Town of Oriental

Oriental, North Carolina

Audit Report

June 30, 2019

TOWN OF ORIENTAL

ORIENTAL, NORTH CAROLINA

TOWN OFFICIALS

Mayor

Sally Belangia

Town Commissioners

Charlie Overcash

David White

Eric Dammeyer

Dianne Simmons

Allen Price

Town of Oriental, North Carolina
Table of Contents
June 30, 2019

	Exhibit/ Schedule Number	Page
Financial Section:		
Independent Auditor's Report		1
Management's Discussion and Analysis		4
Basic Financial Statements:		
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, 2019

	Exhibit/ Schedule Number	Page
Required Supplemental Financial Data:		
Schedule of Proportionate Share Net Position Liability Assets - Local Government Employees' Retirement System	1	41
Schedule of Contributions - Local Government Employees' Retirement System	2	42
Individual Fund Statements and Schedules:		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	3	43
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP) - Water & Sewer Fund	4	47
Schedule of Revenues, Expenditures, and Changes in Fund Balance- Capital Project Fund	5	49
Schedule of Agency Fund Statement of Changes in Assets and Liabilities	6	50
Other Schedules:		
Schedule of Ad Valorem Taxes Receivable	7	51
Analysis of Current Year Levy - General Fund Property Tax	8	52
Compliance Section:		
Report of internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with G*overnment Auditing Standards.*		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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2019, 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 descried above, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2019 on our consideration of the Town of Oriental's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Oriental's internal control over financial reporting and compliance.

Larry E. Carpenter, CPA, PA

Greenville, NC

October 24, 2019

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, 2019. 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 $3,143,702 *(net position).*

- The government's total net position decreased by $80,338 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 $966,886 with a net change of $172,018 in fund balance. Approximately 50.30% percent of this total amount, or $486,352 is unassigned.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $486,352, or 36.72% percent of total general fund expenditures for the fiscal year.

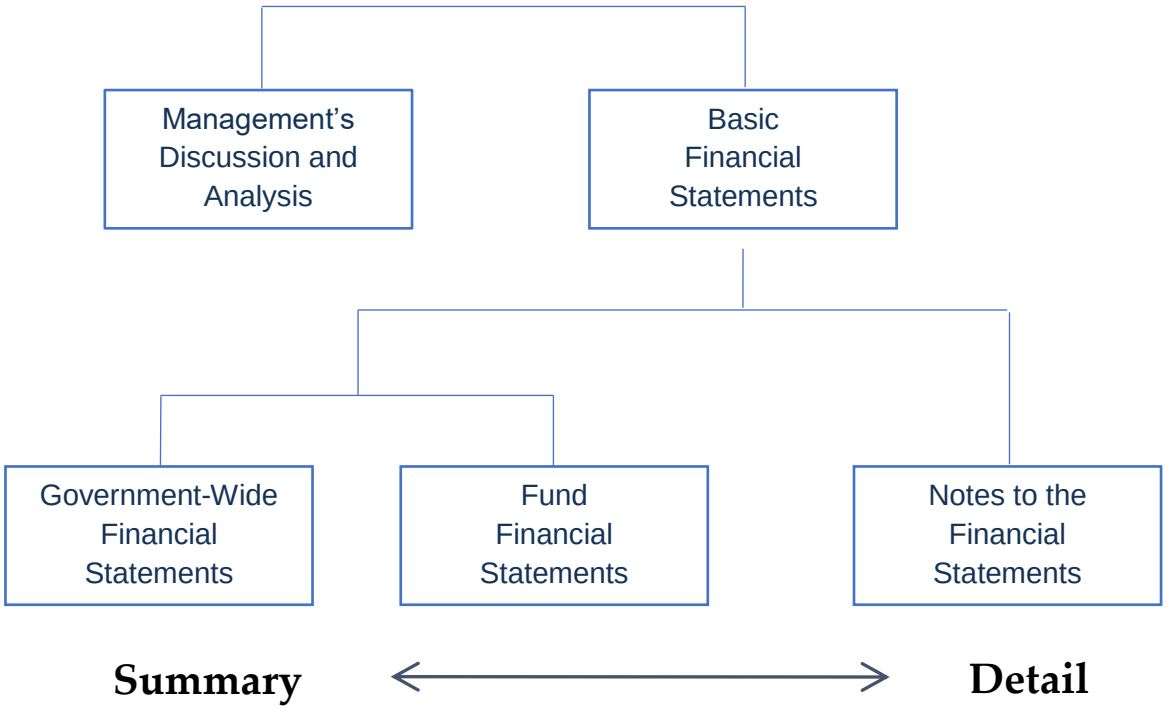
- At the end of the current fiscal year, the Town of Oriental had Restricted Reserves of $165,808.

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 Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	$ 1,105,237	$ 1,245,178	$ 195,691	$ 235,874	$ 1,300,928	$ 1,481,052
Pension assets	-	-	-	-		
Capital assets	884,567	715,961	1,131,239	1,167,801	2,015,806	1,883,762
Deferred outflows of resources	91,296	53,210	31,942	18,617	123,238	71,827
Total assets and deferred outflows of resources	2,081,100	2,014,349	1,358,872	1,422,292	3,439,972	3,436,641
Current liabilities	77,284	42,664	33,829	54,209	111,113	96,873
Noncurrent liabilities	119,682	68,018	-	-	119,682	68,018
Deferred inflows of resources	2,641	4,696	924	1,642	3,565	6,338
Total liabilities and deferred inflow of resources	199,607	115,378	34,753	55,851	234,360	171,229
Net investment in capital assets	884,567	715,961	1,131,239	1,167,801	2,015,806	1,883,762
Restricted	480,534	448,272	-	-	480,534	448,272
Unrestricted	496,356	717,164	151,006	174,842	647,362	892,006
Total net position	$ 1,861,457	$ 1,881,397	$ 1,282,245	$ 1,342,643	$ 3,143,702	$ 3,224,040

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 $3,143,702 as of June 30, 2019. The Town's net position decreased by $80,338 for the fiscal year ended June 30, 2019. However, the largest portion, $2,015,806 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, $165,808 represents resources that are subject to external restrictions on how they may be used. The remaining balance of $647,362 is unrestricted.

Town of Oriental's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	$ 128,873	$ 136,141	$ 303,418	$ 291,753	$ 432,291	$ 427,894
Operating grants and contributions	272,546	80,173	-	-	272,546	80,173
Capital grants and contributions	-	68,000	-	-	-	68,000
General revenues:					-	
Property taxes	517,115	522,242			517,115	522,242
Other taxes	292,729	205,926			292,729	205,926
Unrestricted intergovernmental	-	-			-	-
Investment earnings	6,508	3,719	-	-	6,508	3,719
Other	45,959	78,637	150	18,196	46,109	96,833
Total revenues	1,263,730	1,094,838	303,568	309,949	1,567,298	1,404,787
					-	
Expenses:						
General government	466,235	289,466			466,235	289,466
Public safety	124,133	73,936			124,133	73,936
Transportation	20,280	31,368			20,280	31,368
Economic and physical development	113,837	-			113,837	-
Environmental protection	516,630	502,001			516,630	502,001
Culture and recreation	42,555	53,611			42,555	53,611
Interest on long-term debt	-	-			-	-
Water and sewer			363,966	374,941	363,966	374,941
Total expenses	1,283,670	950,382	363,966	374,941	1,647,636	1,325,323
Increase in Net Position					-	
before transfers	(19,940)	144,456	(60,398)	(64,992)	(80,338)	79,464
Transfers	-	-	-	-	-	-
Increase (decrease) in Net Position	(19,940)	144,456	(60,398)	(64,992)	(80,338)	79,464
Net Position, July 1	1,881,397	1,736,941	1,342,643	1,407,635	3,224,040	3,144,576
Net Position, June 30	$ 1,861,457	$1,881,397	$1,282,245	$1,342,643	$3,143,702	$3,224,040

Governmental activities: Governmental activities decreased the Town net assets by $19,940. Key elements of the increase are as follows:

- Tax Revenues remained steady
- During the current year, the Town experienced the effects of Hurricane Florence on the impact of their local economical resources. Many homes were destroyed as well the closing of many businesses.

Business-type activities: Business-type activities decreased the Town of Oriental's net position by $60,398 accounting for 3.03% 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 $1,282,245. The total decrease in net position was $60,398.

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 $486,352, while total fund balance reached $966,886. The Town currently has an available fund balance of 36.72% of general fund expenditures, while total fund balance represents 73% of the same amount.

At June 30, 2019, the governmental funds of the Town of Oriental reported a combined fund balance of $966,886 with a net decrease in fund balance of $172,018.

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, 2019, totaled $884,567 (*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 Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	$ 232,107	$ 232,107	$ -	$ -	$ 232,107	$ 232,107
Buildings	401,644	401,644			401,644	401,644
Infrastructure	61,424					
Land improvements	211,349	135,731			211,349	135,731
Equipment and machinery	233,040	196,626	82,854	82,854	315,894	279,480
Office furniture & equipment	25,454	25,454			25,454	25,454
Vehicles	202,809	166,399	14,790	14,790	217,599	181,189
Water plant	-	-	2,403,227	2,403,227	2,403,227	2,403,227
Subtotal	1,367,827	1,157,961	2,500,871	2,500,871	3,807,274	3,658,832
Accumulated depreciation	(483,260)	(442,001)	(1,369,632)	(1,323,953)	(1,852,892)	(1,765,954)
Capital assets, net	$ 884,567	$ 715,960	$ 1,131,239	$ 1,176,918	$1,954,382	$1,892,878

Long-term Debt. As of June 30, 2019, 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, 2019

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

Exhibit A-1

Town of Oriental, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	$ 545,906	$ 126,808	$ 672,714
Taxes receivable, net	78,797	--	78,797
Accounts receivable, net	76,130	28,150	104,280
Restricted cash and cash equivalents	404,404	23,802	428,206
Inventory	--	16,931	16,931
Total Current Assets	1,105,237	195,691	1,300,928
Noncurrent Assets			
Land and other nondepreciable assets	232,107	--	232,107
Other capital assets, net of depreciation	652,460	1,131,239	1,783,699
Total Assets	1,989,804	1,326,930	3,316,734
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	91,296	31,942	123,238
Total Deferred Outflows of Resources	91,296	31,942	123,238
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	77,284	10,027	87,311
Deposits and Advances	--	23,802	23,802
Total Current Liabilities	77,284	33,829	111,113
Noncurrent Liabilities			
Net pension liability	119,682	41,874	161,556
Compensated absences	20,036	--	20,036
Total Liabilities	217,002	75,703	292,705
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	2,641	924	3,565
Total Deferred Inflows of Resources	2,641	924	3,565
NET POSITION			
Net investment in capital assets	884,567	1,131,239	2,015,806
Restricted for:			
Stabilization by State Statute	76,130	--	76,130
Streets	165,808	--	165,808
Economic Development	238,596	--	238,596
Unrestricted	496,356	151,006	647,362
Total Net Position	$ **1,861,457**	$ **1,282,245**	$ **3,143,702**

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, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue: Primary Government: Governmental Activities	Net (Expense) Revenue: Primary Government: Business-type Activities	Net (Expense) Revenue: Primary Government: Total
Primary Government							
Governmental Activities:							
General government	466,235	3,060	82,741	--	(380,434)	--	(380,434)
Public safety	$ 124,133	$ 2,059	$ 54,392	$ --	$ (67,682)	$ --	$ (67,682)
Transportation	20,280	--	39,156	--	18,876	--	18,876
Economic and physical development	113,837	--	96,107	--	(17,730)	--	(17,730)
Environmental protection	516,630	123,449	--	--	(393,181)	--	(393,181)
Cultural and recreational	42,555	305	150	--	(42,100)	--	(42,100)
Total Governmental Activities	1,283,670	128,873	272,546	--	(882,251)	--	(882,251)
Business-type Activities:							
Water Fund	363,966	303,418	--	--	--	(60,548)	(60,548)
Total Business-type Activities	363,966	303,418	--	--	--	(60,548)	(60,548)
Total Component Units	$ --	$ --	$ --	$ --	--	--	--
General Purpose Revenues and Transfers:							
Revenues							
Ad valorem taxes					517,115	--	517,115
Other taxes					29,526	--	29,526
Unrestricted intergovernmental					263,203	--	263,203
Insurance recovery					44,755	--	44,755
Interest and fees					6,508	--	6,508
Miscellaneous Income					1,204	150	1,354
Transfers					--	--	--
Total General Revenues and Transfers					862,311	150	862,461
Change in Net Position					**(19,940)**	**(60,398)**	**(80,338)**
Net Position at Beginning of Period					1,881,397	1,342,643	3,224,040
Net Position at End of Period					$ **1,861,457**	$ **1,282,245**	$ **3,143,702**

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, 2019

	Major Fund General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 545,906	$ --	$ 545,906
Taxes receivable, net	78,797	--	78,797
Accounts receivable, net	76,130	--	76,130
Restricted cash and cash equivalents	404,404	--	404,404
Total Assets	1,105,237	--	1,105,237
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	$ **1,105,237**	$ **--**	$ **1,105,237**
LIABILITIES			
Accounts payable and accrued liabilities	$ 59,554	$ 17,730	$ 77,284
Total Liabilities	59,554	17,730	77,284
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	78,797	--	78,797
Total Liabilities and Deferred Inflows of Resources	138,351	17,730	156,081
FUND BALANCE			
Restricted		--	
Stabilization by State Statute	76,130		76,130
Streets	165,808		165,808
Economic Development	238,596		238,596
Whittaker Creek Project		(17,730)	(17,730)
Unassigned	486,352		486,352
Total Fund Balance	966,886	(17,730)	949,156
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ **1,105,237**	$ **--**	$ **1,105,237**

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
June 30, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total Fund Balance - Governmental Funds	$	949,156
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		884,567
Net Pension Liability		(119,682)
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.		(20,036)
Deferred outflows of resources related to pensions are not reported in the funds		91,296
Deferred inflows of resources related to pensions are not reported in the funds		(2,641)
Earned revenues considered deferred inflows of resources in fund statements.		78,797
Total Net Position-Governmental Funds	$	**1,861,457**

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

Exhibit A-5

Town of Oriental, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	Major Fund General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Ad valorem taxes	$ 501,928	$ --	$ 501,928
Unrestricted intergovernmental	400,336	--	400,336
Restricted intergovernmental	39,156	--	39,156
Other taxes	29,526	--	29,526
Sales and services	128,568	--	128,568
Grants & contributions	--	96,107	96,107
Miscellaneous Income	1,657	--	1,657
Interest and fees	6,508	--	6,508
Total Revenues	1,107,679	96,107	1,203,786
Expenditures			
General government	608,928	--	608,928
Public safety	156,981	--	156,981
Transportation	16,081	--	16,081
Economic and physical development	--	113,837	113,837
Environmental protection	511,130	--	511,130
Cultural and recreational	31,332	--	31,332
Total Expenditures	1,324,452	113,837	1,438,289
Excess of Revenues Over (Under) Expenditures	(216,773)	(17,730)	(234,503)
Other Financing Sources (Uses)			
Insurance recovery	44,755	--	44,755
Net Other Financing Sources (Uses)	44,755	--	44,755
Net Change in Fund Balance	**(172,018)**	**(17,730)**	**(189,748)**
Fund Balance at Beginning of Period	1,138,904	--	1,138,904
Fund Balance at End of Period	$ **966,886**	$ **(17,730)**	$ **949,156**

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

Town of Oriental, North Carolina
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2019

Amounts reported for governmental activities in the Statement of Activities are different because:		
Total Net Change in Fund Balances - Governmental Funds	$	(189,748)
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.		172,956
Donated general infrastructure and other capital contributions related to developer agreements, which does not have an effect on governmental Funds, is a revenue on the Statement of Activities.		(4,350)
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)		(2,462)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		15,187
Changes in Net Position-Governmental Funds	$	**(19,940)**

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, 2019

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Ad valorem taxes	$ 504,003	$ 504,003	$ 501,928	$ (2,075)
Unrestricted intergovernmental	231,885	286,907	317,595	30,688
Restricted intergovernmental	39,871	39,871	39,156	(715)
Other taxes	28,000	28,000	29,526	1,526
Sales and services	122,125	123,125	128,708	5,583
Grants and contribution	--	--	82,741	82,741
Miscellaneous Income	3,330	2,350	1,517	(833)
Interest and fees	1,500	1,850	6,508	4,658
Total Revenues	930,714	986,106	1,107,679	121,573
Expenditures				
General government	259,965	612,657	608,928	3,729
Public safety	160,747	162,247	156,981	5,266
Transportation	54,250	24,250	16,081	8,169
Environmental protection	436,822	513,422	511,130	2,292
Cultural and recreational	18,930	33,130	31,332	1,798
Total Expenditures	930,714	1,345,706	1,324,452	21,254
Other Financing Uses				
Appropriations	--	(314,845)	--	(314,845)
Insurance recovery	--	(44,755)	(44,755)	--
Total Expenditures and Other Financing Uses	930,714	986,106	1,279,697	(293,591)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	--	(172,018)	(172,018)
Net Change in Fund Balance	$ **--**	$ **--**	**(172,018)**	$ **(172,018)**
Fund Balance at Beginning of Period			1,138,904	
Fund Balance at End of Period			$ **966,886**	

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

Town of Oriental, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities - Enterprise Funds
	Water Fund
ASSETS	
Current Assets	
Cash and cash equivalents	$ 126,808
Accounts receivable, net	28,150
Restricted cash and cash equivalents	23,802
Inventory	16,931
Total Current Assets	195,691
Noncurrent Assets	
Other capital assets, net of depreciation	1,131,239
Total Assets	1,326,930
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	31,942
Total Deferred Outflows of Resources	31,942
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	10,027
Deposits and Advances	23,802
Total Current Liabilities	33,829
Noncurrent Liabilities	
Net pension liability	41,874
Total Liabilities	75,703
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	924
Total Deferred Inflows of Resources	924
NET POSITION	
Net investment in capital assets	1,131,239
Unrestricted	151,006
Total Net Position	$ **1,282,245**

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, 2019

	Business-type Activities - Enterprise Funds
	Water Fund
Operating Revenues	
Sales and services	$ 289,995
Miscellaneous Income	12,452
Total Operating Revenues	302,447
Operating Expenses	
Water administration	145,286
Water treatment and distributions	173,001
Depreciation	45,679
Total Operating Expenses	363,966
Operating Income (Loss)	(61,519)
Non-Operating Revenues (Expenses)	
Interest and fees	1,121
Net Non-Operating Revenues (Expenses)	1,121
Income Before Contributions and Transfers	(60,398)
Transfers from other funds	--
Change In Net Position	**(60,398)**
Net Position at Beginning of Period	1,342,643
Net Position at End of Period	$ **1,282,245**

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, 2019

	Enterprise Funds	
	Water Fund	
Cash Flows from Operating Activities:		
Cash received from customers	$	294,697
Cash paid for goods and services		(228,019)
Cash paid to/on behalf of employees		(115,551)
Customer deposits, net		940
Other operating revenue		12,452
Net cash provided (used) by operating activities		(35,481)
Cash Flows from Noncapital Financing Activities:		
		-
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets		-
Net cash provided (used) by capital and related financing activities		-
Cash Flows from Investing Activities:		
Investment income received		-
Net increase (decrease) in cash and cash equivalents		(35,481)
Cash and Cash Equivalents - Beginning of Year		186,091
Cash and Cash Equivalents - End of Year	$	150,610
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	$	(61,519)
Depreciation		45,679
Change in assets and liabilities:		
(Increase) decrease in accounts receivables		3,356
Increase (decrease) in accounts payable and accrued liabilities		(21,320)
Increase (decrease) in customer deposits		940
Increase in deferred outflows of resources - pensions		13,325
Decrease in deferred inflows of resources - pensions		(718)
Increase in net pension liabilities		(18,076)
Pension expense		2,852
Net cash provided (used) by operating activities	$	(35,481)

Town of Oriental, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Agency
	Agency Fund
ASSETS	
Cash and cash equivalents	$ 43,264
Customer receivables, net	12,588
Total Assets	55,852
LIABILITIES	
Total Liabilities	--
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	--
Total Deferred Inflows of Resources	--
NET POSITION	
Held in Trust	$ **55,852**

Notes To The Financial Statements

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

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.

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.

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

1. Deposits and Investments

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

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

The Town had no such investments at June 30, 2019

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Governmental Activities:		
General Fund		
Streets	$	165,808
Economic development		238,596
Total governmental activities		404,404
Business-type activities:		
Water and Sewer Fund		
Customer deposits		23,802
Total Business-type Activities		23,802
Total Restricted Cash		428,206

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, 2018. 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:

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2018 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has 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,

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

Fund Balances

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

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

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

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

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

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

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

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

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

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

12. Pensions

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

NOTE II—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. **Noncompliance with North Carolina General Statutes**
   NONE

2. **Contractual Violations**
   NONE

3. **Deficit in Fund Balance or Net Position of Individual Funds**
   The Town incurred a deficit in its Capital Project Fund, (Whittaker Pointe Restoration Project) totaling $17,730 at the end of June 30, 2019. The deficit will be funded by awarded grants proceeds forthcoming. The Town will review their budget practices to assure that this does not occur again.

4. **Excess of Expenditures over Appropriations**
   NONE

NOTE III- DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City these deposits are considered to be held by the City's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling

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, 2019, the Town's deposits had a carrying amount of $803,131 and a bank balance of $955,022. Of the bank balance $745,022 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, 2019, the Town had $340,903, invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAA by Standard and Poor's. The Town has no policy regarding credit risk of its investments.

3. Receivables — Allowance for Doubtful Accounts

General Fund:	
Taxes receivable	$ 16,598
Accounts receivable	893
Total	17,491
Enterprise Fund:	
Customer receivables	32
Other receivables	-
Total	32
Grand Total	$ 17,523

4. Capital Assets

Governmental Capital Assets

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

General Fund Capital Assets

	Beginning Balances	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land and land improvements	$ 232,107	$ -	$ -	$ 232,107
Total capital assets not being depreciated	232,107	-	-	232,107
Capital assets being depreciated:				
Buildings	401,644	-	-	401,644
Infrastructure	-	61,424	-	61,424
Land improvements	135,731	75,618	-	211,349
Equipment and machinery	196,626	36,414	-	233,040
Office furniture & equipment	25,454	-	-	25,454
Vehicles	166,399	36,410	-	202,809
Total capital assets being depreciated	925,854	209,866	-	1,135,720
Less accumulated depreciation for:				
Buildings	84,076	13,564	-	97,640
Infrastructure	-	341	-	341
Land improvements	53,488	10,248	-	63,736
Equipment and machinery	142,412	9,187	928	150,671
Office furniture & equipment	14,218	2,113	-	16,331
Vehicles	147,807	6,734	-	154,541
Total accumulated depreciation	442,001	$ 42,187	$ 928	483,260
Total capital assets being depreciated, net	483,853			652,460
Governmental activity capital assets, net	$ 715,960			$ 884,567

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

Governmental Activities:	
General government	$ 19,382
Public safety	3,034
Transportation	4,199
Enviromental protection	4,350
Cultral and recreational	11,223
Total	$ 42,188

Enterprise Fund Capital Assets.

	Beginning Balances	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets being depreciated:				
Water plant	$ 2,393,909	$ 9,318	$ -	$ 2,403,227
Equipment	83,055	-	201	82,854
Vehicles	14,790	-	-	14,790
Total capital assets being depreciated	2,491,754	-	201	2,500,871
Less accumulated depreciation for:				
Water plant	1,262,727	38,216	-	1,300,943
Equipment	46,436	7,463	-	53,898
Vehicles	14,790	-	-	14,790
	1,323,953	$ 45,679	$ -	1,369,632
Total capital assets being depreciated, net	1,167,801			1,131,239
Water Capital Assets, Net	$ 1,167,801			$ 1,131,239

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.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Oriental employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Oriental's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Oriental were $31,794 for the year ended June 30, 2019.

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

individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2019, the Town reported a liability of $161,556 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. 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, 2019, the Town's proportion was 0.00681% which was a decrease of 0.00080% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Town recognized pension expense of $47,350. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 24,924	$ 836
Changes of assumptions	42,871	-
Net difference between projected and actual earnings on pension plan investments	22,177	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,472	2,729
Employer contributions subsequent to the measurement date	31,794	-
Total	$ 123,238	$ 3,565

$123,238 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	$ 43,187
2020	27,220
2021	4,487
2022	12,986
2023	-
Thereafter	-
	$ 87,880

Actuarial Assumptions. The total pension liability in the December 31, 2018 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:

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

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

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	388,073	161,556	(27,724)

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

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

2. Deferred Outflows and Inflows of Resources

The Town has several deferred inflows/outflows of resources.

Source	Amount
Deferred outflows of resources is comprised of the following:	
Differences between expected and actual experience	24,924
Changes of assumptions	42,871
Net difference between projected and actual earnings on pension plan investments	22,177
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,472
Contributions to pension plan in current fiscal year	31,794
Total	$ 123,238

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)	-	78,797
Changes in assumptions	-	-
Differences between expected and actual experience	836	-
Changes in proportion and differences between employer contributions and proportionate share of contributions		2,729
Total	$ 836	$ 81,526

3. Fund Balance

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

Total Fund Balance-General Fund	***$ 966,886***
Less:	
Stabilization by State Statute	76,130
Streets-Powell Bill	165,808
Economic Development	238,596
Working Capital / Fund Balance Policy	-
Remaining Fund Balance	486,352

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 individually bonded for $50,000.

5. Long-Term Obligations

a. Changes in Long-Term Liabilities

Debt activity for the Town at June 30, 2019 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balance
Governmental Activites:				
Compensated Absences	$ 17,574	$ 2,462	$ -	$ 20,036
Net Pension Liability (LGERS)	68,018	51,664	-	119,682
Total	$ 85,592	$ 54,126	$ -	$ 139,718
Business-type activities:				
Net Pension Liability (LGERS)	$ 23,798	$ 18,076	$ -	$ 41,874

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 October 24, 2019 the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

Schedule 1

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

	2019	2018	2017	2016	2015	2014
Town's proportion of net pension liability (assets) (%)	0.00681%	0.00601%	0.0061%	0.00559%	0.00468%	0.00400%
Town's proportion of net pension liability (asset) ($)	$ 161,556	$ 91,816	$ 129,462	$ 25,088	$ (27,600)	$ 48,215
Town's covered-employee payroll	$ 354,168	$ 352,757	$ 348,361	$ 339,154	$ 372,068	$ 372,068
Town's proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	45.62%	26.03%	37.16%	7.40%	-7.42%	12.96%
Plan fiduciary net position as a percentage of the total pension liability	96.15%	94.18%	91.47%	98.09%	102.64%	94.35%

Schedule 2

Town of Oriental, North Carolina
Town of Oriental's Contributions
Required Supplementary Information
Town of Oriental Proportiate Share of Net Pension Liability (Assets)
Last Six Fiscal Years
Local Government Employees' Retirement System

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

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Schedule 3

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, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes:			
Current year		465,212	
Prior year		33,939	
Interest on taxes		2,777	
Total	504,003	501,928	(2,075)
Other taxes:			
Occupancy tax		29,526	
Total	28,000	29,526	1,526
Unrestricted Intergovernmental Revenues			
Sales & use tax		184,345	
Federal & state gas refund		756	
Solid waste tax		675	
Franchise tax		73,499	
Federal disaster assistance grant		54,392	
Beer & wine		3,928	
Total	286,907	317,595	30,688
Restricted Intergovernmental Revenues			
Powell Bill allocation		39,156	
Total	39,871	39,156	(715)
Sales and Services			
Solid waste fees		105,298	
Recycling fees		18,151	
Zoning & permit fees		3,060	
Police fees		2,059	
Other		140	
Total	123,125	128,708	5,583

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, 2019

	Budget	Actual	Variance Positive (Negative)
Investment Earnings			
Interest		6,508	
Total	1,850	6,508	4,658
Grants and Contributions			
Grants		82,741	
Other		-	
		82,741	82,741
Other Revenues			
Miscellaneous		1,517	
Total	2,350	1,517	(833)
Total Revenue	**$ 986,106**	**$ 1,107,679**	**$ 121,573**
Expenditures			
General Government/Administration			
Salaries and benefits		175,510	
Legal & professional fees		27,390	
Dues & subscriptions		2,856	
Contract services		247,614	
Utilities		4,931	
Insurance		10,339	
Office expenses		15,766	
Repairs & maintenance		81,812	
Other operating expenses		42,710	
Total General Government	612,657	608,928	3,729

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, 2019

	Budget	Actual	Variance Positive (Negative)
Public Safety			
Salaries and benefits		101,210	
Supplies		3,386	
Auto		8,192	
Repairs & maintenance		500	
Other operating expenses		43,693	
Total	162,247	156,981	5,266
Transportation			
Street lights		16,026	
Other operating expenses		55	
Total	24,250	16,081	8,169
Environmental Protection			
Salaries and benefits		190,393	
Contract- Garbage Collection		94,848	
Mosquito control		8,953	
Tipping fees		28,139	
Recycling		44,730	
Repairs & maintenance		116,613	
Other operating expenses		27,454	
Total	513,422	511,130	2,292
Cultural and Recreational			
Other operating expenses		31,332	
Total	33,130	31,332	1,798

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, 2019

	Budget	Actual	Variance Positive (Negative)
Total Expenditures	1,345,706	1,324,452	21,254
Revenues over(under) expenditures	(359,600)	(216,773)	142,827
Other Financing Sources (Uses)			
Fund balance appropriation	(314,845)		(314,845)
Insurance recovery	-	(44,755)	-
Total	(314,845)	(44,755)	(314,845)
Net change in fund balance	$ -	**(172,018)**	**$ (172,018)**
Fund balance - July 1		1,138,904	
Fund balance - June 30		$ 966,886	

Schedule 4

Town of Oriental, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating Revenue			
Charges for services	$ -	$ 289,995	$ -
Other revenues		12,452	
Total operating revenues		302,447	
Nonoperating Revenues			
Interest earnings		1,121	
Total revenues	$ 325,940	303,568	22,372
Expenditures			
General and administrative:			
Salaries and employee benefits		103,688	
Postage		2,797	
Software maintenace		3,422	
Other operating expenditures		7,548	
Total	146,225	117,455	28,770
Water Treatment:			
Salaries and employee benefits		7,900	
Chemicals, salt, and chlorine		46,513	
Reparis & maintance		57,705	
Utilities		17,590	
Sample costs		9,026	
Supplies		7,590	
Other operating expenditures		26,677	
Total	179,715	173,001	6,714

Town of Oriental, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Total expenditures	325,940	290,456	35,484
Revenues over (under) expenditures	$ -	$ 13,112	$ (13,112)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Depreciation		(45,679)	
Increase in deferred outflows of resources - pension		(13,325)	
Decrease in deferred inflows of resourcs - pensions		718	
Increase in net pension liabilities		(18,076)	
Pension expense		2,852	
Total reconciling items		(73,510)	
Changes in Net Position, GAAP basis		$ (60,398)	

Schedule 5

Town of Oriental
Capital Project Fund
Whittaker Pointe Restoration Project
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2019 and From Inception

		Actual			
	Project Authorization	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues:					
Golden Leaf Foundation	$ 916,406		$ 96,107	$ 96,107	$ 820,299
NCDEQ	200,000			-	200,000
NFWF	450,000			-	450,000
Total revenues	1,566,406	-	96,107	96,107	1,470,299
Expenditures:					
Engineering Services	120,400		17,730	17,730	102,670
Construction	648,006		96,107	96,107	551,899
Land cost	58,600			-	58,600
Revetment improvements	167,201			-	167,201
Breach improvements	484,027			-	484,027
Marsh planting	16,000			-	16,000
Oyster revetment	10,000			-	10,000
Contingency	122,772			-	122,772
Administration	50,000			-	50,000
Total expenditures	1,677,006	-	113,837	113,837	1,563,169
Excess (Deficit) of revenues over (under) expenditures	(110,600)	-	(17,730)	(17,730)	(92,870)
Other financing sources:					
Donated land	58,600			-	58,600
Transfer from General Fund	52,000			-	52,000
Total other financing sources	110,600	-	-	-	110,600
Net change in fund balance	$ -	$ -	$ (17,730)	$ (17,730)	$ 17,730
Fund balance, beginning of year					
Fund balance, end of year		$ -	$ (17,730)		

Schedule 6

Town of Oriental
Bay River Metropolitan Sewerage District Fund
Statement of Changes in Assets and Liabilities
For Year Ended June 30, 2019

Metropolitan Sewerage District	Beginning Balance	Additions	Reductions	Ending Balance
Assets				
Cash and cash equivalents	$ 41,882	$ 1,382	$ -	$ 43,264
Accounts receivable, billed	10,062	2,526	-	12,588
	51,944	3,908	-	55,852
Liabilities				
Intergovernmental payable	$ 51,944	$ 3,908	$ -	$ 55,852

OTHER SCHEDULES

Schedule 7

Town of Oriental, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2019

Fiscal Year	Uncollected Balance July 1, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	$ -	$ 519,231	$ 491,031	$ 28,200
2017-2018	36,162	-	5,318	30,844
2016-2017	7,102	-	949	6,153
2015-2016	6,239	-	2,934	3,305
2014-2015	5,341	-	649	4,692
2013-2014	4,815	-	69	4,746
2012-2013	4,674	-	180	4,494
2011-2012	3,603	-	(228)	3,831
2010-2011	4,090	-	(108)	4,198
2009-2010	4,858	-	(75)	4,933
	76,884	519,231	500,720	95,395

Less: Allowance for Uncollectible Accounts	16,598
Ad Valorem Taxes Receivables, Net	78,797

Reconciliation with Revenues:

Ad Valorem Tax - General Fund	501,929
Reconciling items:	
Interest collected	(2,777)
Releases and adjustments	1,568
Total Collections and Credits	500,720

Schedule 8

Town of Oriental, North Carolina
General Fund
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2019

	Property Valuation	Rate per $100	Total Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property tax at current year's tax rate					
Net Valuation	$ 236,014,091	0.22	$ 519,231	$ 493,414	$ 25,817
Net levy			519,231	493,414	25,817
Less uncollected taxes at June 30, 2019			28,200	28,200	-
Current year's taxes collected			$ 491,031	$ 465,214	$ 25,817
Current levy collection percentage			94.57%	94.28%	100.00%

COMPLIANCE SECTION

LARRY E. CARPENTER, CPA, PA
CERTIFIED PUBLIC ACCOUNTANT

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oriental, Oriental, North Carolina, as of and for the year ended June 30, 2019, which collectively comprise the Town of Oriental's basic financial statements, and have issued our report thereon dated October 24, 2019.

Internal Control over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

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

Purpose of This Report

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

Larry E. Carpenter, CPA, PA
October 24, 2019