



Financial Statements

For the Fiscal Year Ended June 30, 2016

Town of Hope Mills, North Carolina

Town of Hope Mills North Carolina

www.townofhopemills.com

Financial Statements

For the fiscal year ended June 30, 2016



*Prepared by the Town of Hope Mills
Finance Department and Auditors
Thompson, Price, Scott, Adams & Co, P.A.*

Town of Hope Mills, North Carolina
Financial Statements
For the fiscal year ended June 30, 2016

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Town of Hope Mills

North Carolina

INTRODUCTORY SECTION



Town of Hope Mills

Members of the Board of Commissioners

Jackie Warner

Mayor

Bob Gorman

Mayor Pro-Tem

Edwin Deaver

Commissioner

Bryan Marley

Commissioner

Jerry Legge

Commissioner

Pat Edwards

Commissioner

Appointed and Administrative Staff

John W. Ellis, III

Town Manager*

Melissa Adams

Town Clerk*

Drew Holland

Finance Director*

T C Morphis

Town Attorney*

Chuck Hodges

Fire Chief

Joel Acciardo

Chief of Police

Hector Cruz

Public Works Director

Laticia Black

Human Resources Director

Beth Brown

Storm Water Director

Chancer Mclaughlin

Planning Director

Kenny Bullock

Parks & Rec Director

Ray Reese

Chief Building Inspector

Advisory Boards and Commissions

Appearance Commission

Sally Bailey, Chair

Historic Preservation Commission

Pat Hall, Chair

Lake Advisory Committee

Jesse Bellflowers, Chair

Parks & Rec Advisory Committee

Gary Dove, Chair

Senior Citizens Advisory Committee

Jim Frederickson, Chair

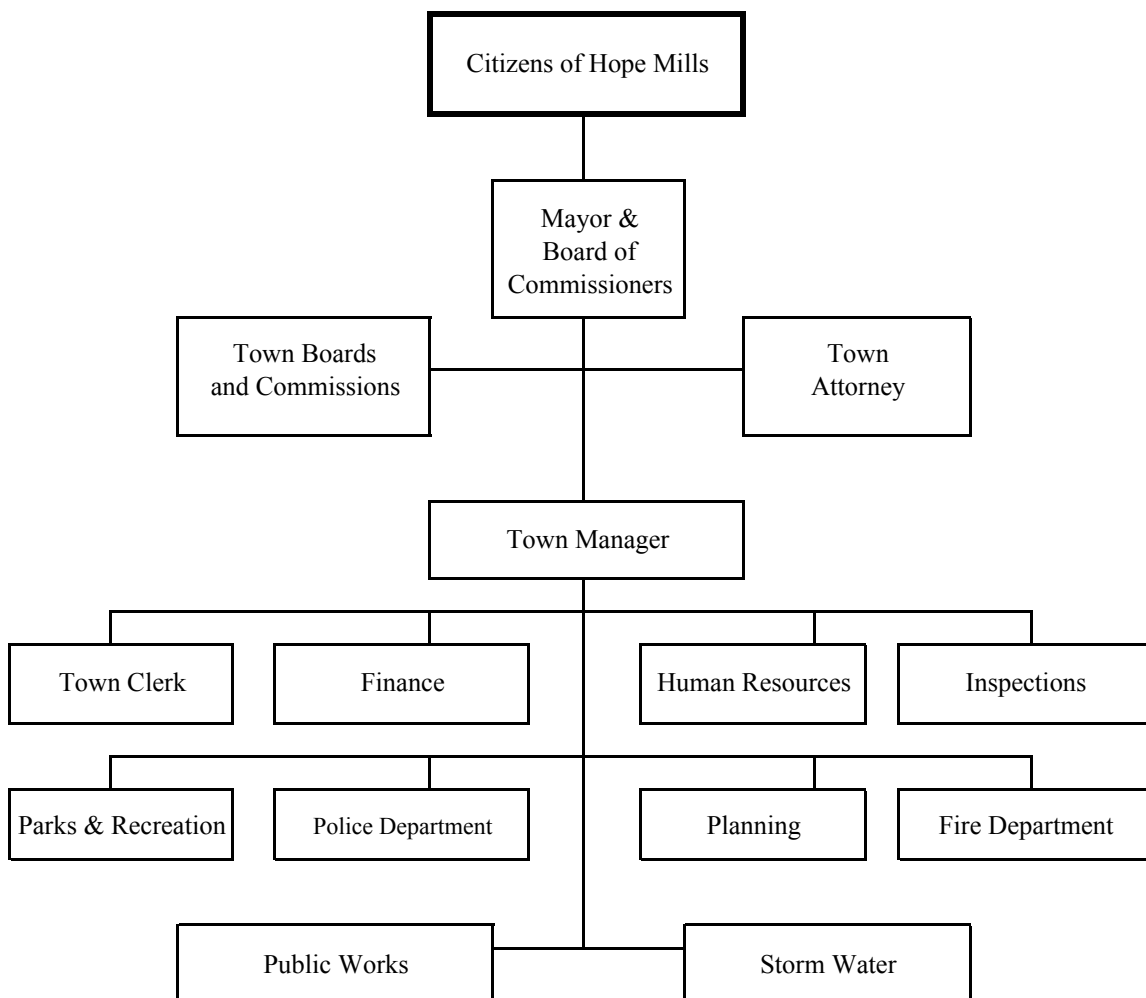
Veterans Affairs Commission

James Clark, Chair

* The Town Manager, Town Attorney, Town Clerk and Treasurer (Finance Officer) are appointed by the Board of Commissioners

Town of Hope Mills

ORGANIZATION CHART



Town of Hope Mills History

It was in the early 1700s that the first settlers arrived in the Cape Fear Region of what is now Cumberland County. A land office for the region opened in 1724 when there were already settlements beginning along the Cape Fear River and its creeks.

In 1761, a committee appointed by the Governor's Council determined that the area at the mouth of Rockfish Creek was not a fit place for erecting a town, as the landing was very steep, the back roads unfit, and a very expensive bridge would be necessary. However early land grants show that settlers, who were mainly Highlanders from Scotland, had begun living along the roads built in the area, most of them upon or close to rivers and waterways, the Little Rockfish Creek being one of them. By the mid-to-late 1700s a large saw mill had been built along the Little Rockfish Creek. There is evidence that gristmills, sawmills, lumber camps and pottery ovens existed along the banks of the creek.

The 18th Century was a period of booming trade in the Colonies. 1787 was a landmark year for the nation when the national constitution was written by some forty Americans who met in the Philadelphia Statehouse. By 1789 the country had established itself as an independent nation and had its first President.

That same year, 1789, the first permanent settlement was organized on Little Rockfish Creek. By 1830, the cotton industry had begun developing in the South. In 1839 the first cotton factory on Little Rockfish Creek – Rockfish Factory - was completed. The mill was constructed in approximately the same place an old saw mill and gristmill had been located, next to a dam on Little Rockfish Creek. By the mid-1840s this factory was the largest cotton mill in North Carolina in terms of capital investment and the value of production.

In 1841 a mill was constructed on Beaver Creek, about one and a half miles northwest of Rockfish. This mill was known as the Bluff Mill as it was located at a bluff near the intersection of what is now Camden and Hope Mills Road.

As the textile industry flourished, so did the Rockfish Factory village, with a company store and rows of houses built for the families of those who worked in the cotton mills. With the advent of the Civil War, General William T. Sherman's troops burned eight cotton mills in Cumberland County, including the Rockfish Factory, in March 1865. In their haste to depart from an approaching cavalry, the Bluff Mill was spared. However many dwellings as well as bridges, were destroyed throughout the county.

By 1868, the Bluff Mill was back in operation. However, the Rockfish Factory property, including the Rockfish village property owned by the mill, was sold in 1871 to a private investor. A year later, the property was sold back to a newly-incorporated Rockfish Manufacturing Company.

After much rebuilding, renovation and replacement of machinery, the mill was re-opened in 1872, and became known as the Hope Mill. In 1885 the name of the settlement on Rockfish Creek was officially changed to Hope Mills.

In 1888, a second mill was constructed by the Hope Mills Manufacturing Company, on Big Rockfish Creek. The mills became known as Hope Mills Number One (on Little Rockfish Creek) and Hope Mills Number Two.

By 1890, the village of Hope Mills was the second-largest community in Cumberland County. In 1891 the community itself was incorporated as a town, known as Hope Mills Number One. Mr. S. H. "Sim" Cotton, superintendent of the mills, was its first Mayor.

By this time, the Cape Fear and Yadkin Valley Railway running from Wilmington, North Carolina to Bennettsville, South Carolina, ran through Hope Mills. This railroad was later purchased by the Atlantic Coast Line Railroad. The proximity of rail service greatly enhanced the growth of the mill industry in the area. The Railroad Depot, which was located at the juncture of the railroad and Trade Street, has since burned and is no longer in existence.

As the mill industry flourished, the mills expanded. In 1899 the Bluff Mill became part of the Hope Mills Manufacturing Company, and was designated as Mill Number Three. In 1904 Mill Number Four was constructed in the town near the railroad tracks. There was also a mill at Cumberland, and later Elk Mill on Legion Road. Today, none of these textile mills are in operation. They either have been destroyed or converted to other uses.

The textile industry is a large part of our past history. Without this heritage, however, there may not have been a Town called Hope Mills.

Credits: Summarized by Pat Hall, Chair of the Historic Advisory Committee, from Hope Mills Heritage by Eddie Dees, various church histories, and newspaper articles.

Town of Hope Mills

North Carolina

FINANCIAL SECTION





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

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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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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.

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, 2016, 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 and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund 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 October 27, 2016 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.

Whiteville, NC

October 27, 2016

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, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

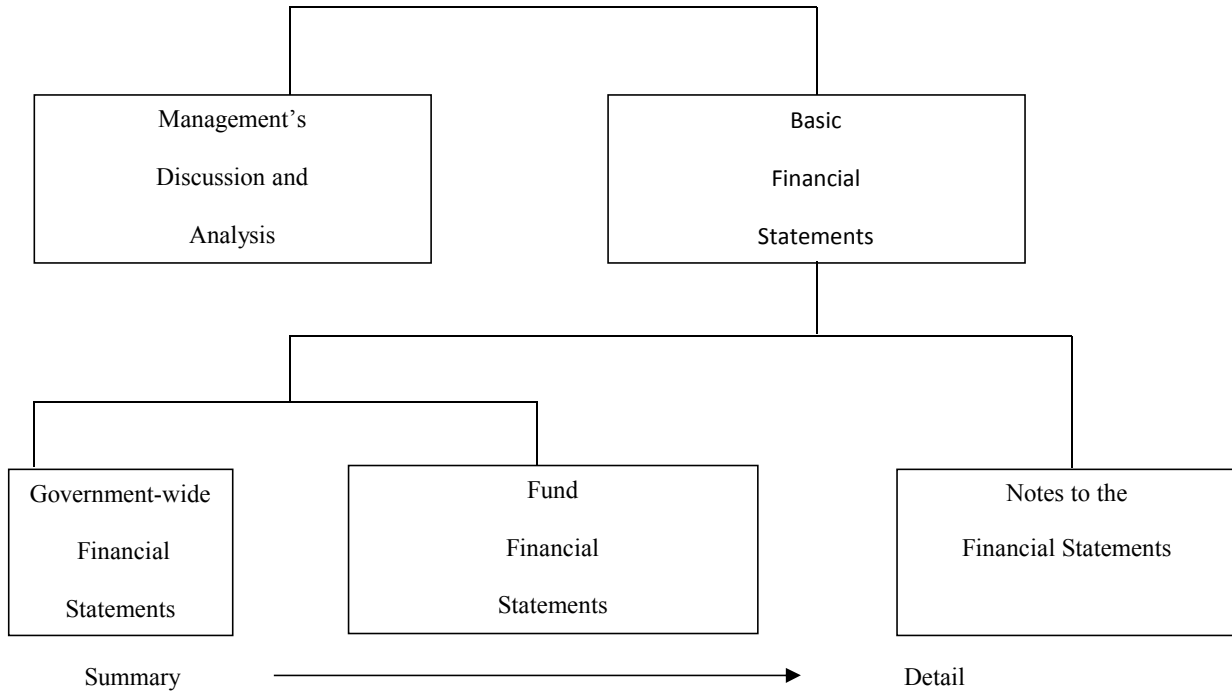
Financial Highlights

- The assets and deferred outflows of resources of the Town of Hope Mills exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$38,831,327 (net position).
- The Town's total net position increased by \$780,886. This increase does not include a prior period adjustment of \$945,416 relating to capital assets that were expensed in previous years.
- As of the close of the current fiscal year, the Town of Hope Mills' governmental funds reported combined ending fund balances of \$16,770,736, a decrease of \$1,879,270 in comparison with the prior year. Approximately 35.64 percent of this total amount, or \$5,977,244 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 \$5,977,244 or 52.00% of total general fund expenditures for the fiscal year.
- The Town of Hope Mills' total debt decreased by \$365,051 (4.47%) during the current fiscal year. The key factor in this change was 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.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

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

	Governmental Activities		Total	
	2016	2015	2016	2015
Current and other assets	\$ 17,691,172	\$ 19,857,315	\$ 17,691,172	\$ 19,857,315
Capital assets	33,949,226	30,432,090	33,949,226	30,432,090
Deferred outflows of resources	349,390	346,214	349,390	346,214
Total assets and deferred outflows of resources	51,989,788	50,635,619	51,640,398	50,289,405
Long-term liabilities outstanding	10,636,334	10,601,780	10,636,334	10,601,780
Other liabilities	1,773,693	1,406,757	1,773,693	1,406,757
Deferred inflows of resources	288,510	1,522,057	288,510	1,522,057
Total liabilities and deferred inflows of resources	12,698,537	13,530,594	12,698,537	12,008,537
Net position:				
Net investment in capital assets	26,142,385	22,290,398	26,142,385	22,290,398
Restricted	3,309,854	3,556,289	3,309,854	3,556,289
Unrestricted	9,379,088	11,258,338	9,379,088	11,258,338
Total net position	\$ 38,831,327	\$ 37,105,025	\$ 38,831,327	\$ 37,105,025

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 \$38,831,327 as of June 30, 2016. The Town's net position increased by \$780,886 (not including the prior period adjustment in the amount of \$945,416) for the fiscal year ended June 30, 2016. However, the largest portion (67.32%) 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, \$3,309,854, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,379,088 is unrestricted.

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 99.73%, which is comparable to the statewide average of 98.87%.

Town of Hope Mills' Changes in Net Position
Figure 3

	Governmental		Total	
	Activities			
	2016	2015	2016	2015
Revenues:				
Program revenues:				
Charges for services	\$ 2,217,924	\$ 2,082,016	\$ 2,217,924	\$ 2,082,016
Operating grants and contributions	436,496	426,219	436,496	426,219
Capital grants and contributions	-	377,781	-	377,781
General revenues:				
Property taxes	5,196,699	5,132,425	5,196,699	5,132,425
Other taxes	3,473,254	3,236,752	3,473,254	3,236,752
Grants and contributions not restricted to specific programs	778,256	739,514	778,256	739,514
Storm water assessments	678,510	659,291	678,510	659,291
Other	81,019	64,385	81,019	64,385
Total Revenues	<u>12,862,158</u>	<u>12,718,383</u>	<u>12,862,158</u>	<u>12,718,383</u>
Expenses:				
General government	2,228,577	1,926,535	2,228,577	1,926,535
Public safety	6,508,309	6,394,217	6,508,309	6,394,217
Transportation	794,953	739,921	794,953	739,921
Culture and recreation	1,275,840	1,025,403	1,275,840	1,025,403
Interest and long-term debt	77,903	231,048	77,903	231,048
Environmental protection	1,222,752	1,123,503	1,222,752	1,123,503
Total Expenses	<u>12,108,334</u>	<u>11,440,627</u>	<u>12,108,334</u>	<u>11,440,627</u>
Increases/(Decreases) in net position before transfers	753,824	1,277,756	753,824	1,277,756
Transfers	-	-	-	-
Extraordinary items, Insurance proceeds and sale of assets	27,062	9,442,816	27,062	9,442,816
Increase in net position	780,886	10,720,572	780,886	10,720,572
Net position, July 1	37,105,025	26,255,983	37,105,025	26,255,983
Net position, beginning, restated	38,050,441	26,384,453	38,050,441	26,384,453
Net position, June 30	<u>\$ 38,831,327</u>	<u>\$ 37,105,025</u>	<u>\$ 38,831,327</u>	<u>\$ 37,105,025</u>

Governmental activities. Governmental activities increased the Town's net position by \$780,886, 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 1.13% and total Expenses increased by 5.84%.
- Additionally, the Town collected insurance proceeds, etc. in the amount of \$27,062 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 \$5,977,244, while total fund balance reached \$9,160,689. The Town currently has an available fund balance of 52.00% of general fund expenditures, while total fund balance represents 79.70% of that same amount.

At June 30, 2016 the governmental funds of Town of Hope Mills reported a combined fund balance of \$16,770,736, with a net decrease in fund balance of \$1,879,70. Included in this change in fund balance are increases in the fund balance in the General Fund, Storm Water 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 more than the budgeted amounts. Expenditures were 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, 2016 totals \$33,949,226 (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	
	2016	2015	2016	2015
Land	\$ 607,712	\$ 607,712	\$ 607,712	\$ 607,712
Buildings and system	5,169,175	4,894,896	5,169,175	4,894,896
Improvements other than buildings	762,244	492,174	762,244	492,174
Machinery and equipment	50,033	54,131	50,033	54,131
Infrastructure	3,491,375	3,392,457	3,491,375	3,392,457
Vehicles and motorized equipment	2,262,533	2,746,310	2,262,533	2,746,310
Construction in progress	21,606,154	18,244,410	21,606,154	18,244,410
Total	\$ 33,949,226	\$ 30,432,090	\$ 33,949,226	\$ 30,432,090

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 \$82,022,627. The Town has no bonds authorized at June 30, 2016.

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 0.39% from tax year 2015-16 to 2016-17.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities

Overall budgeted revenues increased by 1.88 percent. The Town will use these increases in revenues to finance programs currently in place. The budget adopted for 2016-17 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 1.88% to \$12,572,000.

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 Director of Finance; 5770 Rockfish Road, Hope Mills, NC 28348. You can also call (910) 424-4555, fax: (910) 424-4902, or visit our website: www.townofhopemills.com. for more information.

Town of Hope Mills

North Carolina

**BASIC FINANCIAL
STATEMENTS**



Town of Hope Mills, North Carolina
Statement of Net Position
June 30, 2016

	Governmental Activities	Total Primary Government
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 15,765,436	\$ 15,765,436
Receivables (net):		
Taxes	98,360	98,360
Due from other governments	995,426	995,426
Accounts	192,803	192,803
Other accounts receivable	6,005	6,005
Prepaid items	6,240	6,240
Restricted cash and cash equivalents	626,902	626,902
Total Current Assets	<u>17,691,172</u>	<u>17,691,172</u>
Non-current assets:		
Capital Assets:		
Land, Non-depreciable Improvements, and Construction in Progress	22,213,866	22,213,866
Other Capital Assets, Net of Depreciation	11,735,360	11,735,360
Total Capital Assets	<u>33,949,226</u>	<u>33,949,226</u>
Total Assets	<u>51,640,398</u>	<u>51,640,398</u>
Deferred Outflows of Resources		
Contributions to pension plan in current fiscal year	349,390	349,390
Total deferred outflows of resources	<u>349,390</u>	<u>349,390</u>
Liabilities		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	814,831	814,831
Accrued interest payable	35,920	35,920
Deposits	1,240	1,240
Current portion of long-term liabilities	921,702	921,702
Long-Term Liabilities:		
Net pension liability	459,924	459,924
Due in more than one year	10,636,334	10,636,334
Total Liabilities	<u>12,869,951</u>	<u>12,869,951</u>
Deferred Inflows of Resources		
Pension deferrals	288,510	288,510
Total deferred inflows of resources	<u>288,510</u>	<u>288,510</u>
Net Position		
Net Investment in Capital Assets	26,142,385	26,142,385
Restricted:		
Stabilization by State Statute	2,680,415	2,680,415
Streets	496,790	496,790
Cemetery perpetual care	31,344	31,344
Public Safety	101,305	101,305
Unrestricted	9,379,088	9,379,088
Total Net Position	<u>\$ 38,831,327</u>	<u>\$ 38,831,327</u>

Town of Hope Mills, North Carolina
Statement of Activities
For the Year Ended June 30, 2016

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
Primary government:						
Governmental activities:						
General government	\$ 2,228,577	\$ 84,089	\$ -	\$ -	\$ (2,144,488)	\$ (2,144,488)
Public safety	6,508,309	266,952	1,259	-	(6,240,098)	(6,240,098)
Transportation	794,953	-	435,237	-	(359,716)	(359,716)
Cultural and recreation	1,275,840	651,545	-	-	(624,295)	(624,295)
Environmental protection	1,222,752	1,215,338	-	-	(7,414)	(7,414)
Interest expense	77,903	-	-	-	(77,903)	(77,903)
Total governmental activities	12,108,334	2,217,924	436,496	-	(9,453,914)	(9,453,914)
Total primary government	\$ 12,108,334	\$ 2,217,924	\$ 436,496	\$ -	(9,453,914)	(9,453,914)
General revenues:						
Taxes:						
Ad valorem taxes					5,196,699	5,196,699
Other taxes and licenses					3,473,254	3,473,254
Unrestricted intergovernmental					778,256	778,256
Storm Water assessments					678,510	678,510
Miscellaneous					61,206	61,206
Investment earnings					19,813	19,813
Insurance recovery and sale of assets					27,062	27,062
Total general revenues, transfers, and contributions					10,234,800	10,234,800
Change in net position					780,886	780,886
Net position, beginning, previously reported					37,105,025	37,105,025
Restatement						
Prior Period Adjustment					945,416	945,416
Net position, beginning, restated					38,050,441	38,050,441
Net position, ending					\$ 38,831,327	\$ 38,831,327

Town of Hope Mills, North Carolina
Balance Sheet
Governmental Funds
June 30, 2016

	Major Funds		Total Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Storm Water Fund		
ASSETS				
Cash and cash equivalents	\$ 6,511,268	\$ 1,374,962	\$ 7,879,206	\$ 15,765,436
Restricted cash	486,008	-	140,894	626,902
Receivables, net:				
Taxes	98,360	-	-	98,360
Accounts	32,586	1,264	158,953	192,803
Due from other governments	994,053	1,189	184	995,426
Due from other funds	1,647,536	63,763	-	1,711,299
Prepaid expenses	6,240	-	-	6,240
Total assets	<u>\$ 9,776,051</u>	<u>\$ 1,441,178</u>	<u>\$ 8,179,237</u>	<u>\$ 19,396,466</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 441,609	\$ 7,320	\$ 365,902	\$ 814,831
Due to other funds	74,153	95,000	1,542,146	1,711,299
Deposits	1,240	-	-	1,240
Total liabilities	<u>517,002</u>	<u>102,320</u>	<u>1,908,048</u>	<u>2,527,370</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	98,360	-	-	98,360
Total deferred inflows of resources	<u>98,360</u>	<u>-</u>	<u>-</u>	<u>98,360</u>
FUND BALANCES				
Non-spendable:				
Prepaid expenses	6,240	-	-	6,240
Perpetual maintenance	-	-	31,344	31,344
Restricted:				
Stabilization by State Statute	2,680,415	-	-	2,680,415
Public Safety	-	-	101,305	101,305
Streets	496,790	-	-	496,790
Committed				
Storm Water System	-	1,338,858	-	1,338,858
Capital projects	-	-	6,138,540	6,138,540
Assigned:				
Subsequent year's expenditures	-	-	-	-
Unassigned	5,977,244	-	-	5,977,244
Total fund balances	<u>9,160,689</u>	<u>1,338,858</u>	<u>6,271,189</u>	<u>16,770,736</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,776,051</u>	<u>\$ 1,441,178</u>	<u>\$ 8,179,237</u>	<u>\$ 19,396,466</u>

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

Total Fund Balances - Governmental Funds	\$ 16,770,736
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	33,949,226
Net pension asset (liability)	(459,924)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	349,390
Pension related deferrals	(288,510)
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.	6,005
Liabilities for earned revenues considered deferred inflows of resources in the fund statements.	98,360
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>(11,593,956)</u>
Net position of governmental activities	<u>\$ 38,831,327</u>

Town of Hope Mills, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	Major Funds		Total Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Storm Water Fund		
REVENUES				
Ad valorem taxes	\$ 5,186,625	\$ -	\$ -	\$ 5,186,625
Other taxes and licenses	564,213	-	-	564,213
Unrestricted intergovernmental	4,205,148	-	-	4,205,148
Restricted intergovernmental	439,680	-	-	439,680
Permits and fees	322,369	678,510	-	1,000,879
Sales and services	1,380,281	-	-	1,380,281
Investment earnings	13,918	4,636	1,259	19,813
Miscellaneous	35,363	1,172	21,660	58,195
Total revenues	<u>\$ 12,147,597</u>	<u>\$ 684,318</u>	<u>\$ 22,919</u>	<u>\$ 12,854,834</u>
EXPENDITURES				
Current:				
General government	\$ 2,127,967	\$ -	\$ (6,098)	\$ 2,121,869
Public safety	5,828,005	-	-	5,828,005
Transportation	577,248	-	-	577,248
Cultural and recreational	1,252,288	-	-	1,252,288
Environmental protection	864,289	318,502	-	1,182,791
Capital Outlay	-	-	3,268,306	3,268,306
Debt Service:				
Principal	683,030	123,964	-	806,994
Interest & other charges	160,828	34,980	-	195,808
Total expenditures	<u>\$ 11,493,655</u>	<u>\$ 477,446</u>	<u>\$ 3,262,208</u>	<u>\$ 15,233,309</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 653,942</u>	<u>\$ 206,872</u>	<u>\$ (3,239,289)</u>	<u>\$ (2,378,475)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from/to other funds	\$ 103,760	\$ (122,500)	\$ 18,740	\$ -
Proceeds from installment financing	441,943	-	30,200	472,143
Insurance proceeds and sale of assets	27,062	-	-	27,062
Total other financing sources (uses)	<u>\$ 572,765</u>	<u>\$ (122,500)</u>	<u>\$ 48,940</u>	<u>\$ 499,205</u>
Net change in fund balance	\$ 1,226,707	\$ 84,372	\$ (3,190,349)	\$ (1,879,270)
Fund balances, beginning	7,933,982	1,254,486	9,461,538	18,650,006
Fund balances, ending	<u>\$ 9,160,689</u>	<u>\$ 1,338,858</u>	<u>\$ 6,271,189</u>	<u>\$ 16,770,736</u>

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, 2016

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

Net changes in fund balances - total governmental funds \$ (1,879,270)

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

Capital outlay expenditures which were capitalized	3,626,602	
Gain on Disposed Property	-	
Depreciation expense for governmental assets	<u>(1,054,881)</u>	2,571,721

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities

349,390

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred revenue for taxes	13,806	
Change in other deferred revenue	(2,749)	
Change in accrued interest receivable	<u>(3,732)</u>	7,325

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.

New long-term debt issued	(472,143)	
Principal payments on long-term debt	806,994	
(Increase) / decrease in accrued interest payable	<u>117,905</u>	452,756

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	74,512	
Pension expense	(236,924)	
Other Post Employment Benefits	(511,007)	
Net pension obligation	<u>(47,617)</u>	(721,036)

Total changes in net position of governmental activities \$ 780,886

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, 2016

	General Fund			Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad Valorem Taxes	\$ 5,192,342	\$ 5,130,842	\$ 5,186,625	\$ 55,783
Other Taxes and Licenses	548,550	548,550	564,213	15,663
Unrestricted Intergovernmental	3,754,579	3,788,135	4,205,148	417,013
Restricted Intergovernmental	-	434,835	439,680	4,845
Permits and Fees	175,235	238,535	322,369	83,834
Sales and Services	1,284,756	1,293,745	1,380,281	86,536
Investment Earnings	2,000	2,000	13,918	11,918
Other Revenue	64,400	28,800	35,363	6,563
Total Revenues	<u>11,021,862</u>	<u>11,465,442</u>	<u>12,147,597</u>	<u>682,155</u>
Expenditures:				
Current:				
General Government	2,568,831	2,776,754	2,127,967	648,787
Public Safety	6,258,634	6,313,174	5,828,005	485,169
Transportation	284,179	913,308	577,248	336,060
Cultural and Recreational	1,532,715	1,614,710	1,252,288	362,422
Environmental Protection	871,864	906,982	864,289	42,693
Debt Service:				
Principal Retirement	821,231	658,638	683,030	(24,392)
Interest and Other Charges	-	162,593	160,828	1,765
Total Expenditures	<u>12,337,454</u>	<u>13,346,159</u>	<u>11,493,655</u>	<u>1,852,504</u>
Revenues Over (Under) Expenditures	<u>(1,315,592)</u>	<u>(1,880,717)</u>	<u>653,942</u>	<u>2,534,659</u>
Other Financing Sources (Uses):				
Sale of fixed assets and insurance recovery	-	10,100	27,062	16,962
Proceeds from installment financing	471,943	471,943	441,943	(30,000)
Transfers In (Out)	-	122,500	103,760	(18,740)
Appropriated Fund Balance	843,649	1,276,174	-	(1,276,174)
Total Other Financing Sources (Uses)	<u>1,315,592</u>	<u>1,880,717</u>	<u>572,765</u>	<u>(1,307,952)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	1,226,707	<u>\$ 1,226,707</u>
Fund Balances, Beginning of Year			7,933,982	
Fund Balances, End of Year			<u>\$ 9,160,689</u>	

Town of Hope Mills

North Carolina

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**



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

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 Commissioners. 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 specific revenue sources that are set aside for a specific purpose.

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

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 grand 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 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. Non-participating interest earning contracts are accounted for at cost. The NCCMT- Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Town of Hope Mills Restricted Cash

Governmental Activities			
General Fund	Streets	\$	486,008
Non-major Governmental Funds	Archer Road Project		140,894
Total Restricted Cash		\$	<u>626,902</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, 2015. 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, 2016.

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. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs 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 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The town has 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:

Non-spendable 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 Storm Water system - portion of fund balance assigned by the Board of operation and development of the Town's storm water 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, 2016, the Town's deposits had a carrying amount of \$1,156,495 and a bank balance of \$931,929. Of the bank balance, \$351,555 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, 2016 the Town of Hope Mills had \$15,235,843 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried rating of AAAM by Standard & Poors. 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, 2016</u>
General Fund:	
Taxes Receivable	\$ 8,608
Accounts Receivable	64,303
Total	<u>\$ 72,911</u>

4. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Transfers	Adjustments	Ending Balances
Governmental Activities:						
Capital assets not being depreciated:						
Land	\$ 607,712	\$ -	\$ -	\$ -	\$ -	\$ 607,712
Construction in Progress	18,244,410	3,415,418	-	(53,674)	-	21,606,154
Total capital assets not depreciated	18,852,122	3,415,418	-	(53,674)	-	22,213,866
Capital assets being depreciated:						
Buildings	6,691,518	-	-	-	1,106,001	7,797,519
Other Improvements	1,214,563	-	-	-	304,875	1,519,438
Equipment	1,415,425	7,631	(5,109)	-	(6,459)	1,411,488
Vehicles and motorized equipment	7,215,662	203,553	-	26,287	(10,355)	7,435,147
Infrastructure	5,000,707	-	-	27,387	(443,723)	4,584,371
Total capital assets being depreciated	21,537,875	211,184	(5,109)	53,674	950,339	22,747,963
Less accumulated depreciation for:						
Buildings	1,796,622	179,391	-	-	652,331	2,628,344
Other Improvements	722,389	76,173	-	-	(41,368)	757,194
Equipment	1,361,294	30,584	(5,109)	-	(25,314)	1,361,455
Vehicles and motorized equipment	4,469,352	642,885	-	-	60,377	5,172,614
Infrastructure	1,608,250	125,848	-	-	(641,102)	1,092,996
Total accumulated depreciation	9,957,907	1,054,881	(5,109)	-	4,924	11,012,603
Total capital assets being depreciated, net	11,579,968	(843,697)	-	53,674	945,415	11,735,360
Governmental activities capital assets, net	\$30,432,090	\$ 2,571,721	\$ -	\$ -	\$ 945,415	\$ 33,949,226

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

General Government	\$ 89,073
Public Safety	557,820
Transportation	203,326
Environmental Protection	66,796
Cultural and Recreational	137,866
Total Depreciation Expense	<u>\$ 1,054,881</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.

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 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Stature 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, 2016, was 7.15% of compensation for law enforcement officers and 6.75% 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 \$349,390 for the year ended June 30, 2016.

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

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

At June 30, 2016, the Town reported a liability of \$459,924 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town's proportion was 0.10248%, which was an increase of 2.9329% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$236,924. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 108,109
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	130,939
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	49,462
Town contributions subsequent to the measurement date	349,390	
Total	<u>\$ 349,390</u>	<u>\$ 288,510</u>

\$349,390 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:	
2017	\$ (166,269)
2018	(166,269)
2019	(166,069)
2020	210,097
2021	-
Thereafter	-
	<u>\$ (288,510)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods 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, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income 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, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100.0%</u>	

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

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8-25%)
Town's proportionate share of the net pension liability (asset)	\$ 3,207,114	\$ 459,924	\$(1,854,523)

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, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	41
Total	<u>41</u>

2. *Summary of Significant Accounting Policies:*

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 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) 5.00% 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	\$ 57,118
Interest on net pension obligation	12,542
Adjustment to annual required contribution	<u>(22,043)</u>
Annual pension cost	\$ 47,617
Contributions made	<u>-</u>
Increase (decrease) in net pension obligation	\$ 47,617
Net pension obligation beginning of year	<u>250,844</u>
Net pension obligation end of year	<u><u>\$ 298,461</u></u>

For Year Ended June 30	Three Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2016	\$ 47,617	0.00%	\$ 298,461
2015	\$ 42,123	0.00%	\$ 250,844
2014	\$ 35,931	0.00%	\$ 208,721

4. Funded Status and Funding Progress.

As of December 31, 2015, 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 \$424,326. The covered payroll (annual payroll of active employees covered by the plan) was \$1,629,665, and the ratio of the UAAL to the covered payroll was 23.54 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, 2016 were \$112,154, which consisted of \$83,502 from the Town and \$28,652 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, 2016, 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 \$24,445. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative 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, 2015 and at June 30, 2014 was 0%.

For the year ended June 30, 2016, the Town recognized pension expense of \$9,345 and revenue of \$9,345 for support provided by the State. At June 30, 2016, 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, 2016 were \$162,427, which consisted of \$100,940 from the Town and \$61,487 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	<u>77</u>	<u>41</u>

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 12.45% of annual covered payroll. For the current year, the Town contributed \$23,246 or 0.55% 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 0.55% and 0.55% 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	\$ 530,117
Interest on net OPEB obligation	92,555
Adjustment to annual required contribution	<u>(88,419)</u>
Annual OPEB cost (expense)	534,253
Contributions made	<u>(23,246)</u>
Increase (decrease) in net OPEB obligation	511,007
Net OPEB obligation, beginning of year	<u>2,313,869</u>
Net OPEB obligation, end of year	<u><u>\$ 2,824,876</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, 2016 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 534,253	33.20%	\$ 2,670,848
2015	\$ 476,692	10.30%	\$ 2,313,869
2014	\$ 476,692	16.20%	\$ 1,886,450

Funding Status and Funding Progress. As of December 31, 2015, 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, 2015, 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, 2015, 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. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. 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. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. 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	\$ 349,390

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

Property taxes receivable (General Fund)	\$ 98,360
Storm Water Receivable (Storm Water Fund)	-
Prepaid Taxes and Licenses	-
Pension deferrals	288,510
Total	<u>\$ 386,870</u>

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 arises from the death of the Plaintiff's decedent which occurred subsequent to a shooting involving a police officer employed by the Town in 2014. The parties are engaged in discover. Although litigation by its nature is uncertain, the Town has denied all of the claims made in this action and believes the claims to be without merit. The other lawsuit seeks a refund of monies paid under the Workers' Compensation Act.

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.	\$ 3,354,545
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.	102,891
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.	655,164
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%.	1,124,203
On February 18, 2014, the Town executed a loan with BB&T in the amount of \$1,200,000, to finance the Archer Road Storm Water 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.	1,040,000
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.	252,788
On April 12, 2015, the Town executed a loan with NCDENR in the amount of \$879,270, for the Storm Water 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.	835,307
On January 28, 2016, the Town executed a loan with BB&T in the amount of \$271,000, to finance the purchase of 6 vehicles and radio equipment. The loan is to be repaid over a period of 5 years with annual payments in the amount of \$57,645, including interest at a rate of 2.09%. The first payment is due on January 28, 2017, and the final payment in the amount of \$57,645 is due on January 28, 2021.	271,000
On January 28, 2016, the Town executed a loan with BB&T in the amount of \$170,943, to finance the purchase of a software system. The loan is to be repaid over a period of 3 years with annual payments in the amount of \$59,031, including interest at a rate of 1.79%. The first payment is due on January 28, 2017, and the final payment in the amount of \$57,645 is due on January 28, 2019.	170,943
Total Installment Purchases	7,806,841

Annual debt service payments of the installment purchases as of June 30, 2016, including \$952,053 of interest, are as follows:

<u>Year ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 921,702	\$ 189,497
2018	930,860	166,488
2019	887,186	143,636
2020	836,599	121,508
2021	777,830	100,647
2022-2026	2,816,992	216,921
2027-2031	459,818	13,356
2032-2036	175,854	-
	7,806,841	952,053

b. Changes in Long-Term Liabilities

The following is a summary of changes in the Town's long-term obligations as of June 30, 2016:

Governmental activities:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion of Balance
Installment purchase	\$ 8,171,892	\$ 441,943	\$ 806,994	\$ 7,806,841	\$ 921,702
Capitalized lease	-	-	-	-	-
Compensated absences	702,370	-	74,512	627,858	-
Other postemployment benefits	2,313,869	511,007	-	2,824,876	-
Net pension liability (LGERS)	-	459,924	-	459,924	-
Net pension obligation	250,844	47,617	-	298,461	-
Governmental activity long term liabilities	<u>\$ 11,438,975</u>	<u>\$ 1,460,491</u>	<u>\$ 881,506</u>	<u>\$ 12,017,960</u>	<u>\$ 921,702</u>

At June 30, 2015 the Town of Hope Mills had no bonds authorized and a legal debt margin of \$82,022,627.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2016, represent miscellaneous amounts advanced and consists of the following:

Due to the General Fund for advance made to the: Capital Project Funds	\$ 1,542,146
Due to the General Fund for advance made to the: Powell Bill Fund	74,153
Due to the Powell Bill Fund for advance made to the: Storm Water Fund	<u>95,000</u>
Total	<u>\$ 1,711,299</u>

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. Transfers made during the fiscal year consists of the following:

Transfer from the Storm Water Fund to the General Fund	<u>\$ 122,500</u>
--	-------------------

D. 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 \$9,345 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, 2016. 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.

E. Fund Balance

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

Total fund balance - General Fund	<u>\$ 9,160,689</u>
Less:	
Prepaid expenses	6,240
Stabilization by State Statute	2,680,415
Streets - Powell Bill	496,790
Remaining Fund Balance	5,977,244

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>Storm Water Fund</u>		<u>Non-Major Fund</u>
Encumbrances	\$	131,139	\$	560,979	\$	-

F. Prior Period Adjustment

There is a prior period adjustment of \$945,415 relating to capital assets that were expensed in previous years, but were not previously added to capital assets in the audit reports.

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, 2016, the Town reported revenues and expenditures for the payments of \$9,345, 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, 2016. 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 ContingenciesFederal 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.

In August 2016, the Corps of Engineers of the Department of the Army issued the Town a permit to construct a dam on Little Rockfish Creek to impound and recreate a 95 acre lake, Hope Mills Lake, for the purposes of recreational use. The project involves construction of a new spillway and dam embankments that will impound water at the elevation of 104 feet.

Town of Hope Mills

North Carolina

REQUIRED SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles. Presentation conforms to requirements of Local Government Commission in North Carolina.

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 Postemployment Benefits

Schedule of Employer Contributions for the Other Postemployment 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

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)
12/31/2010	-	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%
12/31/2015	-	454,326	454,326	0.00%	1,929,665	23.54%

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

Year Ended June 30,	Annual Pension Cost	Percentage Contributed
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%
2016	47,617	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, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar closed
Remaining amortization period	15 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return *	3.57%
Projected salary increases *	3.50 -7.35%
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

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**

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2013	476,692	16.2%
2014	476,692	10.3%
2015	534,253	33.20%

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 Three Fiscal Years*

Local Government Employees' Retirement System			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Hope Mills' proportion of the net pension liability (asset) (%)	0.10248%	0.09956%	0.09500%
Hope Mills' proportion of the net pension liability (asset) (\$)	\$ 459,924	\$ (587,151)	\$ 1,145,115
Hope Mills' covered-employee payroll	\$ 4,781,992	\$ 4,007,068	\$ 4,187,047
Hope Mills' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10%	-15%	27%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	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 Three Fiscal Years**

Local Government Employees' Retirement System			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 349,390	\$ 346,214	\$ 320,731
Contributions in relation to the contractually required contribution	349,390	346,214	320,731
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hope Mills; covered-employee payroll	\$ 5,077,169	\$ 4,781,992	\$ 4,007,068
Contributions as a percentage of covered-employee payroll	6.88%	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*

Firefighters' and Rescue Squad Workers' Pension		
	<u>2016</u>	<u>2015</u>
Hope Mills' proportionate share of the net pension liability (%)	0.0000%	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	24,445	22,066
Total	<u>24,445</u>	<u>22,066</u>
Hope Mills' covered-employee payroll	\$ 1,126,508	\$ 1,001,102
Hope Mills' proportionate share of the net pension liability as a percentage of its covered-employee payroll	2.17%	2.20%
Plan fiduciary net position as a percentage of the total pension liability	91.40%	93.42%

* The amounts presented are for the prior fiscal year.

Town of Hope Mills

North Carolina

INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

This section contains additional information on the Governmental and Proprietary Funds (budget to actual comparison) and other schedules (ad valorem taxes receivables and current tax levy).



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, 2016
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	2016		Variance Favorable (Unfavorable)	2015
	Budget	Actual		Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 5,114,342	\$ 5,169,147	\$ 54,805	\$ 5,143,119
Penalties and Interest	16,500	17,478	978	13,499
Total	<u>5,130,842</u>	<u>5,186,625</u>	<u>55,783</u>	<u>5,156,618</u>
Other Taxes and Licenses:				
Recreation tax	548,550	505,227	(43,323)	553,464
Privilege licenses	-	58,986	58,986	14,050
Total	<u>548,550</u>	<u>564,213</u>	<u>15,663</u>	<u>567,514</u>
Unrestricted Intergovernmental:				
Local Option Sales Tax	3,014,935	3,213,864	198,929	3,015,066
Utility franchise tax	501,674	705,897	204,223	663,209
Video Programming Distribution	195,141	203,153	8,012	207,871
Solid Waste Disposal Tax	9,556	9,875	319	11,056
Beer and Wine Tax	66,829	72,359	5,530	76,305
Total	<u>3,788,135</u>	<u>4,205,148</u>	<u>417,013</u>	<u>3,973,507</u>
Restricted Intergovernmental:				
Powell Bill Allocation	428,867	435,237	6,370	426,219
State controlled substance tax	-	1,259	1,259	3,401
Miscellaneous grants	5,968	3,184	(2,784)	12,239
Total	<u>434,835</u>	<u>439,680</u>	<u>4,845</u>	<u>441,859</u>
Permits and Fees:				
Building Permits and Inspection Fees	175,535	266,952	91,417	143,041
Motor vehicle licenses	63,000	55,417	(7,583)	53,461
Total	<u>238,535</u>	<u>322,369</u>	<u>83,834</u>	<u>196,502</u>
Sales and Services:				
Refuse collection fees	1,143,500	1,205,463	61,963	1,153,650
Recreation department fees	129,545	146,318	16,773	132,628
Cemetery fees	-	3,000	3,000	11,000
Use of facilities fees	20,700	25,500	4,800	24,715
Total	<u>1,293,745</u>	<u>1,380,281</u>	<u>86,536</u>	<u>1,321,993</u>
Investment Earnings	2,000	13,918	11,918	4,678
Miscellaneous:				
Parking fines and court costs	4,100	3,172	(928)	6,600
Miscellaneous	5,700	8,520	2,820	13,308
Contributions	19,000	23,671	4,671	5,200
Total	<u>28,800</u>	<u>35,363</u>	<u>6,563</u>	<u>25,108</u>
Total Revenues	<u>11,465,442</u>	<u>12,147,597</u>	<u>682,155</u>	<u>11,687,779</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, 2016
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	2016		Variance Favorable (Unfavorable)	2015
	Budget	Actual		Actual
Expenditures:				
General Government:				
Governing Body:				
Other Operating Expenditures	316,329	215,837	100,492	77,262
Total	<u>316,329</u>	<u>215,837</u>	<u>100,492</u>	<u>77,262</u>
Economic and community development				
Salaries and Employee Benefits	139,736	133,619	6,117	65,112
Other operating expenditures	20,343	2,501	17,842	7,299
Capital outlay	-	-	-	299
Total	<u>160,079</u>	<u>136,120</u>	<u>23,959</u>	<u>72,710</u>
Administration:				
Salaries and Employee Benefits	394,315	375,536	18,779	370,181
Other Operating Expenditures	319,408	169,285	150,123	173,675
Capital Outlay	30,000	-	30,000	-
Total	<u>743,723</u>	<u>544,821</u>	<u>198,902</u>	<u>543,856</u>
Finance:				
Salaries and Employee Benefits	340,878	278,827	62,051	230,056
Other Operating Expenditures	65,866	43,897	21,969	54,287
Capital Outlay	170,943	63,830	107,113	2,857
Total	<u>577,687</u>	<u>386,554</u>	<u>191,133</u>	<u>287,200</u>
Taxes:				
Contracted Services	114,300	103,200	11,100	101,242
Total	<u>114,300</u>	<u>103,200</u>	<u>11,100</u>	<u>101,242</u>
Legal:				
Contracted Services	71,260	68,680	2,580	102,567
Total	<u>71,260</u>	<u>68,680</u>	<u>2,580</u>	<u>102,567</u>
Elections:				
Other operating expenditures	14,000	11,778	2,222	-
Total	<u>14,000</u>	<u>11,778</u>	<u>2,222</u>	<u>-</u>
Public Buildings:				
Salaries and Employee Benefits	197,890	192,572	5,318	191,693
Other Operating Expenditures	243,196	170,180	73,016	119,674
Total	<u>441,086</u>	<u>362,752</u>	<u>78,334</u>	<u>311,367</u>
Public Works:				
Salaries and Employee Benefits	155,436	153,841	1,595	155,072
Other Operating Expenditures	39,517	22,224	17,293	12,466
Total	<u>194,953</u>	<u>176,065</u>	<u>18,888</u>	<u>167,538</u>
Service garage				
Salaries and Employee Benefits	107,833	105,420	2,413	104,897
Other Operating Expenditures	30,604	16,740	13,864	23,791
Capital Outlay	4,900	-	4,900	-
Total	<u>143,337</u>	<u>122,160</u>	<u>21,177</u>	<u>128,688</u>
Total General Government	<u>\$ 2,776,754</u>	<u>\$ 2,127,967</u>	<u>\$ 648,787</u>	<u>\$ 1,792,430</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, 2016
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	2016		Variance Favorable (Unfavorable)	2015
	Budget	Actual		Actual
Public Safety:				
Police Department:				
Salaries and Employee Benefits	2,786,225	2,556,698	229,527	2,520,995
Other Operating Expenditures	782,477	643,749	138,728	616,518
Capital Outlay	231,062	176,787	54,275	276,602
Total	<u>3,799,764</u>	<u>3,377,234</u>	<u>422,530</u>	<u>3,414,115</u>
Animal Control:				
Salaries and employee benefits	48,208	47,246	962	47,324
Other operating expenditures	10,747	4,239	6,508	5,201
Total	<u>58,955</u>	<u>51,485</u>	<u>7,470</u>	<u>52,525</u>
Fire:				
Salaries and Employee Benefits	1,650,009	1,684,521	(34,512)	1,620,662
Other Operating Expenditures	438,340	407,888	30,452	296,323
Capital Outlay	28,973	972	28,001	527,556
Total	<u>2,117,322</u>	<u>2,093,381</u>	<u>23,941</u>	<u>2,444,541</u>
Inspections:				
Salaries and Employee Benefits	274,176	272,968	1,208	268,318
Other Operating Expenditures	61,957	32,937	29,020	34,698
Capital Outlay	1,000	-	1,000	899
Total	<u>337,133</u>	<u>305,905</u>	<u>31,228</u>	<u>303,915</u>
Total Public Safety	<u>6,313,174</u>	<u>5,828,005</u>	<u>485,169</u>	<u>6,215,096</u>
Transportation:				
Streets:				
Salaries and Employee Benefits	311,053	304,330	6,723	253,587
Other Operating Expenditures	390,155	272,918	117,237	272,924
Capital Outlay	212,100	-	212,100	83,872
Total	<u>913,308</u>	<u>577,248</u>	<u>336,060</u>	<u>610,383</u>
Environmental Protection:				
Solid waste:				
Salaries and employee benefits	462,437	454,523	7,914	435,428
Other operating expenditures	444,545	409,766	34,779	395,939
Total	<u>906,982</u>	<u>864,289</u>	<u>42,693</u>	<u>831,367</u>
Cultural and Recreational:				
Parks and Recreation:				
Salaries and Employee Benefits	718,881	672,433	46,448	668,987
Other Operating Expenditures	846,408	509,988	336,420	502,158
Capital Outlay	43,121	63,567	(20,446)	102,009
Total	<u>1,608,410</u>	<u>1,245,988</u>	<u>362,422</u>	<u>1,273,154</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, 2016
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	2016		Variance Favorable (Unfavorable)	2015
	Budget	Actual		Actual
Other culture and recreation				
Donations and special appropriations	6,300	6,300	-	19,666
Total cultural and recreation	<u>1,614,710</u>	<u>1,252,288</u>	<u>362,422</u>	<u>1,292,820</u>
Debt Service:				
Principal retirement	658,638	683,030	(24,392)	599,396
Interest and other charges	162,593	160,828	1,765	171,413
Total debt service	<u>821,231</u>	<u>843,858</u>	<u>(22,627)</u>	<u>770,809</u>
Contingency				
Total Expenditures	<u>13,346,159</u>	<u>11,493,655</u>	<u>1,852,504</u>	<u>11,512,905</u>
Revenues Over (Under) Expenditures	<u>(1,880,717)</u>	<u>653,942</u>	<u>2,534,659</u>	<u>174,874</u>
Other Financing Sources (Uses):				
Fund balance appropriated	1,276,174	-	(1,276,174)	
Proceeds from installment financing	471,943	441,943	(30,000)	313,000
Sale of fixed assets and insurance recovery	10,100	27,062	16,962	42,816
Transfers (to) from other funds:				
Capital Project Fund	-	(18,740)	(18,740)	-
Storm Water Fund	122,500	122,500	-	-
Total	<u>1,880,717</u>	<u>572,765</u>	<u>(1,307,952)</u>	<u>355,816</u>
Net Change in Fund Balance	<u>\$ -</u>	1,226,707	<u>\$ 1,226,707</u>	530,690
Fund balances, beginning		7,933,982		7,403,292
Fund balances, ending		<u>\$ 9,160,689</u>		<u>\$ 7,933,982</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, 2016
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	2016		Variance Favorable (Unfavorable)	2015
	Budget	Actual		Actual
Revenues:				
Operating Revenues:				
Fees	\$ 1,011,645	\$ 678,510	\$ (333,135)	\$ 659,291
Investment earnings	150	4,636	4,486	305
Other revenue	1,000	1,172	172	1,172
Total Revenue	<u>1,012,795</u>	<u>684,318</u>	<u>(328,477)</u>	<u>660,768</u>
Expenditures:				
Environmental protection:				
Storm Water:				
Salaries and employee benefits	128,133	133,234	(5,101)	108,960
Operating expenditures	114,571	132,128	(17,557)	68,900
Capital outlay	193,150	53,140	140,010	43,304
Total environmental protection	<u>435,854</u>	<u>318,502</u>	<u>117,352</u>	<u>221,164</u>
Debt Service:				
Principal retirement	123,980	123,964	16	97,885
Interest and other charges	34,997	34,980	17	18,444
Total debt service	<u>158,977</u>	<u>158,944</u>	<u>33</u>	<u>116,329</u>
Total Expenditures	<u>594,831</u>	<u>477,446</u>	<u>117,385</u>	<u>337,493</u>
Revenues Over (Under) Expenditures	<u>417,964</u>	<u>206,872</u>	<u>(445,862)</u>	<u>323,275</u>
Other Financing Sources (Uses):				
Fund balance appropriated	122,636	-	(122,636)	-
Fund balance reserved for encumbrances	23,150	-	(23,150)	-
Transfer (to) from other funds:	<u>(563,750)</u>	<u>(122,500)</u>	<u>441,250</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(417,964)</u>	<u>(122,500)</u>	<u>295,464</u>	<u>-</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 84,372</u>	<u>\$ (150,398)</u>	<u>\$ 323,275</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures		\$ 84,372		\$ 323,275
Fund balances, beginning		1,254,486		931,211
Fund balances, ending		<u>\$ 1,338,858</u>		<u>\$ 1,254,486</u>

NON-MAJOR GOVERNMENTAL FUNDS

Hope Mills, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
For the Year Ended June 30, 2016
(With Comparative Totals For the Year Ended June 30, 2015)

	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 - 2016	Total Nonmajor Governmental Fund - 2015
Assets:										
Cash and Cash Equivalents	\$ 7,700,950	\$ 101,305	\$ 36,871	\$ -	\$ 8,781	\$ -	\$ -	\$ 31,299	\$ 7,879,206	\$ 10,209,570
Restricted cash	-	-	-	140,894	-	-	-	-	140,894	299,817
Accounts receivable	-	-	-	158,953	-	-	-	-	158,953	-
Due from other governments	139	-	-	-	-	-	-	45	184	108,508
Total Assets	\$ 7,701,089	\$ 101,305	\$ 36,871	\$ 299,847	\$ 8,781	\$ -	\$ -	\$ 31,344	\$ 8,179,237	\$ 10,617,895
Liabilities and Fund Balances:										
Liabilities:										
Accounts payable	\$ 365,902	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 365,902	\$ 145,938
Due to other funds	1,383,193	-	-	158,953	-	-	-	-	1,542,146	1,010,419
Total Liabilities	1,749,095	-	-	158,953	-	-	-	-	1,908,048	1,156,357
Fund Balances:										
Non spendable										
Perpetual Maintenance	-	-	-	-	-	-	-	31,344	31,344	32,936
Restricted										
Public Safety Project	-	101,305	-	-	-	-	-	-	101,305	100,050
Committed										
Capital Projects	5,951,994	-	36,871	140,894	8,781	-	-	-	6,138,540	9,328,552
Total Fund Balances	5,951,994	101,305	36,871	140,894	8,781	-	-	31,344	6,271,189	9,461,538
Total liabilities and fund balances	\$ 7,701,089	\$ 101,305	\$ 36,871	\$ 299,847	\$ 8,781	\$ -	\$ -	\$ 31,344	\$ 8,179,237	\$ 10,617,895

Hope Mills, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2016
(With Comparative Totals For the Year Ended June 30, 2015)

	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 - 2016	Total Nonmajor Governmental Fund - 2015
Revenues:										
Investment earnings	\$ -	\$ 1,255	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ 1,259	\$ 41
Other Revenue	21,366	-	-	30	163	151	(50)	-	21,660	22,721
Total Revenues	<u>21,366</u>	<u>1,255</u>	<u>-</u>	<u>30</u>	<u>163</u>	<u>151</u>	<u>(50)</u>	<u>4</u>	<u>22,919</u>	<u>22,762</u>
Expenditures:										
General Government	-	-	-	-	-	-	-	-	-	-
Other operating expenditures	-	-	-	-	-	(7,694)	-	1,596	(6,098)	2,890
Capital Outlay	3,267,543	-	-	763	-	-	-	-	3,268,306	1,679,306
Total general government	<u>3,267,543</u>	<u>-</u>	<u>-</u>	<u>763</u>	<u>-</u>	<u>(7,694)</u>	<u>-</u>	<u>1,596</u>	<u>3,262,208</u>	<u>1,682,196</u>
Revenues Over Expenditures	(3,246,177)	1,255	-	(733)	163	7,845	(50)	(1,592)	(3,239,289)	(1,659,434)
Other Financing Sources (Uses):										
Legal Settlements	-	-	-	-	-	-	-	-	-	9,400,000
Proceeds from Borrowing	-	-	-	-	-	30,200	-	-	30,200	849,070
Transfers (to) from other funds:										
General Fund	18,740	-	-	-	-	-	-	-	18,740	-
Revenues and other sources over (under) expenditures	(3,227,437)	1,255	-	(733)	163	38,045	(50)	(1,592)	(3,190,349)	8,589,636
Fund balance, beginning	9,179,431	100,050	36,871	141,627	8,618	(38,045)	50	32,936	9,461,538	871,902
Fund balance, ending	<u>\$ 5,951,994</u>	<u>\$ 101,305</u>	<u>\$ 36,871</u>	<u>\$ 140,894</u>	<u>\$ 8,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,344</u>	<u>\$ 6,271,189</u>	<u>\$ 9,461,538</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, 2016

	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	-	112,007	21,366	133,373	133,373
Total revenues	<u>9,705,099</u>	<u>9,817,059</u>	<u>21,366</u>	<u>9,838,425</u>	<u>133,326</u>
Expenditures:					
Transportation:					
Capital Outlay	24,858,329	15,723,456	3,267,543	18,990,999	5,867,330
Total expenditures	<u>24,858,329</u>	<u>15,723,456</u>	<u>3,267,543</u>	<u>18,990,999</u>	<u>5,867,330</u>
Revenue Over (Under) Expenditures	<u>(15,153,230)</u>	<u>(5,906,397)</u>	<u>(3,246,177)</u>	<u>(9,152,574)</u>	<u>6,000,656</u>
Other Financing Sources (Uses)					
Legal Settlements	9,350,838	9,558,683	-	9,558,683	(207,845)
Contingency Reserves	(137,293)	-	-	-	(137,293)
Transfers (to) from other funds:					
General Fund	1,137,113	1,118,373	18,740	1,137,113	-
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>15,153,230</u>	<u>15,085,828</u>	<u>18,740</u>	<u>15,104,568</u>	<u>48,662</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 9,179,431</u>	<u>(3,227,437)</u>	<u>\$ 5,951,994</u>	<u>\$ 5,951,994</u>
Fund balance, beginning			<u>9,179,431</u>		
Fund balance, ending			<u>\$ 5,951,994</u>		

Hope Mills, North Carolina
Capital Projects Fund - Future 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, 2016

	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	-	151,400	-	151,400	(151,400)
Total expenditures	<u>-</u>	<u>151,400</u>	<u>-</u>	<u>151,400</u>	<u>(151,400)</u>
Revenue Over (Under) Expenditures	<u>-</u>	<u>(143,047)</u>	<u>-</u>	<u>(143,047)</u>	<u>(143,047)</u>
Other Financing Sources (Uses)					
Transfers (to) from other funds:					
General Fund	-	143,047	-	143,047	143,047
Total other financing sources and (uses)	<u>-</u>	<u>143,047</u>	<u>-</u>	<u>143,047</u>	<u>143,047</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			1,255		
Fund Balance, Beginning (Capital Reserve Fund)			<u>100,050</u>		
Fund Balance, Ending (Consolidated Fire Station Project)			<u>\$ 101,305</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, 2016

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues:					
Storm Water Management Project					
Interest Earned	\$ -	\$ 41	\$ -	\$ 41	\$ 41
MCCOG		36,719	-	36,719	36,719
NC Nourishing		1,100	-	1,100	1,100
Total revenues	<u>-</u>	<u>37,860</u>	<u>-</u>	<u>37,860</u>	<u>37,860</u>
Expenditures:					
Recreation					
Other operating expenditures	<u>-</u>	<u>989</u>	<u>-</u>	<u>989</u>	<u>(989)</u>
Total expenditures	<u>-</u>	<u>989</u>	<u>-</u>	<u>989</u>	<u>(989)</u>
Revenue Over (Under) Expenditures	<u>-</u>	<u>36,871</u>	<u>-</u>	<u>36,871</u>	<u>36,871</u>
Other Financing Sources (Uses)					
Transfers (to) from other funds:					
General Fund	-	-	-	-	-
Fund Balance Reserve for Encumbrances	-				
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>\$ 36,871</u>	<u>-</u>	<u>\$ 36,871</u>	<u>\$ 36,871</u>
Fund balance, beginning			<u>36,871</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, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Storm Water Management Project					
Other revenue	\$ -	\$ 98	\$ 30	\$ 128	\$ 128
Total revenues	<u>-</u>	<u>98</u>	<u>30</u>	<u>128</u>	<u>128</u>
Expenditures:					
Recreation					
Capital outlay	1,301,115	1,058,471	763	1,059,234	241,881
Total expenditures	<u>1,301,115</u>	<u>1,058,471</u>	<u>763</u>	<u>1,059,234</u>	<u>241,881</u>
Revenue Over (Under) Expenditures	<u>(1,301,115)</u>	<u>(1,058,373)</u>	<u>(733)</u>	<u>(1,059,106)</u>	<u>242,009</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>\$ 141,627</u>	<u>\$ (733)</u>	<u>\$ 140,894</u>	<u>\$ 140,894</u>
Fund balance, beginning			<u>141,627</u>		
Fund balance, ending			<u>\$ 140,894</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, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Storm Water Management Project					
Other revenue	\$ -	\$ 32	\$ 163	\$ 195	\$ 195
Total revenues	<u>-</u>	<u>32</u>	<u>163</u>	<u>195</u>	<u>195</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>(84,864)</u>	<u>163</u>	<u>(84,701)</u>	<u>8,781</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>93,482</u>	<u>93,482</u>	<u>-</u>	<u>93,482</u>	<u>-</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 8,618</u>	<u>\$ 163</u>	<u>\$ 8,781</u>	<u>\$ 8,781</u>
Fund balance, beginning			<u>8,618</u>		
Fund balance, ending			<u>\$ 8,781</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, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Storm Water Management Project					
Other revenue	\$ -	\$ 31	\$ 151	\$ 182	\$ 182
Total revenues	<u>-</u>	<u>31</u>	<u>151</u>	<u>182</u>	<u>182</u>
Expenditures:					
Recreation					
Other operating expenditures	-	-	(7,694)	(7,694)	7,694
Capital outlay	1,165,000	977,146	-	977,146	187,854
Total expenditures	<u>1,165,000</u>	<u>977,146</u>	<u>(7,694)</u>	<u>969,452</u>	<u>195,548</u>
Revenue Over (Under) Expenditures	<u>(1,165,000)</u>	<u>(977,115)</u>	<u>7,845</u>	<u>(969,270)</u>	<u>195,730</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	30,200	879,270	(195,730)
Total other financing sources and (uses)	<u>1,165,000</u>	<u>939,070</u>	<u>30,200</u>	<u>969,270</u>	<u>(195,730)</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ (38,045)</u>	<u>\$ 38,045</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>(38,045)</u>		
Fund balance, ending			<u>\$ -</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, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Storm Water Management Project					
Other revenue	\$ -	\$ 89	\$ (50)	\$ 39	\$ 39
Total revenues	<u>-</u>	<u>89</u>	<u>(50)</u>	<u>39</u>	<u>39</u>
Expenditures:					
Recreation					
Capital outlay	855,050	261,595	-	261,595	593,455
Total expenditures	<u>855,050</u>	<u>261,595</u>	<u>-</u>	<u>261,595</u>	<u>593,455</u>
Revenue Over (Under) Expenditures	<u>(855,050)</u>	<u>(261,506)</u>	<u>(50)</u>	<u>(261,556)</u>	<u>593,494</u>
Other Financing Sources (Uses)					
Transfers (to) from other funds:					
Storm Water Fund	702,850	261,556	-	261,556	(441,294)
Total other financing sources and (uses)	<u>152,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(152,200)</u>
	<u>855,050</u>	<u>261,556</u>	<u>-</u>	<u>261,556</u>	<u>(593,494)</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ (50)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>50</u>		
Fund balance, ending			<u>\$ -</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, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment earnings	\$ -	\$ 4	\$ 4
Total revenues	<u>-</u>	<u>4</u>	<u>4</u>
Expenditures:			
General government			
Other operating expenditures	7,500	1,596	5,904
Total general government	<u>7,500</u>	<u>1,596</u>	<u>5,904</u>
Revenue Over (Under) Expenditures	<u>(7,500)</u>	<u>(1,592)</u>	<u>5,908</u>
Other Financing Sources (Uses)			
Fund balance appropriated	7,500	-	(7,500)
Total	<u>7,500</u>	<u>-</u>	<u>(7,500)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	\$ (1,592)	<u>\$ (1,592)</u>
Fund balance, beginning		<u>32,936</u>	
Fund balance, ending		<u>\$ 31,344</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, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Governmental Project					
Other revenue	\$ -	\$ 50	\$ 1,255	\$ 1,305	\$ 1,305
Total revenues	<u>-</u>	<u>50</u>	<u>1,255</u>	<u>1,305</u>	<u>1,305</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>1,255</u>	<u>1,305</u>	<u>1,305</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>\$ 1,255</u>	<u>\$ 1,305</u>	<u>\$ 1,305</u>
Fund balance, beginning			<u>100,050</u>		
Fund balance, ending			<u>\$ 101,305</u>		

Town of Hope Mills

North Carolina

OTHER SCHEDULES

This section contains additional information
required on property taxes

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, 2016

Fiscal Year	Uncollected Balance June 30, 2013	Additions	Collections And Credits	Uncollected Balance June 30, 2015
2015-2016	\$ -	\$ 5,169,534	\$ 5,155,410	\$ 14,124
2014-2015	6,901	-	318	6,583
2013-2014	40,973	-	29,995	10,978
2012-2013	19,322	-	3,466	15,856
2011-2012	13,982	-	1,528	12,454
2010-2011	10,163	-	655	9,508
2009-2010	10,662	-	654	10,008
2008-2009	8,782	-	337	8,445
2007-2008	10,436	-	487	9,949
2006-2007	9,497	-	433	9,064
2005-2006	8,140	-	8,140	-
	-	-	-	-
Totals	\$ 138,858	\$ 5,169,534	\$ 5,201,424	\$ 106,968
Less: allowance for doubtful accounts:				
General Fund				(8,608)
Ad valorem taxes receivable - net				<u>\$ 98,360</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 5,169,147
Reconciling Items:				
Penalties and Interest collected				17,478
Adjustments and taxes written off				14,799
Subtotal				<u>32,277</u>
Total Collections and Credits				<u>\$ 5,201,424</u>

Hope Mills, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
For the Fiscal Year Ended June 30, 2016

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property Tax at current	\$1,005,503,874	0.46	\$ 4,625,318	\$ 4,625,318	\$ -
Registered motor vehicles taxed at current year's rate	113,718,043	0.46	523,103	-	523,103
Penalties and other	-		1,725	1,725	-
Total	1,119,221,917		5,150,146	4,627,043	523,103
Discoveries:					
Current year taxes	5,237,635	0.46	24,093	24,093	-
Prior year taxes	-		-	-	-
Penalties and other	-		3,457	3,457	-
Total	5,237,635		27,550	27,550	-
Abatements					
Current year taxes	1,591,202	0.460	7,320	7,320	-
Penalties and other	-		842	842	-
	1,591,202		8,162	8,162	-
Total Property Valuation	\$1,122,868,350				
Net Levy			5,169,534	4,646,431	523,103
Uncollected taxes at June 30, 2016			14,124	14,124	-
Current year's taxes collected			\$ 5,155,410	\$ 4,632,307	\$ 523,103
Current levy collection percentage			99.73%	99.70%	100.00%

Town of Hope Mills

North Carolina

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*

Independent Auditor's Report

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, 2016, 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 October 27, 2016.

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.

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. A significant deficiency is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be significant deficiencies. However, significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness. (2016-01)

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.

Whiteville, NC

October 27, 2016

**Town of Hope Mills
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Section I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

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

Noncompliance material to financial statements noted _____ yes _____ X _____ no

**Town of Hope Mills
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Section II. Financial Statement Findings

MATERIAL WEAKNESS

2016-01 In planning and performing our audit of the financial statements, we considered the

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 audit schedules did not include some items that should have been capitalized in the previous year.
Recommendation:	The Town and auditors should review capital asset records periodically and ensure that asset listings are complete, accurate and match the audit report each year.
Views of Responsible Officials:	The Town agrees with this finding.

**Town of Hope Mills
Corrective Action Plan
For the Year Ended June 30, 2016**

Section II. Financial Statement Findings

2016-01 Prior Period Adjustment

Name of contact person: Drew Holland, Finance Director

Corrective Action: Finance and auditors will monitor the depreciation reports more closely in the future to ensure that the list of assets is complete, accurate, and match the audit report each year.

**Town of Hope Mills
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

- 2015-01 The Town now has a permanent Finance Director. This provides another person in the mix, allowing some duties to be reassigned. Duties are now appropriately and adequately separated.
- 2015-02 The new Finance Director has assisted in firming up the Town's fixed asset schedule. This has been helpful in matching up the audit schedule with the Town's records. Although this continues to be a finding for the current year, by monitoring these reports this issue should now be resolved.