

**Report to the
Town Council**

**Town of Oak Ridge,
North Carolina**

June 30, 2020

DHG
DIXON HUGHES GOODMAN LLP



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Contacts

John Frank, CPA

Partner
Dixon Hughes Goodman LLP
1829 Eastchester Drive
High Point, NC 27265
336.822.4308
john.frank@dhg.com

Chad Cook, CPA

Senior Manager
Dixon Hughes Goodman LLP
1829 Eastchester Drive
High Point, NC 27265
336.822.4494
chad.cook@dhg.com



Communication with Those Charged with Governance

November 2, 2020

Town Council
Town of Oak Ridge
Oak Ridge, North Carolina

We have audited the financial statements of Town of Oak Ridge (the "Town") for the year ended June 30, 2020, and have issued our report thereon dated November 2, 2020. Professional standards require that we provide you with information about our responsibilities in accordance with auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 11, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management, and are based on management's knowledge and experience about past and current events, and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the depreciable lives of capital assets is based on the expected useful lives of individual capital assets. We evaluated the key factors and assumptions used to develop the depreciable lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the liability related to the post-retirement benefits, as well as the related deferred inflows and outflows of resources, which are based on actuarial assumptions and projections that are provided by third parties based on information provided by management. We evaluated the key factors and assumptions used in determining that the estimates are reasonable in relations to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audits.

Management Representations

We have requested certain written representations from management that are included in the management representation letter included at Appendix A.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Matters, Findings, or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis and the Local Government Employees' Retirement System Schedules of Proportionate Share of the Net Pension Liability and Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the individual fund statement, budgetary schedules and other schedules, which accompany the financial statements, but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections which accompany the financial statements, but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.



Restriction on Use

This information is intended solely for the use of the Town Council and management of Town of Oak Ridge, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Dixon Hughes Goodman LLP

High Point, North Carolina



Appendix A

Management Representation Letter



TOWN OF OAK RIDGE

8315 Linville Road • P.O. Box 374 • Oak Ridge, NC 27310
Phone (336) 644-7009 • Fax (336) 644-7012
www.oakridgenc.com

November 2, 2020

Dixon Hughes Goodman LLP 1829
Eastchester Drive
High Point, NC 27265

This representation letter is provided in connection with your audit of the financial statements of Town of Oak Ridge (the "Town"), which comprise the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information as of and for the year ended June 30, 2020, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated May 11, 2020, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. The following have been properly accounted for and disclosed in the financial statements:
 - a. Related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties
 - b. Guarantees, whether written or oral, under which the Town is contingently liable
 - c. Other liabilities or gain or loss contingencies
5. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that "near term" means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Town vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
6. Significant assumptions we used in making accounting estimates, including estimates of fair value, are reasonable.

7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. There are no uncorrected misstatements or omitted disclosures.

Information Provided

9. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of Town Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
10. All transactions have been recorded in the accounting records and are reflected in the financial statements.
11. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
12. We have no knowledge of any fraud or suspected fraud affecting the Town involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others when the fraud could have a material effect on the financial statements.
13. We have no knowledge of any allegations of fraud or suspected fraud affecting the Town's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.
14. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
15. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.
16. We have disclosed to you the identity of the Town's related parties and all the related party relationships and transactions of which we are aware.
17. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
18. We agree with the findings of specialists in evaluating the LGERS net pension liability and related deferred outflows and inflows of resources and have adequately considered the qualification of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.
19. You have provided the following services:
 - Preparation of the financial statements including preparation of fund to accrual adjustments, advising management about appropriate accounting principles and their application, and uploading of the audited financial statements to the North Carolina State Treasurer's website

In regards to these services provided by you, we have:

- a. Assumed all management responsibilities.
- b. Overseen the service by designating an individual within senior management, who possesses suitable skill

knowledge, or experience.

- c. Evaluated the adequacy and results of the services performed.
 - d. Accepted responsibility for the results of the services.
 - e. Evaluated and maintained internal controls, including monitoring ongoing activities.
20. With respect to the non-attest services performed by you during this engagement, we have received the deliverables from you and have stored these deliverables in information systems controlled by us. We have taken responsibility for maintaining internal control over these deliverables.

Government-Specific


- 21. We have made available to you all financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
- 22. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 23. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 24. The Town of Oak Ridge has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.
- 25. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 26. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27. The Town of Oak Ridge has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as made known to you and disclosed in the notes to the financial statements.
- 28. The Town of Oak Ridge has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 29. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 30. The financial statements properly classify all funds and activities.
- 31. All funds that meet the quantitative criteria in GASB Statements Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 32. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- 33. Provisions for uncollectible receivables have been properly identified and recorded.
- 34. Expenses have been appropriately classified in or allocated to functions and programs in the statement of

activities, and allocations have been made on a reasonable basis.

35. Revenues are appropriately classified in the statement of activities within program revenues or general revenues.
36. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed, as applicable.
37. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
38. We have appropriately disclosed the Town of Oak Ridge's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
39. With respect to the reporting requirements of GASB Statement No. 68:
 - a. We have reported all eligible employees to the Local Governmental Employees' Retirement System ("LGERS") via the Online Retirement Benefits Integrated Technology ("ORBIT") System.
 - b. The census data for all eligible employees reported to LGERS via ORBIT is complete and accurate as of June 30, 2019 (the measurement date for the net pension liability reported at June 30, 2020).
 - c. We are responsible for the Town's compliance with requirements as established in the Retirement System's Handbook.
 - d. We are in agreement with the Town's proportionate share of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense as determined by the "GASB 68 Journal Entry Template" posted on the North Carolina Department of State Treasurer's website.
40. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
41. With respect to the individual fund statement, budgetary schedules and other schedules:
 - a. We acknowledge our responsibility for presenting the individual fund statement, budgetary schedules and other schedules in accordance with accounting principles generally accepted in the United States of America, and we believe the individual fund statement, budgetary schedules and other schedules, including their form and content, are fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the individual fund statement, budgetary schedules and other schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b. If the individual fund statement, budgetary schedules and other schedules are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
42. Expenditures of Federal and State awards were below the single audit thresholds in the year ended June 30, 2020, and we were not required to have an audit in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the North Carolina State Single Audit Implementation Act.

We have evaluated subsequent events through the date of this letter, which is the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Town of Oak Ridge



Bill Bruce, Town Manager



Samuel K. Anders, Finance Officer