

TOWN OF MOUNT OLIVE
Mount Olive, North Carolina

FINANCIAL STATEMENTS
Year Ended June 30, 2017

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

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June 30, 2017

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FINANCIAL SECTION



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Independent Auditors' 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, 2017, 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.

Auditors' 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, 2017, 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, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability and Town Contributions, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll and 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, other schedules, and the Schedule of Expenditures of Federal and State award, as required by Title 2 US Code of Federal Regulations (CFR Part 200, Uniform Administrative, Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act), 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, other schedules, and the Schedule of Expenditures of Federal and State Awards 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, other schedules, and the Schedule of Expenditures of Federal and State Awards 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 February 8, 2018 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., PA

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

Wilmington, North Carolina

February 8, 2018

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, 2017. 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

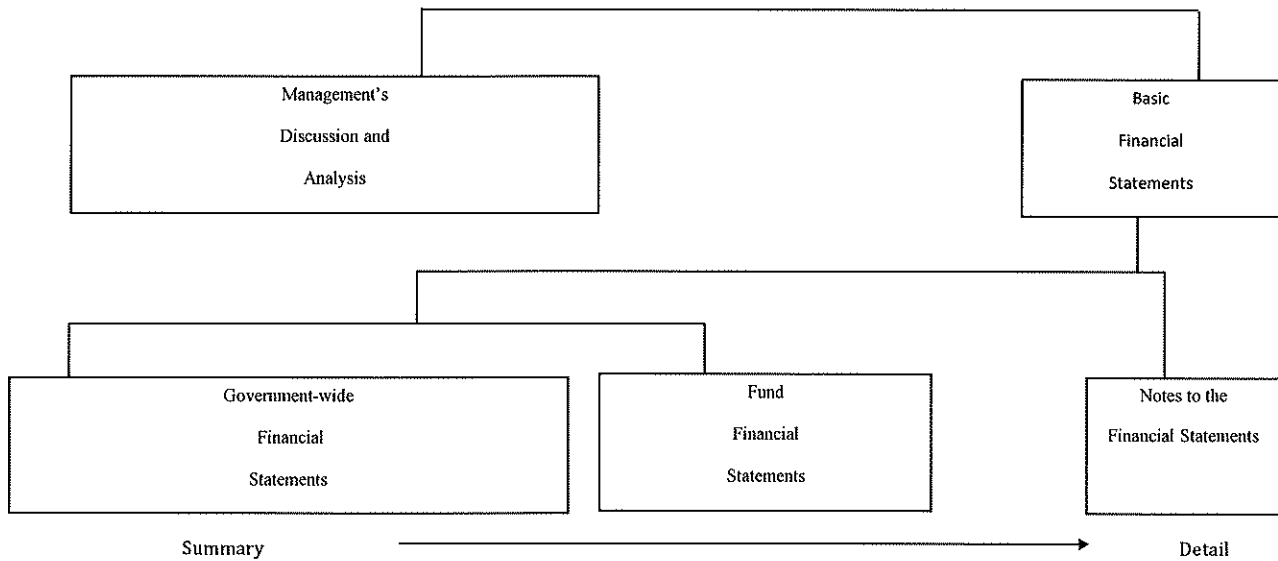
- The assets and deferred outflows of resources of the Town of Mount Olive exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$23,297,950 (*net position*).
- The Town's total net position increased by \$221,422, primarily due to increase in the governmental-type 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 \$2,192,511, a decrease of \$111,275 in comparison with the prior year. Approximately 16.88 percent of this total amount, or \$370,072 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 \$370,072 or 9.01% of total general fund expenditures for the fiscal year.
- The Town of Mount Olive's total debt decreased by \$145,749 during the current fiscal year, due to payments on loans.

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



Management Discussion and Analysis Town of Mount Olive

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 storm water 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.

Management Discussion and Analysis
Town of Mount Olive

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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 2,428,644	\$ 2,542,615	\$ 568,796	\$ 622,753	\$ 2,997,440	\$ 3,165,368
Capital assets	3,776,333	3,180,568	25,312,590	25,586,529	29,088,923	28,767,097
Deferred outflows of resources	430,262	93,692	236,817	55,024	667,079	148,716
Total assets and deferred outflows of resources	6,635,239	5,816,875	26,118,203	26,264,306	32,753,442	32,081,181
Long-term liabilities outstanding	1,565,618	694,010	7,714,530	7,810,799	9,280,148	8,504,809
Other liabilities	86,017	68,964	51,407	56,909	137,424	125,873
Deferred inflows of resources	26,204	49,600	11,716	29,130	37,920	78,730
Total liabilities and deferred inflows of resources	1,677,839	812,574	7,777,653	7,896,838	9,455,492	8,709,412
Net position:						
Net investment in capital assets	3,096,938	2,673,542	18,092,885	18,048,706	21,189,823	20,722,248
Restricted	1,590,320	1,158,356	-	-	1,590,320	1,158,356
Unrestricted	270,142	1,172,403	247,665	318,762	517,807	1,491,165
Total net position	\$ 4,957,400	\$ 5,004,301	\$ 18,340,550	\$ 18,367,468	\$ 23,297,950	\$ 23,371,769

Management Discussion and Analysis
Town of Mount Olive

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 \$23,297,950 as of June 30, 2017. The Town's net position increased by \$221,422 for the fiscal year ended June 30, 2017. However, the largest portion \$21,189,823 (90.95%) 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, \$1,590,320 (6.83%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$517,807 (2.22%) 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 96.96%.

Town of Mount Olive
Changes in Net Position

Figure 3

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 687,805	\$ 758,988	\$ 2,623,026	\$ 2,752,894	\$ 3,310,831	\$ 3,511,882
Operating grants and contributions	517,800	141,268	138,946	-	656,746	141,268
Capital grants and contributions	251,244	318,842	214,539	80,192	465,783	399,034
General revenues:						
Property taxes	1,601,767	1,574,434	-	-	1,601,767	1,574,434
Other taxes	1,463,810	1,230,535	-	-	1,463,810	1,230,535
Grants and contributions not restricted to specific programs	1,558	-	-	-	1,558	-
Other	7,368	1,693	145	230	7,513	1,923
Total revenues	4,531,352	4,025,760	2,976,656	2,833,316	7,508,008	\$ 6,859,076
Expenses:						
General government	1,166,287	693,485	-	-	1,166,287	693,485
Public safety	2,030,860	1,588,160	-	-	2,030,860	1,588,160
Transportation	129,577	122,558	-	-	129,577	122,558
Environmental protection	669,292	601,955	-	-	669,292	601,955
Economic and physical development	-	374,029	-	-	-	374,029
Culture and recreation	264,721	309,479	-	-	264,721	309,479
Interest on long-term debt	22,275	24,178	-	-	22,275	24,178
Water and sewer	-	-	2,817,414	2,840,669	2,817,414	2,840,669
Municipal airport	-	-	186,160	243,707	186,160	243,707
Total expenses	4,283,012	3,713,844	3,003,574	3,084,376	7,286,586	6,798,220
Increase in net position before transfers	248,340	311,916	(26,918)	(251,060)	221,422	\$ 60,856
Transfers	-	-	-	-	-	-
Increase in net position	248,340	311,916	(26,918)	(251,060)	221,422	\$ 60,856
Net position, July 1, previously reported	5,004,301	4,692,385	18,367,468	18,618,528	23,371,769	23,310,913
Restatement	(295,241)	-	-	-	(295,241)	-
Net position, July 1, restated	4,709,060	4,692,385	18,367,468	18,618,528	23,076,528	23,310,913
Net position, June 30	\$ 4,957,400	\$ 5,004,301	\$ 18,340,550	\$ 18,367,468	\$ 23,297,950	\$ 23,371,769

Management Discussion and Analysis

Town of Mount Olive

Governmental activities. Governmental activities increased the Town's net position by \$248,340 thereby accounting for 100% of the total increase in the net position of the Town of Mount Olive. Key elements of this decrease are as follows:

- Increased revenues.

Business-type activities. Business-type activities decreased the Town of Mount Olive's net position by \$26,918 accounting for 100% of the total decrease in the government's net position. Key elements of this decrease are as follows:

- Decrease in charges for services.

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 \$370,072, while total fund balance reached \$1,957,598.

At June 30, 2017 the governmental funds of Town of Mount Olive reported a combined fund balance of \$2,192,511, with a net decrease in fund balance of \$111,275. Included in this change in fund balance are a increase in the fund balance in the General Fund and a decrease 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 Proprietary Fund at the end of the fiscal year amounted to \$247,665. The total change in net position was (\$26,918). 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, 2017 totals \$29,057,152 (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	
	2017	2016	2017	2016	2017	2016
Land	\$ 359,750	\$ 359,750	\$ 281,773	\$ 281,773	\$ 641,523	\$ 641,523
Buildings and system Improvements	458,046	500,304	21,574,242	22,042,205	22,032,288	22,542,509
Infrastructure	1,386,610	1,423,867	1,676,327	1,711,250	3,062,937	
Vehicles and motor equipment	4,497	5,140		-	4,497	5,140
Construction in progress	1,316,186	891,507	256,145	241,737	1,572,331	1,133,244
	251,244	-	1,492,332	1,309,564	1,743,576	1,309,564
Total	\$ 3,776,333	\$ 3,180,568	\$ 25,280,819	\$ 25,586,529	\$ 29,057,152	\$ 25,631,980

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, 2017 the Town of Mount Olive had total debt outstanding of \$7,899,100.

Town of Mount Olive's Outstanding Debt

The Town of Mount Olive's total debt decreased by \$145,749 during the current fiscal year, due to new installment purchases.

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 \$21,137,974.

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, 2018

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, 2017

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 672,950	\$ 113,434	\$ 786,384
Restricted cash	322,721	284,501	607,222
Receivables (net)	1,109,050	481,751	1,590,801
Inventory	-	13,033	13,033
Internal balances	323,923	(323,923)	-
Total Current Assets:			
Non-Current Assets:			
Capital assets:			
Land, improvements, and construction in progress	610,994	1,805,876	2,416,870
Other capital assets, net of depreciation	3,165,339	23,506,714	26,672,053
Total capital assets	3,776,333	25,312,590	29,088,923
Total assets	6,204,977	25,881,386	32,086,363
DEFERRED OUTFLOWS OF RESOURCES	\$ 430,262	\$ 236,817	\$ 667,079
LIABILITIES			
Accounts payable and accrued expenses	\$ 86,017	\$ 51,407	\$ 137,424
Long-term liabilities:			
Liabilities payable from restricted assets:			
Customer deposits	-	173,717	173,717
Net pension liability - LGERS	439,229	257,959	697,188
Total pension liability - LEOSA	315,936	-	315,936
Due within one year	93,659	320,603	414,262
Due in more than one year	716,794	6,962,251	7,679,045
Total liabilities	1,651,635	7,765,937	9,417,572
DEFERRED INFLOWS OF RESOURCES	26,204	11,716	37,920
NET POSITION			
Net invested in capital assets	3,096,938	18,092,885	21,189,823
Stabilization by state statute	1,282,857	-	1,282,857
Restricted for streets	307,463	-	307,463
Unrestricted (deficit)	270,142	247,665	517,807
Total net position	\$ 4,957,400	\$ 18,340,550	\$ 23,297,950

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, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		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	\$ 1,166,287	\$ 171,031	\$ 375,737	\$ -	\$ (619,519)	\$ -	\$ (619,519)
Public safety	2,030,860	69,357	-	-	(1,961,503)	-	(1,961,503)
Transportation	129,577	-	138,961	-	9,384	-	-
Environmental protection	669,292	440,940	3,102	-	(225,250)	-	(225,250)
Economic and physical development	-	-	-	-	-	-	-
Cultural and recreation	264,721	6,477	-	251,244	(7,000)	-	(7,000)
Interest on long-term debt	22,275	-	-	-	(22,275)	-	(22,275)
Total governmental activities	4,283,012	687,805	517,800	251,244	(2,826,163)	-	(2,826,163)
Business-type activities:							
Water and sewer	2,817,414	2,498,593	138,946	-	-	(179,875)	(179,875)
Municipal airport	186,160	124,433	-	214,539	-	152,812	152,812
Total business-type activities	3,003,574	2,623,026	138,946	214,539	-	(27,063)	(27,063)
Total Primary Government	\$ 7,286,586	\$ 3,310,831	\$ 656,746	\$ 465,783	(2,826,163)	(27,063)	(2,853,226)

General revenues:

Taxes:

Property taxes, levied for general purpose	1,601,767	-	1,601,767
Local option sales tax	837,348	-	837,348
Other taxes and licenses	626,462	-	626,462
Grants and contributions not restricted to specific programs	1,558	-	1,558
Investment earnings, unrestricted	-	145	145
Miscellaneous, unrestricted	7,368	-	7,368
Total general revenues not including transfers	3,074,503	145	3,074,648
Transfers	-	-	-
Total general revenues and transfers	3,074,503	145	3,074,648
Change in net position	248,340	(26,918)	221,422

Net position, beginning, previously reported	5,004,301	18,367,468	23,371,769
Restatement	(295,241)	-	(295,241)
Net position, beginning, restated	4,709,060	18,367,468	23,076,528
Net position, ending	\$ 4,957,400	\$ 18,340,550	\$ 23,297,950

Town of Mount Olive, North Carolina
Balance Sheet
Governmental Funds
June 30, 2017

	<u>Major Fund</u>		<u>Total</u>
	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 440,800	\$ 232,150	\$ 672,950
Restricted cash	322,721	-	322,721
Grant receivable	320,120	-	320,120
Taxes receivables, net	121,779	-	121,779
Account receivables, net	636,020	2,794	638,814
Due from other funds	323,923	-	323,923
Total assets	<u>\$ 2,165,363</u>	<u>\$ 234,944</u>	<u>\$ 2,400,307</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 85,986	\$ 31	\$ 86,017
Due to other funds	-	-	-
Total liabilities	<u>85,986</u>	<u>31</u>	<u>86,017</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	<u>121,779</u>	<u>-</u>	<u>121,779</u>
Total deferred inflows of resources	<u>121,779</u>	<u>-</u>	<u>121,779</u>
Fund balances:			
Restricted			
Streets - Powell Bill	307,463	-	307,463
Stabilization by State Statute	1,280,063	2,794	1,282,857
Committed- Public Safety	-	232,119	232,119
Unassigned	<u>370,072</u>	<u>-</u>	<u>370,072</u>
Total fund balances	<u>1,957,598</u>	<u>234,913</u>	<u>2,192,511</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,165,363</u>	<u>\$ 234,944</u>	

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.	3,776,333
Deferred outflows of resources related to pensions are not reported in the funds.	430,262
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	121,779
Deferred inflows of resources related to pensions are not reported in the funds	(26,204)
Other long-term assets (accrued interest from taxes) are not available to pay current period expenditures and therefore are deferred in the funds.	28,337
Net pension liability.	(439,229)
Total pension liability.	(315,936)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(810,453)
Net position of governmental activities	<u>\$ 4,957,400</u>

Town of Mount Olive, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

	<u>Major Fund</u>		
	<u>General Fund</u>	<u>Total Non-Major Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 1,621,516	\$ -	\$ 1,621,516
Other taxes and licenses	170	-	170
Unrestricted intergovernmental	1,287,994	175,646	1,463,640
Restricted intergovernmental	517,800	251,244	769,044
Permits and fees	69,357	-	69,357
Sales and services	618,448	-	618,448
Investment earnings	1,206	352	1,558
Miscellaneous	7,368	-	7,368
Total revenues	<u>4,123,859</u>	<u>427,242</u>	<u>4,551,101</u>
EXPENDITURES			
Current:			
General government	1,203,382	-	1,203,382
Public safety	1,845,892	519,480	2,365,372
Public works and streets	93,382	-	93,382
Cultural and recreation	229,183	252,244	481,427
Environmental	668,907	-	668,907
Debt service	66,906	-	66,906
Total expenditures	<u>4,107,652</u>	<u>771,724</u>	<u>4,879,376</u>
Excess (deficiency) of revenues over expenditures	<u>16,207</u>	<u>(344,482)</u>	<u>(328,275)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Installment purchase obligations issued	-	217,000	217,000
Total other financing sources and uses	<u>-</u>	<u>217,000</u>	<u>217,000</u>
Net change in fund balance	16,207	(127,482)	(111,275)
Fund balances-beginning	1,941,391	362,395	2,303,786
Fund balances-ending	<u>\$ 1,957,598</u>	<u>\$ 234,913</u>	<u>\$ 2,192,511</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, 2017

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

Net changes in fund balances - total governmental funds		\$ (111,275)
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	811,721	
Depreciation expense for governmental assets	<u>(215,956)</u>	595,765
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		105,687
the LEOSSA are not included on the Statement of Activities		27,032
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		19,749
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		(27,625)
Pension expense		(188,624)
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.		<u>(172,369)</u>
Total changes in net position of governmental activities		<u>\$ 248,340</u>

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

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, 2017

	General Fund			Variance
	Original Budget	Final Budget	Actual Amounts	With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 1,735,269	\$ 1,734,500	\$ 1,621,516	\$ (112,984)
Other taxes and licenses	-	769	170	(599)
Unrestricted intergovernmental	1,152,161	1,210,852	1,287,994	77,142
Restricted intergovernmental	214,180	311,396	517,800	206,404
Permits and fees	78,276	74,770	69,357	(5,413)
Sales and services	690,638	786,406	618,448	(167,958)
Investment earnings	1,000	6,000	1,206	(4,794)
Miscellaneous	-	7,600	7,368	(232)
Total revenues	<u>3,871,524</u>	<u>4,132,293</u>	<u>4,123,859</u>	<u>(8,434)</u>
Expenditures				
Current:				
General government	1,218,806	1,203,439	1,203,382	57
Public safety	1,636,925	1,858,965	1,845,892	13,073
Transportation	148,059	148,059	93,382	54,677
Environmental Protection	534,739	642,489	668,907	(26,418)
Cultural and recreation	253,681	229,194	229,183	11
Debt service	67,000	66,906	66,906	-
Total expenditures	<u>3,859,210</u>	<u>4,149,052</u>	<u>4,107,652</u>	<u>41,400</u>
Revenues over (under) expenditures	12,314	(16,759)	16,207	32,966
Other financing sources (uses):				
Installment purchase obligations issued	-	-	-	-
Transfers (to)/from	-	-	-	-
Fund balance appropriated	(12,314)	16,759	-	(16,759)
Total other financing sources (uses)	<u>(12,314)</u>	<u>16,759</u>	<u>-</u>	<u>(16,759)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	16,207	<u>\$ 16,207</u>
 Fund Balance, Beginning			1,941,391	
Fund Balance, Ending			<u>\$ 1,957,598</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, 2017

	Major Enterprise Funds		
	Water and Sewer Fund	Municipal Airport Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 59,581	\$ 53,853	\$ 113,434
Restricted cash	284,501	-	284,501
Accounts receivable (net)	472,838	8,913	481,751
Inventory	-	13,033	13,033
Due from other funds	-	-	-
Total	<u>816,920</u>	<u>75,799</u>	<u>892,719</u>
Non current assets:			
Capital assets (net of depreciation):			
Land and other non-depreciable assets	85,977	1,719,899	1,805,876
Other capital assets, net of depreciation	<u>21,675,989</u>	<u>1,830,725</u>	<u>23,506,714</u>
Capital assets (net)	<u>21,761,966</u>	<u>3,550,624</u>	<u>25,312,590</u>
Total assets	<u>22,578,886</u>	<u>3,626,423</u>	<u>26,205,309</u>
Deferred Outflows of Resources	<u>\$ 236,817</u>	<u>\$ -</u>	<u>\$ 236,817</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 48,399	\$ 3,008	\$ 51,407
Due to other funds	307,923	16,000	323,923
Compensated absences payable	7,578	-	7,578
Current portion of long-term debt	<u>278,167</u>	<u>34,858</u>	<u>313,025</u>
Total	<u>642,067</u>	<u>53,866</u>	<u>695,933</u>
Noncurrent liabilities:			
Liabilities payable from restricted assets:			
Customer deposits	173,717	-	173,717
Compensated absences payable	55,571	-	55,571
Net pension liability	257,959	-	257,959
Non-current portion of long-term debt	<u>6,816,981</u>	<u>89,699</u>	<u>6,906,680</u>
Total liabilities	<u>7,946,295</u>	<u>143,565</u>	<u>8,089,860</u>
Deferred Inflows of Resources	<u>11,716</u>	<u>-</u>	<u>11,716</u>
Net Position			
Net investment in capital assets	14,666,818	3,426,067	18,092,885
Unrestricted	<u>190,874</u>	<u>56,791</u>	<u>247,665</u>
Total net position	<u>\$ 14,857,692</u>	<u>\$ 3,482,858</u>	<u>\$ 18,340,550</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, 2017

	Major Enterprise Funds		
	Water and Sewer Fund	Municipal Airport Fund	Total
Operating revenues:			
Charges for services	\$ 2,458,118	\$ 124,433	\$ 2,582,551
Water & sewer taps	11,100	-	11,100
Other operating revenues	29,375	-	29,375
Total operating revenues	<u>2,498,593</u>	<u>124,433</u>	<u>2,623,026</u>
Operating expenses:			
Administration	151,777	137,005	288,782
Water treatment and distribution	836,964	-	836,964
Waste collection and treatment	1,027,199	-	1,027,199
Depreciation	493,402	45,249	538,651
Total operating expenses	<u>2,509,342</u>	<u>182,254</u>	<u>2,691,596</u>
Operating income	<u>(10,749)</u>	<u>(57,821)</u>	<u>(68,570)</u>
Nonoperating revenues (expenses):			
Investment earnings	136	9	145
Interest and fees	(308,072)	(3,906)	(311,978)
Total nonoperating revenues (expenses)	<u>(307,936)</u>	<u>(3,897)</u>	<u>(311,833)</u>
Net income before contributions and transfers	<u>(318,685)</u>	<u>(61,718)</u>	<u>(380,403)</u>
Capital contributions	138,946	214,539	353,485
Transfers	-	-	-
Total capital contributions and transfers	<u>138,946</u>	<u>214,539</u>	<u>353,485</u>
Change in net position	<u>(179,739)</u>	<u>152,821</u>	<u>(26,918)</u>
Net Position - Beginning of Year	15,037,431	3,330,037	18,367,468
Total Net Position, Ending	<u>\$ 14,857,692</u>	<u>\$ 3,482,858</u>	<u>\$ 18,340,550</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, 2017

	Major Enterprise Funds		
	Water and Sewer Fund	Municipal Airport Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 2,393,437	124,433	2,517,870
Cash paid for goods and services	(772,315)	(121,462)	(893,777)
Cash paid to employees for services	(1,014,179)	-	(1,014,179)
Net cash provided by operating activities	<u>606,943</u>	<u>2,971</u>	<u>609,914</u>
Cash flows from noncapital financing activities:			
Transfers	-	-	-
Due to/other funds (net)	<u>(94,768)</u>	<u>-</u>	<u>(94,768)</u>
Net cash used by noncapital financing activities	<u>(94,768)</u>	<u>-</u>	<u>(94,768)</u>
Cash flows from capital and related financing activities:			
Capital contributions-grants	138,946	214,539	353,485
Issuance of new debt	-	-	-
Acquisition and construction of capital assets	(50,173)	(214,539)	(264,712)
Principal paid on bond maturities and note agreements	(283,967)	(34,151)	(318,118)
Interest and fees paid on bond maturities and notes agreements	(308,072)	(3,906)	(311,978)
Net cash used by capital and related financing activities	<u>(503,266)</u>	<u>(38,057)</u>	<u>(541,323)</u>
Cash flows from investing activities:			
Interest on investments	<u>136</u>	<u>9</u>	<u>145</u>
Net decrease in cash and cash equivalents	9,045	(35,077)	(26,032)
Cash and cash equivalents:			
Beginning of year, July 1	335,037	88,930	423,967
End of year, June 30	<u>\$ 344,082</u>	<u>\$ 53,853</u>	<u>\$ 397,935</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, 2017

	Major Enterprise Funds		
	Water & Sewer Fund	Municipal Airport Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ (10,749)	\$ (57,821)	\$ (68,570)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	493,402	45,249	538,651
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	105,156	17,537	122,693
(Increase) decrease in inventory	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	4,145	(1,994)	2,151
Increase (decrease) in net pension liability	208,890	-	208,890
(Increase) decrease in deferred outflows of resources for pensions	(181,793)	-	(181,793)
Increase (decrease) in deferred inflows of resources for pensions	(17,414)	-	(17,414)
Increase (decrease) in deposits	5,306	-	5,306
Total adjustments	617,692	60,792	678,484
Net cash provided by operating activities	\$ 606,943	\$ 2,971	\$ 609,914

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, 2017

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.

Notes to the Financial Statements

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- Government 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.

Notes to the Financial Statements

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	\$	307,463
Reserve requirement		<u>15,258</u>

Total governmental activities	\$	<u>322,721</u>
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Business-type Activities

Water and Sewer Fund

Customer Deposits	\$	173,717
Reserve requirement		<u>110,784</u>

Total Business-type activities	\$	<u>284,501</u>
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Total Restricted Cash	\$	<u>607,222</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, 2016. 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 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 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. Capital 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, pension deferrals for the 2017 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 pension deferrals.

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. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERs) and additions to/deductions from LGERs' fiduciary net position have been determined on the same basis as they are reported by LGERs. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town'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 LGERs. Investments are reported at fair value.

Notes to the Financial Statements

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

For the fiscal year ended June 30, 2017, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for environmental protection activities by \$26,418. These over-expenditures occurred because of unplanned operating expenditures. Management and the Board will more closely review the budget reports to ensure compliance in future years.

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, 2017, The Town's deposits had a carrying amount of \$1,384,300 and a bank balance of \$1,572,620. \$500,000 of which was covered by federal depository insurance the remaining is covered under the pooling method.

2. Investments

At June 30, 2017, the Town of Mount Olive had \$9,306 invested with the North Carolina Capital Management Trust's Government Portfolio which earned a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

Notes to the Financial Statements

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	\$ 407,445	\$ 150,116	\$ 551,489	\$ -	\$ 1,109,050
Total Governmental Activities	\$ 407,445	\$ 150,116	\$ 551,489	\$ -	\$ 1,109,050
Governmental Activities:					
Water and Sewer	\$ 472,838	\$ -	\$ -	\$ -	\$ 472,838
Municipal Airport	8,913	-	-	-	8,913
Total Governmental Activities	\$ 481,751	\$ -	\$ -	\$ -	\$ 481,751

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 359,750	\$ -	\$ -	\$ 359,750
Construction in progress	-	251,244	-	251,244
Total capital assets not being depreciated	359,750	251,244	-	610,994
Capital assets being depreciated:				
Buildings	910,226	-	-	910,226
Equipment and Vehicles	3,433,106	560,477	-	3,993,583
Improvements	5,377,766	-	-	5,377,766
Infrastructure	12,856	-	-	12,856
Total capital assets being depreciated	9,733,954	560,477	-	10,294,431
Less accumulated depreciation for:				
Buildings	409,922	42,258	-	452,180
Equipment and Vehicles	2,541,598	135,799	-	2,677,397
Improvements	3,953,899	37,257	-	3,991,156
Infrastructure	7,716	643	-	8,359
Total accumulated depreciation	6,913,135	\$ 215,957	\$ -	7,129,092
Total capital assets being depreciated, net	2,820,819			3,165,339
Governmental activity capital assets, net	\$ 3,180,569			\$ 3,776,333

Notes to the Financial Statements

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

General Government	\$ 31,919
Public Safety	118,950
Parks & Recreation	32,105
Environmental Protection	-
Public Works	32,983
Total Depreciation Expense	<u>\$ 215,957</u>

	Beginning Balances	Increases	Decreases	Ending 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>85,977</u>	<u>-</u>	<u>-</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	50,173	-	997,164
Vehicles	226,842	-	-	226,842
Total capital assets being depreciated	<u>30,834,711</u>	<u>50,173</u>	<u>-</u>	<u>30,884,884</u>
Less accumulated depreciation for:				
Buildings	4,363,865	37,779	-	4,401,644
Substations, lines	3,391,211	423,005	-	3,814,216
Equipment & Maintenance	759,317	23,230	-	782,547
Vehicles	201,100	9,388	-	210,488
Total accumulated depreciation	<u>8,715,493</u>	<u>493,402</u>	<u>-</u>	<u>9,208,895</u>
Total capital assets being depreciated, net	<u>22,119,218</u>			<u>21,675,989</u>
Water & Sewer Fund capital assets, net	<u>\$ 22,205,195</u>			<u>\$ 21,761,966</u>

Airport Fund :

Capital assets not being depreciated:

Land	\$ 258,521	\$ -	\$ -	\$ 258,521
Construction in progress	1,246,839	214,539	-	1,461,378
Total capital assets not being depreciated	<u>1,505,360</u>	<u>214,539</u>	<u>-</u>	<u>1,719,899</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>-</u>	<u>-</u>	<u>2,582,198</u>

Less accumulated depreciation for:

Buildings	216,627	7,179	-	223,806
Improvements	335,152	34,923	-	370,075
Equipment & Maintenance	154,445	3,147	-	157,592
Total accumulated depreciation	<u>706,224</u>	<u>45,249</u>	<u>-</u>	<u>751,473</u>
Total capital assets being depreciated, net	<u>1,875,974</u>			<u>1,830,725</u>
Airport Fund activity capital assets, net	<u>\$ 3,381,334</u>			<u>\$ 3,550,624</u>

Notes to the Financial Statements

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, 2017, was 7.25% for general employees and 8.00% 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 \$167,757 for the year ended June 30, 2017.

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, 2017, the Town reported a liability of \$697,187 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.0328%, which was an increase of 0.0033% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$192,930. At June 30, 2017, 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	\$ 13,099	\$ 24,430
Changes in assumptions	47,751	
Net difference between projected and actual earnings on pension plan investments	385,457	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	25,982	7,235
Town's contributions subsequent to the measurement date	167,757	-
	<u>\$ 640,046</u>	<u>\$ 31,665</u>

\$167,757 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:

Year Ended June 30	
2018	\$ 70,556
2019	70,560
2020	185,120
2021	114,388
2022	-
Thereafter	-
	<u>\$ 440,624</u>

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

Inflation	3.0 percent
Salary Increases	4.25 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of position plan investment expense, including inflation

Notes to the Financial Statements

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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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)	\$1,654,750	\$697,187	(\$102,641)

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	18
	<u>20</u>

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.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73.

3. *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86%

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. The Town paid \$26,946 as benefits came due for the reporting period.

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

At June 30, 2017, the Town reported a total pension liability of \$315,936. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$26,950.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions and other inputs	-	6,255
Benefit payments and administrative expenses subsequent to measurement date	27,033	-
Total	<u>\$ 27,033</u>	<u>\$ 6,255</u>

\$27,033 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2018	\$ (1,169)
2019	(1,169)
2020	(1,169)
2021	(1,169)
2022	(1,169)
Thereafter	(410)
	<u>\$ (6,255)</u>

\$26,946 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.71 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71 percent) or 1-percentage-point higher (4.71 percent) than the current rate:

	1 % Decrease (2.71%)	Discount Rate (3.71%)	1% Increase (4.71%)
Town's proportionate share of the net pension liability (asset)	\$342,468	\$315,936	\$291,957

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

	2017
Beginning balance	\$ 322,187
Service Cost	17,098
Interest on the total pension liability	11,021
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(7,424)
Benefit payments	(26,946)
Other changes	-
Ending balance of the total pension liability	<u>\$ 315,936</u>

The plan currently uses mortality tables that vary by age, 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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. The law enforcement officers may make voluntary contributions to the plan.

Contributions for the year ended June 30, 2017, were \$147,552, which consisted of \$95,981 from the Town and \$51,571 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.

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
Differences between expected and actual experience	\$ 13,099
Benefit payments made and administrative expenses for LEOSA	\$ 27,033
Changes in assumptions	47,751
Net difference between projected and actual earnings on pension plan investments	385,457
Changes in proportion and differences between Town's contributions and proportionate share of contributions	25,982
Town's contributions subsequent to the measurement date	167,757
Total	<u>\$ 667,079</u>

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

	Statement of Net Position	General Fund Balance Sheet
Pension deferrals	\$ 37,920	
Taxes Receivable		\$ 121,779

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.

Notes to the Financial Statements

5. Claims, Judgments, and Contingent Liabilities

At June 30, 2017, 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, 2017 including interest are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2018	\$ 33,059
2019	33,059
2020	33,059
2021	33,059
2022	33,059
2023	33,045
Total minimum lease payments	198,340
Less amount representing interest	(28,521)
Present value of minimum lease payments	<u>\$ 169,819</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>

Notes to the Financial Statements

The future minimum payments of the installment purchase as of June 30, 2017 including interest are as follows:

Years Ending June 30,	Amount
2018	\$ 33,849
2019	33,849
2020	33,849
2021	33,849
2022	33,849
2023-2027	169,245
2028-2032	33,804
Total minimum lease payments	372,294
Less amount representing interest	(79,718)
Present value of minimum lease payments	<u>\$ 292,576</u>

The next agreement was executed on July 6, 2016 to purchase a Fire Truck on installment requiring annual payments of \$17,852.

Class of Property	Amount
Vehicles	<u>\$ 217,000</u>

The future minimum payments of the installment purchase as of June 30, 2017 including interest are as follows:

Years Ending June 30,	Amount
2018	\$ 17,852
2019	17,852
2020	17,852
2021	17,852
2022	17,852
2023-2027	89,260
2028-2032	89,260
Total minimum lease payments	267,780
Less amount representing interest	(50,780)
Present value of minimum lease payments	<u>\$ 217,000</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, 2017 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%	\$ 888,000
\$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>3,547,000</u>
Total	<u>\$ 4,435,000</u>

Notes to the Financial Statements

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% \$ 1,213,000

\$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% 683,000

Total \$ 1,896,000

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, 2017, is as follows:

Operating revenues	\$ 2,498,593
Operating expenses*	<u>2,015,940</u>
Operating income	482,653
Nonoperating revenues (expenses)**	<u>(38,222)</u>
Income available for debt service	444,431
Debt service, principal and interest paid (Revenue bond only)	\$ 105,852
Debt service coverage ratio	420%

* This does not include the depreciation expense of \$493,402.

** This does not include revenue bond interest paid of \$269,714.

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 \$1,896,000. Principal and interest paid for the current year and total customer net revenues were \$106,101 and \$2,498,593, respectively.

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.

\$ 275,284

\$48,038 Mills International, Inc. note payable with loan installments of fixed principal amount of \$9,800, no interest through August 1, 2017. 7,500

Total \$ 282,784

\$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 \$ 481,364

Notes to the Financial Statements

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. 60,000

\$225,000 Airport hanger note due in annual installments of \$18,057
plus interest, through October 23, 2021; interest of 5 percent 64,557

Total \$ 605,921

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

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2018	313,025	291,387
2019	311,269	280,199
2020	317,049	274,511
2021	302,382	262,870
2022	170,326	245,231
2023-2027	819,654	1,138,093
2028-2032	912,000	967,254
2033-2037	1,119,000	756,352
2038-2042	1,370,000	497,073
2043-2047	1,343,443	185,707
2048-2052	117,000	9,791
Total	<u>\$ 7,095,148</u>	<u>\$ 4,908,466</u>

d. Changes in Long-Term Liabilities

During the year ended June 30, 2017 the following changes occurred in installment purchase in the:

	Balance 07/01/16	Increases	Decreases	Balance 06/30/17	Current Portion
Governmental activities:					
Installment purchase	\$ 507,026	\$ 217,000	\$ (44,631)	\$ 679,395	\$ 58,502
Net pension liability (LGERS)	83,551	355,677	-	439,228	-
Total pension liability (LEOSSA)	-	315,936	-	315,936	-
Compensated absences	103,433	62,782	(35,157)	131,058	35,157
Governmental activity long-term liabilities	<u>\$ 694,010</u>	<u>\$ 951,395</u>	<u>\$ (79,788)</u>	<u>\$ 1,565,617</u>	<u>\$ 93,659</u>
Business-type activities:					
General obligation bonds	\$ 4,509,000	-	\$ (74,000)	\$ 4,435,000	\$ 77,000
General obligation notes	760,413	-	(154,492)	605,921	155,289
Revenue bonds	1,929,000	-	(33,000)	1,896,000	34,000
Net pension liability (LGERS)	49,069	208,890	-	257,959	-
Installment purchase	339,410	-	(56,626)	282,784	46,736
Compensated absences	55,496	7,653	-	63,149	7,578
Business-type activity long-term liabilities	<u>\$ 7,642,388</u>	<u>\$ 216,543</u>	<u>\$ (318,118)</u>	<u>\$ 7,540,813</u>	<u>\$ 320,603</u>

At June 30, 2017, the Town of Mount Olive had a legal debt margin of \$21,137,974.

Notes to the Financial Statements

C. Interfund Balances and Activities

Balances due to/from other funds at June 30, 2017 consist of the following:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water/Sewer	\$ 307,923
General	Municipal Airport	16,000
Total		\$ 323,923

All of the above were for operating expenditures.

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 3,776,333	\$ 25,280,819
less: long term debt	679,395	7,219,705
Net investment in capital asset	\$ 3,096,938	\$ 18,061,114

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	\$ 1,957,598
Less:	
Stabilization by State Statute	1,280,063
Streets - Powell Bill	307,463
Remaining Fund Balance	\$ 370,072

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, 2017. 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.

Notes to the Financial Statements

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, 2017.

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.

X. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased \$295,241.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accounting principals.

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

Schedule of Contributions – Local Government Employees’ Retirement System

Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance

Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance

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

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.0328%	0.0296%	0.0315%	0.0315%
Town's proportion of the net pension liability (asset) (\$)	\$ 697,187	\$ 132,620	\$ 173,854	\$ (185,770)
Town's covered-employee payroll	\$ 1,967,683	\$ 1,752,314	\$ 1,692,622	\$ 1,532,226
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.43%	7.57%	10.27%	(12.12%)
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	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 Four Fiscal Years**

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 167,757	\$ 134,244	\$ 125,720	\$ 120,771
Contributions in relation to the contractually required contribution	167,757	134,244	125,720	120,771
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 2,233,645	\$ 1,967,683	\$ 1,752,314	\$ 1,692,622
Contributions as a percentage of covered-employee payroll	7.51%	6.82%	7.17%	7.14%

Town of Mount Olive, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

	<u>2017</u>
Beginning balance	322,187
Service Cost	17,098
Interest on the total pension liability	11,021
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(7,424)
Benefit payments	(26,946)
Other changes	-
Ending balance of the total pension liability	<u>\$ 315,936</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Town of Mount Olive, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

	<u>2017</u>
Total pension liability	\$ 315,936
Covered payroll	689,233
Total pension liability as a percentage of covered payroll	45.84%

Notes to the schedules:

The Town of Mount Olive has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

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, 2017

	2017		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 1,620,645	\$
Penalties and interest		871	
Total	<u>1,734,500</u>	<u>1,621,516</u>	<u>(112,984)</u>
Other taxes and licenses:			
Licenses and fees		170	
Total	<u>769</u>	<u>170</u>	<u>(599)</u>
Unrestricted intergovernmental:			
Local option sales taxes		837,348	
ABC revenue		50,779	
Utility sales tax		274,957	
Beer and wine tax		20,473	
Video franchise fee		21,072	
Telecommunication sales tax		50,366	
Refunds		32,999	
Total	<u>1,210,852</u>	<u>1,287,994</u>	<u>77,142</u>
Restricted intergovernmental:			
Solid waste disposal tax		3,102	
FEMA funds		375,737	
Powell bill allocation		138,961	
Total	<u>311,396</u>	<u>517,800</u>	<u>206,404</u>
Permits and fees:			
Building Permits		69,357	
Total	<u>74,770</u>	<u>69,357</u>	<u>(5,413)</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, 2017

		2017		Variance Positive (Negative)
		Budget	Actual	
Sales and services:				
	Garbage fees		440,940	
	Court cost		4,324	
	Recreation fees		6,477	
	Rents		106,355	
	Cemetery fees		58,650	
	Cemetery lot sales		1,700	
	Miscellaneous		2	
	Total	786,406	618,448	(167,958)
Investment earnings		6,000	1,206	(4,794)
Miscellaneous:				
	Other		4,368	
	Sale of surplus		3,000	3,000
	Total	7,600	7,368	3,000
Total Revenues		4,132,293	4,123,859	(8,434)
General government:				
Governing Body:				
	Salaries and benefits		18,614	
	Operating expense		108,824	
	Capital Outlay		-	
	Total	127,444	127,438	6

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, 2017

		2017		Variance Positive (Negative)
		Budget	Actual	
Town Manager:				
	Salaries and benefits		146,407	
	Operating expense		26,784	
	Capital Outlay		-	
	Total	173,201	173,191	10
Public Works and Buildings:				
	Salaries and benefits		300,765	
	Operating expense		370,626	
	Capital Outlay		-	
	Total	671,411	671,391	20
Administration:				
	Salaries and benefits		158,219	
	Operating expense		73,143	
	Capital Outlay		-	
	Total	231,383	231,362	21
	Total General Government	1,203,439	1,203,382	57
Environmental protection:				
Sanitation:				
	Salaries and benefits		195,426	
	Operating expense		405,870	
	Capital Outlay		-	
	Total	574,877	601,296	(26,419)
Cemetery:				
	Contracted services		40,693	
	Operating expense		26,918	
	Capital Outlay		-	
	Total	67,612	67,611	1
	Total Environmental Protection	642,489	668,907	(26,418)

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, 2017

		2017		Variance Positive (Negative)
		Budget	Actual	
Transportation:				
	Salaries and benefits		-	
	Operating expense		84,882	
	Contracted services		8,500	
	Capital Outlay		-	
	Total	148,059	93,382	54,677
Public Safety:				
Police:				
	Salaries and benefits		1,214,755	
	Operating expense		385,498	
	Capital Outlay		-	
	Total	1,524,012	1,600,253	(76,241)
Fire:				
	Salaries and benefits		113,678	
	Operating expense		46,940	
	Capital Outlay		-	
	Total	249,922	160,618	89,304
Inspections:				
	Salaries and benefits		50,647	
	Operating expense		34,374	
	Capital Outlay		-	
	Total	85,031	85,021	10
	Total Public Safety	1,858,965	1,845,892	13,073
Cultural and Recreation:				
	Salaries and benefits		99,639	
	Operating expense		129,544	
	Capital outlay		-	
	Total	229,194	229,183	11

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, 2017

		2017		Variance
		Budget	Actual	Positive (Negative)
Debt service:				
	Principal		44,631	
	Interest		22,275	
	Total	<u>66,906</u>	<u>66,906</u>	<u>-</u>
	Total Expenditures	<u>4,149,052</u>	<u>4,107,652</u>	<u>41,400</u>
	Revenues over (under) expenditures	<u>(16,759)</u>	<u>16,207</u>	<u>32,966</u>
Other financing sources (uses):				
	Proceeds from install. purchase	-	-	-
	Transfers from other funds	-	-	-
	Transfers to other funds	-	-	-
	Fund balance appropriated	<u>16,759</u>	<u>-</u>	<u>(16,759)</u>
	Total	<u>16,759</u>	<u>-</u>	<u>(16,759)</u>
	Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>16,207</u>	<u>\$ 16,207</u>
	Fund Balance, beginning		<u>1,941,391</u>	
	Fund Balance, Ending		<u>\$ 1,957,598</u>	

Town of Mount Olive, North Carolina
Nonmajor Governmental Fund
Combining Balance Sheet
June 30, 2017

	Waylin Fire District Fund	Carver Cultural Center Renovation	2017 Totals
Assets			
Cash and Investments	\$ 232,150	\$ -	\$ 232,150
Due from other funds	-	-	-
Accounts Receivable	2,794	-	2,794
Total Assets	<u>\$ 234,944</u>	<u>-</u>	<u>\$ 234,944</u>
Liabilities			
Due to other funds	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
Accounts payable	31	-	31
Total liabilities	<u>31</u>	<u>-</u>	<u>31</u>
Fund Equity			
Reserved for Stabilization by State Statute	2,794	-	2,794
Fund Balance - Committed for Public Safety	232,119	-	232,119
Total fund balances	<u>234,913</u>	<u>-</u>	<u>234,913</u>
Total Liabilities and Fund Equity	<u>\$ 234,944</u>	<u>-</u>	<u>\$ 234,944</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, 2017

	Waylin Fire District Fund	Carver Cultural Center Renovation	2017 Totals
Revenues:			
Restricted revenue	\$ -	\$ 251,244	\$ 251,244
Local contributions	174,646	1,000	175,646
Investment income	352	-	352
Miscellaneous	-	-	-
Total Revenues	<u>174,998</u>	<u>252,244</u>	<u>427,242</u>
Expenditures:			
Current:			
Public safety	519,480	-	519,480
Parks and Recreation	-	252,244	252,244
Total	<u>519,480</u>	<u>252,244</u>	<u>771,724</u>
Revenues over expenditures	-	-	-
Other Financing Sources (Uses):			
Installment Proceeds	217,000	-	217,000
Transfers In (Out)	-	-	-
Total	<u>217,000</u>	<u>-</u>	<u>217,000</u>
Revenues over expenditures and other financing sources and (uses)	(127,482)	-	(127,482)
Fund Balance, Beginning	362,395	-	362,395
Fund Balance, Ending	<u>\$ 234,913</u>	<u>\$ -</u>	<u>\$ 234,913</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, 2017

	2017		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Local contributions	\$	\$ 174,646	\$
Restricted revenue		-	
Miscellaneous		-	
Total	<u>117,796</u>	<u>174,646</u>	<u>56,850</u>
 Nonoperating revenues:			
Interest earnings	-	352	352
Total Revenues	<u>117,796</u>	<u>174,998</u>	<u>57,202</u>
 Expenditures:			
Salaries and benefits		29,599	
Operating expenditures		36,367	
Debt service		-	
Capital outlay		453,514	
Total	<u>537,796</u>	<u>519,480</u>	<u>18,316</u>
 Revenues over (under) expenditures	(420,000)	(344,482)	75,518
 Other financing sources (uses):			
Proceeds from install. Purchase	217,000	217,000	-
Transfers in (out)	-	-	-
Fund balance appropriated	<u>203,000</u>	<u>-</u>	<u>-</u>
Total other financing sources			
(uses):	<u>420,000</u>	<u>217,000</u>	<u>(203,000)</u>
 Revenues and other financing sources			
over expenditures and other			
financing uses	\$ <u>-</u>	(127,482)	<u>(127,482)</u>
 Fund Balance, beginning		<u>362,395</u>	
Fund Balance, Ending		<u>\$ 234,913</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, 2017

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental					
Community Development Block Grant	\$ 750,000	\$ 450,000	\$ 251,244	\$ 701,244	\$ (48,756)
Town of Mount Olive	80,000	55,187	1,000	56,187	(23,813)
Carver Alumni Association	1,500	-	-	-	(1,500)
ADLA, Inc.	500	-	-	-	(500)
Total	<u>832,000</u>	<u>505,187</u>	<u>252,244</u>	<u>757,431</u>	<u>(74,569)</u>
Expenditures:					
Other Public Facilities-Carver Center	750,000	474,521	251,244	725,765	24,235
Administration	<u>82,000</u>	<u>30,666</u>	<u>1,000</u>	<u>31,666</u>	<u>50,334</u>
Total expenditures	<u>832,000</u>	<u>505,187</u>	<u>252,244</u>	<u>757,431</u>	<u>74,569</u>
Revenues over expenditures	-	-	-	-	-
Other financing sources:					
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures and other (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Beginning of year, July 1			<u>-</u>		
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, 2017

	2017		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Operating Revenues	\$	\$ 124,433	\$
Total	161,237	124,433	(36,804)
 Nonoperating revenues:			
Interest earnings	-	9	9
Total Revenues	161,237	124,442	(36,795)
 Expenditures:			
Operations:			
Salaries and benefits		-	
Operating expenditures		137,005	
Capital outlay		-	
Total	123,180	137,005	(13,825)
 Debt service:			
Interest and fees		3,906	
Principal retirement		34,151	
Total debt service	38,057	38,057	-
 Capital outlay:			
Airport Improvements		-	
Equipment		-	
Miscellaneous		-	
Total capital outlay	182,768	-	182,768
Total expenditures	344,005	175,062	168,943
 Revenues over (under) expenditures	(182,768)	(50,620)	132,148

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, 2017

	2017		Variance
	Budget	Actual	Positive (Negative)
Other financing sources (uses):			
Transfers in (out)	-	-	-
Fund balance appropriated	-	-	-
Total other financing sources	-	-	-
Revenues and other sources over			
expenditures and other uses	\$ (182,768)	\$ (50,620)	\$ 132,148

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

Revenues over expenditures	\$ (50,620)
Reconciling items:	
Capital outlay	-
Depreciation	(45,249)
Capital project - grants	214,539
Principal retirement	34,151
Total reconciling items	203,441
Change in net position	\$ 152,821

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, 2017

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental					
Federal grant	\$ 93,196	\$ 169,972	\$ 173,956	\$ 343,928	\$ 250,732
State grant	1,400,000	1,048,412	31,771	1,080,183	(319,817)
Local contributions	133,333	13,880	8,812	22,692	(110,641)
Total	<u>1,626,529</u>	<u>1,232,264</u>	<u>214,539</u>	<u>1,446,803</u>	<u>(179,726)</u>
Expenditures:					
Administrative	162,519	76,844	-	76,844	85,675
Land acquisition	9,332	9,332	-	9,332	-
Engineering	140,000	139,888	-	139,888	112
Construction and improvements	1,314,678	1,078,311	214,539	1,292,850	21,828
Equipment	-	-	-	-	-
Miscellaneous and contingency	-	-	-	-	-
Total expenditures	<u>1,626,529</u>	<u>1,304,375</u>	<u>214,539</u>	<u>1,518,914</u>	<u>107,615</u>
Revenues over expenditures	-	(72,111)	-	(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>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ -</u>		

PROPRIETARY FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

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, 2017

	2017		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Charges for services:			
Water sales:			
Residential and			
Commercial	\$	\$ 2,458,118	\$
Water and sewer taps		11,100	
Other operating revenues		29,375	
Total	<u>2,735,056</u>	<u>2,498,593</u>	<u>(236,463)</u>
Nonoperating revenues:			
FEMA Grant		138,946	
Interest earnings		136	136
Total	<u>140,000</u>	<u>139,082</u>	<u>(918)</u>
Total Revenues	<u>2,875,056</u>	<u>2,637,675</u>	<u>(237,381)</u>
Expenditures:			
Water & Sewer Operations:			
Collection and Treatment:			
Salaries and benefits		569,717	
Utilities		115,732	
Contracted services		82,795	
Maintenance and repairs		76,486	
Other		296,877	
Automotive supplies		1,272	
Departmental supplies and materials		26,414	
Water Distribution:			
Salaries and benefits		444,462	
Utilities		67,018	
Contracted services		60,980	
Maintenance and repairs		15,084	
Other		159,832	
Automotive supplies		768	
Departmental supplies and materials		88,820	
Total operating expenditures	<u>2,100,000</u>	<u>2,006,257</u>	<u>93,743</u>
Debt service:			
Interest and fees		308,072	
Principal retirement		283,967	
Total debt service	<u>595,000</u>	<u>592,039</u>	<u>2,961</u>
Capital outlay:			
Water and sewer expansion		-	
Land acquisition		-	
Equipment & Vehicles		50,173	
Miscellaneous		-	
Total capital outlay	<u>180,056</u>	<u>50,173</u>	<u>129,883</u>
Total expenditures	<u>2,875,056</u>	<u>2,648,469</u>	<u>226,587</u>
Revenues over (under) expenditures	-	(10,794)	(10,794)

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, 2017

	2017		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	\$ -	\$ (10,794)	\$ (10,794)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues over expenditures		\$ (10,794)	
Reconciling items:			
Capital outlay		50,173	
Depreciation		(493,402)	
Capital project - grants & loans		-	
(Increase) decrease in net pension liability		(208,890)	
Increase (decrease) in deferred outflows of resources for pensions		181,793	
(Increase) decrease in deferred inflows of resources for pensions		17,414	
Principal retirement		283,967	
Total reconciling items		(168,945)	
Change in net position		\$ (179,739)	

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, 2017

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
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, 2017

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2016</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2017</u>
2016-2017	\$ -	\$ 1,609,031	\$ (1,560,080)	\$ 48,951
2015-2016	56,908	-	(33,870)	23,038
2014-2015	23,276	-	(9,908)	13,368
2013-2014	17,989	-	(7,494)	10,495
2012-2013	10,159	-	(3,596)	6,563
2011-2012	7,999	-	(2,878)	5,121
2010-2011	5,958	-	(1,405)	4,553
2009-2010	4,551	-	(862)	3,689
2008-2009	3,809	-	(590)	3,219
2007-2008	3,080	-	(298)	2,782
2006-2009	4,142	-	(4,142)	-
	<u>\$ 137,871</u>	<u>\$ -</u>	<u>\$ (1,625,123)</u>	<u>\$ 121,779</u>

Ad valorem taxes receivable - net \$ 121,779

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 1,621,516
Reconciling items:	
Discounts, Releases, Refunds	4,478
Interest collected	(871)
Total collections and credits	<u>\$ 1,625,123</u>

Town of Mount Olive, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2017

				Total Levy	
	Town - Wide			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current year's rate	\$ 272,717,119	\$ 0.59	\$ 1,609,031	\$ 1,453,566	\$ 155,465
Penalties	-		-	-	-
Total	<u>272,717,119</u>		<u>1,609,031</u>	<u>1,453,566</u>	<u>155,465</u>
 Total property valuation	<u>\$ 272,717,119</u>				
 Net levy			1,609,031	1,453,566	155,465
 Uncollected taxes at June 30, 2017			<u>(48,951)</u>	<u>(48,951)</u>	<u>-</u>
 Current year's taxes collected			<u>\$ 1,560,080</u>	<u>\$ 1,404,615</u>	<u>\$ 155,465</u>
 Current levy collection percentage			<u>96.96%</u>	<u>96.63%</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 Auditors' 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, 2017, 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 February 8, 2018.

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 questioned costs that we consider to be significant deficiencies, listed as 2017-001 and 2017-002.

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 questioned costs. 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., PA

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

Wilmington, North Carolina

February 8, 2018



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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Mount Olive, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Mount Olive's major federal programs for the year ended June 30, 2017. The Town of Mount Olive's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Mount Olive's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Mount Olive's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Mount Olive's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Mount Olive complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Town of Mount Olive is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Mount Olive's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

February 8, 2018

Town of Mount Olive, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

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 ☒ no
- Significant Deficiency(s) identified? ☒ yes ☐ no

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(s) identified ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? ☐ yes ☒ no

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
--------------	-------------------------------------

97.036	Disaster Grants – Public Assistance
--------	-------------------------------------

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

Town of Mount Olive, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY

2017 – 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, 2016-001.

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.

2017 – 002 Noncompliance with Budget

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.

Condition: The Town expended more for the General Fund than was appropriated for in the annual budget ordinance.

Effect: Moneys were spent that had not been appropriated.

Cause: The Town exceeded budget expenditures in the General Fund and budget amendments were not adopted.

Recommendation: Budget amendments should be adopted when revenues are received that are less than estimated revenues in the budget ordinance prior to expending the funds.

Views of responsible officials and planned corrective actions: The Town will continue to monitor the budgets on a monthly basis to ensure compliance.

Section III – Federal Award Findings and Questioned Costs

None reported.

Town of Mount Olive, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2017

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCIES

2017 – 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.

2017 – 002 Noncompliance with Budget

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

Corrective Action: The board will start evaluating this deficiency to ensure that proper budgets are completed as well as budget amendments.

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

**Town of Mount Olive, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2017**

Status: 2016 – 001 This finding is still occurring; however action has been taken to correct this finding from reoccurrence.

TOWN OF MOUNT OLIVE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2017

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Federal Awards:					
<u>U. S. Department of Homeland Security</u>					
Passed-through N.C. Department of Public Safety:					
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036		\$ 386,012	\$ 128,671	\$ -
<u>U.S. Dept. of Housing and Urban Development</u>					
Passed-through N.C. Department of Commerce:					
Community Development Block Grant, State's Program	14.228		251,244	-	-
<u>U.S. Dept. of Transportation</u>					
Passed-through the N.C. Department of Transportation:					
Airport Improvement Program	20.106		173,956	-	-
State Grants:					
Cash Assistance:					
<u>N.C. Department of Transportation:</u>					
Powell Bill	DOT - 4	N/A	-	101,074	-
Airport Improvement Program	DOT - 8	N/A	-	31,771	-
Total assistance			<u>\$ 811,212</u>	<u>\$ 261,516</u>	<u>\$ -</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Mount Olive under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a select portion of the operations of the Town of Mount Olive, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of Mount Olive.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.



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

We have audited the 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 for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 17, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Mount Olive are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Mount Olive during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the bad debts is based on the length of time the account has been outstanding. We evaluated the key factors and assumptions used to develop the allowance for bad debts in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 8, 2018.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Mount Olive's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. Please find below the audit findings for June 30, 2017:

- Segregation of Duties – This includes (as discussed with management) accounts receivable subsidiary ledgers are not being reconciled to the general ledger
- Noncompliance with Budget – The Town exceeded budget expenditures in the General Fund.
- Ensure that all of the Town's transaction are properly recorded.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability and Town Contributions, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll be presented to, which are (is) required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

We were not engaged to report on combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Very truly yours,

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

February 8, 2018