

---

**Town of Oriental**

---

**Oriental, North Carolina**

---

**Audit Report**

**June 30, 2016**

---

# TOWN OF ORIENTAL

## ORIENTAL, NORTH CAROLINA

### TOWN OFFICIALS

#### Mayor

Sally Belangia

#### Town Commissioners

Charlie Overcash

David White

Barb Venturi

Sandy Winfrey

Allen Price

Town of Oriental, North Carolina  
Table of Contents  
June 30, 2016

	<u>Exhibit/ Schedule Number</u>	<u>Page</u>
<b>Financial Section:</b>		
<b>Independent Auditor's Report</b>		1
<b>Management's Discussion and Analysis</b>		4
<b>Basic Financial Statements:</b>		
I. Government-Wide Financial Statements:		
Statement of Net Position	A-1	12
Statement of Activities	A-2	13
II. Fund Financial Statements:		
Balance Sheet - Governmental Funds	A-3	14
Reconciliation of Governmental Funds Balance Sheet with Statement of Net Position	A-4	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	A-5	16
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities	A-6	17
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	A-7	18
Statement of Net Position - Proprietary Funds	A-8	19
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	A-9	20
Statement of Cash Flows - Proprietary Funds	A-10	21
Statement of Fiduciary Net Position	A-11	22
III. Notes to the Financial Statements		23

Town of Oriental, North Carolina  
Table of Contents  
June 30, 2016

	<u>Exhibit/ Schedule Number</u>	<u>Page</u>
<b>Required Supplemental Financial Data:</b>		
Schedule of Proportionate Share Net Position Liability Assets - Local Government Employees' Retirement System	1	43
Schedule of Contributions - Local Government Employees' Retirement System	2	44
<b>Individual Fund Statements and Schedules:</b>		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	3	45
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP) - Water & Sewer Fund	4	49
Schedule of Agency Fund Statement of Changes in Assets and Liabilities	5	51
<b>Other Schedules:</b>		
Schedule of Ad Valorem Taxes Receivable	6	52
Analysis of Current Year Levy - General Fund Property Tax	7	53

# LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

---

## **Independent Auditor's Report**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oriental, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on the audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

*Member:*

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

2313 EXECUTIVE CIRCLE, SUITE B • GREENVILLE, NC 27858 • (252) 561-8292 • FAX (888) 850-0782  
[www.lecarpentercpa.com](http://www.lecarpentercpa.com) • [info@lecarpentercpa.com](mailto:info@lecarpentercpa.com)

## **Opinions**

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining funds of Town of Oriental, North Carolina as of June 30, 2016, and the respective changes in financial position, and cash flows, where appropriate, thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary information*

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

### *Supplementary and Other Information*

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

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

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

*Larry E. Carpenter, CPA, PA*

Greenville, NC

January 29, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



## Management's Discussion and Analysis

As management of the Town of Oriental, we offer readers of the Town of Oriental's financial statements this narrative overview and analysis of the financial activities of the Town of Oriental for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### ***Financial Highlights***

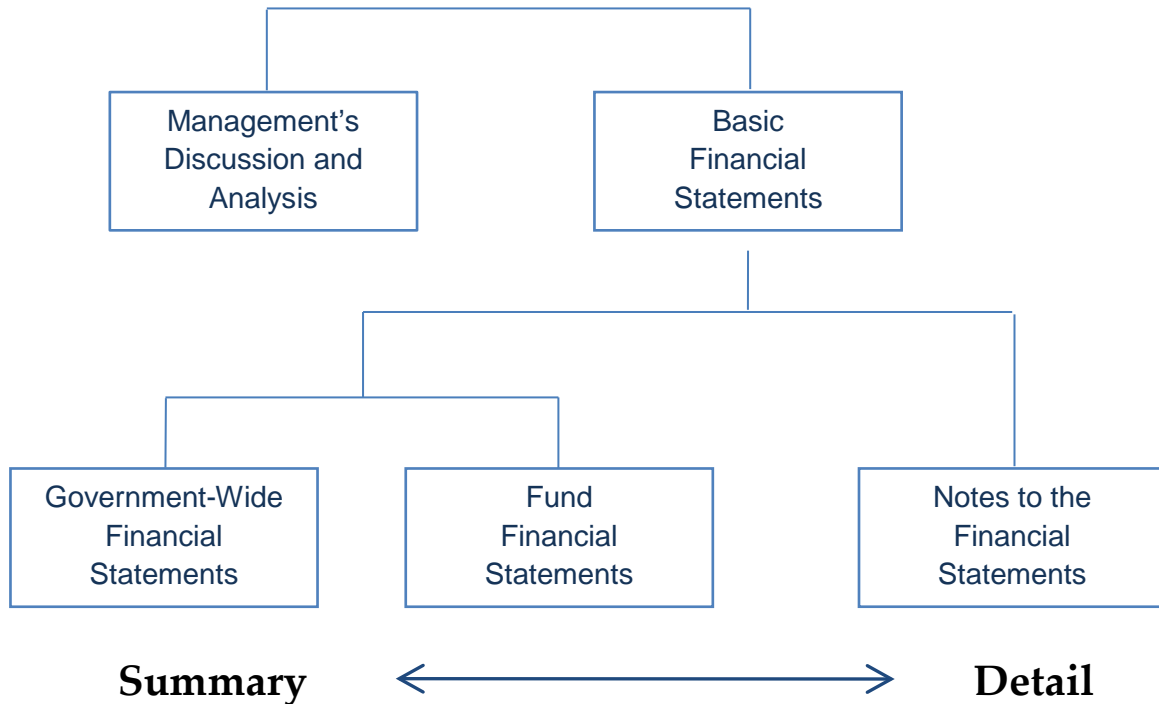
- The assets and deferred outflows of resources of the Town of Oriental exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,035,753 (*net position*).
- The government's total net position increased by \$128,272, primarily due to an increase in both the governmental and the business-type activities net position.
- As of the close of the current fiscal year, the Town of Oriental's governmental funds reported combined ending fund balances of \$845,608 with a net change of \$101,805 in fund balance. Approximately 87.49% percent of this total amount, or \$739,847 is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$739,847, or 91.33% percent of total general fund expenditures for the fiscal year.
- At the end of the current fiscal year, the Town of Oriental had Restricted Reserves of \$85,142.
- The Town of Oriental has no debt.

### ***Overview of the Financial Statements***

This discussion and analysis are intended to serve as an introduction to Town of Oriental's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Oriental.

## Components of the Annual Financial Report

Figure 1:



### Basic Financial Statements

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

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

### Government-wide financial statements

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

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

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

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

### **Fund Financial Statements**

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

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

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

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

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

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

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

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

### Town of Oriental's Net Position

Figure 2

	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 906,237	\$ 823,561	\$ 242,356	\$ 205,624	\$ 1,148,593	\$ 1,029,185
Pension assets	-	-	-	1,307,901		
Capital assets	741,275	672,090	1,247,893	-	1,989,168	672,090
Deferred outflows of resources	23,240	17,422	-	3,156	23,240	20,578
Total assets and deferred outflows of resources	1,670,752	1,513,073	1,490,249	1,516,681	3,161,001	1,721,853
Current liabilities	28,243	18,240	49,761	27,818	78,004	46,058
Noncurrent liabilities	18,585	17,171	-	-	18,585	17,171
Deferred inflows of resources	9,660	43,740	3,380	15,304	13,040	59,044
Total liabilities and deferred inflow of resources	56,488	79,151	53,141	43,122	109,629	122,273
Net investment in capital assets	741,275	672,090	1,247,893	1,307,901	1,989,168	1,979,991
Restricted	105,761	161,646	-	-	105,761	161,646
Unrestricted	750,981	600,186	189,843	165,658	940,824	765,844
Total net position	\$ 1,598,017	\$ 1,433,922	\$ 1,437,736	\$ 1,473,559	\$ 3,035,753	\$ 2,907,481

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Oriental exceeded liabilities by \$3,035,753 as of June 30, 2016. The

*Town of Oriental*  
*Management's Discussion and Analysis*

Town's net position increased by \$128,272 for the fiscal year ended June 30, 2016. However, the largest portion, \$1,989,168 or 65.52% reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Oriental uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Oriental's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Oriental's net position, \$105,761 or 0.07% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$940,824 or 79.82% is unrestricted.

**Town of Oriental's Changes in Net Position**

**Figure 3**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 88,415	\$ 88,123	\$ 322,423	\$ 276,525	\$ 410,838	\$ 364,648
Operating grants and contributions	86,927	42,040	-	-	86,927	42,040
Capital grants and contributions	-	13,120	-	-	-	13,120
General revenues:						
Property taxes	449,799	460,828			449,799	460,828
Other taxes	145,900	228,761			145,900	228,761
Unrestricted intergovernmental	95,969	-			95,969	-
Investment earnings	849	203	-	74	849	277
Other	35,341	4,265	-	12,341	35,341	16,606
Total revenues	<u>903,200</u>	<u>837,340</u>	<u>322,423</u>	<u>288,940</u>	<u>1,225,623</u>	<u>1,126,280</u>
					-	
<b>Expenses:</b>						
General government	220,546	417,213			220,546	417,213
Public safety	85,624	86,969			85,624	86,969
Transportation	42,758	56,426			42,758	56,426
Economic and physical development	-	2,848			-	2,848
Environmental protection	357,120	142,387			357,120	142,387
Culture and recreation	33,057	30,793			33,057	30,793
Interest on long-term debt	-	-			-	-
Water and sewer			358,246	309,095	358,246	309,095
Total expenses	<u>739,105</u>	<u>736,636</u>	<u>358,246</u>	<u>309,095</u>	<u>1,097,351</u>	<u>1,045,731</u>
Increase in Net Position before transfers	164,095	100,704	(35,823)	(20,155)	128,272	80,549
Transfers	-	-	-	-	-	-
Increase (decrease) in Net Position	164,095	100,704	(35,823)	(20,155)	128,272	80,549
Net Position, July 1	1,433,922	1,333,218	1,473,559	1,493,714	2,907,481	2,826,932
Net Position, June 30	<u>\$ 1,598,017</u>	<u>\$ 1,433,922</u>	<u>\$ 1,437,736</u>	<u>\$ 1,473,559</u>	<u>\$ 3,035,753</u>	<u>\$ 2,907,481</u>

**Governmental activities:** Governmental activities increased the Town net assets by \$164,095. Key elements of the increase are as follows:

- Tax Revenues remained steady

**Business-type activities:** Business-type activities decreased the Town of Oriental's net position by

\$35,823 accounting for -0.22% of the increase in the government's net assets.

**Proprietary Funds.** The Town of Oriental proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water at the end of the fiscal year amounted to \$1,437,736.

### **Financial Analysis of the Town's Funds**

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

**Governmental Funds.** The focus of the Town of Oriental's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Oriental's financing requirements.

The general fund is the chief operating fund of the Town of Oriental. At the end of the current fiscal year, the Town of Oriental's fund balance available in the General Fund was \$739,847, while total fund balance reached \$845,608. The Town currently has an available fund balance of 91.33% of general fund expenditures, while total fund balance represents 104.39% of the same amount.

At June 30, 2016, the governmental funds of the Town of Oriental reported a combined fund balance of \$845,608 with a net increase in fund balance of \$101,805.

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

### **General Fund Budgetary Highlights**

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

**Capital Asset and Debt Administration**

**Capital Assets.** The Town of Oriental's Investment in Capital Assets for Its Governmental and Business—Type Activities as of June 30, 2016, totaled \$741,275 (*Net of Accumulated Depreciation*). These Assets Include Buildings, Roads and Bridges, Land, Machinery and Equipment, Park facilities, and vehicles.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Land	\$ 232,107	\$ 232,107		\$ -	\$ 232,107	\$ 232,107
Construction in progress	-	13,120			-	13,120
Buildings	401,644	349,914			401,644	349,914
Land improvements	135,731	104,831			135,731	104,831
Equipment and machinery	175,506	145,228	65,006	65,006	240,512	210,234
Office furniture & equipment	14,888	14,888			14,888	14,888
Vehicles	147,899	147,899	14,790	14,790	162,689	162,689
Water plant	-	-	2,393,909	2,393,909	2,393,909	2,393,909
Subtotal	1,107,775	1,007,987	1,107,775	2,473,705	3,581,480	3,481,692
Accumulated depreciation	(366,500)	(335,898)	(1,225,812)	(1,225,812)	(1,592,312)	(1,561,710)
Capital assets, net	<u>\$ 741,275</u>	<u>\$ 672,089</u>	<u>\$ 741,275</u>	<u>\$ 1,247,893</u>	<u>\$1,989,168</u>	<u>\$1,919,982</u>

**Long-term Debt.** As of June 30, 2016, the Town of Oriental has no debt.

**Economic Factors and Next Year's Budget and Rates**

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

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

**Budget Highlights for the Fiscal Year Ending June 30, 2016**

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

**Requests for Information**

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

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



## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Town of Oriental, North Carolina**  
**Statement of Net Position**  
**June 30, 2016**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 551,047	\$ 138,445	\$ 689,492
Taxes receivable, net	32,388	--	32,388
Accounts receivable, net	20,619	--	20,619
Customer receivables, net	--	64,228	64,228
Other receivable and assets	--	4,090	4,090
Inventory	--	16,931	16,931
Restricted cash and cash equivalents	302,184	17,662	319,846
<b>Total Current Assets</b>	<b>906,238</b>	<b>241,356</b>	<b>1,147,594</b>
<i>Noncurrent Assets</i>			
Land and other nondepreciable assets	232,107	--	232,107
Other capital assets, net of depreciation	509,168	1,247,893	1,757,061
<b>Total Assets</b>	<b>1,647,513</b>	<b>1,489,249</b>	<b>3,136,762</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Aggregated deferred outflows	23,240	8,131	31,371
<b>Total Deferred Outflows of Resources</b>	<b>23,240</b>	<b>8,131</b>	<b>31,371</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts payable and accrued liabilities	28,243	32,099	60,342
Deposits and Advances	--	17,662	17,662
<b>Total Current Liabilities</b>	<b>28,243</b>	<b>49,761</b>	<b>78,004</b>
<i>Noncurrent Liabilities</i>			
Net Pension Liability	18,585	6,503	25,088
Compensated absences	16,248	--	16,248
<b>Total Liabilities</b>	<b>63,076</b>	<b>56,264</b>	<b>119,340</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Aggregated deferred inflows	9,660	3,380	13,040
<b>Total Deferred Inflows of Resources</b>	<b>9,660</b>	<b>3,380</b>	<b>13,040</b>
<b>NET POSITION</b>			
Net investment in capital assets	741,275	1,247,893	1,989,168
<i>Restricted for:</i>			
Stabilization by State Statue	20,619	--	20,619
Streets	85,142	--	85,142
Economic Development	217,042	--	217,042
<i>Unrestricted</i>	533,939	189,843	723,782
<b>Total Net Position</b>	<b>\$ 1,598,017</b>	<b>\$ 1,437,736</b>	<b>\$ 3,035,753</b>

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

**Town of Oriental, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2016**

Functions/Programs	Expenses	Primary Government					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>							
<b>Governmental Activities:</b>							
General government	\$ 220,546	\$ 2,850	\$ 45,509	\$ --	\$ (172,187)	\$ --	\$ (172,187)
Public safety	85,624	232	--	--	(85,392)	--	(85,392)
Transportation	42,758	--	40,298	--	(2,460)	--	(2,460)
Environmental protection	357,120	85,333	1,120	--	(270,667)	--	(270,667)
Cultural and recreational	33,057	--	--	--	(33,057)	--	(33,057)
<b>Total Governmental Activities</b>	<b>739,105</b>	<b>88,415</b>	<b>86,927</b>	<b>--</b>	<b>(563,763)</b>	<b>--</b>	<b>(563,763)</b>
<b>Business-type Activities:</b>							
Water Fund	358,246	322,250	--	--	--	35,996	35,996
<b>Total Business-type Activities</b>	<b>358,246</b>	<b>322,250</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>35,996</b>	<b>35,996</b>
<b>Total Primary Government</b>	<b>\$ 1,097,351</b>	<b>\$ 410,665</b>	<b>\$ 86,927</b>	<b>\$ --</b>	<b>\$ (563,763)</b>	<b>\$ 35,996</b>	<b>\$ 599,759</b>
<b>General Purpose Revenues and Transfers:</b>							
<b>Revenues</b>							
Ad valorem taxes					449,799	--	449,799
Other taxes and licenses					145,900	--	145,900
Unrestricted intergovernmental					95,969	--	95,969
Restricted intergovernmental					13,557	--	13,557
Miscellaneous Income					21,784	--	21,784
Investment earnings					849	173	1,022
<b>Transfers</b>					--	--	--
<b>Total General Revenues and Transfers</b>					<b>727,858</b>	<b>--</b>	<b>728,031</b>
<b>Change in Net Position</b>					<b>164,095</b>	<b>(35,823)</b>	<b>128,272</b>
<i>Net Position at Beginning of Period</i>					<u>1,433,922</u>	<u>1,473,559</u>	<u>2,907,481</u>
<b>Net Position at End of Period</b>					<b>\$ 1,598,017</b>	<b>\$ 1,437,736</b>	<b>\$ 3,035,753</b>

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

## **Fund Financial Statement**

**Town of Oriental, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2016**

	<b>Major Fund</b>
	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 551,047
Taxes receivable, net	32,388
Accounts receivable, net	20,619
Restricted cash and cash equivalents	302,184
<b><i>Total Assets</i></b>	<b>906,238</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Aggregated deferred outflows	--
<b><i>Total Assets and Deferred Outflows of Resources</i></b>	<b><u>\$ 906,238</u></b>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 28,242
<b><i>Total Liabilities</i></b>	<b>28,242</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Aggregated deferred inflows	32,388
<b><i>Total Liabilities and Deferred Inflows of Resources</i></b>	<b><u>60,630</u></b>
<b>FUND BALANCE</b>	
Restricted	
Stabilization by State Statue	20,619
Streets	85,142
Economic Development	217,042
Unassigned	522,805
<b><i>Total Fund Balance</i></b>	<b>845,608</b>
<b><i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i></b>	<b><u>\$ 906,238</u></b>

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

**Town of Oriental, North Carolina**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2016**

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

Total Fund Balance - Governmental Funds	\$	845,608
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,077,172
A long term asset, is not available to pay for current expenditures and, therefore is reported as deferred inflows of resources in the funds.		34,080
Net Pension Liability		(18,585)
Other long-term liabilities (accrued interest payable, bonds payable, earned vacation payable) are not due and payable in the current period and, therefore are not reported in the funds.		(16,248)
Deferred outflows of resources related to pensions are not reported in the funds		23,240
Net pension asset		(335,897)
Deferred inflows of resources related to pensions are not reported in the funds		(43,741)
Earned revenues considered deferred inflows of resources in fund statements.		32,388
<b>Total Net Position-Governmental Funds</b>	<b>\$</b>	<b><u>1,598,017</u></b>

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

**Town of Oriental, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	<u>Major Fund</u>
	<u>General Fund</u>
<b>Revenues</b>	
Ad valorem taxes	\$ 458,483
Other taxes and licenses	145,900
Unrestricted intergovernmental	95,969
Restricted intergovernmental	99,364
Permits & fees	2,850
Charges for Sales & Services	85,565
Investment earnings	849
Miscellaneous Income	22,904
<b>Total Revenues</b>	<u>911,884</u>
<b>Expenditures</b>	
General government	205,503
Public safety	80,479
Transportation	69,288
Environmental protection	428,331
Cultural and recreational	26,478
<b>Total Expenditures</b>	<u>810,079</u>
<b>Excess of Revenues Over</b>	
<b>(Under) Expenditures</b>	<u>101,805</u>
<b>Net Change in Fund Balance</b>	<b>101,805</b>
<i>Fund Balance at Beginning of Period</i>	<u>743,803</u>
<b>Fund Balance at End of Period</b>	<b>\$ 845,608</b>

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



**Town of Oriental, North Carolina  
 Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and  
 Changes in Fund Balance with Statement of Activities  
 For the Year Ended June 30, 2016**

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

Total Net Change in Fund Balances - Governmental Funds	\$	101,805
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		69,185
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. (change in earned vacation pay, change in accrued interest expense)		923
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(8,684)
Pension expense		866
<b>Changes in Net Position-Governmental Funds</b>	<b>\$</b>	<b><u>164,095</u></b>

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

**Town of Oriental, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
<b>Revenues</b>				
Ad valorem taxes	\$ 427,910	\$ 427,910	\$ 458,483	\$ 30,573
Other taxes and licenses	136,900	136,900	145,900	9,000
Unrestricted intergovernmental	59,160	59,160	95,969	36,809
Restricted intergovernmental	90,004	90,004	99,364	9,360
Permits and fees	1,000	1,000	2,850	1,850
Investment earnings	110	110	849	739
Miscellaneous Income	3,150	3,150	22,904	19,754
<b>Total Revenues</b>	<b>809,279</b>	<b>809,279</b>	<b>911,884</b>	<b>102,605</b>
<b>Other Financing Sources</b>				
<b>Total Revenues and Other Financing Sources</b>	<b>809,279</b>	<b>809,279</b>	<b>911,884</b>	<b>102,605</b>
<b>Expenditures</b>				
General government	216,893	216,893	205,503	11,390
Public safety	88,355	88,355	80,479	7,876
Transportation	94,059	94,059	69,288	24,771
Environmental protection	454,126	454,126	428,331	25,795
Cultural and recreational	37,398	37,398	26,478	10,920
<b>Total Expenditures</b>	<b>890,831</b>	<b>890,831</b>	<b>810,079</b>	<b>80,752</b>
<b>Other Financing Uses</b>				
Appropriations	(81,552)	(81,552)	--	(81,552)
<b>Total Expenditures and Other Financing Uses</b>	<b>809,279</b>	<b>809,279</b>	<b>810,079</b>	<b>(800)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>				
<b>Net Change in Fund Balance</b>	<b>\$ --</b>	<b>\$ --</b>	<b>101,805</b>	<b>101,805</b>
<i>Fund Balance at Beginning of Period</i>			743,803	
<b>Fund Balance at End of Period</b>			<b>\$ 845,608</b>	

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

**Town of Oriental, North Carolina**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	<b>Business-type Activities - Enterprise Funds</b>
	<b>Water Fund</b>
<b>ASSETS</b>	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 138,445
Customer receivables, net	64,228
Other receivable and assets	4,090
Inventory	16,931
Restricted cash and cash equivalents	17,662
<b>Total Current Assets</b>	<b>241,356</b>
<i>Noncurrent Assets</i>	
Other capital assets, net of depreciation	1,247,893
<b>Total Assets</b>	<b>1,489,249</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Aggregated deferred outflows	8,131
<b>Total Deferred Outflows of Resources</b>	<b>8,131</b>
<b>LIABILITIES</b>	
<i>Current Liabilities</i>	
Accounts payable and accrued liabilities	32,099
Deposits and Advances	17,662
<b>Total Current Liabilities</b>	<b>49,761</b>
<i>Noncurrent Liabilities</i>	
Net Pension Liability	6,503
<b>Total Liabilities</b>	<b>56,264</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Aggregated deferred inflows	3,380
<b>Total Deferred Inflows of Resources</b>	<b>3,380</b>
<b>NET POSITION</b>	
Net investment in capital assets	1,247,893
<i>Unrestricted</i>	189,843
<b>Total Net Position</b>	<b>\$ 1,437,736</b>

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

**Town of Oriental, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	<b>Business-type Activities - Enterprise Funds</b>
	<b>Water Fund</b>
<b>Operating Revenues</b>	
Sales and services	\$ 295,245
Impact fees	3,500
Service fees	2,709
Miscellaneous Income	20,796
<b>Total Operating Revenues</b>	<b>322,250</b>
<b>Operating Expenses</b>	
Administration	62,019
Water Treatment	236,220
Depreciation	60,007
<b>Total Operating Expenses</b>	<b>358,246</b>
<b>Operating Income (Loss)</b>	<b>(35,996)</b>
<b>Non-Operating Revenues (Expenses)</b>	
Investment earnings	173
<b>Net Non-Operating Revenues (Expenses)</b>	<b>173</b>
<b>Change In Net Position</b>	<b>(35,823)</b>
<i>Net Position at Beginning of Period</i>	1,473,559
<b>Net Position at End of Period</b>	<b>\$ 1,437,736</b>

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

**Town of Oriental, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	<u>Enterprise Funds</u>
	<u>Water &amp; Sewer Fund</u>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 285,482
Cash paid for goods and services	( 205,717 )
Cash paid to/on behalf of employees	( 96,685 )
Customer deposits, net	6,794
Other operating revenue	20,796
Net cash provided (used) by operating activities	<u>10,670</u>
<b>Cash Flows from Noncapital Financing Activities:</b>	
	<u>-</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
<b>Cash Flows from Investing Activities:</b>	
Investment income received	173
Net increase (decrease) in cash and cash equivalents	<u>10,843</u>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>162,195</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 173,038</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ (35,996)
Depreciation	60,007
Change in assets and liabilities:	
(Increase) decrease in accounts receivables	( 45,184 )
Increase (decrease) in accounts payable and accrued liabilities	18,166
Increase (decrease) in customer deposits	( 6,794 )
Increase (decrease) in due to other funds	2,456
Decrease in net pension assets	(7,154)
Increase in deferred outflows of resources - pensions	4,977
Decrease in deferred inflows of resources - pensions	(6,503)
Increase in net pension liabilities	11,924
Pension expense	14,771
<b>Net cash provided (used) by operating activities</b>	<u>\$ 10,670</u>

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

**Town of Oriental, North Carolina  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016**

	<b>Agency Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 59,496
Customer receivables, net	13,908
<b><i>Total Assets</i></b>	<b>73,404</b>
<b>LIABILITIES</b>	
Intergovernmental payable	73,404
<b><i>Total Liabilities</i></b>	<b>\$ 73,404</b>

## **Notes To The Financial Statements**

**Town of Oriental, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2016**

**NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***A. Reporting Entity***

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

***B. Basis of Presentation***

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

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

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

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



**Town of Oriental, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2016**

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise fund:

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

The Town reports the following fund type:

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

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

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

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

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

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

**Town of Oriental, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

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

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

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

***D. Budgetary Data***

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. The Town Manager has the authority to amend appropriations within departments. All other amendments must be approved by the governing board.

**Town of Oriental, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2016**

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

***1. Deposits and Investments***

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

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

The Town had no such investments at June 30, 2016

***2. Cash and Cash Equivalents***

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

***3. Restricted Assets***

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

<b>Town of Oriental Restricted Cash</b>	
Governmental Activities- General Fund	
Economic Development- Water Front	\$ 179,569
Economic Development- Heads in Beds	37,473
Streets	85,142
Total restricted cash	\$ 302,184

**Town of Oriental, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2016**

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2015. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

**5. Allowances for Doubtful Accounts**

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

**6. Inventory & Prepaid Items**

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

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

**7. Capital Assets**

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

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

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

**Town of Oriental, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2016**

**8. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category—property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

**9. *Long-Term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

**10. *Compensated Absences***

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

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

**11. *Net Position/Fund Balances***

*Net Position*

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, net related debt; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors,

**Town of Oriental, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2016**

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

*Fund Balances*

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

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

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

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

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

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

*Committed for Travel and Tourism*- portion of fund balance assigned by the Board for Travel and Tourism Purposes.

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

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

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

**Town of Oriental, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2016**

**12. Pensions**

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

**NOTE II—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

**1. Noncompliance with North Carolina General Statutes**

The Town of Oriental was in violation of North Carolina State Statute G.S. 159-34 for failure to submit a timely audit report for the year ended June 30, 2016. During the year ended June 30, 2016, the Town was in the process of converting to a new accounting system that due to some unforeseen issues generated several delays and setbacks that impaired the completion of their audit report in a timely manner. Additionally, the Town had also dismissed their original audit firm and subsequently retained another audit firm to complete their audit. The Town agrees to this and further agrees to make an effort to submit timely audit reports in the future.

**2. Contractual Violations**

NONE

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

NONE

**4. Excess of Expenditures over Appropriations**

NONE

**NOTE III- DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits**

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary

**Town of Oriental, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2016**

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

At June 30, 2016, the Town's deposits had a carrying amount of \$680,445 and a bank balance of \$696,001. Of the bank balance \$429,537 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. Petty cash was \$150.

**2. Investments**

At June 30, 2016, the Town had \$328,743, invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAA by Standard and Poor's. The Town has no policy regarding credit risk of its investments.

**3. Receivables — Allowance for Doubtful Accounts**

General Fund:	
Taxes receivable	\$ 17,602
Accounts receivable	278
Total	17,880
Enterprise Fund:	
Customer receivables	412
Other receivables	-
Total	412
Grand Total	\$ 18,292



**Town of Oriental, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2016**

**4. Capital Assets**

**Governmental Capital Assets**

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

**General Fund Capital Assets**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land and land improvements	\$ 232,107	\$ -	\$ -	\$ 232,107
Construction in progress	13,120		13,120	-
Total capital assets not being depreciated	<u>245,227</u>	<u>-</u>	<u>13,120</u>	<u>232,107</u>
<b>Capital assets being depreciated:</b>				
Buildings	349,914	51,730	-	401,644
Land improvements	104,831	30,900	-	135,731
Equipment and machinery	145,228	30,278	-	175,506
Office furniture & equipment	14,888	-	-	14,888
Vehicles	147,899	-	-	147,899
Total capital assets being depreciated	<u>762,760</u>	<u>112,908</u>	<u>-</u>	<u>875,668</u>
<b>Less accumulated depreciation for:</b>				
Buildings	45,972	10,977	-	56,949
Land improvements	30,142	6,962	-	37,104
Equipment and machinery	123,264	3,105	-	126,369
Office furniture & equipment	13,794	248	-	14,042
Vehicles	122,726	9,310	-	132,036
Total accumulated depreciation	<u>335,898</u>	<u>\$ 30,602</u>	<u>\$ -</u>	<u>366,500</u>
Total capital assets being depreciated, net	<u>426,862</u>			<u>509,168</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 672,089</u>			<u>\$ 741,275</u>

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

<b>Governmental Activities:</b>	
General government	\$ 15,909
Public safety	5,145
Transportation	2,970
Cultral and recreational	6,579
Total	<u>\$ 30,603</u>

**Town of Oriental, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2016**

**Enterprise Fund Capital Assets.**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
<b>Capital assets being depreciated:</b>				
Water plant	\$ 2,393,909	\$ -	\$ -	\$ 2,393,909
Equipment	65,006	-	-	65,006
Vehicles	14,790	-	-	14,790
Total capital assets being depreciated	<u>2,473,705</u>	<u>-</u>	<u>-</u>	<u>2,473,705</u>
<b>Less accumulated depreciation for:</b>				
Water plant	1,123,358	54,349	-	1,177,707
Equipment	27,657	5,658	-	33,315
Vehicles	14,790	-	-	14,790
	<u>1,165,805</u>	<u>\$ 60,007</u>	<u>\$ -</u>	<u>1,225,812</u>
Total capital assets being depreciated, net	<u>1,307,900</u>			<u>1,247,893</u>
<b>Water Capital Assets, Net</b>	<u>\$ 1,307,900</u>			<u>\$ 1,247,893</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 consists of 13 members — nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.ne.gov](http://www.osc.ne.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of

**Town of Oriental, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2016**

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Oriental employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Oriental's contractually required contribution rate for the year ended June 30, 2016, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Oriental were \$20,416 for the year ended June 30, 2016.

*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.

**Town of Oriental, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2016**

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

At June 30, 2016, the Town reported a liability of \$25,088 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.00559% which was a decrease of 0.00091% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the Town recognized pension expense of \$14,771. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 5,897
Changes of assumptions	-	
Net difference between projected and actual earnings on pension plan investments	-	7,143
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,955	
Employer contributions subsequent to the measurement date	20,416	
Total	\$ 31,371	\$ 13,040

\$31,371 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2017	\$ (5,007)
2018	(5,007)
2019	(5,018)
2020	12,947
2021	-
Thereafter	-
	\$ (2,084)

**Town of Oriental, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2016**

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income returns projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

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

**Town of Oriental, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2016**

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

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

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

*Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate.* The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25%, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	174,942	25,088	(101,161)

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

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

*Plan Description.* The Town administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

**Town of Oriental, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2016**

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	1
Active plan members	-
<b>Total</b>	<b>1</b>

***Summary of Significant Account Policies.***

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable.
- pension plan assets are dedicated to providing benefits to plan members.
- pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members.

*Method Used to Value Investments.* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

*Contributions*

The Town is required by Article 12D of GS Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The Town has not obtained an actuarial study for the plan because its required contributions are considered immaterial. The Town funds the plan when the benefit payments are due and records these payments as General Fund expenditures.

***c. Supplemental Retirement Income Plan for Law Enforcement Officers***

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental

**Town of Oriental, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2016**

Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 141 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981- 5454.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amount contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for year ended June 30, 2016 were \$2,738 which consisted of \$1,835 from the town and \$903 from the law enforcement officers.

**2. Deferred Outflows and Inflows of Resources**

The Town has several deferred inflows/outflows of resources.

Source	Amount
<i>Deferred outflows of resources is comprised of the following:</i>	
Contributions to pension plan in current fiscal year	20,416
Differences between expected and actual experience	-
Changes of assumptions	-
Net difference between projected and actual earnings on pension plan investments	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,955
Total	\$ 31,371



**Town of Oriental, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2016**

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	
Taxes Receivable less penalties (General Fund)	-	32,388
Changes in assumptions	-	-
Differences between expected and actual experience	5,897	-
Net difference between projected and actual earnings on pension plan investments	7,143	-
<b>Total</b>	<b>\$ 13,040</b>	<b>\$ 32,388</b>

**3. Fund Balance**

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

<b>Total Fund Balance-General Fund</b>	<b>\$ 845,608</b>
Less:	
Stabilization by State Statute	20,619
Streets-Powell Bill	85,142
Working Capital / Fund Balance Policy	-
Remaining Fund Balance	739,847

**4. Risk Management**

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

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

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

**Town of Oriental, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2016**

individually bonded for \$50,000.

**5. Long-Term Obligations**

*a. Changes in Long-Term Liabilities*

Debt activity for the Town at June 30, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Compensated Absences	\$ 17,171	\$ -	\$ 923	\$ 16,248
Net Pension Liability (LGERS)	-	18,585		18,585
Compensated Absences	17,171	18,585	923	34,833
<b>Business-type activities:</b>				
Net Pension Liability (LGERS)	6,503	-	6,503	-

**NOTE III —JOINTLY GOVERNED ORGANIZATION**

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

**NOTE IV —SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

***Federal and State Assisted Programs***

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

**NOTE V —SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

Subsequent events have been evaluated through January 29, 2019, the date the financial statements were available to be issued.



**REQUIRED SUPPLEMENTAL FINANCIAL DATA**

**Town of Oriental Proportionate Share of Net Pension Liability (Assets)**

**Required Supplementary Information  
Last Three Fiscal Years**

	2016	2015	2014
Town's proportion of net pension liability (assets) (%)	0.00559%	0.00468%	0.00400%
Town's proportion of net pension liability (asset) (\$)	\$ 25,088	\$ (27,600)	\$ 48,215
Town's covered-employee payroll	\$ 348,361	\$ 339,154	\$ 372,068
Town's proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	7.20%	-8.14%	12.96%
Plan fiduciary net position as a percentage of the total pension liability	98.09%	102.64%	94.35%

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

**Local Government Employees' Retirement System**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 20,416	\$ 20,578	\$ 20,756
Contributions in relation to the contractually required contributions	<u>20,416</u>	<u>20,578</u>	<u>20,756</u>
Town's proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 348,361	\$ 339,154	\$ 372,068
Contributions as a percentage of covered-employee payroll	5.86%	6.07%	5.58%

## **INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

**Town of Oriental, North Carolina**  
**General Fund**  
**Schedule of Revenue, Expenditures, and Changes**  
**In Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
<b>Ad Valorem Taxes:</b>			
Current year		442,518	
Prior year		12,576	
Interest on taxes		3,389	
Total	<u>427,910</u>	<u>458,483</u>	<u>30,573</u>
<b>Other taxes and licenses:</b>			
Local option sales tax		125,569	
Occupancy tax		20,332	
Total	<u>136,900</u>	<u>145,901</u>	<u>9,001</u>
<b>Unrestricted Intergovernmental Revenues</b>			
Federal & state gas refund		2,425	
Franchise tax		89,572	
Beer & wine		3,972	
Total	<u>59,519</u>	<u>95,969</u>	<u>36,450</u>
<b>Restricted Intergovernmental Revenues</b>			
Powell Bill allocation		40,298	
CAMA grant		45,509	
Pump station		12,972	
Solid waste disposal tax		585	
Total	<u>89,645</u>	<u>99,364</u>	<u>9,719</u>
<b>Permits and Fees</b>			
Zoning & planning permits		2,850	
Total	<u>1,000</u>	<u>2,850</u>	<u>1,850</u>
<b>Sales and Services</b>			
Solid waste fees		69,192	
Recycling fees		16,141	
Police fees		232	
Total	<u>91,045</u>	<u>85,565</u>	<u>(5,480)</u>



**Town of Oriental, North Carolina  
General Fund  
Schedule of Revenue, Expenditures, and Changes  
In Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Investment Earnings</b>			
Interest		848	
Total	110	848	738
<b>Other Revenues</b>			
Miscellaneous		22,903	
Total	3,150	22,903	19,753
<b>Total Revenue</b>	<b>\$ 809,279</b>	<b>\$ 911,884</b>	<b>102,605</b>
<b>Expenditures</b>			
<b>General Government/Administration</b>			
Salaries and benefits		115,016	
Legal & professional fees		21,739	
Utilities		3,407	
Insurance		8,433	
Office expenses		19,241	
Repairs & maintenance		2,753	
Other operating expenses		34,918	
<b>Total General Government</b>	<b>216,893</b>	<b>205,507</b>	<b>11,386</b>

**Town of Oriental, North Carolina  
General Fund  
Schedule of Revenue, Expenditures, and Changes  
In Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Public Safety</b>			
Salaries and benefits		64,956	
Supplies		2,333	
Auto		4,919	
Repairs & maintenance		360	
Other operating expenses		7,910	
Total	<u>88,355</u>	<u>80,479</u>	<u>7,876</u>
<b>Transportation</b>			
Street lights		15,878	
Other operating expenses		53,410	
Total	<u>94,059</u>	<u>69,288</u>	<u>24,771</u>
<b>Environmental Protection</b>			
Contract- Garbage Collection		75,820	
Tipping fees		19,174	
Recycling		43,762	
Other operating expenses		289,573	
Total	<u>454,126</u>	<u>428,329</u>	<u>25,797</u>
<b>Cultural and Recreational</b>			
Other operating expenses		26,475	
Total	<u>37,398</u>	<u>26,475</u>	<u>10,923</u>

**Town of Oriental, North Carolina  
General Fund  
Schedule of Revenue, Expenditures, and Changes  
In Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2016**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Total Expenditures</b>	890,831	810,079	80,752
<b>Other Financing Sources (Uses)</b>			
Fund balance appropriation	(81,552)	_____	(81,552)
	809,279	_____	(800)
<b>Net change in fund balance</b>	\$ -	<b>101,805</b>	<b>\$ 101,805</b>
 Fund balance - July 1		743,803	
Fund balance - June 30		\$ 845,608	

**Town of Oriental, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Operating Revenue			
Charges for services	\$ -	\$ 295,244	\$ -
Impact fees		3,500	
Service fees		2,709	
Other revenues		20,796	
Total operating revenues	<u>\$ 326,432</u>	<u>322,249</u>	<u>(4,183)</u>
Nonoperating Revenues			
Interest earnings	75	173	98
Total revenues	<u>\$ 326,507</u>	<u>322,422</u>	<u>(4,085)</u>
<b>Expenditures</b>			
Water Treatment:			
Salaries and employee benefits		67,086	
Chemicals, salt, and chlorine		37,369	
Reparis & maintance		36,549	
Utilities		15,320	
Sample costs		12,641	
Supplies		11,630	
Other operating expenditures		35,931	
Total	<u>237,049</u>	<u>216,525</u>	<u>20,524</u>
General and administrative:			
Salaries and employee benefits		31,402	
Postage		4,401	
Professional fees		3,560	
Software maintenace		4,328	
Education and training		4,088	
Other operating expenditures		37,177	
Total	<u>89,458</u>	<u>84,955</u>	<u>4,503</u>

**Town of Oriental, North Carolina  
Water and Sewer Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Fiscal Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Total expenditures	<u>326,507</u>	<u>301,481</u>	<u>25,026</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 20,941</u>	<u>\$ 20,941</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Depreciation		(60,007)	
Decrease in net pension assets		(7,154)	
Increase in deferred outflows of resources - pension		4,977	
Decrease in deferred inflows of resources - pensions		(6,503)	
Increase in net pension liabilities		11,924	
Total reconciling items		<u>(56,763)</u>	
Changes in Net Position, GAAP basis		<u>\$ (35,822)</u>	

**Town of Oriental**  
**Bay River Metropolitan Sewerage District Fund**  
**Statement of Changes in Assets and Liabilities**  
**For Year Ended June 30, 2016**

<u>Metropolitan Sewerage District</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Assets				
Cash and cash equivalents	\$ 37,380	\$ 22,117	\$ -	\$ 59,497
Accounts receivable, billed	36,330	-	22,422	13,908
	<u>73,710</u>	<u>22,117</u>	<u>22,422</u>	<u>73,405</u>
Liabilities				
Intergovernmental payable	\$ 73,710	\$ 22,117	\$ 22,422	\$ 73,405

## **OTHER SCHEDULES**

**Town of Oriental, North Carolina  
General Fund  
Schedule of Ad Valorem Taxes Receivable  
For the Fiscal Year Ended June 30, 2016**

Fiscal Year	Uncollected Balance July 1, 2015	Additions	Collections and Credits	Uncollected Balance June 30, 2016
2015-2016	\$ -	\$ 453,175	\$ 441,928	\$ 11,247
2014-2015	11,798	-	4,512	7,286
2013-2014	9,602	-	3,007	6,595
2012-2013	8,435	-	2,568	5,867
2011-2012	6,100	-	1,621	4,479
2010-2011	5,025	-	402	4,623
2009-2010	6,713	-	1,351	5,362
2008-2009	5,573	-	2,524	3,049
2007-2008	2,979	-	1,546	1,433
2006-2007	1,575	-	1,525	50
	<u>57,800</u>	<u>453,175</u>	<u>460,984</u>	<u>49,991</u>

Less: Allowance for Uncollectible Accounts 17,602

Ad Valorem Taxes Receivables, Net 32,389

**Reconciliation with Revenues:**

Ad Valorem Tax - General Fund	458,484
Reconciling items:	
Interest collected	(3,389)
Releases and adjustments	<u>5,889</u>
Total Collections and Credits	<u>460,984</u>



**Town of Oriental, North Carolina  
General Fund  
Analysis of Current Tax Levy  
For the Fiscal Year Ended June 30, 2016**

	Property Valuation	Rate per \$100	Total Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property tax at current year's tax rate					
Net Valuation	<u>\$ 226,587,500</u>	0.20	\$ 453,175	\$ 434,505	\$ 18,670
Less uncollected taxes at June 30, 2016			<u>11,247</u>	<u>11,247</u>	<u>-</u>
Current year's taxes collected			<u>\$ 441,928</u>	<u>\$ 423,258</u>	<u>\$ 18,670</u>
Current levy collection percentage			<u>97.52%</u>	<u>97.41%</u>	<u>100.00%</u>