

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

Audited Financial Statements

Year Ended June 30, 2020



Town of Mount Olive, North Carolina

Audited Financial Statements

For the Year Ended June 30, 2020

Board of Commissioners

Kenneth Talton, Mayor

Steve Wiggins, Mayor Pro-Tem

Harlie Carmichael

Barbara Kornegay

Dennis Draper

Vicky Darden

Administrative Officers

Kaye H. Anderson, Finance Officer

Charles S. Brown, Town Manager

W. Carroll Turner, Town Attorney

Town of Mount Olive, North Carolina
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June 30, 2020

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Financial Section



S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mount Olive, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mount Olive, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis 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 November 27, 2020 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.

 S. Porter Douglas & Associates, LLP

Lumberton, North Carolina
November 27, 2020

Management's Discussion and Analysis

Town of Mount Olive, North Carolina
Management's Discussion and Analysis
June 30, 2020

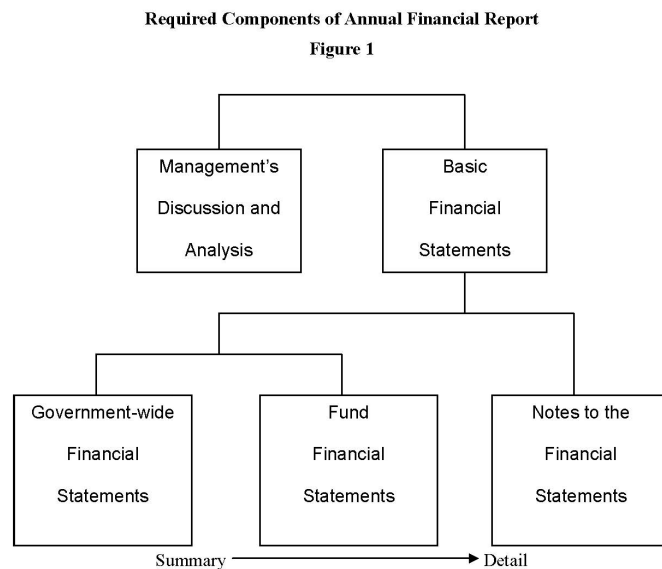
As management of the Town of Mount Olive, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Mount Olive for the fiscal year ending June 30, 2020. We encourage readers to read the information presented here in conjunction 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 \$27,456,223.
- The government's total net position increased in the amount of \$1,460,613 due to capital contributions and a large FEMA reimbursement in the proprietary funds.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,189,536. Approximately 40.76% of this total amount, or \$892,461, 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 \$892,461 or 23.24% of total General Fund expenditures.

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.



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.

Town of Mount Olive, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2020

Basic Financial Statements (continued)

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.

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.

Town of Mount Olive, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2020

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, 2020

Government-Wide Financial Analysis

The Town of Mount Olive's Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 2,447,153	\$ 1,947,325	\$ 1,384,550	\$ 204,664	\$ 3,831,703	\$ 2,151,989
Capital assets	3,127,720	3,337,073	29,389,154	29,563,429	32,516,874	32,900,502
Deferred outflows of resources	438,472	485,718	222,829	262,618	661,301	748,336
Total assets and deferred outflows of resources	6,013,345	5,770,116	30,996,533	30,030,711	37,009,878	35,800,827
Long-term liabilities outstanding	16,449	42,514	7,126,522	7,588,266	7,142,971	7,630,780
Other liabilities	1,345,515	1,279,698	1,022,284	862,282	2,367,799	2,141,980
Deferred inflows of resources	33,298	28,037	9,587	4,420	42,885	32,457
Total liabilities and deferred inflows of resources	1,395,262	1,350,249	8,158,393	8,454,968	9,553,655	9,805,217
Net position:						
Net investment in capital assets	3,111,271	3,294,559	22,262,632	21,975,163	25,373,903	25,269,722
Restricted	677,363	868,156	-	-	677,363	868,156
Unrestricted	829,449	257,152	575,508	(399,420)	1,404,957	(142,268)
Total net position	\$ 4,618,083	\$ 4,419,867	\$22,838,140	\$21,575,743	\$27,456,223	\$25,995,610

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 \$27,456,223 as of June 30, 2020. The Town's net position increased by \$1,460,613 for the fiscal year ended June 30, 2020.

However, the largest portion (92.42%), 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, \$677,363, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,404,957 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 97.23%.

Town of Mount Olive, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2020

Government-Wide Financial Analysis (continued)

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 670,695	\$ 597,769	\$ 3,890,160	\$ 3,253,765	\$ 4,560,855	\$ 3,851,534
Operating grants and contributions	134,850	135,736	-	-	134,850	135,736
Capital grants and contributions	38,144	60,712	1,399,347	892,768	1,437,491	953,480
General revenues:						
Property taxes	1,767,450	1,620,536	-	-	1,767,450	1,620,536
Other taxes	10,801	6,374	-	-	10,801	6,374
Investment earnings	5,408	7,440	-	-	5,408	7,440
restricted to specific programs	1,590,675	1,633,549	-	-	1,590,675	1,633,549
Other	90,361	42,953	4,569	2,461	94,930	45,414
Total revenues	4,308,384	4,105,069	5,294,076	4,148,994	9,602,460	8,254,063
Expenses:						
General government	1,192,238	1,559,116	-	-	1,192,238	1,559,116
Public safety	1,850,139	1,806,876	-	-	1,850,139	1,806,876
Transportation	131,069	167,629	-	-	131,069	167,629
Environmental protection	609,814	616,535	-	-	-	616,535
Cultural and recreation	322,038	291,838	-	-	322,038	291,838
Public buildings	137,546	107,871	-	-	137,546	107,871
Interest on long-term debt	1,324	20,407	-	-	1,324	20,407
Water and sewer	-	-	3,624,775	3,175,622	3,624,775	3,175,622
Municipal airport	-	-	314,323	352,882	314,323	352,882
Total expenses	4,244,168	4,570,272	3,939,098	3,528,504	7,573,452	8,098,776
Increase (decrease) in net position before transfers	64,216	(465,203)	1,354,978	620,490	2,029,008	155,287
Insurance proceeds	18,000	378,643	7,419	7,419	25,419	386,062
Sales of land	16,000	550,000	-	-	16,000	550,000
Transfers	100,000	39,502	(100,000)	(39,502)	-	-
Increase (decrease) in net position	198,216	502,942	1,262,397	588,407	1,460,613	1,091,349
Net position - beginning	4,419,867	3,916,925	21,575,743	20,987,336	25,995,610	24,904,261
Net position - ending	\$ 4,618,083	\$ 4,419,867	\$ 22,838,140	\$ 21,575,743	\$ 27,456,223	\$ 25,995,610

Town of Mount Olive, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2020

Government-Wide Financial Analysis (continued)

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 \$1,262,397. Key elements of the change in net position compared to prior year are as follows:

- FEMA reimbursement for hurricane expenditures made in prior years,
- Increase in charges for services over the prior year,
- Increase in operating expenses over the prior year.

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 \$892,461 while total fund balance reached \$1,584,824. Of this total amount, \$892,461 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 23.24% 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.

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 \$673,025 and a deficit of \$97,517, 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, 2020

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, 2020, totals \$32,516,874 (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 building added in the amount of \$227,894 for a hanger for the Municipal Airport Fund.
- Business-type infrastructure added in the amount of \$242,048 for the Water and Sewer Fund.

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 359,750	\$ 359,750	\$ 281,773	\$ 281,773	\$ 641,523	\$ 641,523
Buildings and system	427,516	437,482	20,209,357	20,763,218	20,636,873	21,200,700
Improvements	1,154,389	1,231,407	1,539,084	1,590,243	2,693,473	2,821,650
Infrastructure	248,173	248,173	-	-	248,173	248,173
Vehicles and motorized equipment	937,892	1,060,261	125,786	164,981	1,063,678	1,225,242
Construction and progress	-	-	7,233,154	6,763,214	7,233,154	6,763,214
Total capital assets, net	<u>\$ 3,127,720</u>	<u>\$ 3,337,073</u>	<u>\$ 29,389,154</u>	<u>\$ 29,563,429</u>	<u>\$ 32,516,874</u>	<u>\$ 32,900,502</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 \$6,683,784.

The Town of Mount Olive's Outstanding Liabilities
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Direct placement installment purchase	\$ 16,449	\$ 42,514	\$ 214,297	\$ 351,864	\$ 230,746	\$ 394,378
General obligation bonds	-	-	4,200,302	4,280,000	4,200,302	4,280,000
General obligation notes	-	-	228,440	428,402	228,440	428,402
Revenue bonds	-	-	2,483,482	2,528,000	2,483,482	2,528,000
Net pension obligation (LGERS)	622,763	567,956	347,534	319,300	970,297	887,256
Total pension obligation (LEO)	410,214	349,450	-	-	410,214	349,450
Compensated absences	173,754	164,634	72,639	83,189	246,393	247,823
Total outstanding debt	<u>\$ 1,223,180</u>	<u>\$ 1,124,554</u>	<u>\$ 7,546,694</u>	<u>\$ 7,990,755</u>	<u>\$ 8,769,874</u>	<u>\$ 9,115,309</u>

Town of Mount Olive, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2020

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 \$22,589,513 (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, 2021

Governmental Activities: Property tax rates will likely 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 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: Additional increases in water and wastewater rates are unlikely but revenues are coming in about 10% ahead of projections due to increased implemented in FY ending June 30, 2020. The Town has received a \$5.5 million grant to make needed improvements to their wastewater treatment facility during FY 2020. Work will continue on the project during FY 2021. The long-term impact of this is that the Town will be able to support residential and commercial development that has not been possible due to constraints on wastewater capacity. This should result in a substantial increase in property tax base and local option sales tax revenue by FY ending June 30, 2021.

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, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,633,163	\$ 858,030	\$ 2,491,193
Restricted cash and cash equivalents	217,342	190,392	407,734
Taxes receivable (net)	118,833	-	118,833
Inventories	-	13,033	13,033
Prepaid items	15,000	-	15,000
Internal balances	6,008	(6,008)	-
Accounts receivable (net)	209,554	329,103	538,657
Due from other governments	247,253	-	247,253
Total current assets	2,447,153	1,384,550	3,584,450
Non-current assets:			
Non-depreciable improvements	359,750	7,514,927	7,874,677
Other capital assets, net of depreciation	2,767,970	21,874,227	24,642,197
Total capital assets	3,127,720	29,389,154	32,516,874
Total assets	5,574,873	30,773,704	36,101,324
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	438,472	222,829	661,301
Total deferred outflows of resources	438,472	222,829	661,301
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	138,784	411,720	550,504
Current portion of compensated absences	35,000	35,000	70,000
Current portion of long-term liabilities	16,449	403,848	420,297
Total current liabilities	190,233	850,568	1,040,801
Long-term liabilities:			
Customer deposits	-	190,392	190,392
Non-current portion of compensated absences	138,754	37,638	176,392
Non-current portion of long-term liabilities	-	6,722,674	6,722,674
Net pension liability (LGERS)	622,763	347,534	970,297
Total pension liability (LEO)	410,214	-	410,214
Total liabilities	1,361,964	8,148,806	9,510,770
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	33,298	9,587	42,885
Total deferred inflows of resources	33,298	9,587	42,885
NET POSITION			
Net investment in capital assets	3,111,271	22,262,632	25,373,903
Restricted for:			
Stabilization by State Statute	460,021	-	460,021
Other functions	217,342	-	217,342
Unrestricted (deficit)	829,449	575,508	1,404,957
Total net position	\$ 4,618,083	\$ 22,838,140	\$ 27,456,223

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, 2020

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	Primary Government Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 1,192,238	\$ 275,872	\$ -	\$ 38,144	\$ (878,222)	\$ -	\$ (878,222)
Public safety	1,850,139	3,282	-	-	(1,846,857)	-	(1,846,857)
Transportation	131,069	-	134,850	-	3,781.00	-	3,781
Environmental protection	609,814	388,165	-	-	(221,649.00)	-	(221,649)
Cultural and recreation	322,038	3,376	-	-	(318,662.00)	-	(318,662)
Public buildings	137,546	-	-	-	(137,546.00)	-	(137,546)
Interest on long-term debt	1,324	-	-	-	(1,324.00)	-	(1,324)
Total governmental activities	4,244,168	670,695	134,850	38,144	(3,400,479)	-	(3,400,479)
Business-type activities:							
Water and sewer	3,624,775	3,645,603	-	1,028,845	-	1,049,673	1,049,673
Municipal airport	314,323	244,557	-	370,502	-	300,736	300,736
Total business-type activities	3,939,098	3,890,160	-	1,399,347	-	1,350,409	1,350,409
Total primary government	\$ 8,183,266	\$ 4,560,855	\$ 134,850	\$ 1,437,491	(3,400,479)	1,350,409	(2,050,070)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					1,767,450	-	1,767,450
Unrestricted intergovernmental					1,590,675	-	1,590,675
Other taxes and licenses					10,801	-	10,801
Investment earnings, unrestricted					5,408	4,569	9,977
Miscellaneous, unrestricted					90,361	-	90,361
Total general revenues not including transfers					3,464,695	4,569	3,469,264
Transfers					100,000	(100,000)	-
Insurance proceeds					18,000	7,419	25,419
Sale of land					16,000	-	16,000
Total general revenues and transfers					3,598,695	(88,012)	3,469,264
Change in net position					198,216	1,262,397	1,460,613
Net position - beginning					4,419,867	21,575,743	25,995,610
Net position - ending					\$ 4,618,083	\$ 22,838,140	\$ 27,456,223

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, 2020

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Non-Major</u> <u>Waylin Fire</u> <u>Distric Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,029,004	\$ 604,159	\$ 1,633,163
Restricted cash and cash equivalents	217,342	-	217,342
Receivables, net:			
Taxes	118,833	-	118,833
Accounts	206,760	2,794	209,554
Prepaid items	15,000	-	15,000
Due from other funds	6,008	-	6,008
Due from other governments	247,253	-	247,253
Total assets	<u>\$ 1,840,200</u>	<u>\$ 606,953</u>	<u>\$ 2,447,153</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	<u>\$ 136,543</u>	<u>\$ 2,241</u>	<u>\$ 138,784</u>
Total liabilities	<u>136,543</u>	<u>2,241</u>	<u>138,784</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes receivable	<u>118,833</u>	<u>-</u>	<u>118,833</u>
Total deferred inflows of resources	<u>118,833</u>	<u>-</u>	<u>118,833</u>
<u>FUND BALANCES</u>			
Nonspendable:			
Prepaid items	15,000	-	15,000
Restricted:			
Stabilization by State Statute	460,021	-	460,021
Streets	217,342	-	217,342
Committed:			
Public Safety	-	604,712	604,712
Unassigned	892,461	-	892,461
Total fund balances	<u>1,584,824</u>	<u>604,712</u>	<u>2,189,536</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,840,200</u>	<u>\$ 606,953</u>	<u>\$ 2,447,153</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, 2020

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

Total fund balances, governmental funds		\$ 2,189,536
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	11,042,866	
Accumulated depreciation	<u>(7,915,146)</u>	3,127,720
Deferred outflows of resources related to pensions and are not reported in the funds		
		438,472
Earned revenues considered deferred inflows of resources in fund statements		
		118,833
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:		
Gross long-term debt		(190,203)
Net pension liability		(622,763)
Total pension liability		(410,214)
Pension related deferrals		<u>(33,298)</u>
Net position of governmental activities		<u><u>\$ 4,618,083</u></u>

Town of Mount Olive, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Non-Major</u> <u>Waylin Fire</u> <u>District Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues:			
Ad valorem taxes	\$ 1,777,465	\$ -	\$ 1,777,465
Other taxes and licenses	10,801	-	10,801
Unrestricted intergovernmental	1,378,889	211,786	1,590,675
Restricted intergovernmental	172,994	-	172,994
Permits and fees	2,725	-	2,725
Sales and services	667,971	-	667,971
Investment earnings	4,278	1,130	5,408
Miscellaneous	90,359	-	90,359
Total revenues	<u>4,105,482</u>	<u>212,916</u>	<u>4,318,398</u>
Expenditures:			
Current:			
General government	1,131,379	-	1,131,379
Public safety	1,596,805	56,548	1,653,353
Transportation	129,053	-	129,053
Environmental protection	576,035	-	576,035
Cultural and recreational	249,031	-	249,031
Public buildings	130,421	-	130,421
Debt service:			
Principal	26,085	-	26,085
Interest and other charges	1,324	-	1,324
Total expenditures	<u>3,840,133</u>	<u>56,548</u>	<u>3,896,681</u>
Excess (deficiency) of revenues over expenditures	<u>265,349</u>	<u>156,368</u>	<u>421,717</u>
Other financing sources (uses):			
Transfers from (to) other funds	48,300	51,700	100,000
Sale of land	16,000	-	16,000
Insurance proceeds	18,000	-	18,000
Total other financing sources (uses)	<u>82,300</u>	<u>51,700</u>	<u>134,000</u>
Net change in fund balances	347,649	208,068	555,717
Fund balance, beginning	<u>1,237,175</u>	<u>396,644</u>	<u>1,633,819</u>
Fund balance, ending	<u>\$ 1,584,824</u>	<u>\$ 604,712</u>	<u>\$ 2,189,536</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, 2020

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

Net change in fund balances - total governmental funds \$ 555,717

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 47,500	
Depreciation expense for governmental assets	<u>(256,853)</u>	(209,353)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		155,856
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		13,913
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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		(10,015)
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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

Principal payments on long-term debt	26,085	
(Increase) decrease in accrued interest payable	<u>(5,260)</u>	20,825

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	9,120	
Pension revenue (expense)	<u>(337,847)</u>	<u>(328,727)</u>

Total changes in net position of governmental activities		\$ <u>198,216</u>
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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, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 1,767,499	\$ 1,767,499	\$ 1,777,465	\$ 9,966
Other taxes and licenses	10,700	10,700	10,801	101
Unrestricted intergovernmental	1,338,029	1,338,029	1,378,889	40,860
Restricted intergovernmental	138,012	138,012	172,994	34,982
Permits and fees	65,207	65,207	2,725	(62,482)
Sales and services	740,258	740,258	667,971	(72,287)
Investment earnings	2,056	2,056	4,278	2,222
Miscellaneous	17,410	17,410	90,359	72,949
Total revenues	<u>4,079,171</u>	<u>4,079,171</u>	<u>4,105,482</u>	<u>26,311</u>
Expenditures:				
Current:				
General government	1,026,989	1,026,989	1,131,379	(104,390)
Public safety	2,049,863	2,049,863	1,596,805	453,058
Transportation	354,765	354,765	129,053	225,712
Environmental protection	511,690	511,690	576,035	(64,345)
Cultural and recreational	218,680	218,680	249,031	(30,351)
Public buildings	222,347	222,347	130,421	91,926
Debt service:				
Principal retirement	26,085	26,085	26,085	-
Interest and other charges	36,915	36,915	1,324	35,591
Total expenditures	<u>4,447,334</u>	<u>4,447,334</u>	<u>3,840,133</u>	<u>607,201</u>
Revenues over (under) expenditures	<u>(368,163)</u>	<u>(368,163)</u>	<u>265,349</u>	<u>633,512</u>
Other financing sources (uses):				
Transfers (to) from			48,300	
Sale of land			16,000	
Insurance proceeds			18,000	
Total other financing sources (uses)	<u>217,217</u>	<u>217,217</u>	<u>82,300</u>	<u>(134,917)</u>
Fund balance appropriated	150,946	150,946	-	150,946
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	347,649	<u>\$ 347,649</u>
Fund balance, beginning			<u>1,237,175</u>	
Fund balance, ending			<u>\$ 1,584,824</u>	

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

Town of Mount Olive, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2020

	Major Enterprise Funds		
	Water and Sewer Fund	Municipal Airport Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 709,224	\$ 148,806	\$ 858,030
Restricted cash and cash equivalents	190,392	-	190,392
Accounts receivable (net)	320,190	8,913	329,103
Due from other funds	256,385	-	256,385
Inventories	-	13,033	13,033
Total current assets	1,476,191	170,752	1,646,943
Non-current assets:			
Capital assets:			
Land and other non-depreciable assets	4,340,856	3,174,071	7,514,927
Other capital assets, net of depreciation	20,113,587	1,760,640	21,874,227
Capital assets (net)	24,454,443	4,934,711	29,389,154
Total noncurrent assets	24,454,443	4,934,711	29,389,154
Total assets	25,930,634	5,105,463	31,036,097
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	222,829	-	222,829
Total deferred outflows of resources	222,829	-	222,829
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	405,844	5,876	411,720
Due to other funds	-	262,393	262,393
Compensated absences - current	35,000	-	35,000
Current portion of long-term debt	386,907	16,941	403,848
Total current liabilities	827,751	285,210	1,112,961
Noncurrent liabilities:			
Liabilities payable from restricted assets:			
Customer deposits	190,392	-	190,392
Compensated absences	37,638	-	37,638
Net pension liability	347,534	-	347,534
Noncurrent portion of long term debt	6,674,747	47,927	6,722,674
Total noncurrent liabilities	7,250,311	47,927	7,298,238
Total liabilities	8,078,062	333,137	8,411,199
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	9,587	-	9,587
Total deferred inflows of resources	9,587	-	9,587
NET POSITION			
Net investment in capital assets	17,392,789	4,869,843	22,262,632
Unrestricted	673,025	(97,517)	575,508
Total net position	\$ 18,065,814	\$ 4,772,326	\$ 22,838,140

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, 2020

	Major Enterprise Funds		
	Water and Sewer Fund	Municipal Airport Fund	Total
Operating revenues:			
Charges for services	\$ 3,640,164	\$ 244,557	\$ 3,884,721
Water and sewer taps	5,135	-	3,700
Other operating revenues	304	-	304
Total operating revenues	3,645,603	244,557	3,890,160
Operating expenses:			
Administration	-	237,437	237,437
Water treatment and distribution	1,579,072	-	1,579,072
Waste collection and treatment	1,142,066	-	1,142,066
Depreciation	580,785	63,432	644,217
Total operating expenses	3,301,923	300,869	3,602,792
Operating income (loss)	343,680	(56,312)	287,368
Nonoperating revenues (expenses):			
FEMA reimbursement	816,280	-	816,280
Investment earnings	4,549	20	4,569
Other revenues	-	-	-
Interest and other charges	(322,852)	(13,454)	(336,306)
Total nonoperating revenue (expenses)	497,977	(13,434)	484,543
Income (loss) before contributions and transfers	841,657	(69,746)	771,911
Capital contributions	212,565	370,502	583,067
Transfer from (to)	(100,000)	-	(100,000)
Insurance proceeds	-	7,419	7,419
Total contributions and transfers	112,565	377,921	490,486
Change in net position	954,222	308,175	1,262,397
Net position, beginning	17,111,592	4,464,151	21,575,743
Total net position, ending	\$ 18,065,814	\$ 4,772,326	\$ 22,838,140

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, 2020

	Major Enterprise Funds		
	Water and Sewer Fund	Municipal Airport Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 3,677,794	\$ 244,557	\$ 3,922,351
Cash paid for goods and services	(1,144,048)	(241,552)	(1,385,600)
Cash paid to employees for services	(1,375,036)	-	(1,375,036)
Net cash provided (used) by operating activities	<u>1,158,710</u>	<u>3,005</u>	<u>1,161,715</u>
Cash flows from non-capital financing activities:			
Transfers in (out)	(100,000)	-	(100,000)
Increase in due from other funds	(591,000)	-	(591,000)
Increase in due to other funds	122,210	61,425	183,635
FEMA Grant	816,280	-	816,280
Net cash provided (used) by non-capital financing activities	<u>247,490</u>	<u>61,425</u>	<u>308,915</u>
Cash flows from capital and related financing activities:			
Capital contributions and grants	212,565	377,921	590,486
Acquisition and construction of capital assets	(242,048)	(227,894)	(469,942)
Principal paid on bond and note agreements	(316,169)	(122,852)	(439,021)
Interest paid on bond note agreements	(322,852)	(13,454)	(336,306)
Net cash provided (used) by capital and related financing activities	<u>(668,504)</u>	<u>13,721</u>	<u>(654,783)</u>
Cash flows from investing activities:			
Interest on investments	4,549	20	4,569
Net cash provided (used) by investing activities	<u>4,549</u>	<u>20</u>	<u>4,569</u>
Net increase (decrease) in cash and cash equivalents	742,245	78,171	820,416
Cash and cash equivalents - beginning of year	<u>157,371</u>	<u>70,635</u>	<u>228,006</u>
Cash and cash equivalents - end of year	<u>\$ 899,616</u>	<u>\$ 148,806</u>	<u>\$ 1,048,422</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, 2020

	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)	\$ 343,680	\$ (56,312)	\$ 287,368
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	580,785	63,432	644,217
Change in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	32,191	-	32,191
Increase (decrease) in pension liability	28,234	-	28,234
Change in deferred inflows of resources - pensions	39,789	-	39,789
Change in deferred inflows of resources - pensions	5,167	-	5,167
Increase (decrease) in payables and accrued liabilities	139,414	(4,115)	135,299
Increase (decrease) in compensated absences	(10,550)	-	(10,550)
Total adjustments	<u>815,030</u>	<u>59,317</u>	<u>874,347</u>
Net cash provided (used) by operating activities	<u>\$ 1,158,710</u>	<u>\$ 3,005</u>	<u>\$ 1,161,715</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, 2020

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. 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.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

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, 2020

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, 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, 2020

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, 2020, 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, 2020

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	\$	217,342
Total Governmental Activities		217,342
Business-type activities:		
Water and Sewer Fund		
Customer deposits		190,392
Total business-type activities		190,392
Total restricted cash	\$	407,734

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, 2019. 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.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. 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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion, pension deferrals for the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criteria for this category – property taxes receivable and pension related deferrals.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, 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, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. 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.

11. 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, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. 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.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town 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, 2020

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Noncompliance with North Carolina General Statutes

During the annual audit, the auditors noted that the balance sheet and schedules of revenues and expenditures for the General Fund and Water and Sewer Fund contained material errors due to incorrect posting of transactions that had occurred monthly. The auditors proposed material journal entries to remedy the incorrect postings. The Town posted the entries and will implement procedures to ensure proper recording of all transactions in future years.

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:			
General government	\$ 1,026,989	\$ 1,131,379	\$ (104,390)
Environmental protection	511,690	576,035	(64,345)
Cultural and recreational	218,680	249,031	(30,351)
Total	<u>1,757,359</u>	<u>1,956,445</u>	<u>(199,086)</u>
Water and Sewer Fund:			
Operations	2,494,785	2,658,497	(163,712)
Total	<u>2,494,785</u>	<u>2,658,497</u>	<u>(163,712)</u>
Municipal Airport Fund:			
Debt service	-	136,306	(136,306)
Total	<u>\$ -</u>	<u>\$ 136,306</u>	<u>\$ (136,306)</u>

These over-expenditures occurred because of unplanned operating expenditures. Management and the Board will more closely review the budget reports to ensure compliance in future years.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

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, 2020, the Town's deposits had a carrying amount of \$2,888,759 and a bank balance of \$2,888,759. Of the bank balance, \$500,000 was covered by federal deposit insurance and the remainder was covered under the pooling method. At June 30, 2020, the petty cash fund totaled \$495.

2. Investments

At June 30, 2020, the Town of Mount Olive had \$9,673 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, 2020 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, 2020

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, 2020, was as follows:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 359,750	\$ -	\$ -	\$ 359,750
Construction in progress	-	-	-	-
Total capital assets not being depreciated	359,750	-	-	359,750
Capital assets being depreciated:				
Buildings	910,226	-	-	910,226
Equipment and vehicles	4,083,528	47,500	-	4,131,028
Improvements	5,377,766	-	-	5,377,766
Infrastructure	264,096	-	-	264,096
Total capital assets being depreciated	10,635,616	47,500	-	10,683,116
Less accumulated depreciation for:				
Buildings	472,744	9,966	-	482,710
Equipment and vehicles	3,023,268	169,869	-	3,193,137
Improvements	4,146,359	77,018	-	4,223,377
Infrastructure	15,923	-	-	15,923
Total accumulated depreciation	7,658,294	256,853	-	7,915,147
Total capital assets being depreciated, net	2,977,322			2,767,969
Governmental activities capital assets, net	\$ 3,337,072			\$ 3,127,720

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

General government	\$ 33,011
Public safety	134,260
Cultural and recreation	64,485
Environmental protection	25,097
Total depreciation expense	\$ 256,853

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

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	4,075,556	242,048	-	4,317,604
Total capital assets not being depreciated	4,098,808	242,048	-	4,340,856
Capital assets being depreciated:				
Buildings	5,119,437	-	-	5,119,437
Substations, lines	24,726,441	-	-	24,726,441
Equipment & maintenance	997,164	-	-	997,164
Vehicles	226,842	-	-	226,842
Total capital assets being depreciated	31,069,884	-	-	31,069,884
Less accumulated depreciation for:				
Buildings	4,657,616	127,986	-	4,785,602
Substations, lines	4,636,889	413,649	-	5,050,538
Equipment & maintenance	857,067	37,260	-	894,327
Vehicles	223,940	1,890	-	225,830
Total accumulated depreciation	10,375,512	580,785	-	10,956,297
Total capital assets being depreciated, net	20,694,372			20,113,587
Water and Sewer fund capital assets, net	\$ 24,793,180			\$ 24,454,443

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

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	2,687,656	227,894	-	2,915,550
Total capital assets not being depreciated	2,946,177	227,894	-	3,174,071
Capital assets being depreciated:				
Buildings	455,058	-	-	455,058
Improvements	2,046,402	-	-	2,046,402
Equipment & maintenance	182,766	-	-	182,766
Total capital assets being depreciated	2,684,226	-	-	2,684,226
Less accumulated depreciation for:				
Buildings	243,212	12,227	-	255,439
Improvements	456,158	51,160	-	507,318
Equipment & maintenance	160,784	45	-	160,829
Total accumulated depreciation	860,154	63,432	-	923,586
Total capital assets being depreciated, net	1,824,072			1,760,640
Municipal Airport fund activity - capital assets, net	\$ 4,770,249			\$ 4,934,711

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (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, 2020, 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 \$236,145 for the year ended June 30, 2020.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

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, 2020, the Town reported a liability of \$970,297 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019, the Town's proportion was .035530%, which was a decrease of 0.00187% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense (revenue) of \$451,408. At June 30, 2020, 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	\$ 166,139	\$ -
Changes of assumptions	158,142	-
Net difference between projected and actual earnings on pension plan investments	23,667	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	16,281	23,623
Town contributions subsequent to the measurement date	236,145	-
Total	\$ 600,374	\$ 23,623

\$236,145 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 177,338
2022	53,918
2023	88,048
2024	21,302
2025	-
Thereafter	-

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

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, 2018 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	7.00 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, 2018 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, 2019 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, 2020

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 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. 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 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 2,219,246	\$ 970,297	\$ (67,833)

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

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

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, 2018, the Separation Allowance's membership consisted of:

Retirees and dependents receiving benefits	1
Active plan members	<u>17</u>
Total	<u><u>18</u></u>

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.5 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 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, 2018. 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, 2020

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 \$13,913 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, 2020, the Town reported a total pension liability of \$410,214. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$39,917.

	Deferred Outflow of	Deferred Inflows of
Differences between expected and actual experience	\$ 38,549	\$ 6,084
Changes of assumptions	22,378	13,178
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 60,927	\$ 19,262

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:	
2021	\$ 8,402
2022	8,402
2023	9,161
2024	6,206
2025	4,192
Thereafter	5,302

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

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 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 444,719	\$ 410,214	\$ 378,885
2020			
Beginning balance			\$ 349,450
Service cost			19,048
Interest on the total pension liability			12,467
Changes of benefit terms			-
Differences between expected and actual experience in the measurement of the total pension liability			30,895
Changes of assumptions or other inputs			12,267
Benefit payments			(13,913)
Other changes			-
Ending balance of the total pension liability			\$ 410,214

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, 2018 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, 2020

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	\$ 451,408	\$ 39,917	\$ 491,325
Pension Liability	970,297	410,214	1,380,511
Proportionate share of the net pension liability	0.03553%	n/a	
 Deferred of Outflows of Resources			
Differences between expected and actual experience	166,139	38,549	204,688
Changes of assumptions	158,142	22,378	180,520
Net difference between projected and actual earnings on plan investments	23,667	-	23,667
Changes in proportion and differences between contributions and proportionate share of contributions	16,281	-	16,281
Benefit payments and administrative costs paid subsequent to the measurement date	236,145	-	236,145
 Deferred of Inflows of Resources			
Difference between expected and actual experience	-	6,084	6,084
Changes of assumptions	-	13,178	13,178
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	23,623	-	23,623

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020 were \$17,192, which consisted of \$17,192 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, 2020

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	\$	236,145
Differences between expected ad actual experience		204,688
Changes of assumptions		180,520
Net difference between projected and actual		23,667
Changes in proportion and differences between employer contributions and proportionate share of contributions		16,281
Total	\$	661,301

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)	\$ -	\$ 118,833
Changes in assumptions	13,178	-
Differences between expected and actual experience	6,084	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	23,623	-
Total	\$ 42,885	\$ 118,833

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, 2020

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, 2020, 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, 2020

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 August, 2016, the Town entered into an direct placement installment agreement to purchase three police cars. The agreement requires annual payments of \$17,904.

	\$ 16,449
Total	\$ 16,449

Annual debt service payments of the installment purchase as of June 30, 2020, including interest, are as follows:

Years Ending <u>June 30:</u>	Governmental Activities	
	Principal	Interest
2021	\$ 16,449	\$ 493
Total	\$ 16,449	\$ 493

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.

\$ 157,306

\$226,054 note payable to finance a radio equipment with direct placement loan installments of fixed principal amount of \$45,211; 3.25 percent interest through August 5, 2021.

90,422

\$49,000 note payable to finance a tractor with direct placement loan installments of fixed principal amount of \$9,800; 3.00 percent interest through July 22, 2020.

9,800

Total	\$ 257,528
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Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

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, 2020, including interest, are as follows:

Years Ending <u>June 30:</u>	Business-type Activities	
	Principal	Interest
2021	\$ 94,337	\$ 3,233
2022	84,537	1,469
2023	39,326	-
2024	39,328	-
Total	\$ 257,528	\$ 4,702

b. 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, 2020 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water and Sewer Fund:

Bonds payable at June 30, 2019 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%	\$ 841,117
\$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%	3,359,185
Total	\$ 4,200,302

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations (continued)

b. 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
2021	\$ 83,173	\$ 183,159
2022	86,800	179,532
2023	90,585	175,747
2024	94,535	171,797
2025	98,657	167,675
2026-2030	561,692	769,965
2031-2035	695,314	636,343
2036-2040	860,724	470,934
2041-2045	1,065,483	266,174
2046-2050	563,340	41,609
Total	\$ 4,200,302	\$ 3,062,934

c. 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%.	\$ 1,147,017
\$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%.	498,000
\$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%.	193,000
\$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%.	645,465
Total	\$ 2,483,482

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations (continued)

c. Revenue Bonds (continued)

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

Years Ending	Principal	Interest
<u>June 30:</u>		
2021	\$ 45,825	\$ 89,425
2022	47,183	87,757
2023	48,594	86,035
2024	51,062	84,258
2025	52,588	52,588
2026-2030	294,029	381,538
2031-2035	351,380	323,109
2036-2040	423,217	252,681
2041-2045	505,888	169,511
2046-2050	387,799	73,262
2051-2055	186,917	28,239
2056-2060	89,000	5,398
Total	<u>\$ 2,483,482</u>	<u>\$ 1,633,800</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, 2020, is as follows:

Operating revenues	\$ 3,645,603
Operating expenses*	(2,721,138)
Operating income	<u>924,465</u>
Nonoperating revenues (expenses)**	<u>589,018</u>
Income available for debt service	1,513,483
Debt service, principal and interest paid (revenue bond only)	\$ 135,559
Debt service coverage ratio	1116%

*This does not include the depreciation expense of \$580,785.

** This does not include revenue bond interest paid of \$91,041.

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 2020. 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 \$2,483,482. Principal and interest paid for the current year and total customer net revenues were \$135,559 and \$3,645,603, respectively.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations (continued)

c. Revenue Bonds (continued)

Serviced by the Municipal Airport Fund:

\$2,045,800 NC Clean Water Loan and Grant Program revolving loan installments of fixed principal amount of \$120,341, plus interest through May 1, 2021; interest at a fixed rate of 5.25%.	\$ 120,341
\$225,000 Airport hanger note due in annual installments of \$18,057 plus interest, through October 23, 2021; interest of 5%.	16,941
\$432,306 Airport hanger note due in annual installments of \$55,984 plus interest, through November, 2027; interest at 2.95%.	<u>47,927</u>
Total	<u><u>\$ 185,209</u></u>

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

Years Ending	<u>Business-Type Activities</u>	
<u>June 30:</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 185,209	\$ 8,579
Total	<u><u>\$ 185,209</u></u>	<u><u>\$ 8,579</u></u>

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

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, 2020.

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Direct placement					
Installment purchase	\$ 42,534	\$ -	\$ (26,085)	\$ 16,449	\$ 16,449
Compensated absences	164,634	90,351	(81,231)	173,754	35,000
Net pension obligation (LGERS)	567,956	54,807	-	622,763	-
Total pension obligation (LEO)	349,450	60,764	-	410,214	-
Governmental activity long-term liabilities	<u>\$ 1,124,574</u>	<u>\$ 205,922</u>	<u>\$ (107,316)</u>	<u>\$ 1,223,180</u>	<u>\$ 51,449</u>

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Direct placement					
Installment purchase	\$ 351,864	\$ -	\$ (137,567)	\$ 214,297	\$ 94,337
General obligation bonds	4,280,000	-	(79,698)	4,200,302	83,173
General obligation notes	428,402	-	(199,962)	228,440	180,513
Revenue bonds	2,528,000	-	(44,518)	2,483,482	45,825
Compensated absences	83,188	43,552	(54,102)	72,638	35,000
Net pension obligation (LGERS)	319,300	28,234	-	347,534	-
Business-type activity long-term liabilities	<u>\$ 7,990,754</u>	<u>\$ 71,786</u>	<u>\$ (515,847)</u>	<u>\$ 7,546,693</u>	<u>\$ 438,848</u>

At June 30, 2020, the Town had a legal debt margin of \$22,589,513.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

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 General Fund to the Waylin Fire District Fund	\$ 51,700
From the Water and Sewer Fund to the Wastewater Treatment Capital Project Fund	29,481
From the Water and Sewer Fund to the General Fund	100,000
Total	\$ 181,181

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

During FY 2019-2020, the Town made a budgeted interfund transfer of \$51,700 from the General Fund to the Waylin Fire District Fund for the future purchase of fire vehicles.

During FY 2019-2020, the Town made a budgeted interfund transfer of \$29,481 from the Water and Sewer Fund to the Wastewater Treatment Capital Project Fund for operations of the capital project fund.

During FY 2019-2020, the Town made a budgeted interfund transfer of \$100,000 from the Water and Sewer Fund to the General Fund for overall and shared operations/expenses.

Balances due to/from other funds at June 30, 2020 consist of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Municipal Airport Fund	262,393
Water and Sewer Fund	General Fund	(256,385)
Total		\$ 6,008

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	\$ 3,127,720	\$ 29,389,154
less: long-term debt	(16,449)	(7,126,522)
Net investment in capital asset	\$ 3,111,271	\$ 22,262,632

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

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>	\$	1,584,824
Less:		
Prepaid items		15,000
Stabilization by State Statute		460,021
Streets-Powell Bill		217,342
Remaining fund balance	\$	892,461

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, 2020. 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, 2020. 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, 2020.

Town of Mount Olive, North Carolina
Notes to the Financial Statements (continued)
June 30, 2020

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 November 27, 2020, 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 Seven Fiscal Years

	<u>2020</u>	<u>2019</u>	<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) (%)	0.0355%	0.0374%	0.0371%	0.0328%	0.0296%	0.03150%	0.03150%
Mount Olive's proportion of the net pension liability (asset) (\$)	\$ 970,297	\$ 887,256	\$ 566,174	\$ 697,187	\$ 132,620	\$ 173,854	\$ (185,770)
Mount Olive's covered-employee payroll	\$ 2,495,470	\$ 2,340,198	\$ 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	38.88%	37.91%	25.35%	35.43%	7.57%	10.27%	10.27%
Plan fiduciary net position as a percentage of the total pension liability.**	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

* 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 Seven Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 236,145	\$ 196,445	\$ 182,639	\$ 167,757	\$ 134,244	\$ 125,720	\$ 120,771
Contributions in relation to the contractually required contribution	236,145	196,445	182,639	167,757	134,244	125,720	120,771
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Mount Olive's covered payroll	\$ 2,473,251	\$ 2,495,470	\$ 2,340,198	\$ 2,233,645	\$ 1,967,683	\$ 1,752,314	\$ 1,692,622
Contributions as a percentage of covered-employee payroll	9.55%	7.87%	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, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 349,450	\$ 363,709	\$ 315,936	\$ 314,799
Service Cost	19,048	22,087	18,477	5,902
Interest on the total pension liability	12,467	11,118	11,673	7,314
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	30,895	(8,736)	22,575	3,927
Changes of assumptions or other inputs	12,267	(14,976)	22,080	(1,006)
Benefit payments	(13,913)	(23,752)	(27,032)	(15,000)
Other changes	-	-	-	-
Ending balance of the total pension liability	<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, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 410,214	\$ 349,450	\$ 363,709	\$ 315,969
Covered payroll	775,606	766,452	756,866	689,233
Total pension liability as a percentage of covered payroll	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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 1,765,948	\$
Penalties and interest		11,517	
Total	<u>1,767,499</u>	<u>1,777,465</u>	<u>9,966</u>
Other taxes and licenses:			
License and fees		10,801	
Total	<u>10,700</u>	<u>10,801</u>	<u>101</u>
Unrestricted intergovernmental:			
Local option sales tax		979,369	
ABC revenue		33,338	
Utility sales tax		279,442	
Natural gas sales tax		2,170	
Video franchise fee		17,999	
Telecommunication sales tax		37,851	
Refunds		28,720	
Total	<u>1,338,029</u>	<u>1,378,889</u>	<u>40,860</u>
Restricted intergovernmental:			
FEMA funds		38,144	
Powell bill allocation		134,850	
Total	<u>138,012</u>	<u>172,994</u>	<u>34,982</u>
Permits and fees:			
Building permits		2,725	
Total	<u>65,207</u>	<u>2,725</u>	<u>(62,482)</u>
Sales and services:			
Garbage fees		388,171	
Court costs		1,316	
Recreation fees		3,928	
Rents		109,050	
Fuel sales		23,181	
Cemetery fees		132,425	
Cemetery lot sales		9,900	
Total	<u>740,258</u>	<u>667,971</u>	<u>(72,287)</u>
Investment earnings	<u>\$ 2,056</u>	<u>\$ 4,278</u>	<u>\$ 2,222</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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Miscellaneous revenues:			
Other revenues	\$	\$ 5,309	\$
Sale of surplus		8,050	
Donations		77,000	
Total	<u>17,410</u>	<u>90,359</u>	<u>72,949</u>
Total revenues	<u>4,079,171</u>	<u>4,105,482</u>	<u>26,311</u>
Expenditures:			
General government:			
Governing body:			
Salaries and benefits		30,456	
Other operating expenditures		118,378	
Total	<u>169,343</u>	<u>148,834</u>	<u>20,509</u>
Town Manager:			
Salaries and employee benefits		173,028	
Other operating expenditures		28,288	
Total	<u>202,965</u>	<u>201,316</u>	<u>1,649</u>
Public works and buildings:			
Salaries and employee benefits		145,937	
Other operating expenditures		298,696	
Total	<u>318,941</u>	<u>444,633</u>	<u>(125,692)</u>
Administration:			
Salaries and benefits		196,441	
Other operating expenditures		140,155	
Total	<u>335,740</u>	<u>336,596</u>	<u>(856)</u>
Total general government	<u>1,026,989</u>	<u>1,131,379</u>	<u>(104,390)</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits		157,350	
Other operating expenditures		343,057	
Total	<u>449,990</u>	<u>500,407</u>	<u>(50,417)</u>
Cemetery:			
Contracted services		42,908	
Other operating expenditures		32,720	
Total	<u>61,700</u>	<u>75,628</u>	<u>(13,928)</u>
Total environmental protection	<u>\$ 511,690</u>	<u>\$ 576,035</u>	<u>\$ (64,345)</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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transportation:			
Salaries and benefits	\$	\$ 36,274	\$
Other operating expenditures		56,079	
Contracted services		36,700	
Total	<u>354,765</u>	<u>129,053</u>	<u>225,712</u>
Public Safety:			
Police:			
Salaries and employee benefits		1,069,571	
Other operating expenditures		137,928	
Total	<u>1,572,878</u>	<u>1,207,499</u>	<u>365,379</u>
Fire:			
Salaries and employee benefits		167,419	
Other operating expenditures		52,579	
Capital outlay		47,500	
Total	<u>352,084</u>	<u>267,498</u>	<u>84,586</u>
Inspections:			
Salaries and employee benefits		88,776	
Other operating expenditures		33,032	
Total	<u>124,901</u>	<u>121,808</u>	<u>3,093</u>
Total public safety	<u>2,049,863</u>	<u>1,596,805</u>	<u>453,058</u>
Public buildings:			
Salaries and employee benefits		130,421	
Total	<u>222,347</u>	<u>130,421</u>	<u>91,926</u>
Cultural and recreation:			
Salaries and employee benefits		138,382	
Other operating expenditures		110,649	
Total	<u>\$ 218,680</u>	<u>\$ 249,031</u>	<u>\$ (30,351)</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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service:			
Principal	\$	\$ 26,085	\$
Interest		1,324	
Total	<u>63,000</u>	<u>27,409</u>	<u>35,591</u>
Total expenditures	<u>4,447,334</u>	<u>3,840,133</u>	<u>607,201</u>
Revenues over (under) expenditures	<u>(368,163)</u>	<u>265,349</u>	<u>633,512</u>
Other financing sources (uses):			
Sale of land		16,000	
Insurance proceeds		18,000	
Transfers (to) from other funds		48,300	
Total	<u>217,217</u>	<u>82,300</u>	<u>(134,917)</u>
Fund balance appropriated	150,946	-	150,946
Net change in fund balances	<u>\$ -</u>	347,649	<u>\$ 347,649</u>
Fund balance, beginning		1,237,175	
Fund balance, ending		<u>\$ 1,584,824</u>	

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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Local contributions	\$	\$ 211,786	\$
Total	<u>168,212</u>	<u>211,786</u>	<u>43,574</u>
Nonoperating revenues:			
Interest earnings		1,130	
Total	<u>-</u>	<u>1,130</u>	<u>1,130</u>
Total revenues	<u>168,212</u>	<u>212,916</u>	<u>44,704</u>
Expenditures:			
Salaries and benefits		38,268	
Operating expenditures		18,280	
Total	<u>168,212</u>	<u>56,548</u>	<u>111,664</u>
Revenues over (under) expenditures	<u>-</u>	<u>156,368</u>	<u>156,368</u>
Other financing sources (uses):			
Transfer (to) from other funds		51,700	
Total	<u>-</u>	<u>51,700</u>	<u>51,700</u>
Net change in fund balance	<u>\$ -</u>	<u>208,068</u>	<u>\$ 208,068</u>
Fund balance, beginning		<u>396,644</u>	
Fund balance, ending		<u>\$ 604,712</u>	

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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues	\$	\$ 244,557	\$
Total	<u>266,073</u>	<u>244,557</u>	<u>(21,516)</u>
Non-operating revenues:			
Interest earnings		20	
Total	<u>-</u>	<u>20</u>	<u>-</u>
Total revenues	<u>266,073</u>	<u>244,577</u>	<u>(21,496)</u>
Expenditures:			
Operations:			
Other operating expenditures		237,437	
Total	<u>266,073</u>	<u>237,437</u>	<u>28,636</u>
Debt service:			
Interest and fees		13,454	
Principal retirement		122,852	
Total	<u>-</u>	<u>136,306</u>	<u>(136,306)</u>
Total expenditures	<u>266,073</u>	<u>373,743</u>	<u>(107,670)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (129,166)</u>	<u>\$ (129,166)</u>

Town of Mount Olive, North Carolina
Municipal Airport Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non – GAAP) (continued)
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Insurance proceeds	\$	\$ 7,419	\$
Total other financing sources (uses)	-	7,419	7,419
 Revenues and other sources over expenditures and other uses:	\$ -	(121,747)	\$ (121,747)
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
 Revenues and other sources over expenditures and other uses:		(121,747)	
 Reconciling items:			
Depreciation		(63,432)	
Capital contributions		370,502	
Principal retirement		122,852	
Total reconciling items		429,922	
Change in net position		\$ 308,175	

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, 2020

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Restricted intergovernmental:					
Federal grant	\$ 93,196	\$ 1,154,076	\$ -	\$ 1,154,076	\$ 1,060,880
State grant	2,238,426	1,322,612	370,502	1,693,114	(545,312)
Local contributions	133,333	65,527	-	65,527	(67,806)
Total revenues	<u>2,464,955</u>	<u>2,542,215</u>	<u>370,502</u>	<u>2,912,717</u>	<u>447,762</u>
Expenditures:					
Administrative	162,519	76,844	20,640	97,484	65,035
Land acquisition	9,332	9,332	-	9,332	-
Engineering	140,000	139,888	112	140,000	-
Construction and improvements	2,726,270	2,519,128	207,142	2,726,270	-
Total expenditures	<u>3,038,121</u>	<u>2,745,192</u>	<u>227,894</u>	<u>2,973,086</u>	<u>65,035</u>
Revenues over (under) expenditures	<u>(573,166)</u>	<u>(202,977)</u>	<u>142,608</u>	<u>(60,369)</u>	<u>512,797</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>\$ -</u>	<u>\$ 142,608</u>	<u>\$ 142,608</u>	<u>\$ 142,608</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, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services:			
Water sales:			
Residential and commercial	\$	\$ 3,600,381	\$
Water and sewer taps		5,135	
Other operating revenues		40,087	
Total	3,307,515	3,645,603	338,088
 Nonoperating revenues:			
FEMA reimbursement		816,280	
Interest earnings		4,549	
Total	-	820,829	(820,829)
Total revenues	3,307,515	4,466,432	(482,741)
 Expenditures:			
Water and sewer operations:			
Collection and treatment:			
Salaries and benefits		702,187	
Utilities		138,517	
Contracted services		223,171	
Maintenance and repairs		308,580	
Departmental supplies and materials		49,932	
Other		120,857	
 Water distribution:			
Salaries and benefits		672,849	
Utilities		79,666	
Contracted services		58,528	
Maintenance and repairs		98,626	
Departmental supplies and materials		149,612	
Other		55,972	
Total expenditures	\$ 2,494,785	\$ 2,658,497	\$ (163,712)

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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service:			
Interest and fees	\$	\$ 322,852	\$
Principal retirement		316,169	
Total	<u>677,770</u>	<u>639,021</u>	<u>38,749</u>
Total expenditures	<u>3,172,555</u>	<u>3,297,518</u>	<u>(124,963)</u>
Revenues over (under) expenditures	<u>134,960</u>	<u>1,168,914</u>	<u>1,033,954</u>
Other financing sources (uses):			
Transfers in (out)		(129,481)	
Total other financing sources (uses)	<u>(134,960)</u>	<u>(129,481)</u>	<u>5,479</u>
Revenues and other sources over expenditures and other uses:	<u>\$ -</u>	<u>1,039,433</u>	<u>\$ 1,039,433</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses:		<u>1,039,433</u>	
Reconciling items:			
Capital contributions		212,565	
Depreciation		(580,785)	
Transfer to Wastewater project		29,481	
Decrease in compensated absences		10,550	
Increase in net pension liability		(28,235)	
Decrease in deferred outflows of resources - pensions		(39,789)	
Increase in deferred inflows of resources - pensions		(5,167)	
Principal retirement		316,169	
Total reconciling items		<u>(85,211)</u>	
Change in net position		<u>\$ 954,222</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, 2020

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Revenues:					
Restricted intergovernmental:					
WWTP grants	5,500,000	-	212,565	212,565	(5,287,435)
Total revenues	<u>5,500,000</u>	<u>-</u>	<u>212,565</u>	<u>212,565</u>	<u>(5,287,435)</u>
Expenditures:					
Engineering	778,000	-	231,055	231,055	546,945
Construction	4,710,000	-	-	-	4,710,000
Administration	5,500	-	653	653	4,847
Permit fees	6,500	-	10,340	10,340	(3,840)
Total expenditures	<u>5,500,000</u>	<u>-</u>	<u>242,048</u>	<u>242,048</u>	<u>5,257,952</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(29,483)</u>	<u>(29,483)</u>	<u>(29,483)</u>
Other financing sources (uses):					
Transfers (to) from other funds	-	-	29,483	29,483	29,483
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>29,483</u>	<u>29,483</u>	<u>29,483</u>
Revenues and other sources over (under) expenditures and other (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2020

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2020</u>
2019-2020	\$ -	\$ 1,807,161	\$ (1,757,183)	\$ 49,978
2018-2019	43,444	-	(22,598)	20,846
2017-2018	20,453	-	(5,495)	14,958
2016-2017	15,027	-	(3,280)	11,747
2015-2016	12,392	-	(2,345)	10,047
2014-2015	8,450	-	(1,762)	6,688
2013-2014	8,352	-	(1,246)	7,106
2012-2013	5,220	-	(463)	4,757
2011-2012	4,383	-	(360)	4,023
2010-2011	3,884	-	(200)	3,684
2009-2010	3,158	-	(3,158)	-
2008-2009	8,237	-	(8,237)	-
	<u>\$ 132,999</u>	<u>\$ 1,807,161</u>	<u>\$ (1,806,327)</u>	<u>133,833</u>

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

Ad valorem taxes receivable - net \$ 118,833

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 1,777,465
Reconciling items:	
Interest collected	(10,655)
Discounts, releases, and other credits	<u>39,517</u>
Subtotal	<u>28,862</u>
Total collections and credits	<u><u>\$ 1,806,327</u></u>

Town of Mount Olive, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2020

	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	\$ 282,755,000	0.64	\$ 1,809,632	\$ 1,645,033	\$ 164,599
Total	<u>282,755,000</u>		<u>1,809,632</u>	<u>1,645,033</u>	<u>164,599</u>
Discoveries:					
Current Year	265,156	0.64	1,697	1,697	-
Total	<u>265,156</u>		<u>1,697</u>	<u>1,697</u>	<u>-</u>
Releases:					
Current Year	(651,250)	0.64	(4,168)	(4,168)	-
Total	<u>(651,250)</u>		<u>(4,168)</u>	<u>(4,168)</u>	<u>-</u>
Total property valuation	<u>\$ 282,368,906</u>				
Net levy			1,807,161	1,642,562	164,599
Uncollected taxes at June 30, 2020			<u>(49,978)</u>	<u>(49,978)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,757,183</u>	<u>\$ 1,592,584</u>	<u>\$ 164,599</u>
Current levy collection percentage			<u>97.23%</u>	<u>96.96%</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
Town of 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, 2020, 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 November 27, 2020.

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.

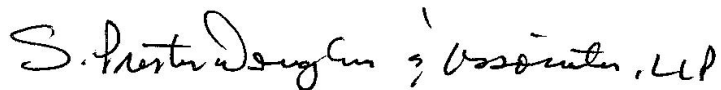
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies 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 2020-001, 2020-002, 2020-003).

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 item 2020-001.

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
November 27, 2020



S. Preston Douglas & Associates, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

**Independent Auditor's 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**

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Mount Olive's 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, 2020. The Town of Mount Olive's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion the Town of Mount Olive complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as an items 2020-003. Our opinion on each major federal program is not modified with respect to these matters.

The Town's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The Town of Mount Olive's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of his section and was not designed to identify all deficiencies in internal control over compliance 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 over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-003 that we consider to be a material weakness.

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
November 27, 2020

**Town of Mount Olive, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

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? X yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses yes X none reported
- Noncompliance material to financial statements X yes no

Federal Awards

Internal control over major federal programs

- Material weakness(es) identified? X yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses yes X no

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) X yes no

Identification of major federal programs:

<u>Names of Federal Program or Cluster</u>	<u>CFDA Numbers</u>
• Disaster Grants – Hurricane Florence	97.036

Dollar threshold used to distinguish between Type A And Type B programs \$750,000

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, 2020

Section II. Financial Statement Findings

MATERIAL WEAKNESS

Finding 2020-001	Material Noncompliance Excess of Expenditures over Appropriations
Criteria:	N.C. General Statute 159-8(a) states that all moneys received and expended by a local government should be included in the budget ordinance.
Condition:	The Town expended more than appropriated in the annual budget ordinance in multiple departments in the General Fund, Water and Sewer Fund, and the Municipal Airport Fund. The amount of expenditures that exceeded appropriations by department are presented in Note 2.
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 audit, 2019-002.
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 81.

Town of Mount Olive, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2020

Section II. Financial Statement Findings (continued)

MATERIAL WEAKNESS

Finding 2020-002 Material Journal Entries

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 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, 2020 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. This would decrease the accuracy and reliability of the financial information provided to the Town’s Board of Commissioners who require an accurate assessment of the Town’s financial position on a routine basis.

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 audit, 2019-006.

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

View of responsible officials and planned corrective actions: The Town agrees with this finding. Please refer to the corrective action plan on page 81.

Town of Mount Olive, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2020

Section III. Federal Award Findings and Questioned Costs

MATERIAL WEAKNESS/MATERIAL NONCOMPLIANCE

Finding: 2020-003	Financial Reporting and Record Keeping Over Federal Awards
Federal Program:	US Department of Homeland Security CFDA 97.036 Disaster Grants – Hurricane Florence
Criteria:	The Town must keep a viable set of financial records related to FEMA awards in the Town’s general ledger system.
Condition:	The Town did not record expenditures related to FEMA awards in separately identifiable accounts, and comingled expenditures with reimbursement revenues received from FEMA programs.
Effect:	By not properly recording the financial transactions of FEMA awards, the Town could not keep track of budgeted expenditures on a line item basis.
Cause:	Lack of management oversight and expertise in grant financial recording.
Repeat Finding:	This is not a repeat finding.
Recommendation:	We recommend that the Board implement procedures to ensure compliance with this regulation in future years and for management and financial officers to attend governmental continuing education trainings to gain the expertise needed.
View of responsible officials and planned corrective actions: The Town agrees with this finding. Please refer to the corrective action plan on page 81.	

Mayor Joseph Scott
Mayor Pro-Tempore Harlie Carmichal

Commissioner Vicky Darden
Commissioner Steve Wiggins
Commissioner Barbara Kornegay
Commissioner Dennis Draper



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Jammie Royall
Interim Town Manager
Kaye Anderson
Town Clerk

Corrective Action Plan For the Year Ended June 30, 2020

Section II. Financial Statement Findings

MATERIAL WEAKNESS

Finding 2020-001 Excess of Expenditures over Appropriations

Name of Contact Person: Kaye Anderson, Finance Officer

Corrective Action: The Town will monitor the budget and expenditures and make amendments accordingly.

Proposed Completion Date: The Town will implement the above procedures immediately.

Section III. Federal Award Finding and Questioned Costs

MATERIAL WEAKNESS/MATERIAL NONCOMPLIANCE

Finding 2020-002 Material Entries

Name of contact person: Kaye Anderson, Finance Officer

Corrective Action Town will make all necessary entries to update current fund accounting software system to correct the amounts and the Town will implement additional procedures to ensure all transactions in the future are properly entered into the Town's general ledger system.

Proposed Completion Date: The Town will implement the above procedures immediately.

MATERIAL WEAKNESS/MATERIAL NONCOMPLIANCE

Finding 2020-003 Financial Reporting and Record Keeping Over Federal Awards

Name of contact person: Kaye Anderson, Finance Officer

Corrective Action Town will implement all necessary controls and accounts to maintain proper recordkeeping over FEMA awards. Separately identifiable revenue and expenditure accounts will be created for future use of any FEMA related transactions.

Proposed Completion Date: The Town will implement the above procedures immediately.

Town of Mount Olive, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2020

Finding: 2019-001
Status: This finding has been corrected.

Finding: 2019-002
Status: This finding has not been corrected. The Town will monitor the budget and expenditures and make amendments accordingly.

Finding: 2019-003
Status: This finding has been corrected.

Finding: 2019-004
Status: This finding has been corrected. Duties are being separated as much as possible.

Finding: 2019-005
Status: This finding has been corrected.

Finding: 2019-006
Status: This finding has not been corrected. Town will make all necessary entries to update current fund accounting software system to correct the amounts and the Town will implement additional procedures to ensure all transactions in the future are properly entered into the Town's general ledger system.

Town of Mount Olive, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2020

Grantor/Pass-through Grant/Program Title	Federal CFDA Number	Award Number/State Pass-through Grantor's Number	Federal (Direct Pass- through) Expenditures	State Expenditures
FEDERAL GRANTS				
<u>US DEPARTMENT OF HOMELAND SECURITY</u>				
Disaster Grants - Hurricane Florence	97.036		\$ 783,521	\$ 261,174
<u>US DEPARTMENT OF TRANSPORTATION</u>				
Passed-through NC Department of Transportation Airport Improvement Program	20.106		227,894	-
Total Federal Assistance			1,011,415	261,174
STATE GRANTS				
<u>OFFICE OF STATE BUDGET & MANAGEMENT</u>				
Wastewater Treatment Grant Funds			-	212,565
<u>N.C. DEPARTMENT OF TRANSPORTATION</u>				
Powell Bill		DOT-4	-	92,779
Total State Assistance			-	305,344
Total Assistance			\$ 1,011,415	\$ 566,518

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 Mt. Olive under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. 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 Mt. Olive, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Mt. 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 Mt. Olive has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.