

TOWN OF MOUNT OLIVE
Mount Olive, North Carolina

FINANCIAL STATEMENTS
Year Ended June 30, 2016

TOWN OF MOUNT OLIVE

Mount Olive, North Carolina

BOARD OF COMMISSIONERS

Joe Scott – Mayor Pro Tem

Kenneth Talton

Tom Preston

Jerry Harper

Harlie Carmichael

ADMINISTRATIVE OFFICERS

Town Clerk

Kaye Anderson

Attorney at Law

W. Carroll Turner

Mayor

Ray McDonald, Sr.

Town Manager

Charles S. Brown

Town of Mount Olive, North Carolina
Table of Contents
June 30, 2016

Exhibit

Financial Section:	<u>Pages(s)</u>
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 9
Basic Financial Statements:	
Government-wide Financial Statements:	
1 Statement of Net Position	10
2 Statement of Activities	11
Fund Financial Statements:	
3 Balance Sheet - Governmental Funds	12
3 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	
4 Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
5 Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund	15
6 Statement of Fund Net Position - Proprietary Funds	16
7 Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	17
8 Statement of Cash Flows - Proprietary Funds	18 - 19
Notes to the Financial Statements	20 - 37
Required Supplemental Financial Data:	
Schedule of the Proportionate Share of the Net Pension Asset – Local Government Employees’ Retirement System	38
Schedule of Contributions – Local Government Employees’ Retirement System	39

Individual Fund Statements and Schedules:

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	40 - 44
Combining Balance Sheet for Non-Major Governmental Funds	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance for Non-Major Governmental Funds	46
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Waylin Fire District	47
Carver Cultural Center Renovations	48
Municipal Airport Fund	49 - 50
Municipal Airport Capital Project Fund	51
Water and Sewer Fund	52 - 53
Water Supply System Project Fund	54

Other Schedules:

Schedule of Ad Valorem Taxes Receivable	55
Analysis of Current Year Tax Levy - Town - Wide Levy	56

Compliance:

Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57 - 58
Schedule of Findings and Responses	59 - 60
Corrective Action Plan	61

FINANCIAL SECTION



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Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Mount Olive, 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 Mount Olive, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 financial statement 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 fund information of the Town of Mount Olive, North Carolina, as of June 30, 2016, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability and Town Contributions, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the 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 generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to 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 Mount Olive, 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 financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules and, other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016 on our consideration of the Town of Mount Olive'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 the 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 the Town of Mount Olive's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.

Wilmington, North Carolina

October 28, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

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

Financial Highlights

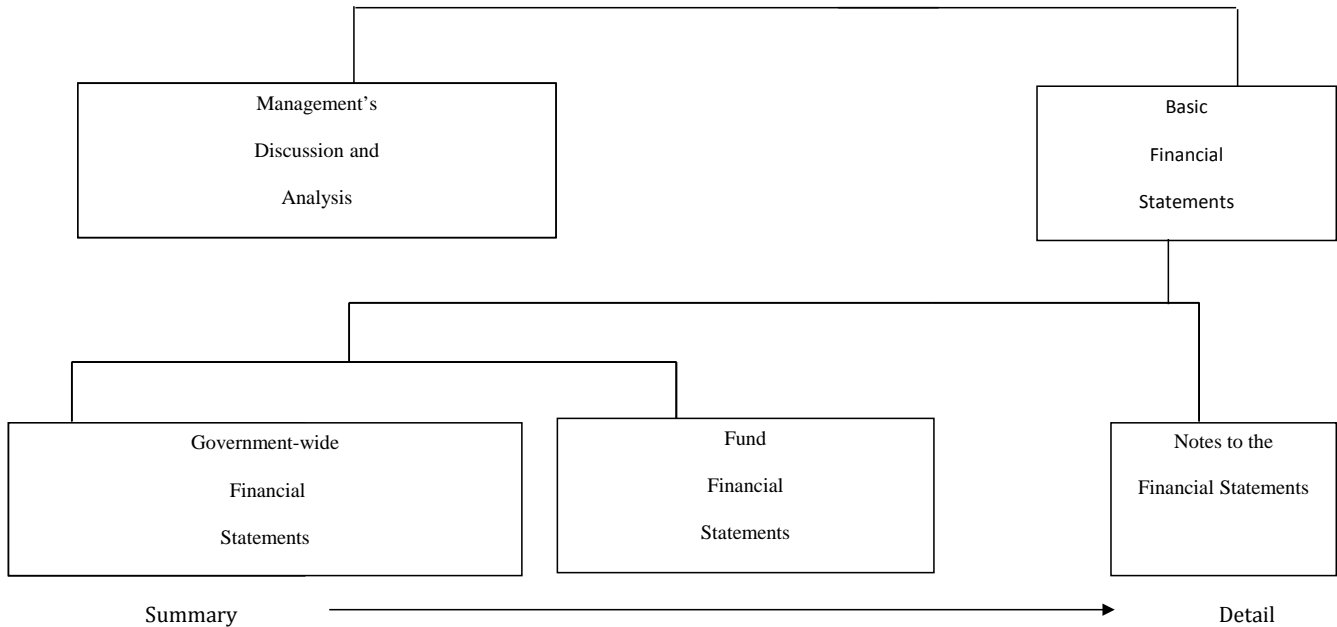
- The assets and deferred outflows of resources of the Town of Mount Olive exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$23,371,769. (*net position*).
- The Town's total net position increased by \$60,856, primarily due to increase in the governmental-type activities net position.
- As of the close of the current fiscal year, the Town of Mount Olive's governmental funds reported combined ending fund balances of \$2,303,786, a decrease of \$115,651 in comparison with the prior year. Approximately 35 percent of this total amount, or \$798,297 is available for spending at the government's discretion (unassigned).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$798,297 or 22% of total general fund expenditures for the fiscal year.
- The Town of Mount Olive's total debt decreased by \$355,578 during the current fiscal year, due to scheduled loan payments.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 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 3 through 8) 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 additional details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes can also 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, parks and recreation, and general administration. Property taxes, sales tax and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and stormwater services offered by the Town of Mount Olive.

The government-wide financial statements are on Exhibits 1 and 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 are used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Mount Olive, 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 the Town of Mount Olive 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* which 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 Mount Olive 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 Board; 2) the final budget as amended by the Board; 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 Mount Olive 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. Town of Mount Olive uses enterprise funds to account for its water and sewer fund activities and for its airport activities. These funds are the same as those functions 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 follow Exhibit 8 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 Mt. Olive's progress in funding its obligation to provide pension benefits to its employees.

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.

Government-Wide Financial Analysis

**Town of Mount Olive's Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 2,542,615	\$ 2,760,188	\$ 622,753	\$ 927,144	\$ 3,165,368	\$ 3,687,332
Capital assets	3,180,568	2,815,037	25,586,529	25,928,852	28,767,097	28,743,889
Deferred outflows of resources	93,692	79,204	55,024	46,516	148,716	125,720
Total assets and deferred outflows of resources	5,816,875	5,654,429	26,264,306	26,902,512	32,081,181	32,556,941
Long-term liabilities outstanding	694,010	629,492	7,810,799	8,066,112	8,504,809	8,695,604
Other liabilities	68,964	59,473	56,909	57,493	125,873	116,966
Deferred inflows of resources	49,600	273,079	29,130	160,379	78,730	433,458
deferred inflows of resources	812,574	962,044	7,896,838	8,283,984	8,709,412	9,246,028
Net position:						
Net investment in capital assets	2,673,542	2,265,283	18,048,706	18,078,176	20,722,248	20,343,459
Restricted	1,158,356	786,063	-	-	1,158,356	786,063
Unrestricted	1,172,403	1,641,039	318,762	540,352	1,491,165	2,181,391
Total net position	\$ 5,004,301	\$ 4,692,385	\$ 18,367,468	\$ 18,618,528	\$ 23,371,769	\$ 23,310,913

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of the Town of Mount Olive exceeded liabilities and deferred inflows by \$23,371,769 as of June 30, 2016. The Town’s net position increased by \$60,856 for the fiscal year ended June 30, 2016. However, the largest portion \$20,722,248 (89%) reflects the Town’s net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Mount Olive uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Mount Olive’s investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Mount Olive’s net position, \$1,158,356 (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,491,165 (6%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.40%.

**Town of Mount Olive
 Changes in Net Position**

Figure 3

	Governmental Activities		Business Type Activities		Total 2016
	2016	2015	2016	2015	
Revenues:					
Program revenues:					
Charges for services	\$ 758,988	\$ 738,438	\$ 2,752,894	\$ 2,673,423	\$ 3,511,882
Operating grants and contributions	141,268	361,287	-	-	141,268
Capital grants and contributions	318,842	-	80,192	1,055,904	399,034
General revenues:					
Property taxes	1,574,434	1,452,635	-	-	1,574,434
Other taxes	1,230,535	1,184,981	-	-	1,230,535
Grants and contributions not restricted to specific programs	-	-	-	-	-
Other	1,693	16,173	230	294	1,923
Total revenues	<u>4,025,760</u>	<u>3,753,514</u>	<u>2,833,316</u>	<u>3,729,621</u>	<u>6,859,076</u>
Expenses:					
General government	693,485	1,155,099	-	-	693,485
Public safety	1,588,160	1,342,481	-	-	1,588,160
Transportation	122,558	160,984	-	-	122,558
Environmental protection	601,955	571,090	-	-	601,955
Economic and physical developmet	374,029	-	-	-	374,029
Culture and recreation	309,479	216,466	-	-	309,479
Interest on long-term debt	24,178	9,211	-	-	24,178
Water and sewer	-	-	2,840,669	2,749,023	2,840,669
Municipal airport	-	-	243,707	186,027	243,707
Total expenses	<u>3,713,844</u>	<u>3,455,331</u>	<u>3,084,376</u>	<u>2,935,050</u>	<u>6,798,220</u>
Increase in net position before transfers	311,916	298,183	(251,060)	794,571	60,856
Transfers	-	-	-	-	-
Increase in net position	311,916	298,183	(251,060)	794,571	60,856
Net position, July 1	4,692,385	4,394,202	18,618,528	17,823,957	23,310,913
Net position, June 30	<u>\$ 5,004,301</u>	<u>\$ 4,692,385</u>	<u>\$ 18,367,468</u>	<u>\$ 18,618,528</u>	<u>\$ 23,371,769</u>

Governmental activities. Governmental activities increased the Town's net position by \$311,916 thereby accounting for 100% of the total increase in the net position of the Town of Mount Olive. Key elements of this increase are as follows:

- Increased revenues.

Business-type activities. Business-type activities decreased the Town of Mount Olive's net position by \$251,060 accounting for 100% of the total decrease in the government's net position. Key elements of this decrease are as follows:

- Decrease in capital grants.
- Increase expenditures.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Mount Olive. At the end of the current fiscal year, the Town of Mount Olive's fund balance available in the General Fund was \$798,297, while total fund balance reached \$1,941,391.

At June 30, 2016 the governmental funds of Town of Mount Olive reported a combined fund balance of \$2,303,786, with a net decrease in fund balance of \$115,651. Included in this change in fund balance are a decrease in the fund balance in the General Fund and an increase in the fund balance of the Waylin Fire District Fund.

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.

Proprietary Funds. The Town of Mount Olive's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$318,762. The total change in net position was (\$251,060). Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Mount Olive's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Mount Olive's investment in capital assets for its governmental and business-type activities as of June 30, 2016 totals \$28,767,907 (net of accumulated depreciation). These assets include buildings, land, infrastructure, machinery and equipment, and vehicles.

**Town of Mount Olive's Capital Assets
 (net of depreciation)
 Figure 4**

	Governmental Activities		Business-type Activities		Total
	2016	2015	2016	2015	2016
Land	\$ 359,750	\$ 359,750	\$ 281,773	\$ 281,773	\$ 641,523
Buildings and system Improvements	500,304	535,887	22,042,205	22,520,788	22,542,509
Infrastructure	1,423,867	795,830	1,711,250	1,746,173	3,135,117
Vehicles and motor equipment	5,140	5,783	-	-	5,140
Construction in progress	891,507	986,629	241,737	273,210	1,133,244
	-	131,158	1,309,564	1,106,908	1,309,564
Total	\$ 3,180,568	\$ 2,815,037	\$ 25,586,529	\$ 25,928,852	\$ 28,767,097

Additional information on the Town's capital assets can be found in the notes of the Basic Financial Statements.

Long-term Debt. As of June 30, 2016 the Town of Mount Olive had total debt outstanding of \$8,044,849.

Town of Mount Olive's Outstanding Debt

The Town of Mount Olive's total debt decreased by \$355,578 during the current fiscal year, due to scheduled loan payments.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Mount Olive is \$20,936,038.

Additional information regarding the Town of Mount Olive's long-term debt can be found in the notes of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic factors reflect the growth and prosperity of the Town.

- Unemployment remained steady.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities: Property taxes are expected to remain the same as the current tax rate. The Town will use increases in revenues to finance programs currently in place. No new revenues are anticipated and other current sources remain constant. Management continually seeks grants and funding from outside sources to supplement the Town's revenue streams.

Business-type Activities: The water and sewer rates in the Town were left unchanged for the coming year.

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 the Town Manager, Town of Mount Olive, 114 E. James Street, P.O. Box 939, Mount Olive, NC 28365. You can also call (919) 658-9537.

BASIC FINANCIAL STATEMENTS

Town of Mount Olive, North Carolina
Statement of Net Position
June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,214,398	\$ 144,772	\$ 1,359,170
Restricted cash	284,834	279,195	564,029
Receivables (net)	624,692	604,444	1,229,136
Inventory	-	13,033	13,033
Internal balances	418,691	(418,691)	-
Total Current Assets:			
Non-Current Assets:			
Capital assets:			
Land, improvements, and construction in progress	359,750	1,591,337	1,951,087
Other capital assets, net of depreciation	<u>2,820,818</u>	<u>23,995,192</u>	<u>26,816,010</u>
Total capital assets	<u>3,180,568</u>	<u>25,586,529</u>	<u>28,767,097</u>
Total assets	<u>5,723,183</u>	<u>26,209,282</u>	<u>31,932,465</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 93,692</u>	<u>\$ 55,024</u>	<u>\$ 148,716</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 68,964	\$ 56,909	\$ 125,873
Long-term liabilities:			
Liabilities payable from restricted assets:			
Customer deposits	-	168,411	168,411
Net pension liability	83,551	49,069	132,620
Due within one year	87,629	336,325	423,954
Due in more than one year	<u>522,830</u>	<u>7,256,994</u>	<u>7,779,824</u>
Total liabilities	<u>762,974</u>	<u>7,867,708</u>	<u>8,630,682</u>
DEFERRED INFLOWS OF RESOURCES	<u>49,600</u>	<u>29,130</u>	<u>78,730</u>
NET POSITION			
Net invested in capital assets	2,673,542	18,048,706	20,722,248
Stabilization by state statute	873,518	-	873,518
Restricted for streets	269,576	-	269,576
Unrestricted (deficit)	<u>1,187,665</u>	<u>318,762</u>	<u>1,506,427</u>
Total net position	<u>\$ 5,004,301</u>	<u>\$ 18,367,468</u>	<u>\$ 23,371,769</u>

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

Town of Mount Olive, North Carolina
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
General government	\$ 693,485	\$ 114,118	\$ -	\$ -	\$ (579,367)	\$ -	\$ (579,367)
Public safety	1,588,160	57,057	-	-	(1,531,103)	-	(1,531,103)
Transportation	122,558	-	138,722	-	16,164	-	-
Environmental protection	601,955	445,881	2,546	-	(153,528)	-	(153,528)
Economic and physical development	374,029	21,429	-	318,842	(33,758)	-	448,427
Cultural and recreation	309,479	120,503	-	-	(188,976)	-	(188,976)
Interest on long-term debt	24,178	-	-	-	(24,178)	-	(24,178)
Total governmental activities	<u>3,713,844</u>	<u>758,988</u>	<u>141,268</u>	<u>318,842</u>	<u>(2,494,746)</u>	<u>-</u>	<u>(2,494,746)</u>
Business-type activities:							
Water and sewer	2,840,669	2,577,809	-	-	-	(262,860)	(262,860)
Municipal airport	243,707	175,085	-	80,192	-	11,570	11,570
Total business-type activities	<u>3,084,376</u>	<u>2,752,894</u>	<u>-</u>	<u>80,192</u>	<u>-</u>	<u>(251,290)</u>	<u>(251,290)</u>
Total Primary Government	<u>\$ 6,798,220</u>	<u>\$ 3,511,882</u>	<u>\$ 141,268</u>	<u>\$ 399,034</u>	<u>(2,494,746)</u>	<u>(251,290)</u>	<u>(2,746,036)</u>

General revenues:

Taxes:		
Property taxes, levied for general purpose	1,574,434	1,574,434
Local option sales tax	675,797	675,797
Other taxes and licenses	554,738	554,738
Grants and contributions not restricted to specific programs	-	-
Investment earnings, unrestricted	1,693	1,923
Miscellaneous, unrestricted	-	-
Total general revenues not including transfers	<u>2,806,662</u>	<u>2,806,892</u>
Transfers	-	-
Total general revenues and transfers	<u>2,806,662</u>	<u>2,806,892</u>
Change in net position	311,916	60,856
Net position, beginning	<u>4,692,385</u>	<u>23,310,913</u>
Net position-ending	<u>\$ 5,004,301</u>	<u>\$ 23,371,769</u>

Town of Mount Olive, North Carolina
Balance Sheet
Governmental Funds
June 30, 2016

	Major Fund		Total Governmental Funds
	General Fund	Total Non- Major Funds	
ASSETS			
Cash and cash equivalents	\$ 852,003	\$ 362,395	\$ 1,214,398
Restricted cash	284,834	-	284,834
Taxes receivables, net	137,871	-	137,871
Account receivables, net	454,827	-	454,827
Due from other funds	418,691	-	418,691
Total assets	\$ 2,148,226	\$ 362,395	\$ 2,510,621
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 68,964	\$ -	\$ 68,964
Due to other funds	-	-	-
Total liabilities	68,964	-	68,964
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	137,871	-	137,871
Total deferred inflows of resources	137,871	-	137,871
Fund balances:			
Restricted			
Streets - Powell Bill	269,576	-	269,576
Stabilization by State Statute	873,518	-	873,518
Reserve requirement	-	-	-
Committed- Public Safety	-	362,395	362,395
Unassigned	798,297	-	798,297
Total fund balances	1,941,391	362,395	2,303,786
Total liabilities, deferred inflows of resources and fund balances	\$ 2,148,226	\$ 362,395	
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			3,180,568
Deferred outflows of resources related to pensions are not reported in the funds.			93,692
Liabilities for earned revenues considered deferred inflows of resources in fund statements.			137,871
Deferred inflows of resources related to pensions are not reported in the funds			(49,600)
Other long-term assets (accrued interest from taxes) are not available to pay current period expenditures and therefore are deferred in the funds.			31,994
Net pension liability.			(83,551)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			(610,459)
Net position of governmental activities			\$ 5,004,301

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

	<u>Major Fund</u>		Total Governmental Funds
	<u>General Fund</u>	<u>Total Non- Major Fund</u>	
REVENUES			
Ad valorem taxes	\$ 1,568,812	\$ -	\$ 1,568,812
Other taxes and licenses	300	-	300
Unrestricted intergovernmental	1,118,646	111,585	1,230,231
Restricted intergovernmental	141,268	318,842	460,110
Permits and fees	53,912	-	53,912
Sales and services	670,531	-	670,531
Investment earnings	1,364	329	1,693
Miscellaneous	13,116	21,429	34,545
Total revenues	<u>3,567,949</u>	<u>452,185</u>	<u>4,020,134</u>
EXPENDITURES			
Current:			
General government	1,167,445	-	1,167,445
Public safety	1,480,469	65,371	1,545,840
Public works and streets	103,297	-	103,297
Cultural and recreation	276,184	374,029	650,213
Environmental	602,084	-	602,084
Debt service	66,906	-	66,906
Total expenditures	<u>3,696,385</u>	<u>439,400</u>	<u>4,135,785</u>
Excess (deficiency) of revenues over expenditures	<u>(128,436)</u>	<u>12,785</u>	<u>(115,651)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Installment purchase obligations issued	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(128,436)	12,785	(115,651)
Fund balances-beginning	2,069,827	349,610	2,419,437
Fund balances-ending	<u>\$ 1,941,391</u>	<u>\$ 362,395</u>	<u>\$ 2,303,786</u>

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

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

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

Net changes in fund balances - total governmental funds \$ (115,651)

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.

Capital outlay expenditures which were capitalized	584,998	
Depreciation expense for governmental assets	<u>(219,467)</u>	
		365,531

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		84,574
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Change in unavailable revenue for tax revenues		5,625
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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:

Compensated absences		(23,695)
Pension expense		(47,196)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the amount of long-term debt and related items. This amount is the net effect of these differences in the treatment of long-term debt and related items.

42,728

Total changes in net position of governmental activities		<u>\$ 311,916</u>
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Town of Mount Olive, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Annual Budget and Actual
For the Year Ended June 30, 2016

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 1,658,892	\$ 1,658,786	\$ 1,568,812	\$ (89,974)
Other taxes and licenses	817	300	300	-
Unrestricted intergovernmental	1,069,546	1,081,846	1,118,646	36,800
Restricted intergovernmental	148,059	126,000	141,268	15,268
Permits and fees	96,212	103,335	53,912	(49,423)
Sales and services	667,956	643,856	670,531	26,675
Investment earnings	1,000	6,000	1,364	(4,636)
Miscellaneous	12,000	17,600	13,116	(4,484)
Total revenues	<u>3,654,482</u>	<u>3,637,723</u>	<u>3,567,949</u>	<u>(69,774)</u>
Expenditures				
Current:				
General government	969,699	1,168,086	1,167,445	641
Public safety	1,377,994	1,480,995	1,480,469	526
Transportation	508,294	148,059	103,297	44,762
Environmental Protection	508,350	602,105	602,084	21
Cultural and recreation	290,145	276,704	276,184	520
Debt service	-	66,906	66,906	-
Total expenditures	<u>3,654,482</u>	<u>3,742,855</u>	<u>3,696,385</u>	<u>46,470</u>
Revenues over (under) expenditures	-	(105,132)	(128,436)	(23,304)
Other financing sources (uses):				
Installment purchase obligations issued	-	-	-	-
Transfers (to)/from	-	-	-	-
Fund balance appropriated	-	105,132	-	(105,132)
Total other financing sources (uses)	<u>-</u>	<u>105,132</u>	<u>-</u>	<u>(105,132)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	(128,436)	<u>\$ (128,436)</u>
Fund Balance, Beginning			2,069,827	
Fund Balance, Ending			<u>\$ 1,941,391</u>	

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

Town of Mount Olive, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2016

	Major Enterprise Funds		
	Water and Sewer Fund	Municipal Airport Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 73,923	\$ 70,849	\$ 144,772
Restricted cash	261,114	18,081	279,195
Accounts receivable (net)	577,994	26,450	604,444
Inventory	-	13,033	13,033
Due from other funds	-	-	-
Total	<u>913,031</u>	<u>128,413</u>	<u>1,041,444</u>
Non current assets:			
Capital assets (net of depreciation):			
Land and other non-depreciable assets	85,977	1,505,360	1,591,337
Other capital assets, net of depreciation	22,119,218	1,875,974	23,995,192
Capital assets (net)	<u>22,205,195</u>	<u>3,381,334</u>	<u>25,586,529</u>
Total assets	<u>23,118,226</u>	<u>3,509,747</u>	<u>26,627,973</u>
Deferred Outflows of Resources	<u>\$ 55,024</u>	<u>\$ -</u>	<u>\$ 55,024</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 51,907	\$ 5,002	\$ 56,909
Due to other funds	402,691	16,000	418,691
Compensated absences payable	18,207	-	18,207
Current portion of long-term debt	283,967	34,151	318,118
Total	<u>756,772</u>	<u>55,153</u>	<u>811,925</u>
Noncurrent liabilities:			
Liabilities payable from restricted assets:			
Customer deposits	168,411	-	168,411
Compensated absences payable	37,289	-	37,289
Net pension liability	49,069	-	49,069
Non-current portion of long-term debt	7,095,148	124,557	7,219,705
Total liabilities	<u>8,106,689</u>	<u>179,710</u>	<u>8,286,399</u>
Deferred Inflows of Resources	<u>29,130</u>	<u>-</u>	<u>29,130</u>
Net Position			
Net investment in capital assets	14,826,080	3,222,626	18,048,706
Unrestricted	211,351	107,411	318,762
Total net position	<u>\$ 15,037,431</u>	<u>\$ 3,330,037</u>	<u>\$ 18,367,468</u>

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

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

	Major Enterprise Funds		
	Water and Sewer Fund	Municipal Airport Fund	Total
Operating revenues:			
Charges for services	\$ 2,512,491	\$ 175,085	\$ 2,687,576
Water & sewer taps	42,300	-	42,300
Other operating revenues	23,018	-	23,018
Total operating revenues	<u>2,577,809</u>	<u>175,085</u>	<u>2,752,894</u>
Operating expenses:			
Administration	143,152	194,472	337,624
Water treatment and distribution	789,198	-	789,198
Waste collection and treatment	1,089,144	-	1,089,144
Depreciation	505,051	45,249	550,300
Total operating expenses	<u>2,526,545</u>	<u>239,721</u>	<u>2,766,266</u>
Operating income	<u>51,264</u>	<u>(64,636)</u>	<u>(13,372)</u>
Nonoperating revenues (expenses):			
Investment earnings	225	5	230
Interest and fees	(314,124)	(3,986)	(318,110)
Total nonoperating revenues (expenses)	<u>(313,899)</u>	<u>(3,981)</u>	<u>(317,880)</u>
Net income before contributions and transfers	<u>(262,635)</u>	<u>(68,617)</u>	<u>(331,252)</u>
Capital contributions	-	80,192	80,192
Transfers	-	-	-
Total capital contributions and transfers	<u>-</u>	<u>80,192</u>	<u>80,192</u>
Change in net position	(262,635)	11,575	(251,060)
Net Position - Beginning of Year	15,300,066	3,318,462	18,618,528
Total Net Position, Ending	<u>\$ 15,037,431</u>	<u>\$ 3,330,037</u>	<u>\$ 18,367,468</u>

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

Town of Mount Olive, North Carolina
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2016

	Major Enterprise Funds		
	Water and Sewer Fund	Municipal Airport Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 2,772,017	175,085	2,947,102
Cash paid for goods and services	(1,438,994)	(194,583)	(1,633,577)
Cash paid to employees for services	(984,773)	-	(984,773)
Net cash provided by operating activities	<u>348,250</u>	<u>(19,498)</u>	<u>-</u>
Cash flows from noncapital financing activities:			
Transfers	-	-	-
Due to/other funds (net)	<u>281,112</u>	<u>-</u>	<u>281,112</u>
Net cash used by noncapital financing activities	<u>281,112</u>	<u>-</u>	<u>281,112</u>
Cash flows from capital and related financing activities:			
Capital contributions-grants	-	80,192	80,192
Issuance of new debt	-	-	-
Acquisition and construction of capital assets	(68,046)	(139,931)	(207,977)
Principal paid on bond maturities and note agreements	(279,967)	(32,883)	(312,850)
Interest and fees paid on bond maturities and notes agreements	(314,124)	(3,986)	(318,110)
Net cash used by capital and related financing activities	<u>(662,137)</u>	<u>(96,608)</u>	<u>(758,745)</u>
Cash flows from investing activities:			
Interest on investments	<u>225</u>	<u>5</u>	<u>230</u>
Net decrease in cash and cash equivalents	(32,550)	(116,101)	(148,651)
Cash and cash equivalents:			
Beginning of year, July 1	<u>367,587</u>	<u>205,031</u>	<u>572,618</u>
End of year, June 30	<u>\$ 335,037</u>	<u>\$ 88,930</u>	<u>\$ 423,967</u>

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

Town of Mount Olive, North Carolina
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2016

	Major Enterprise Funds		
	Water & Sewer Fund	Municipal Airport Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 51,264	\$ (64,636)	\$ (13,372)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	505,051	45,249	550,300
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(194,208)	384	(193,824)
(Increase) decrease in inventory	-	(283)	(283)
(Increase) decrease in net pension asset	68,735	-	68,735
Increase (decrease) in accounts payable and accrued liabilities	2,490	(212)	2,278
Increase (decrease) in net pension liability	49,069	-	49,069
(Increase) decrease in deferred outflows of resources for pensions	(8,508)	-	(8,508)
Increase (decrease) in deferred inflows of resources for pensions	(131,249)	-	(131,249)
Increase (decrease) in deposits	5,606	-	5,606
Total adjustments	<u>296,986</u>	<u>45,138</u>	<u>342,124</u>
Net cash provided by operating activities	<u>\$ 348,250</u>	<u>\$ (19,498)</u>	<u>\$ 328,752</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Town of Mount Olive, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

I. Summary of Significant Accounting Policies

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

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 nonmajor 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. Nonoperating revenues, such as subsidies result from the non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

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

The Town reports the following non-major governmental funds:

Waylin Fire District Special Revenue Fund. This fund is used to account for operations of the Waylin Fire District from grants provided by Duplin and Wayne Counties.

Carver Cultural Center Renovations. This fund is used to account for grant revenues and expenditures in relation to the renovation of the Carver Cultural Center.

The Town reports the following major enterprise funds:

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

Municipal Airport Fund. This fund is used to account for the Town's airport fund operations.

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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating 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 Mount Olive because the tax is levied by the County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there 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. Project ordinances are adopted for the Grant Projects Special Revenue Funds and the Enterprise Fund Capital Project Funds, which are consolidated with their respective operating fund for reporting purposes. 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 and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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 Super-NOW accounts, money market accounts, and certificates of deposit.

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

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

The unexpended loan proceeds in the Water and Sewer Fund are classified as restricted assets for the enterprise funds because their use is completely restricted to the purpose for which the grants and loan were originally issued.

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.

Town of Mount Olive Restricted Cash

Governmental Activities

General Fund		
	Streets	\$ 269,576
	Reserve requirement	<u>15,258</u>
Total governmental activities		\$ <u>284,834</u>

Business-type Activities

Water and Sewer Fund		
	Customer Deposits	\$ 168,411
	Reserve requirement	<u>110,784</u>
Total Business-type activities		\$ <u>279,195</u>

Total Restricted Cash		\$ <u><u>564,029</u></u>
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4. Ad Valorem Taxes Receivable

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

The Town has no inventory or prepaid items.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Capitalization cost for the Town's assets are \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs do not add to the value of the asset or materially extend assets' lives are not capitalized. Other assets of the Town are depreciated on a class life basis at the following rates:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	30-40 years
Furniture and Equipment	5-10 years
Vehicles	5-10 years
Leasehold Improvements	10-20 years
Infrastructure	30-40 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 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meets the criterion for this category- property taxes receivable and deferrals of pension expense that result from 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to 360 hours earned vacation leave for employees with less than twenty years of service and 480 hours for employees with twenty years or more of service, with such leave being fully vested after one year of service. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave and is vested after five years of service. After being vested, if an employee retires or quits, they are paid one-fourth of their sick leave not to exceed thirty days. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

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

 Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of 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 Mount Olive's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance - portion of fund balance that the Town of Mount Olive intends to use for specific purposes.

Unassigned Fund Balance - 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 (LTERS) and additions to/deductions from LTERS' fiduciary net position have been determined on the same basis as they are reported by LTERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LTERS. Investments are reported at fair value.

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.

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

None.

C. Excess of Expenditures over Appropriations

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2016, The Town's deposits had a carrying amount of \$1,913,926 and a bank balance of \$1,933,497. All of which was covered by federal depository insurance.

2. Investments

At June 30, 2016, the Town of Mount Olive had \$9,273 invested with the North Carolina Capital Management Trust's Cash Portfolio which earned a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts. There are no doubtful accounts. The Town uses the direct write off method.

	Accounts	Taxes and Related Accrued Interest	Due From Other Governments	Other	Total
Governmental Activities:					
General	\$ 248,166	\$ 169,865	\$ 206,661	\$ -	\$ 624,692
Total Governmental Activities	\$ 248,166	\$ 169,865	\$ 206,661	\$ -	\$ 624,692
Governmental Activities:					
Water and Sewer	\$ 577,994	\$ -	\$ -	\$ -	\$ 577,994
Municipal Airport	26,450	-	-	-	26,450
Total Governmental Activities	\$ 604,444	\$ -	\$ -	\$ -	\$ 604,444

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 359,750	\$ -	\$ -	\$ 359,750
Construction in progress	131,158	505,187	636,345	-
Total capital assets not being depreciated	490,908	505,187	636,345	359,750
Capital assets being depreciated:				
Buildings	902,726	7,500	-	910,226
Equipment and Vehicles	3,389,743	43,362	-	3,433,105
Improvements	4,712,472	665,294	-	5,377,766
Infrastructure	12,856	-	-	12,856
Total capital assets being depreciated	9,017,797	716,156	-	9,733,953
Less accumulated depreciation for:				
Buildings	366,839	43,083	-	409,922
Equipment and Vehicles	2,403,114	138,484	-	2,541,598
Improvements	3,916,642	37,257	-	3,953,899
Infrastructure	7,073	643	-	7,716
Total accumulated depreciation	6,693,668	\$ 219,467	\$ -	6,913,135
Total capital assets being depreciated, net	2,324,129			2,820,818
Governmental activity capital assets, net	\$ 2,815,037			\$ 3,180,568

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

General Government	\$	33,654			
Public Safety		124,486			
Parks & Recreation		33,840			
Environmental Protection		-			
Public Works		27,487			
Total Depreciation Expense	\$	<u>219,467</u>			
		Beginning			Ending
		Balances	Increases	Decreases	Balances
Business-type activities:					
Water & Sewer Fund activities:					
Capital assets not being depreciated:					
Land	\$	23,252	\$ -	\$ -	\$ 23,252
Construction in progress		-	62,725	-	62,725
Total capital assets not being depreciated		<u>23,252</u>	<u>62,725</u>	-	<u>85,977</u>
Capital assets being depreciated:					
Buildings		5,119,437	-	-	5,119,437
Substations, lines		24,541,441	-	-	24,541,441
Equipment & Maintenance		946,991	-	-	946,991
Vehicles		221,521	5,321	-	226,842
Total capital assets being depreciated		<u>30,829,390</u>	<u>5,321</u>	-	<u>30,834,711</u>
Less accumulated depreciation for:					
Buildings		4,324,098	39,767	-	4,363,865
Substations, lines		2,959,574	431,637	-	3,391,211
Equipment & Maintenance		739,081	20,236	-	759,317
Vehicles		187,689	13,411	-	201,100
Total accumulated depreciation		<u>8,210,442</u>	<u>505,051</u>	-	<u>8,715,493</u>
Total capital assets being depreciated, net		<u>22,618,948</u>			<u>22,119,218</u>
Water & Sewer Fund capital assets, net	\$	<u>22,642,200</u>			<u>\$ 22,205,195</u>
Airport Fund :					
Capital assets not being depreciated:					
Land	\$	258,521	\$ -	\$ -	\$ 258,521
Construction in progress		1,106,908	139,931	-	1,246,839
Total capital assets not being depreciated		<u>1,365,429</u>	<u>139,931</u>	-	<u>1,505,360</u>
Capital assets being depreciated:					
Buildings		353,030	-	-	353,030
Improvements		2,046,402	-	-	2,046,402
Equipment & Maintenance		182,766	-	-	182,766
Total capital assets being depreciated		<u>2,582,198</u>	-	-	<u>2,582,198</u>
Less accumulated depreciation for:					
Buildings		209,448	7,179	-	216,627
Improvements		300,229	34,923	-	335,152
Equipment & Maintenance		151,298	3,147	-	154,445
Total accumulated depreciation		<u>660,975</u>	<u>45,249</u>	-	<u>706,224</u>
Total capital assets being depreciated, net		<u>1,921,223</u>			<u>1,875,974</u>
Airport Fund activity capital assets, net	\$	<u>3,286,652</u>			<u>\$ 3,381,334</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town 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 Town 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.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town 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's contractually required contribution rate for the year ended June 30, 2016, was 7.07% for general employees and 7.41% for law enforcement employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$134,244 for the year ended June 30, 2016.

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

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

At June 30, 2016, the Town reported a liability of \$132,620 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town's proportion was 0.02955%, which was a decrease of 0.00195% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$74,914. At June 30, 2016, 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	\$ -	\$ 31,173
Net difference between projected and actual earnings on pension plan investments	-	37,756
Changes in proportion and differences between Town's contributions and proportionate share of contributions	14,472	9,801
Town's contributions subsequent to the measurement date	<u>134,244</u>	-
	<u>\$ 148,716</u>	<u>\$ 78,730</u>

\$134,244 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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2017	\$ (41,719)
2018	(41,719)
2019	(41,720)
2020	60,900
2021	-
Thereafter	-
	<u>\$ (64,258)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 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 position 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, 2014 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 return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$924,771	\$132,619	(\$534,751)

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

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

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

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>15</u>
	<u>15</u>

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies.*

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

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

3. *Contributions*

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

c. Supplemental Retirement Income Plan for LEO

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amount contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$000, which consisted of \$000 from the Town and \$000 from the law enforcement officers.

2. Other Employment Benefits

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

For the fiscal year ended June 30, 2016, the Town made contributions to the State for death benefits of \$000. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 7.07% and 7.41% of covered payroll, respectively.

3. Deferred Outflows and Inflows of Resources

The Town has one deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 134,244
Changes in proportion and differences between Town's contributions and proportionate share of contributions	14,472
Total	\$ 148,716

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

Pension deferrals	\$ 78,730
Taxes Receivable	\$ 137,871

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; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries commercial coverage for all other risks of loss. 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 fiscal years. The Town does not carry flood insurance on any property due to all properties being located out of the flood plain.

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 finance officer is bonded for \$50,000 and the tax collector is bonded for \$25,000.

5. Claims, Judgments, and Contingent Liabilities

At June 30, 2016, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long Term Obligations

a. Capital Leases

The Town has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

b. Installment Purchases

The Town has entered into installment purchase agreements for certain assets. The financing contracts are listed below:

Governmental Activities:

This first agreement was executed on March 18, 2003 to purchase a computer system and fire truck. It was financed by US department of Agriculture requiring twenty annual payments of \$33,059. The first payment of \$19,508 due on March 18, 2004 was for interest only. The first full payment was due March 18, 2005.

<u>Class of Property</u>	<u>Amount</u>
Computer Equipment	\$ 85,847
Vehicles	326,513
Total	<u>\$ 412,360</u>

The future minimum payments of the installment purchase as of June 30, 2016 including interest are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	\$ 33,059
2018	33,059
2019	33,059
2020	33,059
2021	33,059
2022-2012	<u>66,104</u>
Total minimum lease payments	231,399
Less amount representing interest	<u>(37,491)</u>
Present value of minimum lease payments	<u>\$ 193,908</u>

The next agreement was executed on December 21, 2007 to purchase a Fire Truck on installment requiring annual payments of \$33,849.

<u>Class of Property</u>	<u>Amount</u>
Vehicles	<u>\$ 833,778</u>

The future minimum payments of the installment purchase as of June 30, 2016 including interest are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	\$ 33,849
2018	33,849
2019	33,849
2020	33,849
2021	33,849
2021-2025	169,245
2026-2030	<u>67,698</u>
Total minimum lease payments	406,188
Less amount representing interest	<u>(93,070)</u>
Present value of minimum lease payments	<u>\$ 313,118</u>

c. General Obligation Indebtedness

The general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2016 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water and Sewer Fund:

\$1,000,000 Sewer serial bonds due in annual installments of various amounts of \$42,000 to \$168,000 through June 1, 2047; interest at a fixed rate of 4.375%	\$ 903,000
\$4,000,000 Sewer serial bonds due in annual installments of various amounts of \$42,000 to \$168,000 through June 1, 2047; interest at a fixed rate of 4.375%	<u>3,606,000</u>
Total	<u>\$ 4,509,000</u>

Revenue Bonds

Serviced by the Water and Sewer Fund:

\$1,370,000 Sewer serial bonds due in annual installments of various amounts of \$14,000 to \$56,000 through June 1, 2047; interest at a fixed rate of 4.375%	\$ 1,234,000
\$729,000 Sewer serial bonds due in annual installments of various amounts of \$11,000 to \$30,000 through June 1, 2051; interest at a fixed rate of 2.75%.	<u>695,000</u>
Total	<u>\$ 1,929,000</u>

The Town was in compliance with all covenants in Section 7.08 of the Bond Order for the USDA Revenue Bonds, authorizing the issuance of the Sewer Revenue Bonds. The debt service coverage ratio needs to be at least 110%. The debt service coverage ratio calculation for the year ended June 30, 2016, is as follows:

Operating revenues	\$ 2,577,809
Operating expenses*	<u>2,021,494</u>
Operating income	556,315
Nonoperating revenues (expenses)**	<u>(239,593)</u>
Income available for debt service	316,722
Debt service, principal and interest paid (Revenue bond only)	\$ 106,306
Debt service coverage ratio	298%

* This does not include the depreciation expense of \$505,051.

** This does not include revenue bond interest paid of \$74,306.

The Town has pledged future sewer customer revenues, net of specified operating expenses, to repay \$2,054,000 million in sewer system revenue bonds issued in January 2008 and April 2012. Proceeds from the bonds provided financing for various sewer improvements. The bonds are payable solely from water and sewer customer net revenues and are payable through 2051. Annual principal and interest payments on the bonds are expected to require less than 4 percent of net revenues. The total principal remaining to be paid on the bonds is \$1,961,000. Principal and interest paid for the current year and total customer net revenues were \$106,306 and \$2,577,809, respectively.

Notes to the Financial Statements

Notes Payable

Serviced by the Water and Sewer Fund:

NCDENR- Drinking Water State Revolving Fund granted the Town a loan of \$2,187,850 on December 6, 2011. At year end \$2,134,682 has been drawn down on the loan. \$1,701,188 was forgiven in the current year and the remaining \$353,936 is expected to be repaid in annual installments of \$39,326 with no stated interest rate.

\$ 314,610

\$30,000 Mills International Inc. note payable with loan installments of fixed principle amount of \$7,500, no interest through July 1, 2016.

15,000

\$48,038 Mills International, Inc. note payable with loan installments of fixed principal amount of \$9,800, no interest through August 1, 2016.

9,800

Total

\$ 339,410

\$2,045,800 NC Clean Water Loan and Grant Program revolving loan installments of fixed principal amount of \$120,341, plus interest through May 1, 2021; interest at a fixed rate of 5.25 percent

\$ 601,705

Notes Payable

Serviced by the Municipal Airport Fund:

\$100,000 Airport improvement note with Wayne County dated August 4, 2014. Payable in annual installments of \$20,000 with no interest, through August, 2019.

80,000

\$225,000 Airport hanger note due in annual installments of \$18,057 plus interest, through October 23, 2021; interest of 5 percent

78,708

Total

\$ 760,413

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2017	318,118	302,324
2018	313,025	291,387
2019	311,269	280,199
2020	317,049	274,511
2021	302,382	262,870
2022-2026	828,980	1,168,189
2027-2031	876,000	1,004,476
2032-2036	1,074,000	802,041
2036-2041	1,321,000	553,474
2042-2046	1,464,000	255,154
2047-2051	412,000	24,351
Total	<u>\$ 7,537,823</u>	<u>\$ 5,218,976</u>

d. Changes in Long-Term Liabilities

During the year ended June 30, 2016 the following changes occurred in installment purchase in the:

	Balance			Balance		
	07/01/15	Increases	Decreases	06/30/16	Current Portion	
Governmental activities:						
Installment purchase	\$ 549,754	\$ -	\$ (42,728)	\$ 507,026	\$	34,151
Net pension liability (LGRS)	-	83,551	-	83,551		-
Compensated absences	79,738	53,478	29,783	162,999		53,478
Governmental activity long-term liabilities	\$ 629,492	\$ 137,029	\$ (12,945)	\$ 753,576	\$	87,629
Business-type activities:						
General obligation bonds	\$ 4,580,000	\$ -	\$ (71,000)	\$ 4,509,000	\$	74,000
General obligation notes	913,637	-	(153,224)	760,413		154,492
Revenue bonds	1,961,000	-	(32,000)	1,929,000		33,000
Net pension liability (LGRS)	-	49,069	-	49,069		-
Installment purchase	396,036	-	(56,626)	339,410		56,626
Compensated absences	52,631	2,865	-	55,496		18,207
Business-type activity long-term liabilities	\$ 7,903,304	\$ 51,934	\$ (312,850)	\$ 7,642,388	\$	336,325

At June 30, 2016, the Town of Mount Olive had a legal debt margin of \$20,936,038.

C. Interfund Balances and Activities

Balances due to/from other funds at June 30, 2016 consist of the following:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Water/Sewer	\$ 402,691
General	Municipal Airport	16,000
Total		\$ 418,691

All of the above were for operating expenditures.

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 3,180,568	\$ 25,586,529
less: long term debt	507,026	7,537,823
Net investment in capital asset	\$ 2,673,542	\$ 18,048,706

E. Fund Balance

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

Total fund balance - General Fund	\$ 1,941,391
Less:	
Stabilization by State Statute	873,518
Streets - Powell Bill	269,576
Remaining Fund Balance	\$ 798,297

IV. Summary Disclosure of Significant Contingencies

None.

V. Joint Ventures

The Town participated in a joint venture to operate a regional library with Wayne County. The Town's participation is limited to providing and maintaining the facility in which the Library is housed. The Town is not involved in the appointment of the county library board. The Town has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the county's continued funding. The Town does not have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2016. Complete financial statements for the Library can be obtained from the Library's offices at 111 North Chestnut Street, Mount Olive, NC 28365.

The Town participates in the Mount Olive Community Development Corporation. The Town Commissioners must approve all members to the nine-member board of the Corporation. The Corporation is a non-profit which works with the Town to acquire and rehabilitate property within the Town limits. The Town contributed a piece of property which is located at Pollock and Center Street with a value of \$15,000 to the Corporation during fiscal year ended June 30, 2009. Complete financial statements for the Corporation can be obtained from the Corporation's office at 114 East James Street, Post Office Box 939, Mount Olive, NC 28365.

VI. Related Organization

The five-member board of the Town of Mount Olive Housing Authority is appointed by the mayor of the Town of Mount Olive. The Town is accountable for the Housing Authority because it appoints the governing board; however, the Town is not financially accountable for the Housing Authority. The Town of Mount Olive is also disclosed as a related organization in the notes to the financial statements for the Town of Mount Olive Housing Authority.

VII. Related Party Transactions

There were no material related party transactions for the year ended June 30, 2016.

VIII. Summary of 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 cost may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

IX. Significant Effects of Subsequent Events

There are no subsequent events that would have a material affect on the financial statements. Subsequent events have been analyzed through the date that the financial statements were available to be issued.

REQUIRED
SUPPLEMENTAL FINANCIAL DATA

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

Schedule of the Proportionate Share of the Net Pension
Asset – Local Government Employees’ Retirement System

Schedule of Contributions – Local Government Employees’
Retirement System

Town of Mount Olive, North Carolina
Mount Olive's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Three Fiscal Years*

Local Government Employees' Retirement System

	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.0296%	0.0315%	0.0315%
Town's proportion of the net pension liability (asset) (\$)	\$ 132,620	\$ (185,770)	\$ (185,770)
Town's covered-employee payroll	\$ 1,752,314	\$ 1,692,662	\$ 1,532,226
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.57%	(10.98%)	(12.12%)
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	102.64%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

**Town of Mount Olive, North Carolina
 Mount Olive's Contributions
 Required Supplementary Information
 Last Three Fiscal Years**

Local Government Employees' Retirement System

	2016	2015	2014
Contractually required contribution	\$ 134,244	\$ 125,720	\$ 120,771
Contributions in relation to the contractually required contribution	134,244	125,720	120,771
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Board's covered-employee payroll	\$ 1,692,662	\$ 1,532,226	\$ 1,489,812
Contributions as a percentage of covered-employee payroll	7.93%	8.21%	8.11%

GENERAL FUND

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

**Town of Mount Olive, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016**

	2016		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 1,562,674	\$
Penalties and interest		6,138	
Total	<u>1,658,786</u>	<u>1,568,812</u>	<u>(89,974)</u>
Other taxes and licenses:			
Licenses and fees		300	
Total	<u>300</u>	<u>300</u>	<u>-</u>
Unrestricted intergovernmental:			
Local option sales taxes		675,797	
ABC revenue		25,200	
Utility sales tax		279,594	
Beer and wine tax		20,473	
Video franchise fee		21,295	
Telecommunication sales tax		50,300	
Refunds		33,237	
Reimbursements		12,750	
Total	<u>1,081,846</u>	<u>1,118,646</u>	<u>36,800</u>
Restricted intergovernmental:			
Solid waste disposal tax		2,546	
Powell bill allocation		138,722	
Total	<u>126,000</u>	<u>141,268</u>	<u>15,268</u>
Permits and fees:			
Building Permits		53,124	
Business registration fees		381	
Miscellaneous		407	
Total	<u>103,335</u>	<u>53,912</u>	<u>(49,423)</u>

**Town of Mount Olive, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016**

		2016		Variance
		Budget	Actual	Positive (Negative)
Sales and services:				
	Garbage fees		445,881	
	Court cost		3,933	
	Recreation fees		22,174	
	Rents		100,114	
	Cemetery fees		88,529	
	Cemetery lot sales		9,800	
	Miscellaneous		100	
	Total	<u>643,856</u>	<u>670,531</u>	<u>26,675</u>
Investment earnings				
		<u>6,000</u>	<u>1,364</u>	<u>(4,636)</u>
Miscellaneous:				
	Other		7,370	
	Sale of surplus		5,746	5,746
	Total	<u>17,600</u>	<u>13,116</u>	<u>5,746</u>
Total Revenues				
		<u>3,637,723</u>	<u>3,567,949</u>	<u>(69,774)</u>
General government:				
Governing Body:				
	Salaries and benefits		16,104	
	Operating expense		163,871	
	Capital Outlay		-	
	Total	<u>179,981</u>	<u>179,975</u>	<u>6</u>

**Town of Mount Olive, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016**

		2016		Variance
		Budget	Actual	Positive (Negative)
Town Manager:				
	Salaries and benefits		151,054	
	Operating expense		24,910	
	Capital Outlay		-	
	Total	<u>176,508</u>	<u>175,964</u>	<u>544</u>
Public Works and Buildings:				
	Salaries and benefits		204,575	
	Operating expense		366,560	
	Capital Outlay		-	
	Total	<u>571,213</u>	<u>571,135</u>	<u>78</u>
Administration:				
	Salaries and benefits		90,535	
	Operating expense		149,836	
	Capital Outlay		-	
	Total	<u>240,384</u>	<u>240,371</u>	<u>13</u>
	Total General Government	<u>1,168,086</u>	<u>1,167,445</u>	<u>641</u>
Environmental protection:				
Sanitation:				
	Salaries and benefits		181,603	
	Operating expense		356,410	
	Capital Outlay		-	
	Total	<u>538,031</u>	<u>538,013</u>	<u>18</u>
Cemetery:				
	Contracted services		-	
	Operating expense		64,071	
	Capital Outlay		-	
	Total	<u>64,074</u>	<u>64,071</u>	<u>3</u>
	Total Environmental Protection	<u>602,105</u>	<u>602,084</u>	<u>21</u>

**Town of Mount Olive, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016**

<hr/>				
Transportation:				
	Salaries and benefits		-	
	Operating expense		13,247	
	Contracted services		90,050	
	Capital Outlay		-	
	Total		103,297	44,762
Public Safety:				
Police:				
	Salaries and benefits		984,778	
	Operating expense		233,025	
	Capital Outlay		-	
	Total		1,217,803	15
Fire:				
	Salaries and benefits		83,104	
	Operating expense		105,934	
	Capital Outlay		-	
	Total		189,038	499
Inspections:				
	Salaries and benefits		47,353	
	Operating expense		26,275	
	Capital Outlay		-	
	Total		73,628	12
	Total Public Safety		1,480,469	526
Cultural and Recreation:				
	Salaries and benefits		104,708	
	Operating expense		171,476	
	Capital outlay		-	
	Total		276,184	520

**Town of Mount Olive, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016**

		2016		Variance
		Budget	Actual	Positive (Negative)
Debt service:				
	Principal		42,728	
	Interest		24,178	
	Total	<u>66,906</u>	<u>66,906</u>	-
	Total Expenditures	<u>3,742,855</u>	<u>3,696,385</u>	46,470
Revenues over (under) expenditures		(105,132)	(128,436)	(23,304)
Other financing sources (uses):				
	Proceeds from install. purchase	-	-	-
	Transfers from other funds	-	-	-
	Transfers to other funds	-	-	-
	Fund balance appropriated	<u>105,132</u>	-	<u>(105,132)</u>
	Total	<u>105,132</u>	<u>-</u>	<u>(105,132)</u>
Revenues and other financing sources over expenditures and other financing uses		\$ <u>-</u>	(128,436)	\$ <u>(128,436)</u>
Fund Balance, beginning			<u>2,069,827</u>	
Fund Balance, Ending			<u>\$ 1,941,391</u>	

Town of Mount Olive, North Carolina
Nonmajor Governmental Fund
Combining Balance Sheet
June 30, 2016

	Waylin Fire District Fund	Carver Cultural Center Renovation	2016 Totals
Assets			
Cash and Investments	\$ 362,395	\$ -	\$ 362,395
Due from other funds	-	-	-
Accounts Receivable	-	-	-
Total Assets	<u>\$ 362,395</u>	<u>-</u>	<u>\$ 362,395</u>
Liabilities			
Due to other funds	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
Accounts payable	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Equity			
Fund Balance - Committed for Public Safety	<u>362,395</u>	<u>-</u>	<u>362,395</u>
Total fund balances	<u>362,395</u>	<u>-</u>	<u>362,395</u>
Total Liabilities and Fund Equity	<u>\$ 362,395</u>	<u>-</u>	<u>\$ 362,395</u>

Town of Mount Olive, North Carolina
Nonmajor Governmental Fund
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
For the Fiscal Year Ended June 30, 2016

	Waylin Fire District Fund	Carver Cultural Center Renovation	2016 Totals
Revenues:			
Restricted revenue	\$ -	\$ 318,842	\$ 318,842
Local contributions	56,398	55,187	111,585
Investment income	329	-	329
Miscellaneous	21,429	-	21,429
Total Revenues	<u>78,156</u>	<u>374,029</u>	<u>452,185</u>
Expenditures:			
Current:			
Public safety	65,371	-	65,371
Parks and Recreation	-	374,029	374,029
Total	<u>65,371</u>	<u>374,029</u>	<u>439,400</u>
Revenues over expenditures	-	-	-
Other Financing Sources (Uses):			
Installment Proceeds	-	-	-
Transfers In (Out)	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures and other financing sources and (uses)	12,785	-	12,785
Fund Balance, Beginning	349,610	-	349,610
Fund Balance, Ending	<u>\$ 362,395</u>	<u>\$ -</u>	<u>\$ 362,395</u>

Town of Mount Olive, North Carolina
Waylin Fire District
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2016

	2016		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Local contributions	\$	\$ 56,398	\$
Restricted revenue		-	
Miscellaneous		21,429	
Total	<u>104,850</u>	<u>77,827</u>	<u>(27,023)</u>
Nonoperating revenues:			
Interest earnings	-	329	329
Total Revenues	<u>104,850</u>	<u>78,156</u>	<u>(26,694)</u>
Expenditures:			
Salaries and benefits		27,392	
Operating expenditures		37,979	
Debt service		-	
Capital outlay		-	
Total	<u>104,850</u>	<u>65,371</u>	<u>39,479</u>
Revenues over (under) expenditures	-	12,785	12,785
Other financing sources (uses):			
Proceeds from install. Purchase	-	-	-
Transfers in (out)	-	-	-
Fund balance appropriated	-	-	-
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	12,785	<u>12,785</u>
Fund Balance, beginning		<u>349,610</u>	
Fund Balance, Ending		<u>\$ 362,395</u>	

Town of Mount Olive, North Carolina
Carver Cultural Center Renovation Project
Schedule of Revenues and Expenditures-Budget to Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2016

	Project Author - ization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental					
Community Development Block Grant	\$ 450,000	\$ 131,158	\$ 318,842	\$ 450,000	\$ -
Town of Mount Olive	80,000	-	55,187	55,187	(24,813)
Carver Alumni Association	1,500	-	-	-	(1,500)
ADLA, Inc.	500	-	-	-	(500)
Total	<u>532,000</u>	<u>131,158</u>	<u>374,029</u>	<u>505,187</u>	<u>(26,813)</u>
Expenditures:					
Other Public Facilities-Carver Center	482,000	108,685	365,836	474,521	7,479
Planning	5,000	-	-	-	5,000
Administration	45,000	22,473	8,193	30,666	14,334
Total expenditures	<u>532,000</u>	<u>131,158</u>	<u>374,029</u>	<u>505,187</u>	<u>26,813</u>
Revenues over expenditures	-	-	-	-	-
Other financing sources:					
Operating transfers in (out)	-	-	-	-	-
Revenues and other sources over expenditures and other (uses)	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ -</u>		

Town of Mount Olive, North Carolina
Municipal Airport Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2016

	2016		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating Revenues	\$	\$ 175,085	\$
Total	<u>235,000</u>	<u>175,085</u>	<u>(59,915)</u>
Nonoperating revenues:			
Interest earnings	-	5	5
Total Revenues	<u>235,000</u>	<u>175,090</u>	<u>(59,910)</u>
Expenditures:			
Operations:			
Salaries and benefits		-	
Operating expenditures		194,472	
Capital outlay		-	
Total	<u>195,000</u>	<u>194,472</u>	<u>528</u>
Debt service:			
Interest and fees		3,986	
Principal retirement		32,883	
Total debt service	<u>40,000</u>	<u>36,869</u>	<u>3,131</u>
Capital outlay:			
Airport Improvements		-	
Equipment		-	
Miscellaneous		-	
Total capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>235,000</u>	<u>231,341</u>	<u>3,659</u>
Revenues over (under) expenditures	-	(56,251)	(56,251)

Town of Mount Olive, North Carolina
Municipal Airport Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2016

	2016		Variance Positive (Negative)
	Budget	Actual	
Other financing sources (uses):			
Transfers in (out)	-	-	-
Fund balance appropriated	-	-	-
Total other financing sources (uses):	-	-	-
Revenues and other sources over expenditures and other uses	\$ -	\$ (56,251)	\$ (56,251)

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Revenues over expenditures	\$ (56,251)
Reconciling items:	
Capital outlay	-
Depreciation	(45,249)
Capital project - grants	80,192
Principal retirement	32,883
Total reconciling items	67,826
Change in net position	\$ 11,575

Town of Mount Olive, North Carolina
Municipal Airport Capital Project Fund
Schedule of Revenues and Expenditures-Budget to Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2016

	Project Author - ization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental					
Federal grant	\$ 93,196	\$ 163,680	\$ 6,292	\$ 169,972	\$ 76,776
State grant	1,200,000	979,060	69,352	1,048,412	(151,588)
Local contributions	133,333	9,332	4,548	13,880	(119,453)
Total	<u>1,426,529</u>	<u>1,152,072</u>	<u>80,192</u>	<u>1,232,264</u>	<u>(194,265)</u>
Expenditures:					
Preliminary engineering	21,921	-	-	-	21,921
Administrative	162,519	76,844	-	76,844	85,675
Land acquisition	9,332	9,332	-	9,332	-
Engineering	70,986	139,888	-	139,888	(68,902)
Construction and improvements	1,161,771	938,380	139,931	1,078,311	83,460
Equipment	-	-	-	-	-
Miscellaneous and contingency	-	-	-	-	-
Total expenditures	<u>1,426,529</u>	<u>1,164,444</u>	<u>139,931</u>	<u>1,304,375</u>	<u>122,154</u>
Revenues over expenditures	-	(12,372)	(59,739)	(72,111)	(72,111)
Other financing sources:					
Operating transfers in (out)	-	72,111	-	72,111	72,111
Revenues and other sources over expenditures and other (uses)	\$ <u>-</u>	\$ <u>59,739</u>	(59,739)	\$ <u>-</u>	\$ <u>-</u>
Fund balances:					
Beginning of year, July 1			<u>59,739</u>		
End of year, June 30			\$ <u>-</u>		

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

	2016		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Charges for services:			
Water sales:			
Residential and Commercial	\$	\$ 2,512,491	\$
Water and sewer taps		42,300	
Other operating revenues		23,018	
Total	<u>2,779,099</u>	<u>2,577,809</u>	<u>(201,290)</u>
Nonoperating revenues:			
Clean Water Trust Grant		-	
Interest earnings		225	225
Total	<u>500</u>	<u>225</u>	<u>(275)</u>
Total Revenues	<u>2,779,599</u>	<u>2,578,034</u>	<u>(201,565)</u>
Expenditures:			
Water & Sewer Operations:			
Collection and Treatment:			
Salaries and benefits		835,983	
Utilities		204,380	
Contracted services		200,158	
Maintenance and repairs		169,394	
Other		306,995	
Automotive supplies		1,994	
Departmental supplies and materials		123,218	
Water Distribution:			
Salaries and benefits		148,790	
Utilities		131	
Contracted services		3,839	
Maintenance and repairs		6,331	
Other		30,506	
Automotive supplies		420	
Departmental supplies and materials		11,308	
Total operating expenditures	<u>2,112,786</u>	<u>2,043,447</u>	<u>69,339</u>
Debt service:			
Interest and fees		314,124	
Principal retirement		279,967	
Total debt service	<u>596,813</u>	<u>594,091</u>	<u>2,722</u>
Capital outlay:			
Water and sewer expansion		62,725	
Land acquisition		-	
Equipment & Vehicles		5,321	
Miscellaneous		-	
Total capital outlay	<u>70,000</u>	<u>68,046</u>	<u>1,954</u>
Total expenditures	<u>2,779,599</u>	<u>2,705,584</u>	<u>74,015</u>
Revenues over (under) expenditures	-	(127,550)	(127,550)

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

	2016		Variance Positive (Negative)
	Budget	Actual	
Other financing sources (uses):			
Transfers in (out)	-	-	
Loan proceeds	-	-	
Fund balance appropriated	-	-	
Total other financing sources	-	-	
(uses):	-	-	-
Revenues and other sources over expenditures and other uses	\$ -	\$ (127,550)	\$ (127,550)

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Revenues over expenditures	\$ (127,550)
Reconciling items:	
Capital outlay	68,046
Depreciation	(505,051)
Capital project - grants & loans	-
Increase (decrease) in net pension asset	(68,735)
(Increase) decrease in net pension liability	(49,069)
Increase (decrease) in deferred outflows of resources for pensions	8,508
(Increase) decrease in deferred inflows of resources for pensions	131,249
Principal retirement	279,967
Total reconciling items	(135,085)
Change in net position	\$ (262,635)

Town of Mount Olive, North Carolina
Water Supply System Project
Schedule of Revenues and Expenditures-Budget to Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2016

	Project Author - ization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues:					
Restricted intergovernmental					
NCDENR	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Construction	1,842,553	1,975,045	-	1,975,045	(132,492)
Engineering	138,000	138,000	-	138,000	-
Construction Administration/Observation	90,000	18,729	-	18,729	71,271
Grant/Loan Administration	25,000	15,998	-	15,998	9,002
Contingency	92,297	-	-	-	92,297
Total expenditures	<u>2,187,850</u>	<u>2,147,772</u>	<u>-</u>	<u>2,147,772</u>	<u>40,078</u>
Revenues over expenditures	<u>\$ (2,187,850)</u>	<u>\$ (2,147,772)</u>	<u>\$ -</u>	<u>\$ (2,147,772)</u>	<u>\$ 40,078</u>
Other financing sources:					
NCDENR-Drinking Water State Rev. Fund	<u>2,187,850</u>	<u>2,165,204</u>	<u>-</u>	<u>2,165,204</u>	<u>(22,646)</u>
Total other financing sources	<u>2,187,850</u>	<u>2,165,204</u>	<u>-</u>	<u>2,165,204</u>	<u>(22,646)</u>
Revenues and other sources over expenditures and other (uses)	<u>\$ -</u>	<u>\$ 17,432</u>	<u>\$ -</u>	<u>\$ 17,432</u>	<u>\$ 17,432</u>

OTHER SCHEDULES

This section includes additional information on property taxes.

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

Town of Mount Olive, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2016

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2015</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2016</u>
2015-2016	\$ -	\$ 1,581,426	\$ (1,524,518)	\$ 56,908
2014-2015	42,913	-	(19,637)	23,276
2013-2014	26,724	-	(8,735)	17,989
2012-2013	16,033	-	(5,874)	10,159
2011-2012	12,750	-	(4,751)	7,999
2010-2011	8,279	-	(2,321)	5,958
2009-2010	6,746	-	(2,195)	4,551
2008-2009	5,672	-	(1,863)	3,809
2007-2008	5,437	-	(2,357)	3,080
2006-2007	6,351	-	(2,209)	4,142
	<u>\$ 130,905</u>	<u>\$ -</u>	<u>\$ (1,574,460)</u>	<u>\$ 137,871</u>
				Ad valorem taxes receivable - net
				<u>\$ 137,871</u>
				<u>Reconciliation with revenues:</u>
				Ad valorem taxes - General Fund
				\$ 1,568,812
				Reconciling items:
				Discounts, Releases, Refunds
				11,786
				Interest collected
				<u>(6,138)</u>
				Total collections and credits
				<u>\$ 1,574,460</u>

Town of Mount Olive, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2016

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current year's rate	\$ 268,038,305	\$ 0.59	\$ 1,581,426	\$ 1,447,712	\$ 133,714
Penalties	-		-	-	-
Total	<u>268,038,305</u>		<u>1,581,426</u>	<u>1,447,712</u>	<u>133,714</u>
Total property valuation	<u>\$ 268,038,305</u>				
Net levy			1,581,426	1,447,712	133,714
Uncollected taxes at June 30, 2016			<u>(56,908)</u>	<u>(56,908)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,524,518</u>	<u>\$ 1,390,804</u>	<u>\$ 133,714</u>
Current levy collection percentage			<u>96.40%</u>	<u>96.07%</u>	<u>100.00%</u>

COMPLIANCE SECTION



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**Report On Internal Control Over Financial Reporting And On Compliance and Other
Matters Based On An Audit Of Financial Statements Performed In Accordance With
*Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Mount Olive, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprises the Town of Mount Olive's basic financial statements, and have issued our report thereon dated October 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Mount Olive'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 Mount Olive's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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 the internal control was for 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies, listed as 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Mount Olive'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*.

Town of Mount Olive's Response to Findings

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

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

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.

Wilmington, North Carolina

October 28, 2016

Town of Mount Olive, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2016

Section I. Summary of Auditor's Results

Financial Statements

Type of report auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___yes X_no
- Significant Deficiency(s) identified? X_yes ___no

Noncompliance material to financial
statements noted? ___yes X_no

Town of Mount Olive, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2016

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY

2016 – 001 Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among Town personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2015-001.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will adhere to the corrective action plan to follow.

Town of Mount Olive, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2016

Section II - Financial Statement Findings

SIGNIFICANT DEFICIENCIES

2016 - 001 Segregation of Duties

Name of contact person: Ray McDonald, Sr., Mayor

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.

Proposed Completion Date: The Board will implement the above procedure immediately.