

**Town of Mount Olive
Mount Olive, North Carolina**

Audited Financial Statements

Year Ended June 30, 2023



Town of Mount Olive, North Carolina

Audited Financial Statements

For the Year Ended June 30, 2023

Board of Commissioners

Kenneth Talton, Mayor

Steve Wiggins, Mayor Pro-Tem

Delreese Simmons

Barbara Kornegay

Tommy Brown

Vicky Darden

Administrative Officers

Jamie Butler, Finance Officer

Jammie Royall, Town Manager

W. Carroll Turner, Town Attorney

Town of Mount Olive, North Carolina
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Financial Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

Independent Auditor's Report

To the Honorable Mayor and
Members of the Board of Commissioners
Mount Olive, North Carolina

Report on the Audit of Financial Statements

Opinion

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, 2023, and the related notes to the financial statements, which collectively comprise the Town of Mount Olive, North Carolina's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Mount Olive, North Carolina, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Audit of the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Mount Olive, North Carolina's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Governmental Auditing Standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Governmental Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Mount Olive, North Carolina's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Mount Olive, North Carolina's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 11, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 56 and 57, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 58 and 59 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Mount Olive, North Carolina. The combining and individual fund statements, budgetary schedules and other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by *Title 2 U.S. 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, 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. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2024 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 grants 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 Town of Mount Olive's internal control over financial reporting and compliance.



Lumberton, North Carolina
May 24, 2024

Management's Discussion and Analysis

Town of Mount Olive, North Carolina
Management's Discussion and Analysis
June 30, 2023

As management of the Town of Mount Olive, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Mount Olive for the fiscal year ending June 30, 2023. 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

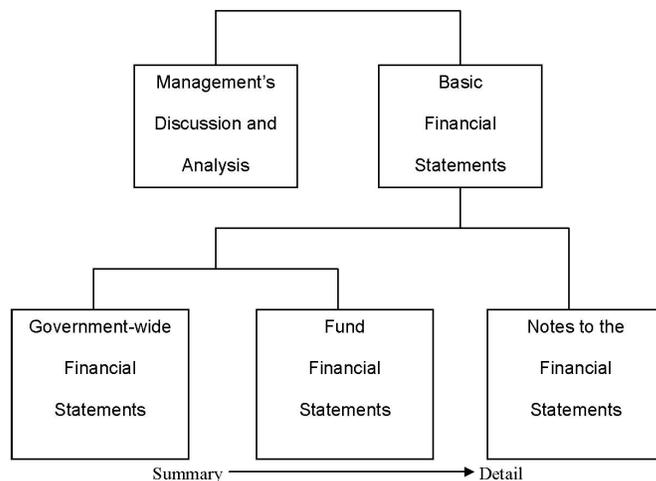
- The assets and deferred outflows of resources of the Town of Mount Olive exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$35,754,043.
- The government's total net position decreased in the amount of \$220,519 primarily due to a decrease in capital grants and contributions.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,304,523. Approximately 24.31% of this total amount, or \$803,286, is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$803,286 or 15.87% of total General Fund expenditures.
- During the year ended June 30, 2023 the Town had to write off a utility balance of \$238,602, which was owed by Southeastern Wayne Water District. The Town settles the balance for \$30,000 and wrote off the remaining balance of \$208,602. The net impact of this bad debt reduced the charges for services revenues in the Water and Sewer Fund by \$208,602 during the year ended June 30, 2023.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Mount Olive's basic financial statements. The Town's basic financial statements comprise 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 also contains other supplementary 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



Town of Mount Olive, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2023

Basic Financial Statements

The first two statements 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 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 to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the 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, in a manner similar to the 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 they have changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflow 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 general government, public safety, and cultural and recreation. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer services offered by the Town of Mount Olive.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund Financial Statements.

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of 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 can be divided into two categories: governmental funds and proprietary funds.

Town of Mount Olive, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2023

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 monies that are unexpended 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 determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Mount Olive adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document.

Governmental Funds (continued). 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. The Town of Mount Olive maintains one type of proprietary fund called an Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and Statement of Activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is considered a major fund of the Town.

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 can be found on pages 23-55 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 Mount Olive's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on beginning on page 56 of this report.

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

Town of Mount Olive, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2023

Government-Wide Financial Analysis

The Town of Mount Olive's Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 4,071,706	\$ 4,022,799	\$ 2,838,567	\$ 2,476,718	\$ 6,910,273	\$ 6,499,517
Capital assets	3,845,460	4,173,477	34,253,953	32,290,845	38,099,413	36,464,322
Deferred outflows of resources	1,028,396	679,757	477,084	292,082	1,505,480	971,839
Total assets and deferred outflows of resources	8,945,562	8,876,033	37,569,604	35,059,645	46,515,166	43,935,678
Long-term liabilities outstanding	100,514	87,839	6,304,255	6,496,962	6,404,769	6,584,801
Other liabilities	2,974,696	1,988,324	1,256,692	991,625	4,231,388	2,979,949
Deferred inflows of resources	116,343	825,342	8,623	258,564	124,966	1,083,906
Total liabilities and deferred inflows of resources	3,191,553	2,901,505	7,569,570	7,747,151	10,761,123	10,648,656
Net position:						
Net investment in capital assets	3,077,667	3,305,922	27,949,698	25,793,883	31,027,365	29,099,805
Restricted	1,361,665	1,143,465	-	-	1,361,665	1,143,465
Unrestricted	1,314,677	1,525,141	2,050,336	1,518,611	3,365,013	3,043,752
Total net position	\$ 5,754,009	\$ 5,974,528	\$30,000,034	\$27,312,494	\$35,754,043	\$33,287,022

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred inflows of the Town exceeded liabilities and deferred outflows by \$35,754,043 as of June 30, 2023. The Town's net position increased by \$2,467,021 for the fiscal year ended June 30, 2023.

However, the largest portion (86.78%), reflects the Town's net investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town of Mount Olive's net position, \$1,361,665, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,365,013 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 97.50%.

Town of Mount Olive, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2023

Government-Wide Financial Analysis (continued)

The Town of Mount Olive's Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 689,844	\$ 694,512	\$ 3,688,810	\$ 4,174,427	\$ 4,378,654	\$ 4,868,939
Operating grants and contributions	875,084	869,980	10,767	53,905	885,851	923,885
Capital grants and contributions	444,068	1,026,251	2,527,440	2,750,277	2,971,508	3,776,528
General revenues:						
Property taxes	1,930,655	1,905,334	-	-	1,930,655	1,905,334
Other taxes	8,949	8,865	-	-	8,949	8,865
Investment earnings	58,661	14,036	-	-	58,661	14,036
restricted to specific programs	1,878,157	1,910,994	-	-	1,878,157	1,910,994
Other	70,026	297,208	80,658	2,065	150,684	299,273
Total revenues	5,955,444	6,727,180	6,307,675	6,980,674	12,263,119	13,707,854
Expenses:						
General government	1,966,627	1,953,487	-	-	1,966,627	1,953,487
Public safety	2,509,360	2,226,768	-	-	2,509,360	2,226,768
Transportation	165,125	96,546	-	-	165,125	96,546
Environmental protection	534,027	130,097	-	-	-	130,097
Cultural and recreation	407,614	439,063	-	-	407,614	439,063
Public buildings	-	-	-	-	-	-
Interest on long-term debt	23,711	21,373	-	-	23,711	21,373
Water and sewer	-	-	3,722,174	3,171,738	3,722,174	3,171,738
Municipal airport	-	-	467,460	405,343	467,460	405,343
Total expenses	5,606,464	4,867,334	4,189,634	3,577,081	9,262,071	8,444,415
Increase (decrease) in net position before transfers	348,980	1,859,846	2,118,041	3,403,593	3,001,048	5,263,439
Insurance proceeds	-	-	-	-	-	-
Sales of land	-	-	-	-	-	-
Transfers	(569,499)	(629,498)	569,499	629,498	-	-
Increase (decrease) in net position	(220,519)	1,230,348	2,687,540	4,033,091	2,467,021	5,263,439
Net position - beginning	5,974,528	4,744,180	27,312,494	23,279,403	33,287,022	28,023,583
Net position - ending	\$5,754,009	\$5,974,528	\$30,000,034	\$27,312,494	\$35,754,043	\$33,287,022

Capital and operating grants for governmental activities furnished resources to support the five functions of the Town: general government, public safety, transportation, cultural and recreation, and non-departmental.

Business-type activities. Business-type activities increased the Town's net position by \$2,687,540 compared to prior year increase of \$4,033,091. Key elements of the change in net position compared to prior year are as follows:

- Increase in operating expenses compared to the prior year totaling \$612,553

Town of Mount Olive, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2023

Government-Wide Financial Analysis (continued)

Financial Analysis of the Government'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'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's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Mount Olive. At the end of the current fiscal year, the Town's fund balance available in the General Fund was \$803,286 while total fund balance reached \$2,179,951. Of this total amount, \$803,286 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that funds are not available for spending because these funds have already been committed 1) to liquidate contracts and purchase orders of the prior year, or 2) for a variety of other restricted purposes.

As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 15.87% of total General Fund expenditures.

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:

- Amendments that adjust for the estimates that are prepared for the original budget ordinance, once exact information is available.
- Amendments that recognize new funding from external sources, such as federal and State grants.
- Amendments that appropriate increases that becomes necessary to maintain services.

In the General Fund, the Town had a negative variance of \$1,597,947 and a positive variance of \$1,624,173 between the final budget and the actual amounts for the restricted intergovernmental revenues and public safety department expenditures. This was primarily due to a budgeted grant that was awarded but not received or spent as of June 30, 2023.

Proprietary Funds. The Town of Mount Olive's proprietary funds provide the same type of information found in the governmental-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund and the Airport Fund at the end of the fiscal year amounted to a balance of \$2,481,461 and a deficit of \$98,022, respectively. Other factors concerning this fund have been discussed in the Town's business-type activities.

Town of Mount Olive, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2023

Capital Assets and Debt Administration

The Town of Mount Olive's investments in capital assets for its governmental and business-type activities as of June 30, 2023, totals \$37,854,666 (net of accumulated depreciation). The investments in capital assets includes buildings, land, infrastructure, machinery and equipment, park facilities, and vehicles.

Major asset transactions during the year include the following:

- Business-type construction costs in the amount of \$2,400,613 in the Wastewater Treatment Capital Project Fund.
- Business-type vehicle and equipment costs added to construction to project in the amount of \$191,123 for the Municipal Airport Capital Project Fund.

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

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 415,539	\$ 415,539	\$ 281,773	\$ 281,773	\$ 697,312	\$ 697,312
Buildings and system	397,618	407,584	22,744,274	23,321,742	23,141,892	23,729,326
Improvements	1,130,621	1,224,875	1,385,604	1,436,764	2,516,225	2,661,639
Infrastructure	227,401	234,325	-	-	227,401	234,325
Vehicles and motorized equipment	1,674,281	1,891,154	361,310	170,187	2,035,591	2,061,341
Construction and progress	-	-	9,480,992	7,080,379	9,480,992	7,080,379
Total capital assets, net	<u>\$ 3,845,460</u>	<u>\$ 4,173,477</u>	<u>\$ 34,253,953</u>	<u>\$ 32,290,845</u>	<u>\$ 38,099,413</u>	<u>\$ 36,464,322</u>

Additional information on the Town's capital assets can be found in the notes on page 33 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Mount Olive had total bonded debt outstanding of \$7,072,048.

The Town of Mount Olive's Outstanding Liabilities
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Direct placement installment purchase	\$ 544,860	\$ 579,635	\$ 39,328	\$ 78,654	\$ 584,188	\$ 658,289
Capital leases	222,933	287,920	14,197	20,577	237,130	308,497
General obligation bonds	-	-	3,916,000	4,012,000	3,916,000	4,012,000
Revenue bonds	-	-	2,334,730	2,385,731	2,334,730	2,385,731
Net pension obligation (LERS)	1,330,217	320,130	711,979	191,631	2,042,196	511,761
Total pension obligation (LEO)	505,823	571,219	-	-	505,823	571,219
Compensated absences	92,283	85,571	65,879	28,523	158,162	114,094
Total outstanding debt	<u>\$ 2,696,116</u>	<u>\$ 1,844,475</u>	<u>\$ 7,082,113</u>	<u>\$ 6,717,116</u>	<u>\$ 9,778,229</u>	<u>\$ 8,561,591</u>

Town of Mount Olive, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2023

Capital Assets and Debt Administration (continued)

North Carolina's General Statutes limit the amount of general obligation debt that a governmental unit can issue 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 presently at \$24,303,847 (the amount of additional debt the town could obligate itself to under NC General Statute).

Additional information pertaining to the Town of Mount Olive's long-term debt can be found in the notes on page 47 of this report.

Economic Factors and Next Year's Budgets and Rates

The following economic indicators reflect the growth of the Town:

- Unemployment remained steady.

Budget Highlights for the Fiscal Year Ended June 30, 2024

Governmental Activities: Property tax rates will remain unchanged at 64 cents per \$100 valuation. The Town should see the full impact of Wayne County's property tax revaluation, but tax revenues will likely remain flat. Local Option sales tax revenues are coming in 7% ahead of projections and this is expected to continue. The Town will use any increase in local option sales tax revenue to finance programs in place.

Business-Type Activities: No significant changes are expected.

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) 658-9539.

Basic Financial Statements

Town of Mount Olive, North Carolina
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,293,860	\$ 2,886,531	\$ 5,180,391
Restricted cash and cash equivalents	379,374	200,515	579,889
Taxes receivable (net)	125,008	-	125,008
Inventories	-	29,190	29,190
Prepaid items	15,000	-	15,000
Internal balances	621,034	(621,034)	-
Accounts receivable (net)	130,597	324,530	455,127
Due from other governments	234,537	-	234,537
Lease receivable - current	-	-	-
Total current assets	<u>3,799,410</u>	<u>2,819,732</u>	<u>6,619,142</u>
Non-current assets:			
Right to use assets	272,296	18,835	291,131
Capital assets:			
Non-depreciable improvements	415,539	9,762,765	10,178,304
Other capital assets, net of depreciation	3,429,921	24,491,188	27,921,109
Total capital assets	<u>3,845,460</u>	<u>34,253,953</u>	<u>38,099,413</u>
Total noncurrent assets	<u>4,117,756</u>	<u>34,272,788</u>	<u>38,390,544</u>
Total assets	<u>7,917,166</u>	<u>37,092,520</u>	<u>45,009,686</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	1,028,396	477,084	1,505,480
Total deferred outflows of resources	<u>1,028,396</u>	<u>477,084</u>	<u>1,505,480</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	379,094	278,319	657,413
Current portion of compensated absences	35,000	17,000	52,000
Current portion of long-term liabilities	100,514	191,149	291,663
Total current liabilities	<u>514,608</u>	<u>486,468</u>	<u>1,001,076</u>
Long-term liabilities:			
Customer deposits	-	200,515	200,515
Non-current portion of compensated absences	57,283	48,879	106,162
Non-current portion of long-term liabilities	667,279	6,113,106	6,780,385
Net pension liability (LGERS)	1,330,217	711,979	2,042,196
Total pension liability (LEO)	505,823	-	505,823
Total liabilities	<u>3,075,210</u>	<u>7,560,947</u>	<u>10,636,157</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	116,343	8,623	124,966
Total deferred inflows of resources	<u>116,343</u>	<u>8,623</u>	<u>124,966</u>
NET POSITION			
Net investment in capital assets	3,077,667	27,949,698	31,027,365
Restricted for:			
Stabilization by State Statute	982,291	-	982,291
Other functions	379,374	-	379,374
Unrestricted (deficit)	1,314,677	2,050,336	3,365,013
Total net position	<u>\$ 5,754,009</u>	<u>\$ 30,000,034</u>	<u>\$ 35,754,043</u>

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

Town of Mount Olive, North Carolina
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 1,966,627	\$ 326,031	\$ -	\$ -	\$ (1,640,596)	\$ -	\$ (1,640,596)
Public safety	2,509,360	1,322	729,499	436,568	(1,341,971)	-	(1,341,971)
Transportation	165,125	-	145,585	-	(19,540)	-	(19,540)
Environmental protection	534,027	362,491	-	7,500	(164,036)	-	(164,036)
Cultural and recreation	407,614	-	-	-	(407,614)	-	(407,614)
Interest on long-term debt	23,711	-	-	-	(23,711)	-	(23,711)
Total governmental activities	<u>5,606,464</u>	<u>689,844</u>	<u>875,084</u>	<u>444,068</u>	<u>(3,597,468)</u>	<u>-</u>	<u>(3,597,468)</u>
Business-type activities:							
Water and sewer	3,722,174	3,296,057	10,767	1,897,986	-	1,482,636	1,482,636
Municipal airport	467,460	392,753	-	629,454	-	554,747	554,747
Total business-type activities	<u>4,189,634</u>	<u>3,688,810</u>	<u>10,767</u>	<u>2,527,440</u>	<u>-</u>	<u>2,037,383</u>	<u>2,037,383</u>
Total primary government	<u>\$ 9,796,098</u>	<u>\$ 4,378,654</u>	<u>\$ 885,851</u>	<u>\$ 2,971,508</u>	<u>(3,597,468)</u>	<u>2,037,383</u>	<u>(1,560,085)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					1,930,655	-	1,930,655
Unrestricted intergovernmental					1,878,157	-	1,878,157
Other taxes and licenses					8,949	-	8,949
Investment earnings, unrestricted					58,661	80,658	139,319
Miscellaneous, unrestricted					70,026	-	70,026
Total general revenues not including transfers					<u>3,946,448</u>	<u>80,658</u>	<u>4,027,106</u>
Transfers					(569,499)	569,499	-
Total general revenues and transfers					<u>3,376,949</u>	<u>650,157</u>	<u>4,027,106</u>
Change in net position					<u>(220,519)</u>	<u>2,687,540</u>	<u>2,467,021</u>
Net position - beginning					<u>5,974,528</u>	<u>27,312,494</u>	<u>33,287,022</u>
Net position - ending					<u>\$ 5,754,009</u>	<u>\$ 30,000,034</u>	<u>\$ 35,754,043</u>

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

Town of Mount Olive, North Carolina
Balance Sheet
Governmental Funds
June 30, 2023

	<u>Major Fund</u>		<u>Non-Major</u>	<u>Total</u>
	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Waylin Fire Distric Fund</u>	<u>Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,173,165	\$ -	\$ 1,120,695	\$ 2,293,860
Restricted cash and cash equivalents	379,374	-	-	379,374
Receivables, net:				
Taxes	125,008	-	-	125,008
Accounts	130,245	-	352	130,597
Prepaid items	15,000	-	-	15,000
Due from other funds	620,400	-	634	621,034
Due from other governments	231,646	-	2,891	234,537
Total assets	<u>\$ 2,674,838</u>	<u>\$ -</u>	<u>\$ 1,124,572</u>	<u>\$ 3,799,410</u>
<u>LIABILITIES</u>				
Accounts payable and accrued liabilities	\$ 369,879	\$ -	\$ -	\$ 369,879
Total liabilities	<u>369,879</u>	<u>-</u>	<u>-</u>	<u>369,879</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Property taxes receivable	125,008	-	-	125,008
Total deferred inflows of resources	<u>125,008</u>	<u>-</u>	<u>-</u>	<u>125,008</u>
<u>FUND BALANCES</u>				
Nonspendable:				
Prepaid items	15,000	-	-	15,000
Restricted:				
Stabilization by State Statute	982,291	-	-	982,291
Streets	379,374	-	-	379,374
Committed:				
Public Safety	-	-	1,124,572	1,124,572
Unassigned	803,286	-	-	803,286
Total fund balances	<u>2,179,951</u>	<u>-</u>	<u>1,124,572</u>	<u>3,304,523</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,674,838</u>	<u>\$ -</u>	<u>\$ 1,124,572</u>	<u>\$ 3,799,410</u>

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

Town of Mount Olive, North Carolina
Balance Sheet
Governmental Funds (continued)
June 30, 2023

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

Total fund balances, governmental funds		\$ 3,304,523
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	13,055,523	
Accumulated depreciation	<u>(9,210,063)</u>	3,845,460
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Right to use assets at historical cost	328,528	
Accumulated amortization	<u>(56,232)</u>	272,296
Deferred outflows of resources related to pensions and are not reported in the funds		1,028,396
Earned revenues considered deferred inflows of resources in fund statements		125,008
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:		
Gross long-term debt		(860,076)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore not reported in the funds		(9,215)
Net pension liability		(1,330,217)
Total pension liability		(505,823)
Pension related deferrals		<u>(116,343)</u>
Net position of governmental activities		<u>\$ 5,754,009</u>

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

Town of Mount Olive, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2023

	<u>Major Fund</u>		<u>Non-Major</u>	<u>Total</u>
	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Waylin Fire District Fund</u>	<u>Governmental Funds</u>
Revenues:				
Ad valorem taxes	\$ 1,948,800	\$ -	\$ -	\$ 1,948,800
Other taxes and licenses	8,949	-	-	8,949
Unrestricted intergovernmental	1,618,489	-	259,668	1,878,157
Restricted intergovernmental	589,653	729,499	-	1,319,152
Permits and fees	3,490	-	-	3,490
Sales and services	686,354	-	-	686,354
Investment earnings	28,788	-	29,873	58,661
Miscellaneous	70,026	-	-	70,026
Total revenues	<u>4,954,549</u>	<u>729,499</u>	<u>289,541</u>	<u>5,973,589</u>
Expenditures:				
Current:				
General government	2,059,799	-	-	2,059,799
Public safety	1,986,191	-	112,102	2,098,293
Transportation	155,753	-	-	155,753
Environmental protection	393,874	-	-	393,874
Cultural and recreational	342,961	-	-	342,961
Public buildings	-	-	-	-
Debt service:				
Principal	99,762	-	-	99,762
Interest and other charges	23,711	-	-	23,711
Total expenditures	<u>5,062,051</u>	<u>-</u>	<u>112,102</u>	<u>5,174,153</u>
Excess (deficiency) of revenues over expenditures	<u>(107,502)</u>	<u>729,499</u>	<u>177,439</u>	<u>799,436</u>
Other financing sources (uses):				
Transfers from (to) other funds	160,000	(729,499)	-	(569,499)
Total other financing sources (uses)	<u>160,000</u>	<u>(729,499)</u>	<u>-</u>	<u>(569,499)</u>
Net change in fund balances	52,498	-	177,439	229,937
Fund balance, beginning	<u>2,127,453</u>	<u>-</u>	<u>947,133</u>	<u>3,074,586</u>
Fund balance, ending	<u>\$ 2,179,951</u>	<u>\$ -</u>	<u>\$ 1,124,572</u>	<u>\$ 3,304,523</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
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023

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

Net change in fund balances - total governmental funds \$ 229,937

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.

Amortization expense for governmental assets	\$ (28,116)	
Capital outlay expenditures which were capitalized	230,238	
Depreciation expense for governmental assets	<u>(558,255)</u>	(356,133)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	219,942
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities	47,555
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	(18,145)
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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 an effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term

New long-term debt issued	-	
Principal payments on long-term debt	99,762	
(Increase) decrease in accrued interest payable	<u>13,476</u>	113,238

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	(6,712)	
Pension revenue (expense)	<u>(450,201)</u>	<u>(456,913)</u>

Total changes in net position of governmental activities	<u>\$ (220,519)</u>
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The notes to the financial statements are an integral part of this statement.

Town of Mount Olive, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 1,818,900	\$ 1,992,720	\$ 1,948,800	\$ (43,920)
Other taxes and licenses	3,600	7,620	8,949	1,329
Unrestricted intergovernmental	1,584,200	1,609,210	1,618,489	9,279
Restricted intergovernmental	100,000	2,187,600	589,653	(1,597,947)
Permits and fees	4,300	4,000	3,490	(510)
Sales and services	662,000	711,706	686,354	(25,352)
Investment earnings	500	16,500	28,788	12,288
Miscellaneous	23,500	23,400	70,026	46,626
Total revenues	4,197,000	6,552,756	4,954,549	(1,598,207)
Expenditures:				
Current:				
General government	2,124,000	3,468,413	2,059,799	1,408,614
Public safety	2,072,200	2,165,300	1,986,191	179,109
Transportation	-	156,100	155,753	347
Environmental protection	77,500	409,500	393,874	15,626
Cultural and recreational	308,300	389,256	342,961	46,295
Debt service:				
Principal retirement	50,000	42,154	99,762	(57,608)
Interest and other charges	-	16,046	23,711	(7,665)
Total expenditures	4,632,000	6,646,769	5,062,051	1,584,718
Revenues over (under) expenditures	(435,000)	(94,013)	(107,502)	(13,489)
Other financing sources (uses):				
Transfers (to) from	285,000	160,000	160,000	-
Total other financing sources (uses)	285,000	160,000	160,000	-
Fund balance appropriated	150,000	-	-	-
Net change in fund balances	\$ -	\$ 65,987	52,498	\$ (13,489)
Fund balance, beginning			2,127,453	
Fund balance, ending			\$ 2,179,951	

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, 2023

	Major Enterprise Funds		
	Water and Sewer Fund	Municipal Airport Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,762,524	\$ 124,007	\$ 2,886,531
Restricted cash and cash equivalents	200,515	-	200,515
Accounts receivable (net)	311,486	13,044	324,530
Inventories	-	29,190	29,190
Total current assets	3,274,525	166,241	3,440,766
Non-current assets:			
Right to use assets	18,835	-	18,835
Capital assets:			
Land and other non-depreciable assets	5,687,270	4,075,495	9,762,765
Other capital assets, net of depreciation	22,905,626	1,585,562	24,491,188
Capital assets (net)	28,592,896	5,661,057	34,253,953
Total noncurrent assets	28,611,731	5,661,057	34,272,788
Total assets	31,886,256	5,827,298	37,713,554
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	477,084	-	477,084
Total deferred outflows of resources	477,084	-	477,084
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	264,142	14,177	278,319
Due to other funds	370,948	250,086	621,034
Compensated absences - current	17,000	-	17,000
Current portion of long-term debt	191,149	-	191,149
Total current liabilities	843,239	264,263	1,107,502
Noncurrent liabilities:			
Liabilities payable from restricted assets:			
Customer deposits	200,515	-	200,515
Compensated absences	48,879	-	48,879
Net pension liability	711,979	-	711,979
Noncurrent portion of long term debt	6,113,106	-	6,113,106
Total noncurrent liabilities	7,074,479	-	7,074,479
Total liabilities	7,917,718	264,263	8,181,981
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	8,623	-	8,623
Total deferred inflows of resources	8,623	-	8,623
NET POSITION			
Net investment in capital assets	22,288,641	5,661,057	27,949,698
Unrestricted	2,148,358	(98,022)	2,050,336
Total net position	\$ 24,436,999	\$ 5,563,035	\$ 30,000,034

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, 2023

	Major Enterprise Funds		
	Water and Sewer Fund	Municipal Airport Fund	Total
Operating revenues:			
Charges for services	\$ 3,200,558	\$ 392,753	\$ 3,593,311
Water and sewer taps	15,400	-	3,700
Other operating revenues	80,099	-	80,099
Total operating revenues	<u>3,296,057</u>	<u>392,753</u>	<u>3,688,810</u>
Operating expenses:			
Administration	329,359	402,272	731,631
Water and sewer operations	1,175,084	-	1,175,084
Water distribution	1,314,582	-	1,314,582
Depreciation	637,626	65,188	702,814
Amortization	4,144	-	4,144
Total operating expenses	<u>3,460,795</u>	<u>467,460</u>	<u>3,928,255</u>
Operating income (loss)	<u>(164,738)</u>	<u>(74,707)</u>	<u>(239,445)</u>
Nonoperating revenues (expenses):			
Gain on sale of asset	10,767	-	10,767
Investment earnings	80,658	-	80,658
Interest and other charges	(261,379)	-	(261,379)
Total nonoperating revenue (expenses)	<u>(169,954)</u>	<u>-</u>	<u>(169,954)</u>
Income (loss) before contributions and transfers	<u>(334,692)</u>	<u>(74,707)</u>	<u>(409,399)</u>
Capital contributions	1,897,986	629,454	2,527,440
Transfer from (to)	569,499	-	569,499
Total contributions and transfers	<u>2,467,485</u>	<u>629,454</u>	<u>3,096,939</u>
Change in net position	2,132,793	554,747	2,687,540
Net position, beginning	<u>22,304,206</u>	<u>5,008,288</u>	<u>27,312,494</u>
Total net position, ending	<u>\$ 24,436,999</u>	<u>\$ 5,563,035</u>	<u>\$ 30,000,034</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, 2023

	Major Enterprise Funds		
	Water and Sewer Fund	Municipal Airport Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 3,612,799	\$ 385,596	\$ 3,998,395
Cash paid for goods and services	(1,701,941)	(413,811)	(2,115,752)
Cash paid to employees for services	(1,271,844)	-	(1,271,844)
Net cash provided (used) by operating activities	<u>639,014</u>	<u>(28,215)</u>	<u>610,799</u>
Cash flows from non-capital financing activities:			
Transfers in (out)	569,499	-	569,499
Increase (decrease) in due to other funds	340,888	(1,741)	339,147
Net cash provided (used) by non-capital financing activities	<u>910,387</u>	<u>(1,741)</u>	<u>908,646</u>
Cash flows from capital and related financing activities:			
Capital contributions and grants	1,897,986	629,454	2,527,440
Acquisition and construction of capital assets	(2,054,518)	(630,637)	(2,685,155)
Principal paid on bond and note agreements	(192,706)	-	(192,706)
Interest paid on bond note agreements	(261,379)	-	(261,379)
Net cash provided (used) by capital and related financing activities	<u>(610,617)</u>	<u>(1,183)</u>	<u>(611,800)</u>
Cash flows from investing activities:			
Proceeds from sale of fixed assets	30,000	-	30,000
Interest on investments	80,658	-	80,658
Net cash provided (used) by investing activities	<u>110,658</u>	<u>-</u>	<u>110,658</u>
Net increase (decrease) in cash and cash equivalents	1,049,442	(31,139)	1,018,303
Cash and cash equivalents - beginning of year	<u>1,913,597</u>	<u>155,146</u>	<u>2,068,743</u>
Cash and cash equivalents - end of year	<u>\$ 2,963,039</u>	<u>\$ 124,007</u>	<u>\$ 3,087,046</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 Fund (continued)
For the Year Ended June 30, 2023

	Major Enterprise Funds		
	Water and Sewer Fund	Municipal Airport Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (164,738)	\$ (74,707)	\$ (239,445)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	637,626	65,188	702,814
Amortization	4,144	-	4,144
Change in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	309,009	(7,157)	301,852
(Increase) decrease in inventory	-	11,311	11,311
Increase (decrease) in pension liability	520,348	-	520,348
Change in deferred outflows of resources - pensions	(185,002)	-	(185,002)
Change in deferred inflows of resources - pensions	(249,941)	-	(249,941)
Increase (decrease) customer deposits	7,733	-	7,733
Increase (decrease) in payables and accrued liabilities	(277,521)	(22,850)	(300,371)
Increase (decrease) in compensated absences	37,356	-	37,356
Total adjustments	<u>803,752</u>	<u>46,492</u>	<u>850,244</u>
Net cash provided (used) by operating activities	<u>\$ 639,014</u>	<u>\$ (28,215)</u>	<u>\$ 610,799</u>

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

Notes to the Financial Statements

Town of Mount Olive, North Carolina
Notes to the Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Mount Olive, North Carolina 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 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 and 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 – government and proprietary – are presented. The emphasis of the fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The town has no fiduciary funds to report. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Town reports the following major governmental 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. Primary expenditures are for public safety, street maintenance and construction, and sanitation services.

ARPA Fund - This fund is used to account for grant awards received from the American Rescue Plan Act.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B - Basis of Presentation - Fund Accounting (continued)

The Town reports the following non-major governmental fund:

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.

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. A Water and Sewer Capital Projects Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects Fund has been included in the supplementary information.

Municipal Airport Fund - This fund is used to account for the Town's airport fund operations. A Municipal Airport Capital Projects Fund has been consolidated into the Municipal Airport Fund for financial reporting purposes. The budgetary comparison for the Municipal Airport Capital Projects Fund has been included in the supplementary information.

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 the liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise 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 non-operating revenues and expenses.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C - Measurement Focus and Basis of Accounting (continued)

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 a revenue because the amount is not susceptible to accrual. At June 30, 2023 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 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 revenue 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 is 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 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 and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for Special Revenue Funds and the Enterprise Fund Capital Projects 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 departmental level for all annually budgeted funds and at the object 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.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2023, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

3. Restricted Assets

The unexpended loan proceeds in the Water and Sewer Fund are classified as restricted assets for the enterprise funds because their use is completely restricted to the purpose for which the grants the 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. 136-41.4.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

3. Restricted Assets (continued)

Governmental Activities:	
General Fund	
Streets	\$ 379,374
Total Governmental Activities	379,374
Business-type activities:	
Water and Sewer Fund	
Customer deposits	200,515
Total business-type activities	200,515
Total restricted cash	\$ 579,889

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 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2023. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenue is reported net of such discounts.

5. Allowance 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. Inventories

The inventories of the Town are valued at cost (first-in, first-out), which approximates market.

The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

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

7. Lease Receivable

The Town's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Town may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

8. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain threshold and an estimated life in excess of two years. Minimum capitalization costs are \$5,000 for all asset categories. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received after June 30, 2015 are recorded at their estimated fair market value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Buildings	30 - 40
Furniture and equipment	5 - 10
Vehicles	5 - 10
Leasehold improvements	10 - 20
Infrastructure	30 - 40

9. Right to use Assets

The Town has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

10. 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 meet this criterion, pension deferrals for the 2023 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 several items that meet the criteria for this category – property taxes receivable, leases and pension related deferrals.

11. 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. 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.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

12. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to 360 hours of earned vacation leave with 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 is recorded and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The 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.

13. Net Position / Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Prepaid items – portion of fund balance that is not an available resource because it represents the year-end balance in prepaid expenditures, which are not spendable resources.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

13. Net Position / Fund Balances (continued)

Fund Balances (continued)

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 – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town'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.

Public safety – portion of fund balance that has been committed for use in public safety fire operations.

Assigned fund balance – portion of fund balance that the Town 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.

14. 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 of Mount Olive's employer contributions are recognized when due and the Town of Mount Olive 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.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 2 - 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 of Individual Funds not appropriated in subsequent year's budget ordinance

None

C - Excess of Expenditures over Appropriations

	<u>Budget</u>	<u>Actual</u>	<u>(Negative) Variance</u>
General Fund:			
Public works and buildings	\$ 901,213	\$ 1,162,555	\$ (261,342)
Total	<u>901,213</u>	<u>1,162,555</u>	<u>(261,342)</u>
Municipal Airport Fund:			
Operations	334,000	402,272	(68,272)
Total	<u>\$ 334,000</u>	<u>\$ 402,272</u>	<u>\$ (68,272)</u>
Municipal Airport Capital Project Fund:			
Administrative	162,519	239,104	(76,585)
Land acquisition	9,332	388,310	(378,978)
Engineering	140,000	196,378	(56,378)
Construction and improvements	2,726,270	3,050,719	(324,449)
Total	<u>\$ 3,038,121</u>	<u>\$ 3,874,511</u>	<u>\$ (836,390)</u>
Wastewater Treatment Capital Project Fund:			
Engineering	778,000	540,481	237,519
Construction	4,710,000	5,097,774	(387,774)
Administration	5,500	15,424	(9,924)
Permit fees	6,500	10,340	(3,840)
Total	<u>\$ 5,500,000</u>	<u>\$ 5,664,019</u>	<u>\$ (164,019)</u>

These over-expenditures occurred due to improper assessment. Management and the Board will review the budget reports more closely to ensure compliance in future years.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - 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 this unit's 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. 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 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, 2023, the Town's deposits had a carrying amount of \$1,891,743 and a bank balance of \$1,800,468. Of the bank balance, \$500,000 was covered by federal deposit insurance and the remainder was covered under the pooling method. At June 30, 2023, the petty cash fund totaled \$495.

2. Investments

At June 30, 2023, the Town of Mount Olive had \$3,868,043 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.

3. Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are for the year ended June 30, 2023 are net of the following allowance for doubtful accounts:

General Fund:	
Taxes receivable	\$ 15,000
Total General Fund	15,000
Enterprise Fund:	
Water and Sewer Fund - accounts receivable	112,757
Total Enterprise Fund	112,757
Total	\$ 127,757

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2023, was as follows:

Governmental activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 415,539	\$ -	\$ -	\$ 415,539
Total capital assets not being depreciated	415,539	-	-	415,539
Capital assets being depreciated:				
Buildings	910,226	-	-	910,226
Equipment and vehicles	5,631,641	230,238	-	5,861,879
Improvements	5,603,783	-	-	5,603,783
Infrastructure	264,096	-	-	264,096
Total capital assets being depreciated	12,409,746	230,238	-	12,639,984
Less accumulated depreciation for:				
Buildings	502,642	9,966	-	512,608
Equipment and vehicles	3,740,487	447,111	-	4,187,598
Improvements	4,378,908	94,254	-	4,473,162
Infrastructure	29,771	6,924	-	36,695
Total accumulated depreciation	8,651,808	558,255	-	9,210,063
Total capital assets being depreciated, net	3,757,938			3,429,921
Governmental activities capital assets, net	\$ 4,173,477			\$ 3,845,460

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

General government	\$ 76,613
Public safety	299,391
Cultural and recreation	55,965
Environmental protection	143,795
Total depreciation expense	<u>\$ 575,764</u>

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Capital Assets (continued)

Business-type activities:	Beginning			Ending
Water and Sewer fund:	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 23,252	\$ -	\$ -	\$ 23,252
Construction in progress	3,894,042	1,769,976	-	5,664,018
Total capital assets not being depreciated	<u>3,917,294</u>	<u>1,769,976</u>	<u>-</u>	<u>5,687,270</u>
 Capital assets being depreciated:				
Buildings	5,119,437	-	-	5,119,437
Substations, lines	29,048,439	-	-	29,048,439
Equipment & maintenance	1,077,786	25,412	50,173	1,053,025
Vehicles	226,842	259,130	-	485,972
Total capital assets being depreciated	<u>35,472,504</u>	<u>284,542</u>	<u>50,173</u>	<u>35,706,873</u>
 Less accumulated depreciation for:				
Buildings	5,041,574	77,864	-	5,119,438
Substations, lines	5,979,725	487,377	-	6,467,102
Equipment & maintenance	946,420	48,531	30,940	964,011
Vehicles	226,842	23,854	-	250,696
Total accumulated depreciation	<u>12,194,561</u>	<u>637,626</u>	<u>30,940</u>	<u>12,801,247</u>
Total capital assets being depreciated, net	<u>23,277,943</u>			<u>22,905,626</u>
 Water and Sewer fund capital assets, net	 <u>\$ 27,195,237</u>			 <u>\$ 28,592,896</u>

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Capital Assets (continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Municipal Airport fund:				
Capital assets being depreciated:				
Land	\$ 258,521	\$ -	\$ -	\$ 258,521
Construction in progress	3,186,337	630,637	-	3,816,974
Total capital assets not being depreciated	<u>3,444,858</u>	<u>630,637</u>	<u>-</u>	<u>4,075,495</u>
Capital assets being depreciated:				
Buildings	455,058	-	-	455,058
Improvements	2,046,402	-	-	2,046,402
Equipment & maintenance	200,325	-	-	200,325
Total capital assets being depreciated	<u>2,701,785</u>	<u>-</u>	<u>-</u>	<u>2,701,785</u>
Less accumulated depreciation for:				
Buildings	279,893	12,227	-	292,120
Improvements	609,638	51,160	-	660,798
Equipment & maintenance	161,504	1,801	-	163,305
Total accumulated depreciation	<u>1,051,035</u>	<u>65,188</u>	<u>-</u>	<u>1,116,223</u>
Total capital assets being depreciated, net	<u>1,650,750</u>			<u>1,585,562</u>
Municipal Airport fund activity - capital assets, net	<u>\$ 5,095,608</u>			<u>\$ 5,661,057</u>

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Mount Olive is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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 (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Mount Olive employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Mount Olive's contractually required contribution rate for the year ended June 30, 2023, was 8.95% of compensation for law enforcement officers and 9.70% for general 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 of Mount Olive were \$333,245 for the year ended June 30, 2023.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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, 2023, the Town reported a liability of \$2,042,197 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022, the Town's proportion was .03620%, which was an increase of 0.00283% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense (revenue) of \$584,436. At June 30, 2023, 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	\$ 87,996	\$ 8,628
Changes of assumptions	203,765	-
Net difference between projected and actual earnings on pension plan investments	674,967	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	48,209	12,160
Town contributions subsequent to the measurement date	333,245	-
Total	\$ 1,348,182	\$ 20,788

\$333,245 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ 307,403
2025	276,066
2026	89,115
2027	321,567
2028	-
Thereafter	-

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

Actuarial Assumptions. The total pension liability in the December 31, 2021 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 8.10 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2021 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, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	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	100.0%	

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 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 6.50%. 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 liability calculated using the discount rate of 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$ 3,685,902	\$ 2,042,197	\$ 687,688

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

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

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 County law enforcement officers are covered by the Separation Allowance. At December 31, 2021, the Separation Allowance's membership consisted of:

Retirees and dependents receiving benefits	3
Active plan members	17
Total	20

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 Statements 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2021 valuation. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.31 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2021. Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$47,555 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, 2023, the Town reported a total pension liability of \$505,823. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$64,471.

	Deferred Outflow of	Deferred Inflows of
Differences between expected and actual experience	\$ 60,674	\$ 9,569
Changes of assumptions	96,624	94,609
Total	\$ 157,298	\$ 104,178

Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ 19,077
2025	17,063
2026	18,173
2027	12,873
2028	(8,260)
Thereafter	(5,806)

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

4. Contributions (continued)

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 4.31 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 (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

	1% Decrease (3.31%)	Discount rate (4.31%)	1% Increase (5.31%)
Total pension liability	\$ 549,051	\$ 505,823	\$ 467,012
2023			
Beginning balance			\$ 571,219
Service cost			30,122
Interest on the total pension liability			12,317
Differences between expected and actual experience in the measurement of the total pension liability			33,999
Changes of assumptions or other inputs			(94,279)
Benefit payments			(47,555)
Ending balance of the total pension liability			\$ 505,823

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, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

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

Following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 584,436	\$ 64,471	\$ 648,907
Pension Liability	2,042,196	505,823	2,548,019
Proportionate share of the net pension liability	0.03620%	n/a	
 Deferred of Outflows of Resources			
Differences between expected and actual experience	87,996	60,674	148,670
Changes of assumptions	203,765	96,624	300,389
Net difference between projected and actual earnings on plan investments	674,967	-	674,967
Changes in proportion and differences between contributions and proportionate share of contributions	48,209	-	48,209
Benefit payments and administrative costs paid subsequent to the measurement date	333,245	-	333,245
 Deferred of Inflows of Resources			
Difference between expected and actual experience	8,628	9,569	18,197
Changes of assumptions	-	94,609	94,609
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	12,160	-	12,160

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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 amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2023 were \$33,380, which consisted of \$33,380 from the Town and \$0 from the law enforcement officers. No amounts were forfeited.

d. Other Postemployment Benefits

1. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government 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.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

Contributions to pension plan in current fiscal year	\$	333,245
Differences between expected and actual experience		148,670
Changes of assumptions		300,389
Net difference between projected and actual		674,967
Changes in proportion and differences between employer contributions and proportionate share of contributions		48,209
Total	\$	1,505,480

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

	Statement of Net Position	General Fund Balance sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 125,008
Changes in assumptions	94,609	-
Differences between expected and actual experience	18,197	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,160	-
Total	\$ 124,966	\$ 125,008

3. 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 insured 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 worker's compensation.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

3. Risk Management (continued)

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 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.

4. Claims, Judgments and Contingent Liabilities

At June 30, 2023, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorneys, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations

a. Installment Purchase

The Town has entered into various direct placement installment purchase contracts to finance the purchase of equipment, police cars, and fire trucks.

Governmental Activities:

In January 2020, the Town entered into an direct placement installment agreement to purchase radio equipment. The agreement requires annual payments of \$12,853 \$ 20,782

In September 2021, the Town entered into an direct placement installment agreement to purchase one fire truck. The agreement requires annual payments of \$34,207. 524,078

Total \$ 544,860

Annual debt service payments of the installment purchase as of June 30, 2023, including interest, are as follows:

Years Ending <u>June 30:</u>	Governmental Activities	
	Principal	Interest
2024	\$ 35,269	\$ 12,257
2025	30,849	11,520
2026	23,435	10,772
2027	23,963	10,244
2028	24,502	9,705
2029-2033	200,863	39,280
2034-2038	154,667	16,368
2039-2041	51,312	1,565
Total	<u>\$ 544,860</u>	<u>\$ 111,711</u>

Business-type Activities:

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 6/30/2017, \$2,134,682 has been drawn down the loan. \$1,701,188 was forgiven in 2017 and the remaining \$353,936 is expected to be repaid in annual installments of \$39,326 with no stated interest rate. \$ 39,328

Total \$ 39,328

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations (continued)

a. Installment Purchase (continued)

Business-type Activities (continued):

Annual debt service payments of the installment purchase as of June 30, 2023, including interest, are as follows:

Years Ending <u>June 30:</u>	Business-type Activities	
	Principal	Interest
2024	39,328	-
Total	\$ 39,328	\$ -

b. Capital Leases

The Town has entered into agreements to lease various vehicles. The lease agreements qualify as other than short term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The Town entered into several agreements to lease vehicles during FY 2023 that require 60 monthly payments ranging from \$420 to \$699. These lease liabilities are measured at various discount rates between 0.07% to 0.54%, which are the stated rates in the respective lease agreements. As a result of these leases, the Town has recorded right to use assets with a net book value of \$237,129 at June 30, 2023. The right to use asset is discussed in more detail in Note 3, Section A – Assets in the notes to these financial statements.

The following is an analysis of the assets recorded under capital leases at June 30, 2023:

Years Ending <u>June 30:</u>	Governmental Activities	
	Principal	Interest
2024	\$ 65,117	\$ 391
2025	65,247	261
2026	61,563	84
2027	31,006	31
Total	\$ 222,933	\$ 767

Years Ending <u>June 30:</u>	Business-type Activities	
	Principal	Interest
2024	\$ 5,912	\$ 871
2025	5,477	437
2026	2,808	33
Total	\$ 14,197	\$ 1,341

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations (continued)

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, 2023 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water and Sewer Fund:

Bonds payable at June 30, 2023 are comprised of the following individual issues:

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%	\$ 786,000
\$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%	3,130,000
Total	\$ 3,916,000

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations (continued)

c. General Obligation Indebtedness (continued)

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

Years Ending <u>June 30:</u>	Business-type Activities	
	Principal	Interest
2024	\$ 98,603	\$ 11,237
2025	102,902	115,320
2026	107,390	118,015
2027	112,072	120,828
2028	112,873	153,458
2029-2033	638,071	650,800
2034-2038	789,683	741,912
2039-2043	977,764	854,648
2044-2047	976,642	683,377
Total	<u>\$ 3,916,000</u>	<u>\$ 3,449,595</u>

d. 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 April 16, 2058; interest at a fixed rate of 3.25%.	\$ 1,070,000
\$512,000 Sewer serial bonds due in annual installments of various amounts of \$9,000 to \$24,000 through June 1, 2051; interest at a fixed rate of 4.375%.	477,000
\$200,000 Sewer serial bonds due in annual installments of various amounts of \$4,000 to \$9,000 through April 6, 2059; interest at a fixed rate of 2.75%.	184,000
\$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%.	603,730
Total	<u>\$ 2,334,730</u>

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations (continued)

d. Revenue Bonds (continued)

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

Years Ending	Principal	Interest
<u>June 30:</u>		
2024	\$ 52,588	\$ 80,472
2025	54,174	79,333
2026	55,823	78,152
2027	59,538	76,929
2028	59,682	76,267
2029-2033	327,898	363,694
2034-2038	392,284	322,965
2039-2043	471,508	272,010
2044-2048	500,272	208,548
2049-2053	235,734	146,422
2054-2057	125,229	13,350
Total	<u>\$ 2,334,730</u>	<u>\$ 1,718,142</u>

The Town is 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 is required to be no less than 110%. The debt service coverage ratio calculation for the year ended June 30, 2023, is as follows:

Operating revenues	\$ 3,640,804
Operating expenses*	<u>(1,566,210)</u>
Operating income	2,074,594
Nonoperating revenues (expenses)**	<u>(96,296)</u>
Income available for debt service	1,978,298
Debt service, principal and interest	
paid (revenue bond only)	\$ 138,425
Debt service coverage ratio	1429%

*This does not include the depreciation expense of \$632,410.

** This does not include revenue bond interest paid of \$89,425.

The Town has pledged future sewer customer revenues, net of specified operating expenses, to repay \$2,811,000 million in sewer system revenue bonds issued in January 2008, April 2013, and April 2022. 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 2059. The bonds are expected to require less than 4 percent of net revenues. The total principal remaining to be paid on the bonds is \$2,385,730. Principal and interest paid for the current year and total customer net revenues were \$138,425 and \$3,835,120, respectively.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations (continued)

e. Changes in Long-Term Liabilities

The following is a summary of changes in the Town's long-term obligations as of June 30, 2023.

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Direct placement					
Installment purchase	\$ 579,635	\$ -	\$ (34,775)	\$ 544,860	\$ 35,268
Capital leases	287,920	-	(64,987)	222,933	65,246
Compensated absences	85,571	6,712	-	92,283	35,000
Net pension obligation (LGERS)	320,130	1,010,087	-	1,330,217	-
Total pension obligation (LEO)	571,219	-	(65,396)	505,823	-
Governmental activity long-term liabilities	<u>\$ 1,844,475</u>	<u>\$ 1,016,799</u>	<u>\$ (165,158)</u>	<u>\$ 2,696,116</u>	<u>\$ 135,514</u>

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Direct placement					
Installment purchase	\$ 78,654	\$ -	\$ (39,326)	\$ 39,328	\$ 39,328
Capital leases	20,577	-	(6,380)	14,197	5,477
General obligation bonds	4,012,000	-	(96,000)	3,916,000	95,158
Revenue bonds	2,385,730	-	(51,000)	2,334,730	51,186
Compensated absences	28,523	37,356	-	65,879	17,000
Net pension obligation (LGERS)	191,631	520,348	-	711,979	-
Business-type activity long-term liabilities	<u>\$ 6,717,115</u>	<u>\$ 557,704</u>	<u>\$ (192,706)</u>	<u>\$ 7,082,113</u>	<u>\$ 208,149</u>

At June 30, 2023 the Town had a legal debt margin of \$24,303,847.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

C - Interfund Balances and Activity

Transfers from/to other funds consist of the following:

	Amount
From the ARPA Fund to the General Fund	160,000
From the ARPA Fund to the Water and Sewer Fund	569,499
Total	\$ 729,499

Interfund Transfers are used to move unrestricted revenues to programs in other funds in accordance with budgetary authorizations.

Balances due to/from other funds at June 30, 2023 consist of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Municipal Airport Fund	250,086
General Fund	Water and Sewer Fund	370,948
Total		\$ 621,034

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable occur, (2) transactions that are recorded in the accounting system, and (3) payments between funds are made.

D - Net Investment in Capital Assets

	Governmental	Business-Type
Capital assets	\$ 3,600,713	\$ 34,253,953
less: long-term debt	(767,793)	(6,304,255)
Net investment in capital asset	\$ 2,832,920	\$ 27,949,698

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

E - Fund Balance

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

<i>Total fund balance - General Fund</i>	\$	2,179,951
Less:		
Prepaid items		15,000
Stabilization by State Statute		982,291
Streets-Powell Bill		379,374
Remaining fund balance	\$	803,286

NOTE 4 - 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, 2023. 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, 2023. 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.

NOTE 5 - 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.

NOTE 6 - RELATED PARTY TRANSACTIONS

There were no material related party transactions for the year ended June 30, 2023.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 7 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 8 - SUBSEQUENT EVENTS

Subsequent events were evaluated through May 24, 2024, which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System.
- Schedule of Contributions to Local Government Employees' Retirement System.
- Schedule of Changes in Total Pension Liability.
- Schedule of Total Pension Liability as a Percentage of covered Payroll.

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

Local Government Employees' Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Mount Olive's proportion of the net pension liability (asset) (%)	0.0334%	0.0333%	0.0330%	0.0355%	0.0374%
Mount Olive's proportion of the net pension liability (asset) (\$)	\$ 2,042,197	\$ 511,761	\$ 1,180,660	\$ 970,297	\$ 887,256
Mount Olive's covered-employee payroll	\$ 2,658,626	\$ 2,502,031	\$ 2,473,251	\$ 2,495,470	\$ 2,340,198
Mount Olive's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.81%	20.45%	47.74%	38.88%	37.91%
Plan fiduciary net position as a percentage of the total pension liability.**	91.63%	94.18%	91.47%	98.09%	99.07%
<hr/>					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Mount Olive's proportion of the net pension liability (asset) (%)	0.0371%	0.0328%	0.0296%	0.03150%	0.03150%
Mount Olive's proportion of the net pension liability (asset) (\$)	\$ 566,174	\$ 697,187	\$ 132,620	\$ 173,854	\$ (185,770)
Mount Olive's covered-employee payroll	\$ 2,233,645	\$ 1,967,683	\$ 1,752,314	\$ 1,692,622	\$ 1,532,226
Mount Olive's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	25.35%	35.43%	7.57%	10.27%	10.27%
Plan fiduciary net position as a percentage of the total pension liability.**	102.64%	94.35%	96.45%	96.45%	96.45%

* 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
Town of Mount Olive's Contributions
Required Supplementary Information
Last Ten Fiscal Years

Local Government Employees' Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 333,245	\$ 306,522	\$ 258,553	\$ 236,145	\$ 196,445
Contributions in relation to the contractually required contribution	333,245	306,522	258,553	236,145	196,445
Contribution deficiency (excess)	<u>\$ -</u>				
Mount Olive's covered payroll	\$ 2,707,433	\$ 2,658,626	\$ 2,502,031	\$ 2,473,251	\$ 2,495,470
Contributions as a percentage of covered-employee payroll	12.31%	11.53%	10.33%	9.55%	7.87%
<hr/>					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 182,639	\$ 167,757	\$ 134,244	\$ 125,720	\$ 120,771
Contributions in relation to the contractually required contribution	182,639	167,757	134,244	125,720	120,771
Contribution deficiency (excess)	<u>\$ -</u>				
Mount Olive's covered payroll	\$ 2,340,198	\$ 2,233,645	\$ 1,967,683	\$ 1,752,314	\$ 1,692,622
Contributions as a percentage of covered-employee payroll	7.80%	7.51%	6.82%	7.17%	7.14%

Town of Mount Olive, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officer's Special Separation Allowance
June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 571,219	\$ 566,453	\$ 410,214	\$ 349,450	\$ 363,709	\$ 315,936	\$ 322,187
Service Cost	30,122	29,153	18,762	19,048	22,087	18,477	17,098
Interest on the total pension liability	12,317	10,509	13,052	12,467	11,118	11,673	11,021
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	33,999	24,681	(13,061)	30,895	(8,736)	22,575	-
Changes of assumptions or other inputs	(94,279)	(15,666)	157,151	12,267	(14,976)	22,080	(7,424)
Benefit payments	(47,555)	(43,911)	(19,665)	(13,913)	(23,752)	(27,032)	(26,946)
Other changes	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 505,823</u>	<u>\$ 571,219</u>	<u>\$ 566,453</u>	<u>\$ 410,214</u>	<u>\$ 349,450</u>	<u>\$ 363,709</u>	<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 Officer's Special Separation Allowance
June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 505,823	\$ 571,219	\$ 566,453	\$ 410,214	\$ 349,450	\$ 363,709	\$ 315,969
Covered payroll	734,396	664,958	695,277	775,606	766,452	756,866	689,233
Total pension liability as a percentage of covered payroll	68.88%	85.90%	81.47%	52.89%	45.59%	48.05%	45.84%

Notes to the schedules:

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.

Individual Fund Statements and Schedules

General Fund

Town of Mount Olive, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 1,933,440	\$
Penalties and interest		15,360	
Total	<u>1,992,720</u>	<u>1,948,800</u>	<u>(43,920)</u>
Other taxes and licenses:			
License and fees		8,949	
Total	<u>7,620</u>	<u>8,949</u>	<u>1,329</u>
Unrestricted intergovernmental:			
Local option sales tax		1,175,258	
ABC revenue		95,321	
Utility sales tax		311,104	
Beer and wine tax		20,359	
Refunds		16,447	
Total	<u>1,609,210</u>	<u>1,618,489</u>	<u>9,279</u>
Restricted intergovernmental:			
Federal grants		436,568	
State grants		7,500	
Powell bill allocation		145,585	
Total	<u>2,187,600</u>	<u>589,653</u>	<u>(1,597,947)</u>
Permits and fees:			
Building permits		3,490	
Total	<u>4,000</u>	<u>3,490</u>	<u>(510)</u>
Sales and services:			
Garbage fees		362,491	
Court costs		1,322	
Recreation fees		78,433	
Rents		124,428	
Cemetery fees		111,995	
Cemetery lot sales		7,685	
Total	<u>711,706</u>	<u>686,354</u>	<u>(25,352)</u>
Investment earnings	<u>\$ 16,500</u>	<u>\$ 28,788</u>	<u>\$ 12,288</u>

Town of Mount Olive, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Miscellaneous revenues:			
Other revenues	\$	\$ 5,022	\$
Insurance proceeds		59,771	
Sale of surplus		5,233	
Total	<u>23,400</u>	<u>70,026</u>	<u>46,626</u>
Total revenues	<u>6,552,756</u>	<u>4,954,549</u>	<u>(1,598,207)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and benefits		14,641	
Other operating expenditures		96,910	
Total	<u>153,800</u>	<u>111,551</u>	<u>42,249</u>
Town Manager:			
Salaries and employee benefits		88,906	
Other operating expenditures		12,460	
Total	<u>104,900</u>	<u>101,366</u>	<u>3,534</u>
Public works and buildings:			
Salaries and employee benefits		652,079	
Other operating expenditures		280,238	
Capital outlay		230,238	
Total	<u>901,213</u>	<u>1,162,555</u>	<u>(261,342)</u>
Administration:			
Salaries and benefits		179,595	
Other operating expenditures		504,732	
Total	<u>2,308,500</u>	<u>684,327</u>	<u>1,624,173</u>
Total general government	<u>3,468,413</u>	<u>2,059,799</u>	<u>1,408,614</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits		127,510	
Other operating expenditures		179,981	
Total	<u>321,500</u>	<u>307,491</u>	<u>14,009</u>
Cemetery:			
Contracted services		86,383	
Total	<u>88,000</u>	<u>86,383</u>	<u>1,617</u>
Total environmental protection	<u>\$ 409,500</u>	<u>\$ 393,874</u>	<u>\$ 15,626</u>

Town of Mount Olive, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transportation:			
Other operating expenditures	\$	\$ 17,234	\$
Contracted services		138,519	
Total	<u>156,100</u>	<u>155,753</u>	<u>347</u>
Public Safety:			
Police:			
Salaries and employee benefits		1,153,414	
Other operating expenditures		311,361	
Total	<u>1,601,850</u>	<u>1,464,775</u>	<u>137,075</u>
Fire:			
Salaries and employee benefits		246,320	
Other operating expenditures		82,936	
Total	<u>364,650</u>	<u>329,256</u>	<u>35,394</u>
Inspections:			
Salaries and employee benefits		140,809	
Other operating expenditures		51,351	
Total	<u>198,800</u>	<u>192,160</u>	<u>6,640</u>
Total public safety	<u>2,165,300</u>	<u>1,986,191</u>	<u>179,109</u>
Cultural and recreation:			
Salaries and employee benefits		184,492	
Other operating expenditures		158,469	
Total	<u>\$ 389,256</u>	<u>\$ 342,961</u>	<u>\$ 46,295</u>

Town of Mount Olive, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service:			
Principal	\$	\$ 99,762	\$
Interest		23,711	
Total	<u>124,187</u>	<u>123,473</u>	<u>714</u>
Total expenditures	<u>6,712,756</u>	<u>5,062,051</u>	<u>1,650,705</u>
Revenues over (under) expenditures	<u>(160,000)</u>	<u>(107,502)</u>	<u>52,498</u>
Other financing sources (uses):			
Transfers from other funds:			
ARPA Fund	160,000	160,000	-
Total	<u>160,000</u>	<u>160,000</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	52,498	<u>\$ 52,498</u>
Fund balance, beginning		2,127,453	
Fund balance, ending		<u>\$ 2,179,951</u>	

ARPA Fund

Town of Mount Olive, North Carolina
ARPA Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2023

	Budget	Actual	Positive (Negative)
Revenues:			
Restricted grants - ARPA	\$	\$ 729,499	\$
Total revenues	1,458,997	729,499	(729,498)
Other financing sources (uses):			
Transfers to General Fund		(160,000)	
Transfers to Water and Sewer Fund		(569,499)	
Total	(1,458,997)	(729,499)	729,498
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning		-	
Fund balance, ending		\$ -	

Non-Major Governmental Fund

Town of Mount Olive, North Carolina
Waylin Fire District Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Local contributions	\$	\$ 259,668	\$
Total	228,800	259,668	30,868
Nonoperating revenues:			
Interest earnings		29,873	
Total	17,100	29,873	12,773
Total revenues	245,900	289,541	43,641
Expenditures:			
Salaries and benefits		55,365	
Operating expenditures		56,737	
Total	245,900	112,102	133,798
Net change in fund balance	\$ -	177,439	\$ 177,439
Fund balance, beginning		947,133	
Fund balance, ending		\$ 1,124,572	

Enterprise Funds

Town of Mount Olive, North Carolina
Municipal Airport Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual (Non – GAAP)
For the Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues	\$	\$ 392,753	\$
Total	334,000	392,753	58,753
Total revenues	334,000	392,753	58,753
Expenditures:			
Operations:			
Other operating expenditures		402,272	
Total	334,000	402,272	(68,272)
Total expenditures	334,000	402,272	(68,272)
Revenues over (under) expenditures	\$ -	(9,519)	\$ (9,519)
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses:		(9,519)	
Reconciling items:			
Depreciation		(65,188)	
Capital contributions		629,454	
Total reconciling items		564,266	
Change in net position		\$ 554,747	

Town of Mount Olive, North Carolina
Municipal Airport Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual (Non – GAAP)
From Inception and For the Year Ended June 30, 2023

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
Federal grant	\$ 93,196	\$ 1,647,919	\$ 276,800	\$ 1,924,719	\$ 1,831,523
State grant	2,238,426	1,484,388	352,654	1,837,042	(401,384)
Local contributions	133,333	65,527	-	65,527	(67,806)
Total revenues	<u>2,464,955</u>	<u>3,197,834</u>	<u>629,454</u>	<u>3,827,288</u>	<u>1,362,333</u>
Expenditures:					
Administrative	162,519	234,085	5,019	239,104	(76,585)
Land acquisition	9,332	59,154	329,156	388,310	(378,978)
Engineering	140,000	159,185	37,193	196,378	(56,378)
Construction and improvements	2,726,270	2,791,450	259,269	3,050,719	(324,449)
Total expenditures	<u>3,038,121</u>	<u>3,243,874</u>	<u>630,637</u>	<u>3,874,511</u>	<u>(836,390)</u>
Revenues over (under) expenditures	<u>(573,166)</u>	<u>(46,040)</u>	<u>(1,183)</u>	<u>(47,223)</u>	<u>525,943</u>
Other financing sources (uses):					
Transfers in (out)	141,160	202,977	-	202,977	61,817
Loan proceeds	432,006	-	-	-	(432,006)
Total other financing sources (uses)	<u>573,166</u>	<u>202,977</u>	<u>-</u>	<u>202,977</u>	<u>(370,189)</u>
Revenues and other sources over (under) expenditures and other (uses)	<u>\$ -</u>	<u>\$ 156,937</u>	<u>\$ (1,183)</u>	<u>\$ 155,754</u>	<u>\$ 155,754</u>

Town of Mount Olive, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ending June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services:			
Water sales:			
Residential and commercial	\$	\$ 3,200,558	\$
Water and sewer taps		15,400	
Other operating revenues		80,099	
Total	3,684,700	3,296,057	(388,643)
 Nonoperating revenues:			
Interest earnings		80,658	
Total	37,100	80,658	43,558
Total revenues	3,721,800	3,376,715	(345,085)
 Expenditures:			
Water and sewer administration:			
Salaries and benefits		165,374	
Contracted services		8,100	
Maintenance and repairs		7,509	
Departmental supplies and materials		9,980	
Other		15,787	
Total water and sewer administration	232,300	206,750	25,550
 Water and sewer operations:			
Collection and treatment:			
Salaries and benefits		405,802	
Utilities		123,952	
Contracted services		271,789	
Maintenance and repairs		214,803	
Departmental supplies and materials		101,394	
Other		57,344	
Total water and sewer operations	1,564,700	1,175,084	389,616
 Water distribution:			
Salaries and benefits		823,429	
Utilities		91,294	
Contracted services		120,185	
Maintenance and repairs		90,737	
Departmental supplies and materials		127,236	
Other		61,701	
Total water distributions	1,342,700	1,314,582	28,118
Total expenditures	\$ 3,139,700	\$ 2,696,416	\$ 443,284

Town of Mount Olive, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP) (continued)
For the Year Ending June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service:			
Interest and fees	\$	\$ 261,379	\$
Principal retirement		192,706	
Total	<u>454,200</u>	<u>454,085</u>	<u>115</u>
Capital Outlay:			
Water and sewer expansion		284,542	
Total	<u>1,082,500</u>	<u>284,542</u>	<u>797,958</u>
Total expenditures	<u>4,676,400</u>	<u>3,435,043</u>	<u>1,241,357</u>
Revenues over (under) expenditures	<u>(954,600)</u>	<u>(58,328)</u>	<u>896,272</u>
Other financing sources (uses):			
Transfers in (out)	924,600	569,499	(355,101)
Sale of capital assets	30,000	30,000	-
Total other financing sources (uses)	<u>954,600</u>	<u>599,499</u>	<u>(355,101)</u>
Revenues and other sources over expenditures and other uses:	<u>\$ -</u>	<u>541,171</u>	<u>\$ 541,171</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses:		<u>541,171</u>	
Reconciling items:			
Capital contributions		1,897,986	
Capital outlay		284,542	
Depreciation		(637,626)	
Amortization		(4,144)	
Proceeds from sale of capital asset		(30,000)	
Gain on disposal of capital assets		10,767	
Increase in compensated absences		(37,356)	
Increase in net pension liability		(520,348)	
Increase in deferred outflows of resources - pensions		185,001	
Decrease in deferred inflows of resources - pensions		250,094	
Principal retirement		192,706	
Total reconciling items		<u>1,591,622</u>	
Change in net position		<u>\$ 2,132,793</u>	

Town of Mount Olive, North Carolina
Wastewater Treatment Capital Project Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
From Inception and For the Year Ended June 30, 2023

	<u>Project</u>	<u>Actual</u>		<u>Total to</u>	<u>Variance</u>
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>Date</u>	<u>Positive</u>
		<u>Years</u>	<u>Year</u>		<u>(Negative)</u>
Revenues:					
Restricted intergovernmental:					
WWTP grants	\$ 5,500,000	\$ 3,514,887	\$ 1,897,950	\$ 5,412,837	\$ (87,163)
Interest income	-	13	36	49	49
Total revenues	<u>5,500,000</u>	<u>3,514,900</u>	<u>1,897,986</u>	<u>5,412,886</u>	<u>(87,114)</u>
Expenditures:					
Engineering	778,000	540,481	-	540,481	237,519
Construction	4,710,000	3,327,798	1,769,976	5,097,774	(387,774)
Administration	5,500	15,424	-	15,424	(9,924)
Permit fees	6,500	10,340	-	10,340	(3,840)
Total expenditures	<u>5,500,000</u>	<u>3,894,043</u>	<u>1,769,976</u>	<u>5,664,019</u>	<u>(164,019)</u>
Revenues over (under) expenditures	<u>-</u>	<u>(379,143)</u>	<u>128,010</u>	<u>(251,133)</u>	<u>(251,133)</u>
Other financing sources (uses):					
Transfers from Water and Sewer Fund	-	29,483	-	29,483	29,483
Total other financing sources (uses)	<u>-</u>	<u>29,483</u>	<u>-</u>	<u>29,483</u>	<u>29,483</u>
Revenues and other sources over (under) expenditures and other (uses)	<u>\$ -</u>	<u>\$ (349,660)</u>	<u>\$ 128,010</u>	<u>\$ (221,650)</u>	<u>\$ (221,650)</u>

Other Schedules

This section contains 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, 2023

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2022</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2023</u>
2022-2023	\$ -	\$ 1,944,260	\$ (1,895,592)	\$ 48,668
2021-2022	51,813	-	(31,529)	20,284
2020-2021	20,284	-	(6,602)	13,682
2019-2020	13,682	-	(3,214)	10,468
2018-2019	10,468	-	(1,366)	9,102
2017-2018	9,102	-	(1,448)	7,654
2016-2017	7,654	-	(651)	7,003
2015-2016	7,003	-	(1,988)	5,015
2014-2015	5,015	-	1,273	6,288
2013-2014	6,288	-	(2,099)	4,189
2012-2013	4,189	-	3,466	7,655
2011-2012	7,655	-	(7,655)	-
	<u>\$ 143,153</u>	<u>\$ 1,944,260</u>	<u>\$ (1,947,405)</u>	<u>140,008</u>

Less: allowance for uncollectible accounts - General Fund 15,000

Ad valorem taxes receivable - net \$ 125,008

Reconciliation with revenues:

Ad valorem taxes - General Fund \$ 1,948,800

Reconciling items:

Interest collected (15,360)

Discounts, releases, and other credits 5,485

Other 8,480

Subtotal (1,395)

Total collections and credits \$ 1,947,405

Town of Mount Olive, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2023

	Town-Wide Levy		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 304,288,906	0.64	\$ 1,947,449	\$ 1,800,877	\$ 146,572
Discoveries:					
Current Year	95,593	0.59	564	564	-
Total	<u>95,593</u>		<u>564</u>	<u>564</u>	<u>-</u>
Releases:					
Current Year	(586,406)	0.64	(3,753)	(3,753)	-
Total property valuation	<u>\$ 303,798,093</u>				
Net levy			1,944,260	1,797,688	146,572
Uncollected taxes at June 30, 2023			<u>(48,668)</u>	<u>(48,668)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,895,592</u>	<u>\$ 1,749,020</u>	<u>\$ 146,572</u>
Current levy collection percentage			<u>97.50%</u>	<u>97.29%</u>	<u>100.00%</u>

Compliance Section



S. Preston Douglas & Associates, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

**Independent Auditor's Report on Internal Control Over Financial Reporting
And On Compliance and Other Matters Based on An Audit of Financial Statements
Performed In Accordance with *Government Auditing Standards***

To the Honorable Mayor and
Members of the Board of Commissioners
Mount Olive, North Carolina

We have audited, 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, 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, 2023, 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 May 30, 2024.

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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses (items 2023-001, 2023-002, 2023-003, 2023-004, 2023-005, and 2023-006).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2023-001 and 2023-003.

Purpose of this Report

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

A handwritten signature in black ink that reads "S. Preston Douglas, CPA". The signature is written in a cursive style.

Lumberton, North Carolina
May 30, 2024



S. Preston Douglas & Associates, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

**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 Auditor's Report

To the Honorable Mayor and
Members of the Board of Commissioners
Mount Olive, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Mount Olive, North Carolina, 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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Mount Olive's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Town of Mount Olive federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Mount Olive's compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Mount Olive's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

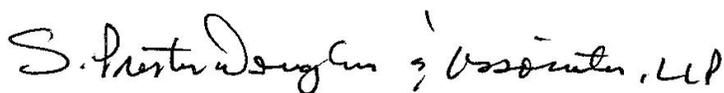
Report on Internal Control Over Compliance

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 Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



Lumberton, North Carolina
May 30, 2024



S. Preston Douglas & Associates, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

**Report On Compliance for Each Major State Program; Report on Internal Control Over Compliance;
In accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act**

To the Honorable Mayor and
Members of the Board of Commissioners
Mount Olive, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Town of Mount Olive, North Carolina, 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 State programs for the year ended June 30, 2023. The Town of Mount Olive's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 State programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Mount Olive and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Town of Mount Olive's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Town of Mount Olive State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Mount Olive's compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Mount Olive's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Mount Olive's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Town of Mount Olive's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Town of Mount Olive's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

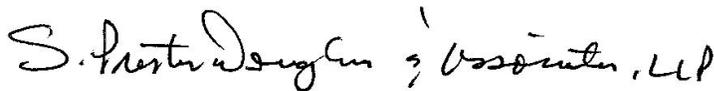
Report on Internal Control Over Compliance

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 State 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 State 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 State 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 Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



Lumberton, North Carolina
May 30, 2024

**Town of Mount Olive, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

Section I. Summary of Auditor's Results
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Financial Statements

Type of auditor's report issued:	Unmodified.
Internal control over financial reporting:	
• Material weakness(es) identified?	<u> X </u> Yes <u> </u> No
• Significant deficiency(s) identified that are not considered to be material weaknesses	<u> </u> Yes <u> X </u> None reported
• Noncompliance material to financial statements	<u> X </u> Yes <u> </u> No

Federal Awards

Internal control over major federal programs	
• Material weakness(es) identified?	<u> </u> Yes <u> X </u> No
• Significant deficiency(s) identified that are not considered to be material weaknesses	<u> </u> Yes <u> X </u> 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)	<u> </u> Yes <u> X </u> No

Identification of major federal programs:

<u>Names of Federal Programs of Clusters</u>	<u>Assistance Listing Numbers</u>
• Airport Improvements Program	20.106
• Coronavirus State Local Fiscal Recovery Funds	20.027

Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
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Auditee qualified as low-risk auditee?	<u> </u> Yes <u> X </u> No
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Town of Mount Olive, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2023

Section I. Summary of Auditor's Results (continued)
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State Awards

Internal control over major State programs

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(s) identified that are not considered to be material weaknesses _____ Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) _____ Yes X No

Identification of major State programs:

Names of State Programs

- Wastewater Treatment Grant Funds

Dollar threshold used to distinguish between Type A and Type B programs \$ 500,000

Auditee qualified as low-risk auditee? _____ Yes X No

Town of Mount Olive, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2023

Section II. Financial Statement Findings

MATERIAL WEAKNESS

Finding 2023 – 001 Material Noncompliance
Excess of Expenditures over Appropriations

Criteria: N.C. General Statute 159-8(a) states that all money received and expended by a local government should be included in the budget ordinance.

Condition: The Town expended more than appropriated in the General Fund’s annual budget ordinance totaling \$261,342 in the Public Works and Buildings line item. The Town expended more than appropriated in the Municipal Airport Fund’s annual budget ordinance totaling \$68,272. The Town expended more than appropriated in the Municipal Airport Capital Project Fund project ordinance totaling \$836,390. The Town expended more than appropriated in the Wastewater Treatment Capital Project Fund project ordinance totaling \$164,019.

Effect: Expenditures were incurred that had not been budgeted.

Cause: The Town did not monitor reports at frequent intervals to ensure budgetary compliance.

Repeat Finding: This is a repeat finding from the immediate previous two audits, 2022-001 and 2021-001.

Recommendation: Management should closely monitor the budget versus actual statements to ensure actual expenditures are within budgetary constraints.

Views of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the correction action plan on page 87.

Town of Mount Olive, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2023

Section II. Financial Statement Findings

MATERIAL WEAKNESS

Finding: 2023 – 002 Bank Reconciliations

Criteria: All bank accounts should be reconciled monthly to ensure proper internal controls over cash are maintained, and to ensure that management receives accurate and timely financial reports to make decisions with during the year.

Condition: For all twelve months of the fiscal year, the Town’s main operating bank account was not reconciled in a timely manner.

Effect: Bank reconciliations serve as an important internal control over cash and can identify errors, irregularities, and other adjustments to improve accuracy of accounting records. When bank reconciliations are not performed on a timely basis there is a potential that the Town does not identify errors, irregularities, and other adjustments to accounting records on a timely basis.

Cause: Management did not provide proper oversight over the reconciliation of the bank statements during the year to ensure that the proper procedures were being followed in a timely manner.

Recommendation: We recommend that the Town implement procedures to ensure proper reconciliation of all bank accounts in an accurate and timely manner in future years and for management and financial officers to attend governmental continuing education trainings to gain the expertise needed.

Repeat Finding: This was not repeat finding.

View of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the corrective action plan on page 87.

Town of Mount Olive, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2023

Section II. Financial Statement Findings

MATERIAL WEAKNESS/MATERIAL NONCOMPLIANCE

Finding: 2023 – 003 Late Audit

Criteria: N.C. General Statute 159-34(a) states the Town should have its accounts audited as soon as possible after the close of each fiscal year by a certified public accountant. The deadline to submit June 30 year end audits to the Local Government Commission is October 31.

Condition: The June 30, 2023 audit which was due October 31, 2023, was submitted late on May 30, 2024.

Effect: By submitting the audit late, the board or other agencies such as the Local Government Commission do not have the opportunity to receive important, timely feedback from the independent auditor such as internal control deficiencies or financial statement trends.

Cause: The Town’s outsourced accountant left unexpected during the fiscal year, causing unexpected delays in preparing for the 2023 audit.

Repeat Finding: This was not a repeat finding.

Recommendation: The Town should make the necessary adjustments to meet the October 31 audit deadline.

View of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the corrective action plan on page 87.

Town of Mount Olive, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2023

Section II. Financial Statement Findings

MATERIAL WEAKNESS

Finding 2023 - 004 Material Journal Entries – Due to/Due from Accounts

Criteria: Transactions for utility revenues and activity between funds must be accounted for accurately.

Condition: Garbage fee revenue, garbage fee accounts receivable, and related due to/due from activity between the General Fund and Water and Sewer Fund were posted in error on a monthly basis. This was brought to management’s attention by the auditors, which resulted in material journal entries to year ended June 30, 2023 accounts.

Effect: The balance sheets and schedules of revenues and expenditures for the General Fund and Water and Sewer Fund contained material errors causing the financial information in these two funds to be less accurate. In the General Fund, the Garbage fees revenue was understated by approximately \$191,830.

Cause: Management did not use previous audits as an opportunity to make improvements to the accuracy of financial reporting.

Repeat Finding: This is a repeat finding from the previous audits, 2020-002 and 2019-006.

Recommendation: We recommend that management implement procedures to ensure proper recording of all transactions in future years and for management and financial officers to attend governmental continuing education training to gain the expertise needed.

View of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the corrective action plan on page 88.

Town of Mount Olive, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2023

Section II. Financial Statement Findings

MATERIAL WEAKNESS

Finding 2023 - 005 Year-End Cutoff

Criteria: Generally Accepted Accounting Principles dictate transactions should be recorded in the period in which they occur.

Condition: The Town recognized the purchase of a Freightliner in the General Fund in the June 30, 2024 year end, when the purchase occurred in the June 30, 2023 year end.

Effect: At June 30, 2023, capital assets and accounts payable in the General Fund were understated by \$230,238.

Cause: Lack of sufficient review of cut-off invoices for both payables in the year-end accrual process.

Repeat Finding: This was not a repeat finding.

Recommendation: We recommend the Town adhere to their prescribed policy of recording transactions in the period in which they occur. Additionally, we recommend the Town strengthen their review process to ensure reporting of transactions in the appropriate reporting period.

View of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the corrective action plan on page 88.

Town of Mount Olive, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2023

Section II. Financial Statement Findings

MATERIAL WEAKNESS

Finding 2023 - 006 Allowance for Doubtful Accounts

Criteria: Generally Accepted Accounting Principles dictate that 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.

Condition: The Town’s Utility Aging Schedule included a \$238,602 balance that was not collectible and had been settled during 2023 for \$30,000 of the total \$238,602 balance due. The Town should have removed the \$230,238 balance due from the Utility Aging Schedule and recorded the appropriated journal entry for the fiscal year ended June 30, 2023.

Effect: At June 30, 2023, net accounts receivable in the Water and Fund were overstated by \$238,602.

Cause: Lack of sufficient review of the Utility Aging Report for utility receivables in the month-end process.

Repeat Finding: This was not a repeat finding.

Recommendation: We recommend the Town review the Utility Aging Schedule on a monthly basis and make the appropriate journal entries for allowance for doubtful accounts and accounts receivables.

View of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the corrective action plan on page 88.



**Corrective Action Plan
For the Year Ended June 30, 2023**

Section II. Financial Statement Findings

MATERIAL WEAKNESS/MATERIAL NONCOMPLIANCE

Finding 2023-001 Excess of Expenditures over Appropriations

Name of Contact Person: Jamie Butler, Finance Officer

Corrective Action: The Town has contracted with an accounting firm that has the skills, knowledge, and experience in governmental accounting to provide additional expertise needed to support the Town’s business office.

Proposed Completion Date: Immediate

MATERIAL WEAKNESS

Finding 2023-002 Bank Reconciliations

Name of Contact Person: Jamie Butler, Finance Officer

Corrective Action: The Finance Director will reconcile all bank accounts within one month after month end. This is our normal procedure. The Town has contracted with an accounting firm that has the skills, knowledge, and experience in governmental accounting to provide additional expertise needed to support the Town’s business office.

Proposed Completion Date: Immediate

MATERIAL WEAKNESS/MATERIAL NONCOMPLIANCE

Finding 2023-003 Late Audit

Name of Contact Person: Jamie Butler, Finance Officer

Corrective Action: The appropriate staff of the Town of Mount Olive will prepare all documentation and necessary adjustments in a timely manner for an efficient audit process and completion of the audit by October 31, 2024.

Proposed Completion Date: Immediate



**Corrective Action Plan
For the Year Ended June 30, 2023**

Section II. Financial Statement Findings (continued)

MATERIAL WEAKNESS

Finding 2023-004 Material Journal Entries – Due to/Due from Accounts

Name of Contact Person: Jamie Butler, Finance Officer

Corrective Action: The Town has contracted with an accounting firm that has the skills, knowledge, and experience in governmental accounting to provide additional expertise needed to support the Town’s business office.

Proposed Completion Date: Immediate

MATERIAL WEAKNESS

Finding 2023-005 Year-End Cutoff

Name of Contact Person: Jamie Butler, Finance Officer

Corrective Action: The Town has contracted with an accounting firm that has the skills, knowledge, and experience in governmental accounting to provide additional expertise needed to support the Town’s business office.

Proposed Completion Date: Immediate

MATERIAL WEAKNESS

Finding 2023-006 Allowance for Doubtful Accounts

Name of Contact Person: Jamie Butler, Finance Officer

Corrective Action: The Town has contracted with an accounting firm that has the skills, knowledge, and experience in governmental accounting to provide additional expertise needed to support the Town’s business office.

Proposed Completion Date: Immediate

Town of Mount Olive, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2023

Section III. Federal and State Award Finding and Questioned Costs
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None noted.

Town of Mount Olive, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2023

Finding:	2022-001 – Excess of Expenditures over Appropriations
Status:	This finding has not been corrected.
Finding:	2021-001 – Excess of Expenditures over Appropriations
Status:	This finding has not been corrected.
Finding:	2020-001 – Excess of Expenditures over Appropriations
Status:	This finding has not been corrected.
Finding:	2020-002 – Material Journal Entries
Status:	This finding has not been corrected.
Finding:	2020-003 - Financial Reporting and Recordkeeping Over Federal Awards
Status:	This finding has been corrected.
Finding:	2019-001 – Preaudit Process
Status:	This finding has been corrected.
Finding:	2019-002 - Excess of Expenditures over Appropriations
Status:	This finding has not been corrected.
Finding:	2019-003 – Financial Reporting
Status:	This finding has been corrected.
Finding:	2019-004 – Segregation of Duties
Status:	This finding has been corrected.
Finding:	2019-005 – Material Prior Period Adjustment
Status:	This finding has not been corrected.
Finding:	2019-006 – Record Keeping
Status:	This finding has been corrected

Town of Mount Olive, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2023

Grantor/Pass-through Grant/Program Title	Assistant Listing Numbers	Award Number/State Pass-through Grantor's Number	Federal (Direct Pass- through) Expenditures	State Expenditures
FEDERAL GRANTS				
<u>US DEPARTMENT OF THE TREASURY</u>				
Coronavirus State Local Fiscal Recovery Funds	21.027		\$ 729,498	\$ -
<u>US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Passed through the NC Department of Environment Quality				
Community Development Block Grant	14.228	CDBG-15-I-3161	135,970	-
Community Development Block Grant	14.228	CDBG-20-I-3610	197,865	-
Community Development Block Grant	14.228	CDBG-NR 19-C-3131	19,500	-
Total US Dept of Housing and Urban Development			<u>353,335</u>	<u>-</u>
<u>US DEPARTMENT OF TRANSPORTATION</u>				
Passed-through NC Department of Transportation				
Airport Improvement Program	20.106		277,983	-
Total Federal Assistance			<u>1,360,816</u>	<u>-</u>
STATE GRANTS				
<u>OFFICE OF STATE BUDGET & MANAGEMENT</u>				
Wastewater Treatment Grant Funds			-	1,769,977
<u>N.C. DEPARTMENT OF TRANSPORTATION</u>				
Powell Bill		DOT-4	-	108,652
Airport Improvement Program		DOT-8	-	352,654
Total State Assistance			<u>-</u>	<u>1,878,629</u>
Total Assistance			<u>\$ 1,360,816</u>	<u>\$ 1,878,629</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, 2023. 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 the Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected 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 position 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 reimbursement.

Note 3. Indirect Cost Rate

The Town of Mount Olive has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.