

**Town of Hope Mills  
Hope Mills, North Carolina  
Financial Statements  
June 30, 2015**

**Town of Hope Mills, North Carolina**

**City Council Members**

**Jacquelyn Warner, Mayor**  
**Robert Gorman, Mayor Pro Tem**  
**Edwin Deaver**  
**Patricia Deaver**  
**Patricia Edwards**  
**Jerry Lege**  
**Bryan Marley**

**Administrative and Financial Staff**

**John Ellis, Town Manager**  
**Ricky Ramey, Interim Finance Director**

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## FINANCIAL SECTION



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

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**Alan W. Thompson, CPA  
R. Bryon Scott, CPA  
Gregory S. Adams, CPA**

## Independent Auditors' Report

To the Honorable Mayor and  
Members of the Town Council  
Hope Mills, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hope Mills, North Carolina, as of and for the year then ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

**Members**

**American Institute of CPAs - N.C. Association of CPAs - AICPA Division of Firms**

## **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, each major fund, and the aggregate remaining fund information of the Town of Hope Mills, North Carolina as of June 30, 2015, and the respective changes in financial position 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 the Management's Discussion and Analysis, the Law Enforcement Officers Special Separation Allowance's and the Other Postemployment Benefits Schedules of Funding Progress and Schedules of Employer Contributions the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, and the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability 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 Hope Mills, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposed of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund 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 by us. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund statements, budgetary schedules, Schedule of Federal and State Awards, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2015 on our consideration of the Town of Hope Mills' 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 Hope Mills' internal control over financial reporting and compliance.

*Thompson, Rice, Scott, Adams & Co., P.A.*

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Whiteville, NC

November 17, 2015

## **Management's Discussion and Analysis**

As management of the Town of Hope Mills, we offer readers of the Town of Hope Mills' financial statements this narrative overview and analysis of the financial activities of the Town of Hope Mills for the fiscal year ended June 30, 2015. 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.

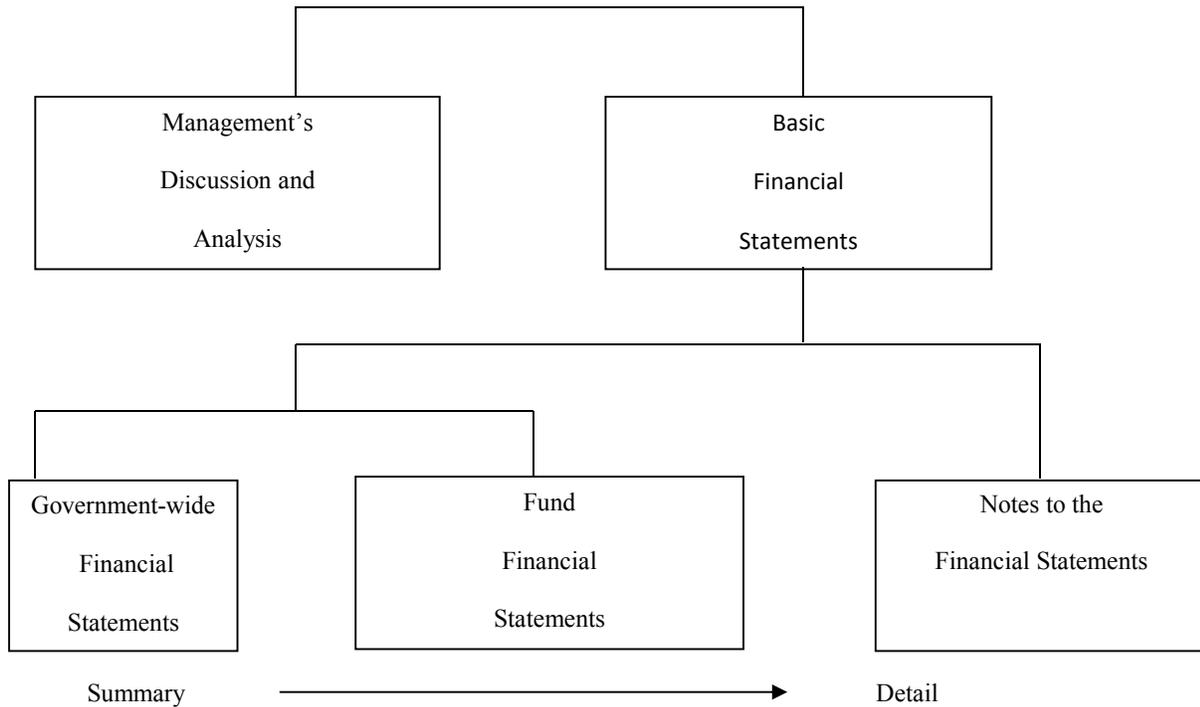
### **Financial Highlights**

- The assets and deferred outflows of resources of the Town of Hope Mills exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$37,105,025 (net position).
- The Town's total net position increased by \$10,849,042. This increase was made up of several factors: a current year increase of \$10,720,572, which included a liability settlement of \$9,442,816; a prior period adjustment of \$952,854 relating to capital assets that were expensed in previous years; and a restatement of fund balance that decreased net position by \$824,384 as a result of the implementation of GASB 68.
- As of the close of the current fiscal year, the Town of Hope Mills' governmental funds reported combined ending fund balances of \$18,650,006, an increase of \$9,443,601 in comparison with the prior year. Approximately 19.65 percent of this total amount, or \$3,664,480 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,664,480 or 31.83% of total general fund expenditures for the fiscal year.
- The Town of Hope Mills' total debt increased by \$464,789 (6.05%) during the current fiscal year. The key factors in this change were additional notes payable being issued to repair the dam which were offset by current year principal payments on various debts.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Town of Hope Mills' basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Hope Mills.

Required Components of Annual Financial Report  
Figure 1



**Basic Financial Statements**

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town’s financial status.

The next statements (Exhibits 3 through 6) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town’s government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show additional details about the Town’s individual funds. Budgetary information required by the 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 of Hope Mills’ finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town’s financial status as a whole.

The two government-wide statements report the Town’s net position and how they have changed. Net position is the difference between the Town’s total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town’s financial condition.

The government-wide statements for the Town of Hope Mills only has one category; governmental activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales tax and state and federal grant funds finance most of these activities.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

## **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Hope Mills, 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 North Carolina General Statutes or the Town's budget ordinance. All of the funds of the Town of Hope Mills are governmental funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Hope Mills adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town of Hope Mills has one fiduciary fund, which is an Agency fund.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit 10 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 Hope Mills' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found following the notes in 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 associates with U.. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

**Government-Wide Financial Analysis**

**Town of Hope Mills' Net Position  
Figure 2**

	Governmental Activities		Total	
	2015	2014	2015	2014
Current and other assets	\$ 19,857,315	\$ 10,167,835	\$ 19,857,315	\$ 10,167,835
Capital assets	30,432,090	27,430,855	30,432,090	27,430,855
Deferred outflows of resources	346,214	-	346,214	-
Total assets and deferred outflows of resources	50,635,619	37,598,690	50,289,405	37,598,690
Long-term liabilities outstanding	10,601,780	9,710,078	10,601,780	9,710,078
Other liabilities	1,406,757	1,571,689	1,406,757	1,571,689
Deferred inflows of resources	1,522,057	60,940	1,522,057	60,940
Total liabilities and deferred inflows of resources	13,530,594	11,342,707	13,530,594	11,281,767
Net position:				
Net investment in capital assets	22,290,398	19,753,952	22,290,398	19,753,952
Restricted	3,556,289	3,666,494	3,556,289	3,666,494
Unrestricted	11,258,338	2,835,537	11,258,338	2,835,537
Total net position	\$ 37,105,025	\$ 26,255,983	\$ 37,105,025	\$ 26,255,983

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Hope Mills exceeded liabilities and deferred inflows by \$37,105,025 as of June 30, 2015. The Town's net position increased by \$10,849,042 for the fiscal year ended June 30, 2015. However, the largest portion (60.07%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Hope Mills uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Hope Mills' net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$3,556,289, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11,258,338 is unrestricted. Also, the Town of Hope Mills implemented GASB Statement 68 this year. With the new reporting change, the Town has allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$824,384. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Hope Mills' management.

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

- Increases in property tax revenues.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.86%, which is comparable to the statewide average of 98.50%.

**Town of Hope Mills' Changes in Net Position**  
**Figure 3**

	<b>Governmental</b>		<b>Total</b>	
	<b>Activities</b>			
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Revenues:</b>				
Program revenues:				
Charges for services	\$ 2,082,016	\$ 2,135,456	\$ 2,082,016	\$ 2,135,456
Operating grants and contributions	426,219	421,986	426,219	421,986
Capital grants and contributions	377,781	-	377,781	-
General revenues:				
Property taxes	5,132,425	4,716,050	5,132,425	4,716,050
Other taxes	3,236,752	3,060,934	3,236,752	3,060,934
Grants and contributions not restricted to specific programs	739,514	590,050	739,514	590,050
Storm water assessments	659,291	653,469	659,291	653,469
Other	64,385	184,146	64,385	184,146
Total Revenues	<u>12,718,383</u>	<u>11,762,091</u>	<u>12,718,383</u>	<u>11,762,091</u>
<b>Expenses:</b>				
General government	1,926,535	2,007,641	1,926,535	2,007,641
Public safety	6,394,217	6,428,635	6,394,217	6,428,635
Transportation	739,921	972,815	739,921	972,815
Culture and recreation	1,025,403	1,346,779	1,025,403	1,346,779
Interest and long-term debt	231,048	121,716	231,048	121,716
Environmental protection	1,123,503	1,140,437	1,123,503	1,140,437
Total Expenses	<u>11,440,627</u>	<u>12,018,023</u>	<u>11,440,627</u>	<u>12,018,023</u>
Increases/(Decreases) in net position before transfers	1,277,756	(255,932)	1,277,756	(255,932)
Transfers	-	-	-	-
Extraordinary Items	9,442,816	-	9,442,816	-
Increase in net position	10,720,572	(255,932)	10,720,572	(255,932)
Net position, July 1	26,255,983	26,511,915	26,255,983	26,511,915
Net position, beginning, restated	26,384,453	26,511,915	26,384,453	26,511,915
Net position, June 30	<u>\$ 37,105,025</u>	<u>\$ 26,255,983</u>	<u>\$ 37,105,025</u>	<u>\$ 26,255,983</u>

**Governmental activities.** Governmental activities increased the Town's net position by \$10,720,572, thereby accounting for 100% of the total increase in net position of the Town of Hope Mills. Key elements of this increase are as follows:

- Total Revenues increase by 8.13% and total Expenses decreased by 4.81%.
- There was an extraordinary item in revenues. The Town collected legal settlements in the amount of \$9,442,816 during the current fiscal year.

## Financial Analysis of the Town's Funds

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

**Governmental Funds.** The focus of the Town of Hope Mills' governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Hope Mills' financing requirements.

The general fund is the chief operating fund of the Town of Hope Mills. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,664,480, while total fund balance reached \$7,933,982. The Town currently has an available fund balance of 31.83% of general fund expenditures, while total fund balance represents 68.91% of that same amount.

At June 30, 2015 the governmental funds of Town of Hope Mills reported a combined fund balance of \$18,650,006, with a net increase in fund balance of \$9,443,601. Included in this change in fund balance are increases in the fund balance in the General Fund, Stormwater Fund and Capital Projects Funds.

**General Fund Budgetary Highlights.** During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues were slightly less than the budgeted amounts. Expenditures were also less than the budgeted amounts. The combined result was a favorable budget variance.

## Capital Asset and Debt Administration

**Capital assets.** The Town of Hope Mills' investment in capital assets for its governmental as of June 30, 2015 totals \$30,432,090 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, infrastructure, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Purchases of vehicles and motorized equipment
- Various project expenditures
- Disposals of obsolete and damaged vehicles and motorized equipment

**Town of Hope Mills' Capital Assets  
(net of depreciation)  
Figure 4**

	Governmental Activities		Total	
	2015	2014	2015	2014
Land	\$ 607,712	\$ 607,712	\$ 607,712	\$ 607,712
Buildings and system	4,894,896	4,693,265	4,894,896	4,693,265
Improvements other than buildings	492,174	436,655	492,174	436,655
Machinery and equipment	54,131	21,741	54,131	21,741
Infrastructure	3,392,457	3,540,033	3,392,457	3,540,033
Vehicles and motorized equipment	2,746,310	1,592,633	2,746,310	1,592,633
Construction in progress	18,244,410	16,538,817	18,244,410	16,538,817
<b>Total</b>	<b>\$ 30,432,090</b>	<b>\$ 27,430,855</b>	<b>\$ 30,432,090</b>	<b>\$ 27,430,855</b>

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

## **Town of Hope Mills' Outstanding Debt Capital Leases and Installment Purchase Contracts**

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Hope Mills is \$79,670,281. The Town has no bonds authorized at June 30, 2015.

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

## **Economic Factors and Next Year's Budgets and Rates**

The Town of Hope Mills has continued to experience steady economic growth. The Town will have an estimated increase in property taxes of 1.28% from tax year 2014-15 to 2015-16.

## **Budget Highlights for the Fiscal Year Ending June 30, 2016**

### **Governmental Activities**

Overall budgeted revenues increased by 5.05 percent. The Town will use these increases in revenues to finance programs currently in place. The budget adopted for 2015-16 included no property tax increase with the tax rate remaining at \$0.46 per \$100 valuation

Budgeted expenditures in the General Fund are expected to increase approximately 4.81% to \$12,340,004.

### **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 Interim Director of Finance; Ricky Ramey, 5770 Rockfish Road, Hope Mills, NC 28348. You can also call (910) 424-4555, fax: (910) 424-4902, or email: [RRamey@townofhopemills.com](mailto:RRamey@townofhopemills.com), or visit our website: [www.townofhopemills.com](http://www.townofhopemills.com).

## BASIC FINANCIAL STATEMENTS

**Town of Hope Mills, North Carolina**  
**Statement of Net Position**  
**June 30, 2015**

	Governmental Activities	Total Primary Government
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 17,337,992	\$ 17,337,992
Receivables (net):		-
Taxes	84,554	84,554
Due from other governments	836,744	836,744
Accounts	85,928	85,928
Other accounts receivable	9,737	9,737
Restricted cash and cash equivalents	915,209	915,209
Total Current Assets	<u>19,270,164</u>	<u>19,270,164</u>
Non-current assets:		
Net pension asset	587,151	587,151
Capital Assets:		
Land, Non-depreciable Improvements, and Construction in Progress	18,852,122	18,852,122
Other Capital Assets, Net of Depreciation	11,579,968	11,579,968
Total Capital Assets	<u>30,432,090</u>	<u>30,432,090</u>
Total Assets	<u>50,289,405</u>	<u>49,702,254</u>
<b>Deferred Outflows of Resources</b>		
Contributions to pension plan in current fiscal year	346,214	346,214
Total deferred outflows of resources	<u>346,214</u>	<u>346,214</u>
<b>Liabilities</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	443,582	443,582
Accrued interest payable	153,825	153,825
Deposits	2,355	2,355
Current portion of long-term liabilities	806,995	806,995
Long-Term Liabilities:		
Due in more than one year	10,601,780	10,601,780
Total Liabilities	<u>12,008,537</u>	<u>12,008,537</u>
<b>Deferred Inflows of Resources</b>		
Prepaid taxes and license	77,181	77,181
Pension deferrals	1,444,876	1,444,876
Total deferred inflows of resources	<u>1,522,057</u>	<u>1,522,057</u>
<b>Net Position</b>		
Net Investment in Capital Assets	22,290,398	22,290,398
Restricted:		
Stabilization by State Statute	2,996,952	2,996,952
Streets	426,351	426,351
Cemetery perpetual care	32,936	32,936
Public Safety	100,050	100,050
Unrestricted	11,258,338	11,258,338
Total Net Position	<u>\$ 37,105,025</u>	<u>\$ 37,105,025</u>

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

**Town of Hope Mills, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Total
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 1,926,535	\$ 84,776	\$ -	\$ 377,781	\$ (1,463,978)	\$ (1,463,978)
Public safety	6,394,217	146,442	-	-	(6,247,775)	(6,247,775)
Transportation	739,921	-	426,219	-	(313,702)	(313,702)
Cultural and recreation	1,025,403	686,092	-	-	(339,311)	(339,311)
Environmental protection	1,123,503	1,164,706	-	-	41,203	41,203
Interest expense	231,048	-	-	-	-	-
Total governmental activities	11,440,627	2,082,016	426,219	377,781	(8,554,611)	(8,554,611)
Total primary government	\$ 11,440,627	\$ 2,082,016	\$ 426,219	\$ 377,781	(8,554,611)	(8,554,611)
General revenues:						
Taxes:						
Ad valorem taxes					5,132,425	5,132,425
Other taxes and licenses					3,236,752	3,236,752
Unrestricted intergovernmental					739,514	739,514
Stormwater assessments					659,291	659,291
Miscellaneous					65,639	65,639
Gain on Sale of Assets					(6,278)	(6,278)
Investment earnings					5,024	5,024
Extraordinary Item (See Extraordinary Event in Notes)					9,442,816	9,442,816
Total general revenues, transfers, and contributions					19,275,183	19,275,183
Change in net position					10,720,572	10,720,572
Net position, beginning, previously reported					26,255,983	26,255,983
Restatement					(824,384)	(824,384)
Prior Period Adjustment					952,854	952,854
Net position, beginning, restated					26,384,453	26,384,453
Net position, ending					\$ 37,105,025	\$ 37,105,025

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

**Town of Hope Mills, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	Major Fund		Total Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Stormwater Fund		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,379,634	\$ 1,748,788	\$ 10,209,570	\$ 17,337,992
Restricted cash	615,392	-	299,817	915,209
Receivables, net:				
Taxes	84,554	-	-	84,554
Accounts	83,178	2,750	-	85,928
Due from other governments	726,042	2,194	108,508	836,744
Due from other funds	2,208,060	-	-	2,208,060
Total assets	<u>\$ 9,096,860</u>	<u>\$ 1,753,732</u>	<u>\$ 10,617,895</u>	<u>\$ 21,468,487</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 289,093	\$ 8,551	\$ 145,938	\$ 443,582
Due to other funds	709,695	487,946	1,010,419	2,208,060
Deposits	2,355	-	-	2,355
Total liabilities	<u>1,001,143</u>	<u>496,497</u>	<u>1,156,357</u>	<u>2,653,997</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes receivable	84,554	-	-	84,554
Stormwater receivable	-	2,749	-	2,749
Prepaid license and fees	77,181	-	-	77,181
Total deferred inflows of resources	<u>161,735</u>	<u>2,749</u>	<u>-</u>	<u>164,484</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Perpetual maintenance	-	-	32,936	32,936
Restricted:				
Stabilization by State Statute	2,996,952	-	-	2,996,952
Public Safety	-	-	100,050	100,050
Streets	426,351	-	-	426,351
Committed				
Stormwater System	-	1,254,486	-	1,254,486
Capital projects	-	-	9,328,552	9,328,552
Assigned:				
Subsequent year's expenditures	651,463	-	-	651,463
Other Funds	193,191	-	-	193,191
Public Safety	1,545	-	-	1,545
Unassigned	3,664,480	-	-	3,664,480
Total fund balances	<u>7,933,982</u>	<u>1,254,486</u>	<u>9,461,538</u>	<u>18,650,006</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,096,860</u>	<u>\$ 1,753,732</u>	<u>\$ 10,617,895</u>	<u>\$ 21,468,487</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total Fund Balances - Governmental Funds	\$ 18,650,006
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	30,432,090
Net pension asset	587,151
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	346,214
Pension related deferrals	(1,444,876)
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	9,737
Liabilities for earned revenues considered deferred inflows of resources in the fund statements.	87,303
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	<u>(11,562,600)</u>
Net position of governmental activities	<u>\$ 37,105,025</u>

**Town of Hope Mills, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	Major Fund		Total Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Stormwater Fund		
<b>REVENUES</b>				
Ad valorem taxes	\$ 5,156,618	\$ -	\$ -	\$ 5,156,618
Other taxes and licenses	567,514	-	-	567,514
Unrestricted intergovernmental	3,973,507	-	-	3,973,507
Restricted intergovernmental	441,859	-	-	441,859
Permits and fees	196,502	659,291	-	855,793
Sales and services	1,321,993	-	-	1,321,993
Contribution/Grant Proceeds	-	-	-	-
Investment earnings	4,678	305	41	5,024
Miscellaneous	25,108	1,172	22,721	49,001
Total revenues	<u>\$ 11,687,779</u>	<u>\$ 660,768</u>	<u>\$ 22,762</u>	<u>\$ 12,371,309</u>
<b>EXPENDITURES</b>				
Current:				
General government	\$ 1,792,430	\$ -	\$ 2,890	\$ 1,795,320
Public safety	6,215,096	-	-	6,215,096
Transportation	610,383	-	-	610,383
Cultural and recreational	1,292,820	-	-	1,292,820
Environmental protection	831,367	221,164	-	1,052,531
Capital Outlay	-	-	1,679,306	1,679,306
Debt Service:				
Principal	599,396	97,885	-	697,281
Interest & other charges	171,413	18,444	-	189,857
Total expenditures	<u>\$ 11,512,905</u>	<u>\$ 337,493</u>	<u>\$ 1,682,196</u>	<u>\$ 13,532,594</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 174,874</u>	<u>\$ 323,275</u>	<u>\$ (1,659,434)</u>	<u>\$ (1,161,285)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from/to other funds	\$ -	\$ -	\$ -	\$ -
Proceeds from installment financing	313,000	-	849,070	1,162,070
Legal Settlements	42,816	-	9,400,000	9,442,816
Total other financing sources (uses)	<u>\$ 355,816</u>	<u>\$ -</u>	<u>\$ 10,249,070</u>	<u>\$ 10,604,886</u>
Net change in fund balance	\$ 530,690	\$ 323,275	\$ 8,589,636	\$ 9,443,601
Fund balances, beginning	7,403,292	931,211	871,902	9,206,405
Fund balances, ending	<u>\$ 7,933,982</u>	<u>\$ 1,254,486</u>	<u>\$ 9,461,538</u>	<u>\$ 18,650,006</u>

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

**Town of Hope Mills, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2015**

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

Net changes in fund balances - total governmental funds		\$ 9,443,601
<p>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</p>		
Capital outlay expenditures which were capitalized	2,595,456	
Gain on Disposed Property	(6,278)	
Depreciation expense for governmental assets	<u>(918,578)</u>	1,670,600
The Town received donated Buildings and Equipment that were not required to be recorded on the fund statements.		377,781
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		346,214
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in deferred revenue for taxes	(20,331)	
Change in other deferred revenue	(235)	
Change in accrued interest receivable	<u>(3,862)</u>	(24,428)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	(1,162,070)	
Principal payments on long-term debt	697,281	
(Increase) / decrease in accrued interest payable	<u>(41,191)</u>	(505,980)
<p>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.</p>		
Compensated absences	(84,333)	
Pension expense	(33,341)	
Other Post Employment Benefits	(427,419)	
Net pension obligation	<u>(42,123)</u>	(587,216)
Total changes in net position of governmental activities		<u><u>\$ 10,720,572</u></u>

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

**Town of Hope Mills, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2015**

	General Fund			Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad Valorem Taxes	\$ 5,099,725	\$ 5,041,725	\$ 5,156,618	\$ 114,893
Other Taxes and Licenses	605,160	605,160	567,514	(37,646)
Unrestricted Intergovernmental	3,634,874	3,665,197	3,973,507	308,310
Restricted Intergovernmental	435,398	449,630	441,859	(7,771)
Permits and Fees	200,030	258,000	196,502	(61,498)
Sales and Services	1,298,523	1,300,900	1,321,993	21,093
Investment Earnings	2,070	3,570	4,678	1,108
Other Revenue	40,900	551,711	25,108	(526,603)
Total Revenues	<u>11,316,680</u>	<u>11,875,893</u>	<u>11,687,779</u>	<u>(188,114)</u>
Expenditures:				
Current:				
General Government	2,211,494	2,257,416	1,792,430	464,986
Public Safety	6,167,060	6,732,256	6,215,096	517,160
Transportation	815,348	818,976	610,383	208,593
Cultural and Recreational	1,451,274	2,074,441	1,292,820	781,621
Environmental Protection	860,371	887,054	831,367	55,687
Debt Service:				
Principal Retirement	770,809	599,396	599,396	-
Interest and Other Charges	-	171,413	171,413	-
Total Expenditures	<u>12,276,356</u>	<u>13,540,952</u>	<u>11,512,905</u>	<u>2,028,047</u>
Revenues Over (Under) Expenditures	<u>(959,676)</u>	<u>(1,665,059)</u>	<u>174,874</u>	<u>1,839,933</u>
Other Financing Sources (Uses):				
Sale of fixed assets and insurance recovery	-	23,950	42,816	18,866
Proceeds from installment financing	455,943	491,843	313,000	(178,843)
Transfers In (Out)	-	-	-	-
Contingency	-	-	-	-
Appropriated Fund Balance	503,733	1,149,266	-	(1,149,266)
Total Other Financing Sources (Uses)	<u>959,676</u>	<u>1,665,059</u>	<u>355,816</u>	<u>(1,309,243)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	530,690	<u>\$ 530,690</u>
Fund Balances, Beginning of Year			7,403,292	
Fund Balances, End of Year			<u>\$ 7,933,982</u>	

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

**Town of Hope Mills, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2015**

**I. Description of Unit**

The Town of Hope Mills was incorporated on March 5, 1891. It is located in Cumberland County in the southeastern area of the state and has estimated population of 16,248. The Town maintains its own police and fire departments and its own street and sanitation operations.

**Summary of Significant Accounting Policies**

The accounting policies of the Town of Hope Mills, North Carolina ("the Town") 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 Hope Mills is a municipal corporation that is governed by an elected mayor and a five-member Board of Alderman. As required by generally accepted accounting principles, these financial statements include all funds, account groups, agencies, boards, commissions and authorities that are controlled by or are financially dependent upon the Town.

**B. Basis of Presentation**

*Government-wide Statements* : The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements* : The fund financial statements provide information about the Town's funds, including fiduciary fund. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. 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 fund:

**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 and State-shared revenues. The primary expenditures are for public safety, general government services and street maintenance.

**Storm Water Fund.** This fund is used to account of for the Town's storm water assessment fees.

The Town reports the following non-major governmental funds:

**Capital Reserve Fund.** This fund is used to account for the accumulation of resources for a new fire station.

**Hope Mills Lake Dam Capital Project Fund.** This fund is used to account for the construction of a new dam and bridge at the Hope Mills Lake.

**Parks and Recreation Special Revenue Fund.** This fund is used to account for the receipt and related disbursements of certain funds.

**Archer Road Project Fund.** This fund is used to account for improvements to the Town's storm water drainage system.

**Thompson Circle Project Fund.** This fund is used to account for improvements to the Town's storm water drainage system.

**Town Hall Project Fund.** This fund is used to account for improvements to the Town's storm water drainage system.

**Labonte/Wiggins Project Fund.** This fund is used to account for improvements to the Town's storm water drainage system.

**Cemetery Permanent Fund.** This fund is used to account for perpetual care of the municipal cemetery.

The Town has no enterprise funds:

### 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 Financial Statements* . The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements* . Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Hope Mills because the tax is levied by Cumberland County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Storm Water Special Revenue Fund and the Cemetery Permanent Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Town Manager is authorized to transfer appropriations within a department; however, revisions that alter total expenditures of any department or fund must be approved by the governing board.

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; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, 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

Town of Hope Mills Restricted Cash

Governmental Activities		
General Fund	Streets	\$ 615,392
Non-major Governmental Funds	Archer Road Project	299,817
Total Restricted Cash		<u>\$ 915,209</u>

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2014. The Town does not offer a discount for the early payment of property taxes.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventories

Inventories are maintained for all enterprise fund materials and supplies held for subsequent use. The inventories are valued at the lower of cost or market (first-in, first-out method), and the cost is expensed when consumed rather than when purchased. There are currently no funds with inventory as of June 30, 2015.

## 7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. 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 are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the Town are depreciated on a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (in Years)</u>
Infrastructure	10 to 50
Buildings	50
Other Improvements	10 to 20
Furniture and Equipment	5 to 20
Computer Equipment	3
Vehicles	6

## 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 no item that meets this criterion, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

## 9. Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

## 10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide funds, an expense is recorded and a liability for compensated absences and the salary-related payments are recorded within those funds 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 sick leave policy of the Town provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of the length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the Town.

## 11. Net Position/Fund Balance

### Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represent 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.

Perpetual maintenance - Cemetery resources that are required to be retained in perpetuity for maintenance of the Town of Hope Mills Cemetery.

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

Restricted for Stabilization by State Statute - portion of fund balance not available for appropriation under State law [G.S. 159-8(a)].

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

Restricted for Public Safety - portion of fund balance that is restricted by revenue source for certain law enforcement expenditures.

**Committed Fund Balance** - portion of fund balance that can only be used for specific purpose imposed by majority vote of Town of Hope Mills' governing body (highest level of decision-making authority). 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.

Committed for Parks and Recreation - portion of fund balance assigned by the Board for development of parks and recreation property.

Committed for Stormwater system - portion of fund balance assigned by the Board of operation and development of the Town's stormwater system.

Committed for Capital projects - the fund balance of the Town's various capital project funds.

**Assigned Fund Balance** - portion of fund balance that the Town of Hope Mills intends to use for specific purposes.

Assigned for Cultural and Recreation - portion of fund balance that has been budgeted by the Board for improvement of the towns' recreation facilities.

Assigned for capital improvement - portion of fund balance assigned by the Board of Commissioners for capital expenditures.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to 10% of any department's appropriation.

**Unassigned Fund Balance** - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town of Hope Mills does not have a formal revenue spending policy for programs with multiple revenue sources.

The Town of Hope Mills has not adopted a minimum fund balance policy for the general fund.

## 12. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows or 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 Hope Mills' employer contributions are recognized when due and the Town of Hope Mills 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.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## II. Stewardship, Compliance, and Accountability

There were no findings of violations or noncompliance with North Carolina General Statutes.

**III. Detail Notes on All Funds**

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in their name. 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 a policy regarding custodial credit risk for deposits. 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, 2015, the Town's deposits had a carrying amount of \$1,195,082 and a bank balance of \$1,435,498. Of the bank balance, \$350,300 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount includes \$1,200 cash on hand.

2. Investments

At June 30, 2015 the Town of Hope Mills had \$17,058,119 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried rating of AAAM by Standard & Pools. The Town has no policy regarding credit risk.

*Interest Rate Risk.* The Town does not have a formal investment policy.

3. Receivables – Allowances for Doubtful Accounts

The amount presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>June 30, 2015</u>
General Fund:	
Taxes Receivable	\$ 60,978
Accounts Receivable	55,811
Total	<u>\$ 116,789</u>

#### 4. Capital Assets

##### Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Adjustments	Ending Balances
<b>Governmental Activities:</b>						
Capital assets not being depreciated:						
Land	\$ 607,712	\$ -	\$ -	\$ -	\$ -	\$ 607,712
Construction in Progress	16,538,817	1,705,593	-	-	-	18,244,410
Total capital assets not depreciated	17,146,529	1,705,593	-	-	-	18,852,122
Capital assets being depreciated:						
Buildings	6,314,912	376,606	-	-	-	6,691,518
Other Improvements	1,146,769	85,754	(17,960)	-	-	1,214,563
Equipment	1,440,928	79,259	(104,762)	-	-	1,415,425
Vehicles and motorized equipment	5,572,778	726,024	(35,994)	-	952,854	7,215,662
Infrastructure	5,000,707	-	-	-	-	5,000,707
Total capital assets being depreciated	19,476,094	1,267,643	(158,716)	-	952,854	21,537,875
Less accumulated depreciation for:						
Buildings	1,621,647	174,975	-	-	-	1,796,622
Other Improvements	710,114	30,226	(17,951)	-	-	722,389
Equipment	1,419,187	46,869	(104,762)	-	-	1,361,294
Vehicles and motorized equipment	3,980,145	518,932	(29,725)	-	-	4,469,352
Infrastructure	1,460,674	147,576	-	-	-	1,608,250
Total accumulated depreciation	9,191,767	918,578	(152,438)	-	-	9,957,907
Total capital assets being depreciated, net	10,284,327	349,065	(6,278)	-	952,854	11,579,968
Governmental activities capital assets, net	\$ 27,430,856	\$ 2,054,658	\$ (6,278)	\$ -	\$ 952,854	\$ 30,432,090

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

General Government	\$ 103,506
Public Safety	413,601
Transportation	201,728
Environmental Protection	74,057
Cultural and Recreational	125,686
Total Depreciation Expense	<u>\$ 918,578</u>

#### B. Liabilities

##### 1. Pension Plan and Postemployment Obligations

###### a. Local Governmental Employees' Retirement System

*Plan Description.* The Town of Hope Mills 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, or by calling (919) 981-5454, or at [www.osc.nc.gov](http://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 of 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 1 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 Hope Mills 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 Hope Mills' contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, 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 Hope Mills were \$346,214 for the year ended June 30, 2015.

*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, 2015, the Town reported an asset of \$587,151 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Town's proportion was 0.09956%, which was an increase of 4.8% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$ 33,341. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 64,156
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,366,875
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	13,845
Town contributions subsequent to the measurement date	346,214	
Total	<u>\$ 346,214</u>	<u>\$ 1,444,876</u>

\$346,214 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, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2016	\$ (361,268)
2017	(361,268)
2018	(361,268)
2019	(361,072)
2020	-
Thereafter	-

*Actuarial Assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.0 percent
Salary Increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of 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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income expectations of forward yields projected and interpolated for multiple tenor 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 for each major asset class as of June 30, 2014 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	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

The new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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

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

	<u>1% Decrease</u> <u>(6.25%)</u>	<u>Discount</u> <u>Rate</u> <u>(7.25%)</u>	<u>1% Increase</u> <u>(8-25%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 1,993,046	\$ (587,151)	\$(2,759,594)

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

**b. Law Enforcement Officers Special Separation Allowance**

*1. Plan Description.*

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

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>41</u>
Total	<u><u>41</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 I GASB Statements 67 and 68:

- \* contributions to the pension plan and earning on those contributions are irrevocable
- \* pension plan assets are dedicated to providing benefits to plan members
- \* pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator and plan members.

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

*3. Contributions.*

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

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Item (b) included an inflation component of 3.0%. The assumptions did not include post retirement benefit increases.

*Annual Pension Cost and Net Pension Obligation.* The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 49,319
Interest on net pension obligation	10,436
Adjustment to annual required contribution	<u>(17,632)</u>
Annual pension cost	\$ 42,123
Contributions made	<u>-</u>
Increase (decrease) in net pension obligation	\$ 42,123
Net pension obligation beginning of year	<u>208,721</u>
Net pension obligation end of year	<u>\$ 250,844</u>

Three Year Trend Information

For Year Ended <u>June 30</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2015	\$ 42,123	0.00%	\$ 250,844
2014	35,931	0.00%	208,721
2013	38,085	13.33%	172,790

*4. Funded Status and Funding Progress.*

As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$318,399. The covered payroll (annual payroll of active employees covered by the plan) was \$1,660,559, and the ratio of the UAAL to the covered payroll was 19.17 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

*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, 2015 were \$108,981, which consisted of \$82,717 from the Town and \$26,264 from the law enforcement officers.

d. Firefighter's and Rescue Squad Workers' Pension Fund

*Plan Description.* The State of North Carolina contributes, on behalf of the Town of Hope Mills, to the Firefighter's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 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 Firefighter's and Rescue Squad Workers' Pension Fund 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 the Firefighter's and Rescue Squad Workers' Pension Fund. 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.

*Benefits Provided.* FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of member who die before beginning to receive the benefit will receive the amount paid by the member and contribution paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

*Contributions.* Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the Fund. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly.

*Refunds of Contributions* - Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2015, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$22,066. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 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 contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2014 and at June 30, 2013 was 0%.

For the year ended June 30, 2015, the Town recognized pension expense of \$8,296 and revenue of \$8,296 for support provided by the State. At June 30, 2015, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

*Actuarial Assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy refer to the discussion of actuarial assumption for the LGERS plan in Section a. of this note.

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

*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.

e. Supplemental Retirement Income Plan for Non Law Enforcement Employees

*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 non law enforcement employees of the Town.

*Funding Policy.* The Town's plan requires it to contribute each month an amount equal to two percent of each eligible employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$151,432, which consisted of \$92,620 from the Town and \$58,812 from the employees.

f. Other Postemployment Benefit

1 Healthcare Benefits

*Plan Description.* According to a Town resolution, the Town provides post-retirement health care benefits to retirees of the Town, provided they participate in the North Carolina Local Government Employees' Retirement System, are 55 years of age and have completed 10 consecutive years of employment with the Town or any age and having completed 30 years of employment. Health coverage will also be extended to employees retiring due to medical disability, providing they have at least fifteen (15) years of service. The Town pays the full cost of health care insurance for the retiree until such time as the retiree becomes eligible for Medicare. Beginning at that time, the Town will thereafter provide Medicare Supplemental Insurance. The Town board may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	5	5
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	72	36
Total	77	41

*Funding Policy.* The Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a Town resolution that can be amended by Town board. The retirees pay the full cost for any elected dependent coverage. The Town has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 11.14% of annual covered payroll. For the current year, the Town contributed \$49,273 or 1.16% of annual covered payroll. The Town obtains healthcare coverage through private insurers. The Town's required contributions, under a Town resolution, for employees not engaged in law enforcement and for law enforcement officers represented 1.16% and 1.16% of covered payroll, respectively.

*Summary of Significant Accounting Policies.* Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administrative costs. These expenditures are paid as they come due.

*Annual OPEB Cost and Net OPEB Obligation.* The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on *annual required contribution of the employer* (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 474,034
Interest on net OPEB obligation	59,475
Adjustment to annual required contribution	<u>(56,817)</u>
Annual OPEB cost (expense)	476,692
Contributions made	<u>(49,273)</u>
Increase (decrease) in net OPEB obligation	427,419
Net OPEB obligation, beginning of year	1,886,450
Net OPEB obligation, end of year	<u><u>\$ 2,313,869</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2015 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	476,692	10.34%	\$ 2,313,869
2014	476,692	16.20%	\$ 1,886,450
2013	462,167	13.20%	\$ 1,486,882

*Funding Status and Funding Progress.* As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits, and thus, the unfunded actuarial accrued liability (UAAL) was \$4,266,721. The covered payroll (annual payroll of active employees covered by the plan) was \$4,256,646, and the ratio of the UAAL to the covered payroll was 100.2 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2013, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of pay on an open basis. The remaining amortization period at December 31, 2013, was 30 years.

## 2. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-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 \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

## 3. Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	<u>\$ 346,214</u>

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

Property taxes receivable (General Fund)	\$ 84,554
Stormwater Receivable (Stormwater Fund)	2,749
Prepaid Taxes and Licenses	77,181
Pension deferrals	1,444,876
Total	<u>\$ 1,609,360</u>

Total

## 4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in 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 \$2 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$1 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property liability in excess of \$500,000 and \$300,000 statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000.

The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town has had 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's insurance policy contains a flood coverage endorsement for buildings and their contents within certain specified eligible areas as determined by the National Flood Insurance Program. Coverage is limited to \$2,500,000 per occurrence with a deductible per occurrence of \$50,000 and an annual aggregate limit of \$2,500,000.

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 \$135,000 and the tax collector is bonded for \$25,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

## 5. Claims, Judgments and Contingent Liabilities

At June 30, 2015, the Town was a plaintiff in a two lawsuits. One lawsuit involves alleged discrimination with regard to non-selection for promotion. An agreement has been reached to settle for \$12,500. The other lawsuit seeks a refund of privilege licenses paid. According to the Town's attorney, it is too soon to accurately say whether the Tow should vigorously contest the case or seek an out-of-court settlement.

While there are a couple of other matters of concern, they are not thought to be material at this time.

6. Long-Term Obligations

a. Installment Purchases

On August 7, 2007 the Town executed a loan with Branch Banking and Trust Company in the amount of \$4,000,000, to provide funds to finance the construction of a dam. The loan is to be repaid over a period of 15 years with interest at a rate of 3.97% with payments commencing on August 7, 2009. This loan was refinanced with Capital Bank in July 2013, in the amount of \$4,100,000. This loan is to be repaid over a period of 11 years with interest at a rate of 2.92% with annual payments commencing on July 23, 2014, in the amount of \$372,727 plus interest.

On March 14, 2013 the Town executed a loan with BB&T in the amount of \$250,000 to provide funds to purchase various vehicles and equipment. The loan is to be repaid over a period of five years with interest at a rate of 1.94% with annual payments of \$52,947.

On December 19, 2013, the Town executed a loan with BB&T in the amount of \$800,000, to finance vehicles and equipment. The loan is to be repaid over a period of 10 years with interest rate of 2.46% with annual payments commencing on December 19, 2014, in the amount of \$91,218, including interest.

On January 7, 2014, the Town executed a non revolving line of credit loan with First South Bank in the amount of \$1,375,000, to finance fire trucks and equipment. The loan is to be repaid over a period of 120 months with interest rate of 2.249%.

On February 18, 2014, the Town executed a loan with BB&T in the amount of \$1,200,000, to finance the Archer Road Stormwater Project. The loan is to be repaid over a period of 15 years with interest rate of 3.18% with semi-annual payments commencing on August 1, 2014, in the amount of \$40,000, plus interest.

On October 30, 2014, the Town executed a loan with Capital Bank NA in the amount of \$313,000, to finance the purchase of vehicles and equipment. The loan is to be repaid over a period of 5 years with annual payments in the amount of \$66,305, including interest at 1.92%. The first payment is due on October 30, 2015 and the final payment in the amount of \$66,202 is due on October 30, 2019.

On April 12, 2015, the Town executed a loan with NCDENR in the amount of \$879,270, for the Stormwater Town Hall Project. The loan is to be repaid over a period of 20 years with annual payments of principle in the amount of \$43,964 (interest at 0%). The first payment is due on May 1, 2016 and the final payment is due on May 1, 2035.

Annual debt service payments of the installment purchases as of June 30, 2015, including \$1,129,505 of interest, are as follows:

<u>Year ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 806,995	\$ 200,833
2017	813,747	180,774
2018	820,818	159,852
2019	775,014	139,130
2020	781,290	119,172
2021-2025	3,414,394	306,848
2026-2030	539,818	22,896
2031-2035	219,816	-
	<u>8,171,892</u>	<u>1,129,505</u>

**b. Changes in Long-Term Liabilities**

The following is a summary of changes in the Town's long-term obligations as of June 30, 2015:

Governmental activities:

	Balance			Balance June 30, 2015	Current Portion of Balance
	July 1, 2014	Increases	Decreases		
Installment purchase	\$ 7,676,903	\$ 1,162,070	\$ 697,281	\$ 8,141,692	\$ 806,995
Capitalized lease	-			-	-
Compensated absences	618,037	84,333	-	702,370	-
Other postemployment benefits	1,886,450	427,419		2,313,869	-
Net pension liability (LGERS)	1,145,115	-	1,145,115	-	-
Net pension obligation	208,721	42,123		250,844	-
Governmental activity long term liabilities	<u>\$ 11,535,226</u>	<u>\$ 1,715,945</u>	<u>\$ 1,842,396</u>	<u>\$ 11,408,775</u>	<u>\$ 806,995</u>

At June 30, 2015 the Town of Hope Mills had no bonds authorized and a legal debt margin of \$79,670,281.

**C. Interfund Balances and Activity**

Balances due to/from other funds at June 30, 2015, represent miscellaneous amounts advanced and consists of the following:

Due to the General Fund for advance made to the: Capital Project Funds	2,635,453
Due to the General Fund for advance made to the: Agency Fund	32,726
Due to the General Fund for advance made to the: Special Revenues	1,029
Due to the General Fund for advance made to the: Powell Bill	479,255
Due to the Powell Bill Fund for advance made to the: Other Funds	<u>325,440</u>
Total	<u>\$ 3,473,903</u>

There were no Transfers to/from other funds at June 30, 2015.

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various programs.

**D. Extraordinary Event**

On June 17, 2010 the Town experienced a breach and failure of the Hope Mills Lake Dam. The Town was a plaintiff in a lawsuits regarding the dam construction. As of September 2014, the Town settled the lawsuit regarding the dam construction. The Town was awarded a settlement of \$9,400,000.00.

**E. On behalf Payments for Fringe Benefits and Salaries**

The Town recognized as a revenue and an expenditure, on-behalf payments for fringe benefits and salaries of \$8,296 for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2015. Under State law the local board of trustees for the Fund receives an amount each year which the board may use at its own discretion for eligible firemen for their departments.

F. Fund Balance

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

<b>Total fund balance - General Fund</b>	<b><u>\$ 7,933,982</u></b>
Less:	
Stabilization by State Statute	2,996,952
Streets - Powell Bill	426,351
Public Safety	1,545
Appropriated Fund Balance in 2015 budget	651,463
Parks and Recreation	193,191
Remaining Fund Balance	3,664,480

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

	<u>General Fund</u>		<u>Non-Major Fund</u>	
Encumbrances	\$	-	\$	-

G. Prior Period Adjustment

Two fire department trucks were purchased in the prior year, but did not get added to the fixed assets schedules. The assets have been added to capita assets and the prior period adjustment in the amount of \$952,854 is reflected on Exhibit 2.

IV. Joint Ventures

The Town of Hope Mills and the members of the Town's fire department each appoint two members to the five member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightening insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for fringe benefits made to eligible members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2015, the Town reported revenues and expenditures for the payments of \$8,296, made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2015. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Street, Suite 401, Raleigh, North Carolina 27603.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under each applicable grant agreement. Such audits could result in refund of grant monies to the grantor agency. 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.

VI. Significant Effects of Subsequent Events

The Hope Mills Board of Commissioners at a special Board meeting on March 12, 2015 approved a Design/Build contract between the Town and ASI Constructors, Inc. The contract is for the design and construction of Hope Mills Dam #1 and to restore Hope Mills Lake. The new dam will replace the dam that failed in 2010. On October 30, 2015, the Town and ASI Constructors, Inc. agreed on a guaranteed maximum price for the services under this contract of \$8,791,198.

VII. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, Accounting and financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental-type activities decreased by \$824,384.

## Required Supplementary Financial Data

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

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- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.
- Notes to the Required Schedules from the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Funding Progress for the Other Post Employment Benefits.
- Schedule of Employer Contributions for the Other Post Employment Benefits.
- Notes to the Required Schedules for the Other Post Employment Benefits
- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Proportions Share of Net Pension Liability for Firefighters' and Rescue Squad Workers' Pension Plan

**Town of Hope Mills, North Carolina**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**Schedule of Funding Progress**

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/2009	-	\$ 311,859	\$ 311,859	0.00%	\$ 1,165,947	26.75%
12/31/2010	-	286,459	286,459	0.00%	1,246,395	22.98%
12/31/2011	-	257,729	257,729	0.00%	1,346,434	19.14%
12/31/2012	-	258,522	258,522	0.00%	1,388,243	18.62%
12/31/2013	-	280,908	280,908	0.00%	1,444,463	19.45%
12/31/2014	-	318,399	318,399	0.00%	1,660,559	19.17%

**Town of Hope Mills, North Carolina**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**Schedule of Employer Contributions**

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Year Ended June 30,	Annual Pension Cost	Percentage Contributed
2010	\$ 25,995	72.64%
2011	41,012	46.05%
2012	39,188	41.38%
2013	38,085	13.33%
2014	35,931	0.00%
2015	42,123	0.00%

**Notes to the required schedules:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations follows:

Valuation date	December 31, 2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return *	5.00%
Projected salary increases *	4.25% - 7.85%
Cost of living adjustments	N/A
* Includes inflation at	3.00%

**Town of Hope Mills, North Carolina**  
**Other Post Employment Benefits**  
**Required Supplementary Information**  
**Schedule of Funding Progress**

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/2006	\$ -	\$ 4,149,730	\$ 4,149,730	0.00%	\$ 3,722,930	111.46%
12/31/2007	-	2,766,835	2,766,835	0.00%	3,668,838	75.41%
12/31/2009	-	3,560,027	3,560,027	0.00%	3,841,337	92.68%
12/31/2011	-	3,588,663	3,588,663	0.00%	3,886,807	92.33%
12/31/2013	-	4,266,721	4,266,721	0.00%	4,256,646	100.24%

**Town of Hope Mills, North Carolina  
Other Post Employment Benefits  
Required Supplementary Information  
Schedule of Employer Contributions**

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Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2013	462,167	13.2%
2014	476,692	16.2%
2015	476,692	10.34%

**Notes to the required schedules:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuation follows:

Valuation date	December 31, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return *	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	7.75% - 5.00%
Post-Medicare trend rate	5.75% - 5.00%
Year of ultimate trend rate	2019
* Includes inflation at	3.00%

**Town of Hope Mills, North Carolina**  
**Town of Hope Mills' Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Two Fiscal Years\***

<b>Local Government Employees' Retirement System</b>		
	<u><b>2015</b></u>	<u><b>2014</b></u>
Hope Mills' proportion of the net pension liability (asset) (%)	0.09956%	0.09500%
Hope Mills' proportion of the net pension liability (asset) (\$)	\$ (587,151)	\$ 1,145,115
Hope Mills' covered-employee payroll	\$ 4,781,992	\$ 4,007,068
Hope Mills' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-12%	29%
Plan fiduciary net position as a percentage of the total pension liability**	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 Hope Mills, North Carolina**  
**Town of Hope Mills' Contributions**  
**Required Supplementary Information**  
**Last Two Fiscal Years**

<b>Local Government Employees' Retirement System</b>		
	<u><b>2015</b></u>	<u><b>2014</b></u>
Contractually required contribution	\$ 346,214	\$ 320,731
Contributions in relation to the contractually required contribution	346,214	320,731
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Hope Mills; covered-employee payroll	\$ 4,781,992	\$ 4,007,068
Contributions as a percentage of covered-employee payroll	7.24%	8.00%

**Town of Hope Mills, North Carolina**  
**Town of Hope Mills' Share of Net Pension Liability**  
**Required Supplementary Information**  
**Last Fiscal Year\***

	<u>2015</u>
Hope Mills' proportionate share of the net pension liability (%)	0.0000%
Hope Mills' proportionate share of the net pension liability (\$)	\$ -
State's proportionate share of the net pension liability associated with the Town of Hope Mills	22,066
Total	<u>22,066</u>
Hope Mills' covered-employee payroll	\$ 1,126,508
Hope Mills' proportionate share of the net pension liability as a percentage of its covered-employee payroll	1.96%
Plan fiduciary net position as a percentage of the total pension liability	93.42%

\* The amounts presented for the fiscal year ending June 30, 2015 were determined as of June 30, 2014.

## SUPPLEMENTARY STATEMENTS

Individual Fund Statements and Schedules

## GENERAL FUND

**Hope Mills, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)**

	2015		Variance Favorable (Unfavorable)	2014
	Budget	Actual		Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes	\$ 5,026,725	\$ 5,143,119	\$ 116,394	\$ 4,738,471
Penalties and Interest	15,000	13,499	(1,501)	19,647
Total	<u>5,041,725</u>	<u>5,156,618</u>	<u>114,893</u>	<u>4,758,118</u>
<b>Other Taxes and Licenses:</b>				
Recreation tax	533,160	553,464	20,304	525,211
Privilege licenses	72,000	14,050	(57,950)	84,438
Total	<u>605,160</u>	<u>567,514</u>	<u>(37,646)</u>	<u>609,649</u>
<b>Unrestricted Intergovernmental:</b>				
Local Option Sales Tax	2,874,678	3,015,066	140,388	2,774,571
Utility franchise tax	517,190	663,209	146,019	520,930
Video Programming Distribution	199,123	207,871	8,748	202,159
Solid Waste Disposal Tax	9,323	11,056	1,733	-
Beer and Wine Tax	64,883	76,305	11,422	69,120
Total	<u>3,665,197</u>	<u>3,973,507</u>	<u>308,310</u>	<u>3,566,780</u>
<b>Restricted Intergovernmental:</b>				
Powell Bill Allocation	435,398	426,219	(9,179)	421,986
State controlled substance tax	-	3,401	3,401	-
Miscellaneous grants	14,232	12,239	(1,993)	-
On-behalf of payments - Fire and Rescue	-	-	-	-
Total	<u>449,630</u>	<u>441,859</u>	<u>(7,771)</u>	<u>421,986</u>
<b>Permits and Fees:</b>				
Building Permits and Inspection Fees	200,000	143,041	(56,959)	188,264
Motor vehicle licenses	58,000	53,461	(4,539)	60,920
Total	<u>258,000</u>	<u>196,502</u>	<u>(61,498)</u>	<u>249,184</u>
<b>Sales and Services:</b>				
Refuse collection fees	1,161,100	1,153,650	(7,450)	1,171,456
Recreation department fees	118,800	132,628	13,828	150,750
Cemetery fees	-	11,000	11,000	2,000
Use of facilities fees	21,000	24,715	3,715	31,960
Total	<u>1,300,900</u>	<u>1,321,993</u>	<u>21,093</u>	<u>1,356,166</u>
Investment Earnings	3,570	4,678	1,108	1,653
<b>Miscellaneous:</b>				
Parking fines and court costs	3,530	6,600	3,070	6,895
Miscellaneous	700	13,308	12,608	-
Contributions	547,481	5,200	(542,281)	-
Miscellaneous grants	-	-	-	-
Total	<u>551,711</u>	<u>25,108</u>	<u>(526,603)</u>	<u>6,895</u>
Total Revenues	<u>11,875,893</u>	<u>11,687,779</u>	<u>(188,114)</u>	<u>10,970,431</u>

**Hope Mills, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)**

	2015		Variance Favorable (Unfavorable)	2014
	Budget	Actual		Actual
Expenditures:				
General Government:				
Governing Body:				
Other Operating Expenditures	95,393	77,262	18,131	94,945
Capital Outlay	-	-	-	-
Total	<u>95,393</u>	<u>77,262</u>	<u>18,131</u>	<u>94,945</u>
Economic and community development				
Salaries and Employee Benefits	91,547	65,112		
Other operating expenditures	10,250	7,299	2,951	54,084
Capital outlay	2,500	299	2,201	-
Total	<u>104,297</u>	<u>72,710</u>	<u>5,152</u>	<u>54,084</u>
Administration:				
Salaries and Employee Benefits	388,837	370,181	18,656	309,421
Other Operating Expenditures	263,433	173,675	89,758	149,836
Capital Outlay	-	-	-	24,105
Total	<u>652,270</u>	<u>543,856</u>	<u>108,414</u>	<u>483,362</u>
Finance:				
Salaries and Employee Benefits	285,127	230,056	55,071	254,438
Other Operating Expenditures	62,330	54,287	8,043	103,727
Capital Outlay	172,443	2,857	169,586	-
Total	<u>519,900</u>	<u>287,200</u>	<u>232,700</u>	<u>358,165</u>
Taxes:				
Contracted Services	102,000	101,242	758	104,175
Total	<u>102,000</u>	<u>101,242</u>	<u>758</u>	<u>104,175</u>
Legal:				
Contracted Services	112,917	102,567	10,350	101,355
Total	<u>112,917</u>	<u>102,567</u>	<u>10,350</u>	<u>101,355</u>
Elections:				
Other operating expenditures	-	-	-	10,976
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,976</u>
Public Buildings:				
Salaries and Employee Benefits	207,666	191,693	15,973	199,444
Other Operating Expenditures	135,842	119,674	16,168	142,837
Capital Outlay	8,150	-	8,150	42,908
Total	<u>351,658</u>	<u>311,367</u>	<u>40,291</u>	<u>385,189</u>
Public Works:				
Salaries and Employee Benefits	156,358	155,072	1,286	120,147
Other Operating Expenditures	20,550	12,466	8,084	18,667
Capital Outlay	-	-	-	-
Total	<u>176,908</u>	<u>167,538</u>	<u>9,370</u>	<u>138,814</u>
Service garage				
Salaries and Employee Benefits	105,324	104,897	427	101,309
Other Operating Expenditures	36,749	23,791	12,958	64,946
Capital Outlay	-	-	-	-
Total	<u>142,073</u>	<u>128,688</u>	<u>13,385</u>	<u>166,255</u>
Total General Government	<u>\$ 2,257,416</u>	<u>\$ 1,792,430</u>	<u>\$ 438,551</u>	<u>\$ 1,897,320</u>

**Hope Mills, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)**

	2015		Variance Favorable (Unfavorable)	2014
	Budget	Actual		Actual
Public Safety:				
Police Department:				
Salaries and Employee Benefits	2,755,634	2,520,995	234,639	2,333,262
Other Operating Expenditures	748,439	616,518	131,921	466,290
Capital Outlay	295,389	276,602	18,787	503,113
Total	<u>3,799,462</u>	<u>3,414,115</u>	<u>385,347</u>	<u>3,302,665</u>
Animal Control:				
Salaries and employee benefits	47,406	47,324	82	45,620
Other operating expenditures	10,261	5,201	5,060	7,810
Capital outlay	978	-	978	-
Total	<u>58,645</u>	<u>52,525</u>	<u>6,120</u>	<u>53,430</u>
Fire:				
Salaries and Employee Benefits	1,684,277	1,620,662	63,615	1,398,160
Other Operating Expenditures	367,308	296,323	70,985	1,229,872
Capital Outlay	511,723	527,556	(15,833)	46,829
Total	<u>2,563,308</u>	<u>2,444,541</u>	<u>118,767</u>	<u>2,674,861</u>
Inspections:				
Salaries and Employee Benefits	268,861	268,318	543	256,832
Other Operating Expenditures	40,980	34,698	6,282	28,603
Capital Outlay	1,000	899	101	-
Total	<u>310,841</u>	<u>303,915</u>	<u>6,926</u>	<u>285,435</u>
Total Public Safety	<u>6,732,256</u>	<u>6,215,096</u>	<u>517,160</u>	<u>6,316,391</u>
Transportation:				
Streets:				
Salaries and Employee Benefits	278,751	253,587	25,164	232,188
Other Operating Expenditures	336,178	272,924	63,254	511,514
Capital Outlay	204,047	83,872	120,175	197,671
Total	<u>818,976</u>	<u>610,383</u>	<u>208,593</u>	<u>941,373</u>
Environmental Protection:				
Solid waste:				
Salaries and employee benefits	445,821	435,428	10,393	440,234
Other operating expenditures	441,233	395,939	45,294	377,874
Capital outlay	-	-	-	353,205
Total	<u>887,054</u>	<u>831,367</u>	<u>55,687</u>	<u>1,171,313</u>
Cultural and Recreational:				
Parks and Recreation:				
Salaries and Employee Benefits	729,515	668,987	60,528	646,662
Other Operating Expenditures	635,122	502,158	132,964	522,200
Capital Outlay	683,864	102,009	581,855	111,506
Total	<u>2,048,501</u>	<u>1,273,154</u>	<u>775,347</u>	<u>1,280,368</u>

**Hope Mills, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)**

	2015		Variance Favorable (Unfavorable)	2014
	Budget	Actual		Actual
Other culture and recreation				
Donations and special appropriations	25,940	19,666	6,274	6,050
Total cultural and recreation	<u>2,074,441</u>	<u>1,292,820</u>	<u>781,621</u>	<u>1,286,418</u>
Debt Service:				
Principal retirement	599,396	599,396	-	2,781,913
Interest and other charges	171,413	171,413	-	108,560
Total debt service	<u>770,809</u>	<u>770,809</u>	<u>-</u>	<u>2,890,473</u>
Contingency				
Total Expenditures	<u>13,540,952</u>	<u>11,512,905</u>	<u>2,001,612</u>	<u>14,503,288</u>
Revenues Over (Under) Expenditures	<u>(1,665,059)</u>	<u>174,874</u>	<u>1,813,498</u>	<u>(3,532,857)</u>
Other Financing Sources (Uses):				
Fund balance appropriated	1,149,266		(1,149,266)	-
Proceeds from installment financing	491,843	313,000	(178,843)	2,175,000
Sale of fixed assets and insurance recovery	23,950	42,816	18,866	-
Transfers (to) from other funds:				
Capital Reserve Fund	-	-	-	-
Capital Project Fund	-	-	-	2,817,696
Storm Water Fund	-	-	-	95,000
Total	<u>1,665,059</u>	<u>355,816</u>	<u>(1,309,243)</u>	<u>5,087,696</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>530,690</u>	<u>\$ 504,255</u>	<u>1,554,839</u>
Fund balances, beginning		7,403,292		5,848,453
Fund balances, ending		<u>\$ 7,933,982</u>		<u>\$ 7,403,292</u>

**Hope Mills, North Carolina**  
**Storm Water Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)**

	2015		Variance Favorable (Unfavorable)	2014
	Budget	Actual		Actual
Revenues:				
Operating Revenues:				
Fees	\$ 648,900	\$ 659,291	\$ 10,391	\$ 653,469
Investment earnings	150	305	155	121
Other revenue	1,000	1,172	172	1,240
Total Revenue	<u>650,050</u>	<u>660,768</u>	<u>10,718</u>	<u>654,830</u>
Expenditures:				
Environmental protection:				
Storm Water:				
Salaries and employee benefits	130,813	108,960	21,853	120,860
Operating expenditures	109,911	68,900	41,011	81,951
Capital outlay	308,249	43,304	264,945	-
Total environmental protection	<u>548,973</u>	<u>221,164</u>	<u>327,809</u>	<u>202,811</u>
Debt Service:				
Principal retirement	63,555	97,885	(34,330)	-
Interest and other charges	37,659	18,444	19,215	-
Total debt service	<u>101,214</u>	<u>116,329</u>	<u>(15,115)</u>	<u>-</u>
Total Expenditures	<u>650,187</u>	<u>337,493</u>	<u>312,694</u>	<u>202,811</u>
Revenues Over (Under) Expenditures	<u>(137)</u>	<u>323,275</u>	<u>(301,976)</u>	<u>452,019</u>
Other Financing Sources (Uses):				
Fund balance appropriated	137	-	(137)	-
Transfer (to) from other funds:	-	-	-	(111,485)
Total Other Financing Sources (Uses)	<u>137</u>	<u>-</u>	<u>(137)</u>	<u>(111,485)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 323,275</u>	<u>\$ (302,113)</u>	<u>\$ 340,534</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures		\$ 323,275		\$ 340,534
Fund balances, beginning		931,211		590,677
Fund balances, ending		<u>\$ 1,254,486</u>		<u>\$ 931,211</u>

## NON-MAJOR GOVERNMENTAL FUNDS

**Hope Mills, North Carolina**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**  
**(With Comparative Totals For the Year Ended June 30, 2014)**

	Hope Mills Lake Dam Project	Capital Reserve Fund	Parks and Recreation Fund	Archer Road Project	Thompson Circle Project	Town Hall Project	LaBonte/ Wiggins Project	Cemetery Permanent Fund	Total Nonmajor Governmental Fund - 2015	Total Nonmajor Governmental Fund - 2014
<b>Assets:</b>										
Cash and Cash Equivalents	\$ 9,560,843	\$ 100,050	\$ 37,860	\$ -	\$ 93,514	\$ 90,032	\$ 261,645	\$ 65,626	\$ 10,209,570	\$ 2,275,797
Restricted cash	-	-	-	299,817	-	-	-	-	299,817	1,193,043
Due from other governments	120	-	40	2,809	-	105,503	-	36	108,508	16,918
Due from other funds	-	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 9,560,963</b>	<b>\$ 100,050</b>	<b>\$ 37,900</b>	<b>\$ 302,626</b>	<b>\$ 93,514</b>	<b>\$ 195,535</b>	<b>\$ 261,645</b>	<b>\$ 65,662</b>	<b>\$ 10,617,895</b>	<b>\$ 3,485,758</b>
<b>Liabilities and Fund Balances:</b>										
<b>Liabilities:</b>										
Accounts payable	\$ 145,938	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 145,938	\$ 326,004
Due to other funds	235,594	-	1,029	160,999	84,896	233,580	261,595	32,726	1,010,419	2,287,852
<b>Total Liabilities</b>	<b>381,532</b>	<b>-</b>	<b>1,029</b>	<b>160,999</b>	<b>84,896</b>	<b>233,580</b>	<b>261,595</b>	<b>32,726</b>	<b>1,156,357</b>	<b>2,613,856</b>
<b>Fund Balances:</b>										
<b>Non spendable</b>										
Perpetual Maintenance	-	-	-	-	-	-	-	32,936	32,936	35,241
<b>Restricted</b>										
Public Safety Project	-	100,050	-	-	-	-	-	-	100,050	100,050
<b>Committed</b>										
Capital Projects	9,179,431	-	36,871	141,627	8,618	(38,045)	50	-	9,328,552	736,611
<b>Total Fund Balances</b>	<b>9,179,431</b>	<b>100,050</b>	<b>36,871</b>	<b>141,627</b>	<b>8,618</b>	<b>(38,045)</b>	<b>50</b>	<b>32,936</b>	<b>9,461,538</b>	<b>871,902</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,560,963</b>	<b>\$ 100,050</b>	<b>\$ 37,900</b>	<b>\$ 302,626</b>	<b>\$ 93,514</b>	<b>\$ 195,535</b>	<b>\$ 261,645</b>	<b>\$ 65,662</b>	<b>\$ 10,617,895</b>	<b>\$ 3,485,758</b>

**Hope Mills, North Carolina**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2015**  
**(With Comparative Totals For the Year Ended June 30, 2014)**

	Hope Mills Lake Dam Project	Capital Reserve Fund	Parks and Recreation Fund	Archer Road Project	Thompson Circle Project	Town Hall Project	LaBonte/ Wiggins Project	Cemetery Permanent Fund	Total Nonmajor Governmental Fund - 2015	Total Nonmajor Governmental Fund - 2014
Revenues:										
Investment earnings	\$ -	\$ -	\$ 34	\$ -	\$ -	\$ -	\$ -	\$ 7	\$ 41	\$ 235
Other Revenue	1,754	-	20,828	55	17	17	50	-	22,721	16,991
Total Revenues	<u>1,754</u>	<u>-</u>	<u>20,862</u>	<u>55</u>	<u>17</u>	<u>17</u>	<u>50</u>	<u>7</u>	<u>22,762</u>	<u>17,226</u>
Expenditures:										
General Government	-	-	-	-	-	-	-	-	-	-
Other operating expenditures	-	-	578	-	-	-	-	2,312	2,890	1,780
Capital Outlay	430,429	-	-	341,664	-	907,213	-	-	1,679,306	2,393,943
Total general government	<u>430,429</u>	<u>-</u>	<u>578</u>	<u>341,664</u>	<u>-</u>	<u>907,213</u>	<u>-</u>	<u>2,312</u>	<u>1,682,196</u>	<u>1,780</u>
Revenues Over Expenditures	(428,675)	-	20,284	(341,609)	17	(907,196)	50	(2,305)	(1,659,434)	(2,378,497)
Other Financing Sources (Uses):										
Legal Settlements	9,400,000	-	-	-	-	-	-	-	9,400,000	158,683
Proceeds from Borrowing	-	-	-	-	-	849,070	-	-	849,070	5,300,000
Transfers (to) from other funds:										
General Fund	-	-	-	-	-	-	-	-	-	(2,817,696)
Storm Water Fund	-	-	-	-	-	-	-	-	-	16,485
Transfer to other funds	-	-	-	-	-	-	-	-	-	-
Revenues and other sources over (under) expenditures	8,971,325	-	20,284	(341,609)	17	(58,126)	50	(2,305)	8,589,636	278,975
Fund balance, beginning	208,106	100,050	16,587	483,236	8,601	20,081	-	35,241	871,902	592,927
Fund balance, ending	<u>\$ 9,179,431</u>	<u>\$ 100,050</u>	<u>\$ 36,871</u>	<u>\$ 141,627</u>	<u>\$ 8,618</u>	<u>\$ (38,045)</u>	<u>\$ 50</u>	<u>\$ 32,936</u>	<u>\$ 9,461,538</u>	<u>\$ 871,902</u>

**Hope Mills, North Carolina**  
**Capital Projects Fund - Hope Mills Lake Dam Project**  
**Schedule of Revenues and Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for Fiscal Year Ended June 30, 2015**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Governmental Project:					
Restricted intergovernmental:					
Grant	\$ 9,705,099	\$ 9,705,052	\$ -	\$ 9,705,052	\$ (47)
Other revenue	-	110,253	1,754	112,007	112,007
Total revenues	<u>9,705,099</u>	<u>9,815,305</u>	<u>1,754</u>	<u>9,817,059</u>	<u>111,960</u>
Expenditures:					
Transportation:					
Capital Outlay	16,374,051	15,293,027	430,429	15,723,456	650,595
Total expenditures	<u>16,374,051</u>	<u>15,293,027</u>	<u>430,429</u>	<u>15,723,456</u>	<u>650,595</u>
Revenue Over (Under) Expenditures	<u>(6,668,952)</u>	<u>(5,477,722)</u>	<u>(428,675)</u>	<u>(5,906,397)</u>	<u>762,555</u>
Other Financing Sources (Uses)					
Legal Settlements	885,300	158,683	9,400,000	9,558,683	(8,673,383)
Contingency Reserves	(137,293)	-	-	-	(137,293)
Transfers (to) from other funds:					
General Fund	1,118,373	1,118,373	-	1,118,373	-
General Fund	(3,486,239)	(3,691,228)	-	(3,691,228)	204,989
Proceeds from borrowing	<u>8,288,811</u>	<u>8,100,000</u>	<u>-</u>	<u>8,100,000</u>	<u>188,811</u>
Total other financing sources and (uses)	<u>6,668,952</u>	<u>5,685,828</u>	<u>9,400,000</u>	<u>15,085,828</u>	<u>(8,416,876)</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 208,106</u>	<u>8,971,325</u>	<u>\$ 9,179,431</u>	<u>\$ 9,179,431</u>
Fund balance, beginning			<u>208,106</u>		
Fund balance, ending			<u>\$ 9,179,431</u>		

**Hope Mills, North Carolina**  
**Capital Projects Fund - Legion Road Fire Station Project**  
**Schedule of Revenues and Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for Fiscal Year Ended June 30, 2015**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Governmental Project:					
Other revenue	\$ -	\$ 8,353	\$ -	\$ 8,353	\$ 8,353
Total revenues	<u>-</u>	<u>8,353</u>	<u>-</u>	<u>8,353</u>	<u>8,353</u>
Expenditures:					
Public Safety					
Capital Outlay	170,000	151,400	-	151,400	18,600
Total expenditures	<u>170,000</u>	<u>151,400</u>	<u>-</u>	<u>151,400</u>	<u>18,600</u>
Revenue Over (Under) Expenditures	<u>(170,000)</u>	<u>(143,047)</u>	<u>-</u>	<u>(143,047)</u>	<u>26,953</u>
Other Financing Sources (Uses)					
Transfers (to) from other funds:					
General Fund	170,000	143,047	-	143,047	(26,953)
Total other financing sources and (uses)	<u>170,000</u>	<u>143,047</u>	<u>-</u>	<u>143,047</u>	<u>(26,953)</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			\$ -		
Amounts reported for Revenue, Expenditures and Changes in Fund Balance are different from the Budget and Actual Statement due to consolidation of the Capital Reserve Fund:					
Transfer in			-		
Fund Balance, Beginning (Capital Reserve Fund)			<u>100,050</u>		
Fund Balance, Ending (Consolidated Fire Station Project)			<u>\$ 100,050</u>		

**Hope Mills, North Carolina**  
**Parks and Recreation**  
**Schedule of Revenues and Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for Fiscal Year Ended June 30, 2015**

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues:					
Storm Water Management Project					
Interest Earned	\$ -	\$ 7	\$ 34	\$ 41	\$ 41
MCCOG		15,891	20,828	36,719	36,719
NC Nourishing		1,100	-	1,100	1,100
Total revenues	<u>-</u>	<u>16,998</u>	<u>20,862</u>	<u>37,860</u>	<u>37,860</u>
Expenditures:					
Recreation					
Other operating expenditures	<u>600</u>	<u>411</u>	<u>578</u>	<u>989</u>	<u>(389)</u>
Total expenditures	<u>600</u>	<u>411</u>	<u>578</u>	<u>989</u>	<u>(389)</u>
Revenue Over (Under) Expenditures	<u>(600)</u>	<u>16,587</u>	<u>20,284</u>	<u>36,871</u>	<u>37,471</u>
Other Financing Sources (Uses)					
Transfers (to) from other funds:					
General Fund	-	-	-	-	-
Fund Balance Reserve for Encumbrances	600				
Total other financing sources and (uses)	<u>600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 16,587</u>	<u>20,284</u>	<u>\$ 36,871</u>	<u>\$ 37,471</u>
Fund balance, beginning			<u>16,587</u>		
Fund balance, ending			<u>\$ 36,871</u>		

**Hope Mills, North Carolina**  
**Storm Water Capital Projects Fund - Archer Road Project**  
**Schedule of Revenues and Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for Fiscal Year Ended June 30, 2015**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Storm Water Management Project					
Other revenue	\$ -	\$ 43	\$ 55	\$ 98	\$ 98
Total revenues	<u>-</u>	<u>43</u>	<u>55</u>	<u>98</u>	<u>98</u>
Expenditures:					
Recreation					
Capital outlay	1,301,115	716,807	341,664	1,058,471	242,644
Total expenditures	<u>1,301,115</u>	<u>716,807</u>	<u>341,664</u>	<u>1,058,471</u>	<u>242,644</u>
Revenue Over (Under) Expenditures	<u>(1,301,115)</u>	<u>(716,764)</u>	<u>(341,609)</u>	<u>(1,058,373)</u>	<u>242,742</u>
Other Financing Sources (Uses)					
Transfers (to) from other funds:					
Proceeds from Installment Financing	1,301,115	1,200,000	-	1,200,000	(101,115)
Total other financing sources and (uses)	<u>1,301,115</u>	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>	<u>(101,115)</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 483,236</u>	<u>\$ (341,609)</u>	<u>\$ 141,627</u>	<u>\$ 141,627</u>
Fund balance, beginning			<u>483,236</u>		
Fund balance, ending			<u>\$ 141,627</u>		

**Hope Mills, North Carolina**  
**Storm Water Capital Projects Fund - Thompson Circle Project**  
**Schedule of Revenues and Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for Fiscal Year Ended June 30, 2015**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Storm Water Management Project					
Other revenue	\$ -	\$ 15	\$ 17	\$ 32	\$ 32
Total revenues	<u>-</u>	<u>15</u>	<u>17</u>	<u>32</u>	<u>32</u>
Expenditures:					
Recreation					
Capital outlay	93,482	84,896	-	84,896	8,586
Total expenditures	<u>93,482</u>	<u>84,896</u>	<u>-</u>	<u>84,896</u>	<u>8,586</u>
Revenue Over (Under) Expenditures	<u>(93,482)</u>	<u>(84,881)</u>	<u>17</u>	<u>(84,864)</u>	<u>8,618</u>
Other Financing Sources (Uses)					
Transfers (to) from other funds:					
Storm Water Fund	93,482	93,482	-	93,482	-
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 8,601</u>	<u>\$ 17</u>	<u>\$ 8,618</u>	<u>\$ 8,618</u>
Fund balance, beginning			<u>8,601</u>		
Fund balance, ending			<u>\$ 8,618</u>		

**Hope Mills, North Carolina**  
**Storm Water Capital Projects Fund - Town Hall Project**  
**Schedule of Revenues and Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for Fiscal Year Ended June 30, 2015**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Storm Water Management Project					
Other revenue	\$ -	\$ 14	\$ 17	\$ 31	\$ 31
Total revenues	<u>-</u>	<u>14</u>	<u>17</u>	<u>31</u>	<u>31</u>
Expenditures:					
Recreation					
Capital outlay	1,165,000	69,933	907,213	977,146	187,854
Total expenditures	<u>1,165,000</u>	<u>69,933</u>	<u>907,213</u>	<u>977,146</u>	<u>187,854</u>
Revenue Over (Under) Expenditures	<u>(1,165,000)</u>	<u>(69,919)</u>	<u>(907,196)</u>	<u>(977,115)</u>	<u>187,885</u>
Other Financing Sources (Uses)					
Transfers (to) from other funds:					
General Fund	90,000	90,000	-	90,000	-
State Revolving Loan	1,075,000	-	849,070	849,070	(225,930)
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,165,000</u>	<u>90,000</u>	<u>849,070</u>	<u>939,070</u>	<u>(225,930)</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 20,081</u>	<u>\$ (58,126)</u>	<u>\$ (38,045)</u>	<u>\$ (38,045)</u>
Fund balance, beginning			<u>20,081</u>		
Fund balance, ending			<u>\$ (38,045)</u>		

**Hope Mills, North Carolina**  
**Storm Water Capital Projects Fund - LaBonte/Wiggins Project**  
**Schedule of Revenues and Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for Fiscal Year Ended June 30, 2015**

	Project Authorization	Prior Years	Actual		Variance Favorable (Unfavorable)
			Current Year	Total to Date	
Revenues:					
Storm Water Management Project					
Other revenue	\$ -	\$ 39	\$ 50	\$ 89	\$ 89
Total revenues	<u>-</u>	<u>39</u>	<u>50</u>	<u>89</u>	<u>89</u>
Expenditures:					
Recreation					
Capital outlay	<u>261,600</u>	<u>261,595</u>	<u>-</u>	<u>261,595</u>	<u>5</u>
Total expenditures	<u>261,600</u>	<u>261,595</u>	<u>-</u>	<u>261,595</u>	<u>5</u>
Revenue Over (Under) Expenditures	<u>(261,600)</u>	<u>(261,556)</u>	<u>50</u>	<u>(261,506)</u>	<u>94</u>
Other Financing Sources (Uses)					
Transfers (to) from other funds:					
General Fund					
Storm Water Fund	261,600	261,556	-	261,556	(44)
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>261,600</u>	<u>261,556</u>	<u>-</u>	<u>261,556</u>	<u>(44)</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 50</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 50</u>		

**Hope Mills, North Carolina**  
**Cemetery Permanent Fund**  
**Schedule of Revenues and Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for Fiscal Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ 7	\$ 7
Total revenues	<u>-</u>	<u>7</u>	<u>7</u>
Expenditures:			
General government			
Other operating expenditures	7,500	2,312	5,188
Capital outlay	30,000	-	30,000
Total general government	<u>37,500</u>	<u>2,312</u>	<u>35,188</u>
Revenue Over (Under) Expenditures	<u>(37,500)</u>	<u>(2,305)</u>	<u>35,195</u>
Other Financing Sources (Uses)			
Fund balance appropriated	37,500	-	(37,500)
Total	<u>37,500</u>	<u>-</u>	<u>(37,500)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	\$ (2,305)	<u>\$ (2,305)</u>
Fund balance, beginning		<u>35,241</u>	
Fund balance, ending		<u>\$ 32,936</u>	

**Hope Mills, North Carolina**  
**Capital Reserve Fund**  
**Schedule of Revenues and Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for Fiscal Year Ended June 30, 2015**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Governmental Project					
Other revenue	\$ -	\$ 50	\$ -	\$ 50	\$ 50
Total revenues	<u>-</u>	<u>50</u>	<u>-</u>	<u>50</u>	<u>50</u>
Expenditures:					
Public Safety					
Capital outlay	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue Over (Under) Expenditures	<u>-</u>	<u>50</u>	<u>-</u>	<u>50</u>	<u>50</u>
Other Financing Sources (Uses)					
Transfers (to) from other funds:					
General Fund	-	-	-	-	-
and (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 50</u>
Fund balance, beginning			<u>100,050</u>		
Fund balance, ending			<u>\$ 100,050</u>		

## OTHER SCHEDULES

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This section contains additional information required on property taxes

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- Schedule of Ad Valorem Taxes Receivable

- Analysis of Current Tax Levy

**Hope Mills, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2015**

Fiscal Year	Uncollected Balance June 30, 2013	Additions	Collections And Credits	Uncollected Balance June 30, 2015
2014-2015	\$ -	\$ 5,066,002	\$ 5,059,101	\$ 6,901
2013-2014	54,851	3	13,881	40,973
2012 - 2013	20,853	-	1,531	19,322
2011 - 2012	14,190	-	208	13,982
2010 - 2011	10,233	-	70	10,163
2009-2010	10,752	-	90	10,662
2008-2009	8,815	-	33	8,782
2007-2008	10,467	-	31	10,436
2006-2007	9,517	-	20	9,497
2005-2006	8,140	-	-	8,140
2004-2005	7,883	-	7,883	-
	-	-	-	-
<b>Totals</b>	<b>\$ 155,701</b>	<b>\$ 5,066,005</b>	<b>\$ 5,082,848</b>	<b>\$ 138,858</b>
Less: allowance for doubtful accounts:				
General Fund				<u>(60,978)</u>
Ad valorem taxes receivable - net				<u>\$ 77,880</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 5,143,119
Reconciling Items:				
Penalties and Interest collected				13,499
Adjustments and taxes written off				<u>(73,770)</u>
Subtotal				<u>(60,271)</u>
Total Collections and Credits				<u>\$ 5,082,848</u>

**Hope Mills, North Carolina**  
**Analysis of Current Tax Levy**  
**City - Wide Levy**  
**For the Fiscal Year Ended June 30, 2015**

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property Tax at current	\$ 991,835,863	0.46	\$ 4,562,445	\$ 4,562,445	\$ -
Registered motor vehicles taxed at current year's rate	97,292,174	0.46	447,544	-	447,544
Penalties and other	-		2,378	2,378	-
Total	1,089,128,037		5,012,367	4,564,823	447,544
Discoveries:					
Current year taxes	10,175,089	0.46	46,805	46,805	-
Prior year taxes	-		-	-	-
Penalties and other	-		19,553	19,553	-
Total	10,175,089		66,358	66,358	-
Abatements					
Current year taxes	1,653,469	0.460	7,606	7,606	-
Penalties and other	-		5,117	5,117	-
	1,653,469		12,723	12,723	-
Total Property Valuation	\$1,097,649,657				
Net Levy			5,066,002	4,618,458	447,544
Uncollected taxes at June 30, 2015			6,901	6,901	-
Current year's taxes collected			\$ 5,059,101	\$ 4,611,557	\$ 447,544
Current levy collection percentage			99.86%	99.85%	100.00%

## **COMPLIANCE SECTION**



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**Alan W. Thompson, CPA**

**R. Bryon Scott, CPA**

**Gregory S. Adams, CPA**

**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 Town Council  
Town of Hope Mills, North Carolina

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of the Town of Hope Mills, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the Town of Hope Mills' basic financial statements, and have issued our report thereon dated November 17, 2015.

Internal Control Over Financial Reporting

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

Our consideration of the internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses [2015-02].

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies [2015-01].

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Hope Mills' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Town of Hope Mills' Response to Findings

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

#### Purpose of this Report

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

*Thompson, Rice, Scott, Adams & Co., P.A.*

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**Whiteville, NC**

**November 17, 2015**



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

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**Gregory S. Adams, CPA**

**CERTIFIED PUBLIC ACCOUNTANTS  
CONSULTANTS AND TAX ADVISORS**

Report On Compliance With Requirements Applicable To Each Major Federal  
Program And Internal Control Over Compliance In Accordance With OMB  
Circular A-133 and the State Single Audit Implementation Act

Independent Auditors' Report

To the Honorable Mayor and  
Members of the Town Council  
Town of Hope Mills, North Carolina

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Hope Mills', compliance with the types of compliance requirements described in the OMB Circular A-133 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 Hope Mills' major federal programs for the year ended June 30, 2015. Town of Hope Mills' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Town of Hope Mills' 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 Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Hope Mills' compliance with thoged with governance. erforming 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 Hope Mills' compliance.

**Opinion on Each Major Federal Program**

In our opinion, Town of Hope Mills 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, 2015.

**Members**

**American Institute of CPAs - N.C. Association of CPAs - AICPA Division of Firms**

## Report on Internal Control Over Compliance

Management of Town of Hope Mills is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Hope Mills internal control over compliance with the types of requirements that could have direct and material effect on major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

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

Whiteville, NC

November 17, 2015



**Report on Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act**

Independent Auditor's Report

To the Honorable Mayor and Members  
of the Board of commissioners  
Hope Mills, North Carolina

**Report on Compliance for Each Major State Program**

We have audited the Town of Hope Mills, North Carolina's, compliance with the types of compliance requirements described in 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 Hope Mills' major State programs for the year ended June 30, 2015. The Town of Hope Mills' major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town of Hope Mills' major State 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 and applicable sectional of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Hope Mills' 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 state program. However, our audit does not provide a legal determination of the Town of Hope Mills' compliance.

**Members**

**American Institute of CPA's • NC Association of CPAs • AICPA Division of Firms**

## **Opinion on Each Major State Program**

In our opinion, the Town of Hope Mills has complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

## **Report on Internal Control Over Compliance**

Management of the Town of Hope Mills is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Hope Mills' internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

---

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

Whiteville, NC

November 17, 2015

**Town of Hope Mills  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

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**Section I. Summary of Auditors' 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   X   yes            no

Noncompliance material to financial statements noted            yes   X   no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?            yes   X   no

Significant Deficiency(s) identified  
that are not considered to be  
material weaknesses            yes   X   no

Noncompliance material to federal awards noted            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 Section 510(a) of Circular A-133            yes   X   no

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
66.458	Capitalization Grant for State Revolving Fund

Dollar threshold used to distinguish between Type A and Type B programs   \$ 300,000  

Auditee qualified as low-risk auditee            yes   X   no

**Town of Hope Mills**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2015**

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**Section I. Summary of Auditors' Results (continued)**

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State Awards

Internal control over major State programs:

Material weakness(es) identified? \_\_\_\_\_ yes  X  no

Significant Deficiency(s) identified that are not considered  
to be material weaknesses \_\_\_\_\_ yes  X  no

Noncompliance material to Federal awards noted \_\_\_\_\_ 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 the State Single Audit Implementation Act? \_\_\_\_\_ yes  X  no

Identification of major State programs:

Program Name

Powell Bill Allocation

**Town of Hope Mills  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

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**Section II. Financial Statement Findings**

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SIGNIFICANT DEFICIENCY

2015-01 Segregation of duties

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

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

Effect: Transactions could be mishandled.

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

Recommendation: We recommend a review of financial controls, the performance of risk assessments, cross training of employees and the creation of a policy and procedures manual for the Town.

Views of Responsible Officials: The Town agrees with this finding.

MATERIAL WEAKNESS

2015-02 Prior Period Adjustment

Criteria: SAS 115 requires communication of certain matters related to internal control over financial reporting.

Condition: The Town recorded a prior period adjustment to adjust accumulated depreciation for governmental activities.

Effect: This is an indicator of a control deficiency that is regarded as a material weakness.

Cause: The fixed asset schedules did not include two pieces of equipment that should have been capitalized in the previous year.

Recommendation: The Town should review capital asset records periodically and ensure that asset listings are complete and accurate each year.

Views of Responsible Officials: The Town agrees with this finding.

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**Section III. Federal Award Findings and Questioned Costs**

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None reported.

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**Section IV. State Award Findings and Questioned Costs**

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None reported.

**Town of Hope Mills  
Corrective Action Plan  
For the Year Ended June 30, 2015**

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**Section II. Financial Statement Findings**

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2015-01 Segregation of duties

Name of contact person: Ricky Ramey, Interim Finance Director

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

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

2015-02 Prior Period Adjustment

Name of contact person: Ricky Ramey, Interim Finance Director

Corrective Action: Finance will monitor the depreciation reports more closely in the future to ensure that the list of assets is complete and accurate.

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

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**Section III. Federal Award Findings and Questioned Costs**

---

None reported.

---

**Section IV. State Award Findings and Questioned Costs**

---

None reported.

**Town of Hope Mills**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2015**

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Finding: 14-01

Duties are being separated as much as possible and alternative controls are being implemented to compensate for lack of separation. The governing board is becoming more involved in providing some of these controls. However, this is still reported as a finding.

**Town of Hope Mills**  
**Schedule of Expenditures of Federal and State Awards**  
**Federal and State Awards**  
**For The Fiscal Year Ended June 30, 2015**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed (Direct &amp; Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<b>Federal Grants:</b>					
Cash Assistance:					
<u>U.S. Environmental Protection Agency</u>					
Passed-through NC Department of Environment and Natural Resources:					
Division of Water Quality					
Clean Water State Revolving Fund (CWSRF)	66.458		\$ 849,070	\$ -	\$ -
<u>U.S. Department of Justice</u>					
The Bureau of Justice Assistance (BJA):					
Bulletproof Vest Partnership (BVP) Award	16.607		8,232	-	-
Total assistance - Federal programs			<u>\$ 857,302</u>	<u>\$ -</u>	<u>\$ -</u>
<b>State Grants:</b>					
Cash Assistance:					
N.C. Dept of Transportation					
Powell Bill			\$ -	\$ 383,462	\$ -
Total State Awards			<u>\$ -</u>	<u>\$ 383,462</u>	<u>\$ -</u>
Total Federal and State Awards			<u>\$ 857,302</u>	<u>\$ 383,462</u>	<u>\$ -</u>

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Town of Hope Mills under the programs of the federal government and the State of North Carolina for the year ended June 30, 2015. The information in this SEFSA is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Because the SEFSA presents only a select portion of the operations of the Town of Hope Mills, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of Hope Mills.

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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or cost principles contained in Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements.