Levy**  
**For the Fiscal Year Ended June 30, 2021**

				Total Levy	
	Town - Wide			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current rate	\$ 253,399,545	0.22	\$ 557,479	\$ 527,563	\$ 29,916
Releases	-	0.22	-	-	-
Total Property Valuation	<u>\$ 253,399,545</u>				
Net levy			\$ 557,479	\$ 527,563	\$ 29,916
Uncollected taxes at June 30, 2021			<u>7,119</u>	<u>7,119</u>	<u>-</u>
Current year's taxes collected			<u>\$ 550,360</u>	<u>\$ 520,444</u>	<u>\$ 29,916</u>
Current levy collection percentage			<u>98.72%</u>	<u>98.65%</u>	<u>100.00%</u>



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North Carolina Association of  
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Member  
American Institute of  
Certified Public Accountants

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

Independent Auditor's Report

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

I 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, business-type activities, and each major fund of the Town of Oriental, North Carolina as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Oriental, North Carolina's basic financial statements, and have issued my report thereon dated April 29, 2022.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operating 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Town of Oriental's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit, I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies reported as 2021-001.

#### Compliance and Other Matters

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

#### Town of Oriental's Response to Findings

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

#### Purpose of this Report

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



Gregory T. Redman, CPA  
Tarboro, North Carolina  
April 29, 2022

**Town of Oriental, North Carolina  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020**

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Section I – Summary of Auditor’s Results

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Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_yes   X  no
- Significant deficiency(ies) identified that are not considered  
to be material weaknesses   X  yes \_\_\_\_\_none reported

Noncompliance material to financial statements noted \_\_\_\_\_yes   X  no

**Town of Oriental, North Carolina  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020**

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Section II – Financial Statement Findings

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**Material Weakness**

**Finding 2021-001      Late Submission of Audit**

**Criteria:** The Town is required to submit the audit report to the Local Government Commission by October 31 following the year end of June 30.

**Condition:** The audit report for the year ended June 30, 2021 was due to the Local Government Commission by October 31, 2021. The audit report was not submitted to the Local Government Commission until April 29, 2022.

**Cause:** The yearend accounting and documents required for an audit were not prepared in a timely fashion. The Town recently hired new financial staff and various financial personnel out with COVID-19.

**Effect:** Audit reports completed a year after the June 30 year end do not provide useful information to management, the Board, lenders, and the Local Government Commission.

**Recommendation:** The Board should remain diligent in expecting and receiving timely financial information from the staff and the outside accountant. Management should constantly monitor the financial information and be aware of whether reporting deadlines are met.

**Repeat Finding:** No

**Views of responsible officials and planned corrective actions:** Management is aware that the accounting records were not prepared timely in order to receive a timely audit. The Board has already become more involved and will hold the staff and accountant accountable for timely financial information.



**TOWN OF ORIENTAL**  
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[manager@townoforiental.com](mailto:manager@townoforiental.com)

**Corrective Action Plan  
For the Year Ended June 30, 2021**

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**Section II – Financial Statement Findings**

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**Finding 2021-001**

**Late Submission of Audit**

Name of Contact Person:

Diane Miller  
Town Manager

Corrective Action:

Management has stressed the importance of timely records. Management and the finance officer will work together to make sure that financial records are up to date and the finance officer will prepare timely records for the year ended June 30, 2022.

Proposed Completion Date:

June 30, 2022

**Town of Oriental, North Carolina  
Summary Schedule of Prior Year Audit Findings  
For the Year Ended June 30, 2020**

None Reported.