

TOWN OF HOFFMAN, NORTH CAROLINA

FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2019

TOWN OF HOFFMAN, NORTH CAROLINA

TOWN OFFICIALS

JUNE 30, 2019

MAYOR

TOMMY HART

TOWN COUNCIL

DANIEL KELLY – MAYOR PRO-TEM

CYNTHIA NORTHCUTT

RORY JONES

JOHN TAYLOR

RICARDO ANDERSON

OTHER OFFICIALS

MAGGIE BETHEA

FINANCE OFFICER

TOWN OF HOFFMAN, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2019

<u>Exhibit</u>		<u>Page No.</u>
FINANCIAL SECTION		
	Independent Auditor's Report	1
	Management's Discussion and Analysis	3
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	8
2	Statement of Activities	9
	Fund Financial Statements:	
3	Balance Sheet – Governmental Fund	10
4	Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	11
5	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	12
6	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	13
7	Statement of Fund Net Position – Proprietary Fund	14
8	Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund	15
9	Statement of Cash Flows – Proprietary Fund	16
	Notes to the Financial Statements	17
	Major Governmental Fund:	
	General Fund	
A-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund Town Park Capital Project Fund	24
A-2	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – from inception	26
	Enterprise Fund	
	Sewer Capital Project Fund	
B-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – from inception	27
	Other Schedules:	
C-1	Schedule of Ad Valorem Taxes Receivable	28
C-2	Analysis of Current Tax Levy	29

TOWN OF HOFFMAN, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2019

Exhibit

Page No.

COMPLIANCE SECTION

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 30

Schedule of Findings and Questioned Costs 32

Corrective Action Plan 34

Schedule of Prior Year Findings 35

FINANCIAL SECTION

220 East Washington Street
Post Office Box 697
Rockingham, North Carolina 28380
(910) 557-1176

Other Office Locations:
Seven Lakes, North Carolina
Gastonia, North Carolina
Statesville, North Carolina

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Hoffman, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Controller 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 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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hoffman, North Carolina as of June 30, 2019, and the respective changes in financial position, and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3 through 7, be presented to supplement the basic financial statements. Such information, although not a 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 Hoffman, North Carolina. The individual fund statements and budgetary schedules are presented for purposed of additional analysis and are not a required part of the basic financial statements.

The individual fund statements and budgetary schedules 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, the individual fund statements and budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2019 on our consideration of Town of Hoffman's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Hoffman's internal control over financial reporting and compliance.

Anderson Smith + Wike PLLC

Rockingham, NC
November 5, 2019

Management's Discussion and Analysis

As management of the Town of Hoffman, we offer readers of the Town of Hoffman's financial statements this narrative overview and analysis of the financial activities of the Town of Hoffman for the fiscal year ended June 30, 2019. 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.

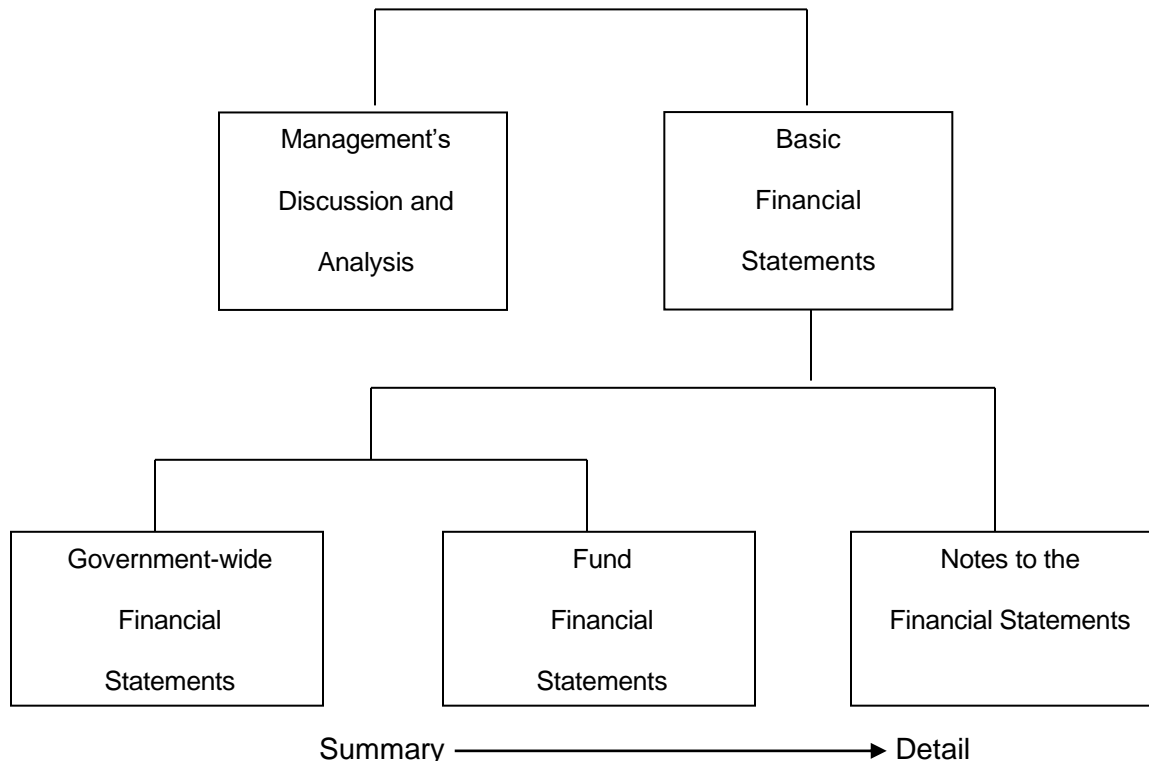
Financial Highlights

- The net position of the Town of Hoffman exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,725,365 (*net position*).
- The government's total net position increased by \$1,081,869, due to revenues exceeding expenditures in the governmental type activities and asset additions in the business-type activities.
- As of the close of the current fiscal year, the Town of Hoffman's General fund reported an ending fund balance of \$1,087,840 a decrease of \$3,606 in comparison with the prior year. Approximately 50.4 percent of fund balance, or \$548,784 is available for spending at the government's discretion (unassigned fund balance).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Hoffman's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. 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 Hoffman.

Required Components of Annual Financial Report



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 9) 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 details about the Town's general fund. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how 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 are governmental activities. The governmental activities include most of the Town's basic services such as general government and transportation. Other taxes 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 provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Hoffman, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Town's basic services are accounted for in one governmental fund, the General Fund. This fund focuses 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 Hoffman maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and one capital project fund, which are all considered being major funds.

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

Proprietary Funds – Town of Hoffman has one proprietary fund, Sewer Project Fund, which is an enterprise fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Hoffman uses an enterprise fund to account for its Sewer Project activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 17-23 of this report.

Government-Wide Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Town as a whole.

The following table provides a summary of the Town’s net position:

The Town of Hoffman’s Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$1,171,394	\$1,226,282	\$ 328,629	\$ 203,982	\$1,500,023	\$1,430,264
Capital assets	729,702	328,842	1,847,155	1,115,318	2,576,857	1,444,160
Total assets	1,901,096	1,555,124	2,175,784	1,319,300	4,076,880	2,874,424
Current liabilities	23,981	28,041	327,534	202,887	351,515	230,928
Net Position						
Net investment in capital assets	729,702	328,842	1,847,155	1,115,318	2,576,857	1,444,160
Restricted	212,167	246,609	-	-	212,167	246,609
Unrestricted	935,246	951,632	1,095	1,095	936,341	952,727
Total net position	<u>\$1,877,115</u>	<u>\$1,527,083</u>	<u>\$1,848,250</u>	<u>\$1,116,413</u>	<u>\$3,725,365</u>	<u>\$2,643,496</u>

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The net position of the Town of Hoffman exceeded liabilities and deferred inflows by \$3,725,365 as of June 30, 2019. The Town’s net position increased by \$1,081,869 for the fiscal year ended June 30, 2019. A portion of net position (69.2%) reflects the Town’s net investment in capital assets (e.g. land, buildings and improvements). The Town of Hoffman uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining portions of net position are restricted (5.7%) and unrestricted (25.1%).

Town of Hoffman Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 8,145	\$ 21,899	\$ -	\$ -	\$ 8,145	\$ 21,899
Operating Grants and Contributions	338,854	29,905	-	-	338,854	29,905
Capital Grants and Contributions	41,614	-	715,565	786,497	757,179	786,497
General revenues:						
Property taxes	50,115	40,208	-	-	50,115	40,208
Other taxes	166,126	155,519	-	-	166,126	155,519
Unrestricted investment						
Earnings	3,877	2,661	-	-	3,877	2,661
Miscellaneous	8,994	7,700	-	-	8,994	7,700
Total revenues	<u>617,725</u>	<u>257,892</u>	<u>715,565</u>	<u>786,497</u>	<u>1,333,290</u>	<u>1,044,389</u>
Expenses:						
General Government	154,803	140,730	-	-	154,803	140,730
Public Safety	2,500	2,500	-	-	2,500	2,500
Transportation	45,637	55,991	-	-	45,637	55,991
Environmental	22,257	30,709	-	-	22,257	30,709
Recreation	25,954	50,222	-	-	25,954	50,222
Total expenses	<u>251,421</u>	<u>280,152</u>	<u>-</u>	<u>-</u>	<u>251,421</u>	<u>280,152</u>
Increase (decrease) in net position before transfers	<u>366,304</u>	<u>(22,260)</u>	<u>715,565</u>	<u>786,497</u>	<u>1,081,869</u>	<u>764,237</u>
Transfers	(16,272)	(374)	16,272	374	-	-
Increase (decrease) in net position before transfers	350,032	(22,634)	731,837	786,871	1,081,869	764,237
Net position, July 1	<u>1,527,083</u>	<u>1,549,727</u>	<u>1,116,413</u>	<u>329,542</u>	<u>2,643,496</u>	<u>1,879,259</u>
Net position, June 30	<u>\$1,877,115</u>	<u>\$1,527,083</u>	<u>\$1,848,250</u>	<u>\$1,116,413</u>	<u>\$3,725,365</u>	<u>\$2,643,496</u>

Governmental activities: Governmental activities increased the Town's net position by \$350,032. Key elements of this increase were as follows:

- Revenues increased by approximately \$359,833 resulting in an increase of 350,032 to net position. Insurance reimbursement for recreation building damage was \$311,077 of that amount.

Business-type activities: Business-type activities increased the Town's net position by \$731,837. Key element of this increase was as follows:

- Grant revenues increased by approximately \$70,932.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Hoffman's governmental fund is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Hoffman's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town had an unassigned fund balance of the general fund was \$548,784, while the total fund balance reached \$1,130,626. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 96.5 percent of total expenditures, while total fund balance represents 198.9 percent of that same amount.

General Fund Budgetary Highlights: During the fiscal year, the Town had no amendments to its original budget and expenditures were held to only 78.2% of budget.

Proprietary Funds: The Town of Hoffman's proprietary fund provides the same type of information found in the government-wide statements but in more detail. The total increase in net position was \$731,837.

Capital Asset and Debt Administration

Capital assets. The Town of Hoffman's capital assets, at cost, for its governmental activities as of June 30, 2019, totals \$2,576,857 (net of accumulated depreciation). These assets include land, buildings and improvements, equipment, vehicles, and infrastructure.

There were \$1,156,428 of capital asset additions and no disposals during the fiscal year.

Town of Hoffman's Capital Assets

Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Non-depreciable assets						
Land and CIP	\$ 214,483	\$ 130,621	\$1,847,155	\$1,115,318	\$2,061,638	\$1,245,939
Depreciable assets						
Building and improvements	328,251	4,490	-	-	328,251	4,490
Equipment and Vehicles	33,771	40,534	-	-	33,771	40,534
Infrastructure	153,197	153,197	-	-	153,197	153,197
Total	<u>\$ 729,702</u>	<u>\$ 328,842</u>	<u>\$1,847,155</u>	<u>\$1,115,318</u>	<u>\$2,576,857</u>	<u>\$1,444,160</u>

Additional information on the Town's capital assets can be found in NOTE 2. A. the Basic Financial Statements.

Long-term debt. As of June 30, 2019, the Town did not have any long-term debt.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: The governmental funds' primary revenue resources are local option sales taxes. For the fiscal year ending June 30, 2020, the budget decreased \$211,750 from the prior year.

Business-type Activities: For the fiscal year ending June 30, 2020, the Sewer Fund budget remains the same as prior year.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Mayor, Town of Hoffman, 2176 Caddell Road, Hoffman, North Carolina 28347.

BASIC FINANCIAL STATEMENTS

TOWN OF HOFFMAN, NORTH CAROLINA
STATEMENT OF NET POSITION
6/30/2019

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets			
Cash and cash equivalents	\$ 970,292	\$ 1,095	\$ 971,387
Taxes receivable	16,787	-	16,787
Due from other governments	48,077	327,534	375,611
Restricted cash and cash equivalents	<u>136,238</u>	<u>-</u>	<u>136,238</u>
Total current assets	<u>1,171,394</u>	<u>328,629</u>	<u>1,500,023</u>
Non-current assets:			
Capital assets			
Land and construction in progress	214,483	1,847,155	2,061,638
Other capital assets, net of depreciation	<u>515,219</u>	<u>-</u>	<u>515,219</u>
Total capital assets	<u>729,702</u>	<u>1,847,155</u>	<u>2,576,857</u>
Total assets	<u>\$ 1,901,096</u>	<u>\$ 2,175,784</u>	<u>\$ 4,076,880</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	<u>\$ 23,981</u>	<u>\$ 327,534</u>	<u>351,515</u>
Total liabilities	<u>\$ 23,981</u>	<u>\$ 327,534</u>	<u>\$ 351,515</u>
NET POSITION			
Investment in capital assets	\$ 729,702	\$ 1,847,155	2,576,857
Restricted for:			
Stabilization by State Statute	33,143	-	33,143
Other functions	179,024	-	179,024
Unrestricted	<u>935,246</u>	<u>1,095</u>	<u>936,341</u>
Total net position	<u>\$ 1,877,115</u>	<u>\$ 1,848,250</u>	<u>\$ 3,725,365</u>

TOWN OF HOFFMAN, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary government							
Governmental activities							
General government	\$ 154,803	\$ -	\$ -	\$ -	\$ (154,803)	\$ -	\$ (154,803)
Public safety	2,500	-	-	-	(2,500)	-	(2,500)
Transportation	45,637	-	27,777	-	(17,860)	-	(17,860)
Environmental protection	22,527	-	-	-	(22,527)	-	(22,527)
Recreation	25,954	8,145	311,077	41,614	334,882	-	334,882
Total governmental activities	<u>\$ 251,421</u>	<u>\$ 8,145</u>	<u>\$ 338,854</u>	<u>\$ 41,614</u>	<u>\$ 137,192</u>	<u>\$ -</u>	<u>\$ 137,192</u>
Business-Type activities							
Enterprise activities							
Sewer project	-	-	-	715,565	-	715,565	715,565
Total primary government	<u>\$ 251,421</u>	<u>\$ 8,145</u>	<u>\$ 338,854</u>	<u>\$ 715,179</u>	<u>\$ 137,192</u>	<u>\$ 715,565</u>	<u>\$ 852,757</u>
General revenues							
Taxes							
Property taxes, levied for general purposes					50,115	-	50,115
Other taxes					166,126	-	166,126
Unrestricted investment earnings					3,877	-	3,877
Miscellaneous					8,994	-	8,994
Transfers					(16,272)	16,272	-
Total general revenues and transfers					<u>212,840</u>	<u>16,272</u>	<u>229,112</u>
Change in net position					<u>350,032</u>	<u>731,837</u>	<u>1,081,869</u>
Net position - beginning					<u>1,527,083</u>	<u>1,116,413</u>	<u>2,643,496</u>
Net position - ending					<u>\$ 1,877,115</u>	<u>\$ 1,848,250</u>	<u>\$ 3,725,365</u>

TOWN OF HOFFMAN, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUND
6/30/2019

Exhibit 3

	<u>Major Fund</u>		Total Governmental Funds
	<u>General</u>	<u>Town Park Project Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 940,912	\$ 29,380	\$ 970,292
Restricted cash	136,238	-	136,238
Receivables, net			
Taxes	16,787	-	16,787
Due from other governments	<u>33,143</u>	<u>14,934</u>	<u>48,077</u>
Total assets	<u>\$ 1,127,080</u>	<u>\$ 44,314</u>	<u>\$ 1,171,394</u>
LIABILITIES			
Accounts payable and accrued payroll liability	\$ 22,453	\$ 1,528	\$ 23,981
Total liabilities	<u>22,453</u>	<u>1,528</u>	<u>23,981</u>
DEFERRED INFLOWS OF RESOURCES			
Tax receivable	<u>16,787</u>	<u>-</u>	<u>16,787</u>
Total deferred inflows of resources	<u>16,787</u>	<u>-</u>	<u>16,787</u>
FUND BALANCES			
Restricted for:			
Stabilization by State Statute	33,143	-	33,143
Streets - Powell Bill	136,238	-	136,238
Committed			
Economic Development	-	42,786	42,786
Assigned			
Subsequent year's expenditures	369,675	-	369,675
Unassigned	<u>548,784</u>	<u>-</u>	<u>548,784</u>
Total fund balances	<u>1,087,840</u>	<u>42,786</u>	<u>1,130,626</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,127,080</u>	<u>\$ 44,314</u>	<u>\$ 1,171,394</u>
Reconciliation of fund balance as reported in the balance sheet-			
governmental funds with net assets - governmental activities			
Fund balance as reported in the balance sheet - governmental funds			\$ 1,130,626
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources			729,702
Liabilities for earned but deferred revenues in fund statements			<u>16,787</u>
Net assets of governmental activities			<u>\$ 1,877,115</u>

TOWN OF HOFFMAN, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2019

Exhibit 4

	<u>Major Fund</u>		Total Governmental Funds
	<u>General Fund</u>	Town Park <u>Project Fund</u>	
REVENUES			
Ad valorem taxes	\$ 55,107	\$ -	\$ 55,107
Unrestricted intergovernmental	166,126	-	166,126
Restricted intergovernmental	27,777	41,614	69,391
Investment earnings	3,859	18	3,877
Miscellaneous	328,216	-	328,216
	<u>581,085</u>	<u>41,632</u>	<u>622,717</u>
EXPENDITURES			
Current			
General government	160,882	-	160,882
Public safety	2,500	-	2,500
Transportation	35,272	-	35,272
Environmental protection	17,826	-	17,826
Recreation	351,939	83,862	435,801
	<u>568,419</u>	<u>83,862</u>	<u>652,281</u>
Total expenditures	<u>568,419</u>	<u>83,862</u>	<u>652,281</u>
Revenues over (under) expenditures	12,666	(42,230)	(29,564)
Other financing sources (uses)			
Transfer to Sewer Project	(16,272)	-	(16,272)
Total other financing sources (uses)	<u>(16,272)</u>	<u>-</u>	<u>(16,272)</u>
Change in fund balance after other financing sources (uses)	(3,606)	(42,230)	(45,836)
Fund balance - beginning	<u>1,091,446</u>	<u>85,016</u>	<u>1,176,462</u>
Fund balance - ending	<u>1,087,840</u>	<u>42,786</u>	<u>1,130,626</u>

TOWN OF HOFFMAN, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2019

Exhibit 5

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

Net change in fund balance - governmental fund	\$ (45,836)
--	-------------

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 outlay exceeded depreciation expense in the current period

Capital outlay	424,591
Depreciation expense	(23,731)

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 tax revenues	<u>(4,992)</u>
---	----------------

Total change in net position of governmental activities	<u>\$ 350,032</u>
---	-------------------

TOWN OF HOFFMAN, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2019

Exhibit 6

	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 48,500	\$ 66,000	\$ 55,107	\$ (10,893)
Unrestricted intergovernmental	153,175	152,975	166,126	13,151
Restricted intergovernmental	30,000	30,000	27,777	(2,223)
Investment earnings	2,200	4,400	3,859	(541)
Miscellaneous	19,000	334,100	328,216	(5,884)
Total revenues	252,875	587,475	581,085	(6,390)
EXPENDITURES				
Current				
General government	258,650	238,850	160,882	77,968
Public safety	2,500	13,500	2,500	11,000
Transportation	52,000	66,100	35,272	30,828
Environmental protection	20,000	20,000	17,826	2,174
Recreation	30,000	364,700	351,939	12,761
Total expenditures	363,150	703,150	568,419	134,731
Revenues over (under) expenditures	(110,275)	(115,675)	12,666	128,341
Other financing sources (uses)				
Transfer to Sewer Project	(75,000)	(75,000)	(16,272)	58,728
Transfer to Town Park Project	(100,000)	(100,000)	-	100,000
Total other financing sources (uses)	(175,000)	(175,000)	(16,272)	158,728
Change in fund balance after other financing sources (uses)	(285,275)	(290,675)	(3,606)	287,069
Fund balance appropriated	285,275	290,675	-	(290,675)
Net change in fund balance	\$ -	\$ -	(3,606)	\$ (3,606)
Fund balance - beginning			1,091,446	
Fund balance - ending			<u>\$ 1,087,840</u>	

TOWN OF HOFFMAN, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUND - SEWER PROJECT FUND
June 30, 2019

Exhibit 7

	<u>Enterprise Fund</u> <u>Sewer</u> <u>Project Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,095
Accounts receivable	<u>327,534</u>
Total current assets	<u>328,629</u>
Non-current assets	
Capital assets	<u>1,847,155</u>
Land and construction in progress	<u>1,847,155</u>
Total capital assets	
Total Assets	<u>2,175,784</u>
LIABILITIES	
Accounts payable and accrued liabilities	<u>327,534</u>
Total Liabilities	<u>327,534</u>
NET POSITION	
Net investment in capital assets	1,847,155
Unrestricted	<u>1,095</u>
Total net position	<u>1,848,250</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,175,784</u>

TOWN OF HOFFMAN, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND - SEWER PROJECT FUND
For the Year Ended June 30, 2019

Exhibit 8

	Enterprise Fund Sewer Project Fund
OPERATING REVENUES	
Revenue	\$ -
Total operating revenues	-
OPERATING EXPENSES	-
Total operating expenses	-
Operating income	-
NONOPERATING REVENUES (EXPENSES)	
Miscellaneous expense	-
Investment earnings	-
Total nonoperating revenues (expense)	-
Income before contributions and transfers	-
Capital contributions	715,565
Transfer from General fund	16,272
Change in net position	731,837
Total net position, beginning	1,116,413
Total net position, ending	\$ 1,848,250

TOWN OF HOFFMAN, NORTH CAROLINA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2019

Exhibit 9

Reconciliation of operating loss to net cash used by operating activities:	-
Adjustments to reconcile operating (loss) to net cash used by operating activities:	
(Increase) in accounts receivable	(124,647)
Increase in accounts payable and other accrued liabilities	<u>124,647</u>
Total adjustments	<u>-</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(731,837)
Capital contributions	715,565
Transfer from General fund	<u>16,272</u>
NET CASH INCREASED CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,095</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,095</u>

Reconciliation of operating loss to net cash used by operating activities:

NOTES TO THE FINANCIAL STATEMENTS

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statement themselves. The notes supplement the financial statements, and are an integral part thereof, and are intended to be read in conjunction with the financial statements.

TOWN OF HOFFMAN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Hoffman, North Carolina conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Hoffman, North Carolina, is a municipal corporation that is governed by an elected mayor and a five-member council.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Town. These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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. Revenues, that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statement for each 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.

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 funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, various other taxes, grants, and investment earnings. The primary expenditures are for general government and transportation.

Town Park Capital Project Fund. This fund accounts for the construction of a Town Park located within the Town and is financed by a transfer from the General Fund and grant revenues.

The Town reports the following major enterprise fund:

Sewer Capital Project Fund. This fund accounts for the construction of the Town's sewer system that will be operational in future years. This project is financed by a CDBG grant.

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

TOWN OF HOFFMAN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

Amounts reported as program revenues include operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes,

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivables are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Richmond County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Hoffman. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Richmond County from March 2018 through May 2019 apply to the fiscal year ended June 30, 2019. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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 Hoffman because the tax is levied by Richmond 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.

D. Budgetary Data

The Town's annual budget for the General Fund is adopted as required by the North Carolina General Statutes. All annual appropriations lapse at fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the function level for all annually budgeted funds. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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.

TOWN OF HOFFMAN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

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 nonguaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

Cash and Cash Equivalents

All cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Restricted Assets

Powell Bill Funds are restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General fund, ad valorem tax revenues are reported net of such discounts.

Allowance for Uncollectible Accounts

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

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 have not been approved. Purchased or constructed capital assets are reported at cost or estimated historical cost. 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 are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings & Improvements	15 – 40 years
Equipment	5 – 10 years
Vehicles	5 years
Infrastructure	15 years

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. 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 only two items that meet the criterion for this category - prepaid taxes and property taxes receivable.

TOWN OF HOFFMAN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of three 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:

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

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

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. The Governing body approves the appropriation.

Assigned fund balance – portion of fund balance that the Town of Hoffman intends to use for specific purposes.

Subsequent year's expenditures - portion of balance that is appropriated in next years budget that is not already classified in restricted. The Governing body approves the appropriation.

Unassigned fund balance – the portion of fund balance that has not been restricted or assigned to specific purposes or other funds.

F. Other

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

TOWN OF HOFFMAN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

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 agent in the units' name. 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 noninterest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for

each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risks for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$1,107,625 and a bank balance of \$1,114,359. Of the bank balance, \$500,000 was covered by federal depository insurance and \$614,359 was covered by collateral held under the pooling method.

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

Primary Government	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 90,609	\$ -	\$ -	\$ 90,609
Construction in progress	<u>40,012</u>	<u>83,862</u>	<u>-</u>	<u>123,874</u>
Total land and CIP	130,621	83,862	-	214,483
Capital assets being depreciated				
Buildings and improvements	119,242	325,412	-	444,654
Equipment	202,555	15,317	-	217,872
Vehicles	102,694	-	-	102,694
Infrastructure	<u>452,214</u>	<u>-</u>	<u>-</u>	<u>452,214</u>
Total capital assets being depreciated	<u>876,705</u>	<u>340,729</u>	<u>-</u>	<u>1,217,434</u>
Less accumulated depreciation for				
Buildings and improvements	114,752	1,651	-	116,403
Equipment	162,021	22,080	-	184,101
Vehicles	102,694	-	-	102,694
Infrastructure	<u>299,017</u>	<u>-</u>	<u>-</u>	<u>299,017</u>
Total accumulated depreciation	<u>678,484</u>	<u>23,731</u>	<u>-</u>	<u>702,215</u>
Total capital assets being depreciated, net	<u>198,221</u>	<u>316,998</u>	<u>-</u>	<u>515,219</u>
Governmental activity capital assets, net	<u>\$ 328,842</u>	<u>\$ 400,860</u>	<u>\$ -</u>	<u>\$ 729,702</u>

**TOWN OF HOFFMAN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

Capital Assets (Continued)

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

General government	\$ 2,319
Transportation	15,965
Environmental protection	4,701
Cultural and Recreation	746
	<u>\$ 23,731</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	<u>1,115,318</u>	<u>731,837</u>	<u>-</u>	<u>1,847,155</u>
Total land and CIP	<u>1,115,318</u>	<u>731,837</u>	<u>-</u>	<u>1,847,155</u>
Capital assets being depreciated				
Infrastructure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less accumulated depreciation for				
Infrastructure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activity capital assets, net	<u>\$ 1,115,318</u>	<u>\$ 731,837</u>	<u>\$ -</u>	<u>\$ 1,847,155</u>

Construction Commitments

The Town has active construction projects as of June 30, 2019. At year-end, the Town's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Sewer treatment facilities	\$ 1,344,554	\$ 898,737

B. Liabilities

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 maintains insurance of \$319,027 on the Town Hall and up to \$50,000 on its contents. An auto liability policy provides \$1,000,000 of coverage and general liability insurance coverage is maintained for \$1,000,000. The Town is also covered by a workers' compensation policy. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Town does not carry flood insurance as none of its buildings are located in flood prone areas.

**TOWN OF HOFFMAN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

Risk Management (Continued)

In accordance with G.S. 159-29, Town employees who have access to \$100 or more of the Town's funds at any given time are performance bonded through a commercial surety bond. The town clerk/tax collector and the finance officer are individually bonded for \$10,000 and \$50,000, respectively. The Town also carries a blanket bond for employee dishonesty.

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2019, consist of the following:

From the General Fund to the Capital Sewer Project Fund	\$16,272
---	----------

NOTE 3 – FUND BALANCE

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

Total fund balance – General Fund	<u>\$1,087,840</u>
Stabilization by State Statute	33,143
Streets – Powell Bill	136,238
Appropriated Fund Balance in 2019 budget	369,675
Remaining Fund Balance	548,784

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**

MAJOR GOVERNMENTAL FUNDS

General Fund – This fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

Town Park Capital Project Fund – This fund accounts for the construction of a Town Park located within the Town. This project is financed by a transfer from the General Fund and grant revenues.

TOWN OF HOFFMAN, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019

	2019		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Ad valorem taxes			
Real and personal	\$ -	\$ 39,478	\$ -
Motor vehicles	-	7,570	-
Penalties and interest	-	8,059	-
Total	<u>66,000</u>	<u>55,107</u>	<u>(10,893)</u>
Unrestricted intergovernmental revenues			
Local option sales tax	-	106,941	-
Hold harmless	-	37,317	-
Telecommunications tax	-	1,324	-
Video programming tax	-	2,483	-
Utility franchise tax	-	12,977	-
Beer and wine tax	-	2,467	-
Sales tax refund	-	2,193	-
Solid waste tax	-	424	-
Total	<u>152,975</u>	<u>166,126</u>	<u>13,151</u>
Restricted intergovernmental revenue			
Powell Bill allocation	-	27,777	-
Total	<u>30,000</u>	<u>27,777</u>	<u>(2,223)</u>
Investment earnings	<u>4,400</u>	<u>3,859</u>	<u>(541)</u>
Miscellaneous			
Recreation Center	-	8,145	-
Insurance proceeds	-	311,077	-
Other	-	8,994	-
Total	<u>334,100</u>	<u>328,216</u>	<u>19,651</u>
Total revenues	<u>587,475</u>	<u>581,085</u>	<u>(6,390)</u>
Expenditures			
General government			
Administration			
Salaries and employee benefits	-	46,686	-
Professional services	-	37,447	-
Building and grounds	-	15,049	-
Insurance	-	20,043	-
Other operating expenditures	-	31,940	-
Capital outlay	-	9,717	-
Total general government	<u>238,850</u>	<u>160,882</u>	<u>77,968</u>

TOWN OF HOFFMAN, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019

Exhibit A-1
Page 2 of 2

	2019		Variance Positive (Negative)
	Budget	Actual	
Public safety			
Fire and rescue			
Operating expenditures	-	2,500	-
Total public safety	13,500	2,500	11,000
Transportation			
Street department			
Salaries and employee benefits	-	9,537	-
Operating expenditures	-	20,135	-
Capital outlay	-	5,600	-
Total transportation	66,100	35,272	30,828
Environmental Protection			
Sanitation			
Salaries and employee benefits	-	12,013	-
Operating expenditures	-	5,813	-
Total environmental protection	20,000	17,826	2,174
Recreation			
Salaries and employee benefits	-	13,373	-
Operating expenditures	-	13,154	-
Capital outlay	-	325,412	-
Total recreation	364,700	351,939	12,761
Total expenditures	703,150	568,419	134,731
Revenues over (under) expenditures	(115,675)	12,666	128,341
Other financing sources (uses)			
Transfer to Park project	(100,000)	-	100,000
Transfer to Sewer project	(75,000)	(16,272)	58,728
Total other financing sources (uses)	(175,000)	(16,272)	158,728
Change in fund balance after other financing sources (uses)	(290,675)	(3,606)	287,069
Fund balance appropriated	290,675	-	(290,675)
Net change in fund balance	\$ -	(3,606)	\$ (3,606)
Fund balance - beginning		1,091,446	
Fund balance - ending		\$ 1,087,840	

TOWN OF HOFFMAN, NORTH CAROLINA
CAPITAL PROJECT FUND - TOWN PARK PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019

Exhibit A-2

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
NC Parks & Recreation trust fund	87,000	14,976	41,614	56,590	(30,410)
Investment earnings	<u>100</u>	<u>52</u>	<u>18</u>	<u>70</u>	<u>(30)</u>
Total revenues	<u>87,100</u>	<u>15,028</u>	<u>41,632</u>	<u>56,660</u>	<u>(30,440)</u>
Expenditures					
Current					
Economic and physical development					
Engineering	187,040	29,952	83,862	113,814	73,226
Supplies	<u>60</u>	<u>60</u>	<u>-</u>	<u>60</u>	<u>-</u>
Total expenditures	<u>187,100</u>	<u>30,012</u>	<u>83,862</u>	<u>113,874</u>	<u>73,226</u>
Revenues over (under) expenses	<u>(100,000)</u>	<u>(14,984)</u>	<u>(42,230)</u>	<u>(57,214)</u>	<u>42,786</u>
Other financing resources					
Transfer from General Fund	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Total other financing resources	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Net change in fund balance after other financing resources	<u>\$ -</u>	<u>\$ 85,016</u>	<u>(42,230)</u>	<u>\$ 42,786</u>	<u>\$ 42,786</u>
Fund balance					
Beginning of year, July 1			<u>85,016</u>		
End of year, June 30			<u>\$ 42,786</u>		

ENTERPRISE FUNDS

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

Capital Sewer Project Fund - This fund is used to account for the construction of the Town's sewer system that will be operational in future years. The project is financed by a CDBG grant.

TOWN OF HOFFMAN, NORTH CAROLINA
CAPITAL PROJECT FUND - SEWER PROJECT

Exhibit B-1

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
CDBG grant	\$ 3,000,000	\$ 1,095,847	\$ 715,565	\$ 1,811,412	\$ (1,188,588)
Miscellaneous income	-	12,967	-	12,967	12,967
Total revenues	<u>3,000,000</u>	<u>1,108,814</u>	<u>715,565</u>	<u>1,824,379</u>	<u>(1,175,621)</u>
EXPENDITURES:					
Capital outlay					
Administrative	125,000	39,326	-	39,326	85,674
Engineering & service delivery	489,000	374,568	99,212	473,780	15,220
Construction	2,260,000	701,407	616,353	1,317,760	942,240
Contingency	126,000	17	16,272	16,289	109,711
Hookups (local funds)	75,000	-	-	-	75,000
Total expenditures	<u>3,075,000</u>	<u>1,115,318</u>	<u>731,837</u>	<u>1,847,155</u>	<u>1,227,845</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(75,000)</u>	<u>(6,504)</u>	<u>(16,272)</u>	<u>(22,776)</u>	<u>52,224</u>
OTHER FINANCING SOURCES:					
Transfer from General fund	<u>75,000</u>	<u>7,599</u>	<u>16,272</u>	<u>23,871</u>	<u>(51,129)</u>
Total other financing sources	<u>75,000</u>	<u>7,599</u>	<u>16,272</u>	<u>23,871</u>	<u>(51,129)</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 1,095</u>	<u>-</u>	<u>\$ 1,095</u>	<u>\$ 1,095</u>
Fund balance, beginning			<u>1,095</u>		
Fund balance, ending			<u>\$ 1,095</u>		
Reconciliation from budgetary basis (Modified accrual) to full accrual					
Revenues and other financing sources over expenditures			<u>\$ 1,095</u>		
Reconciling items					
Capital outlay			<u>715,565</u>		
Change in net position - Exhibit 8			<u>\$ 716,660</u>		

Other Schedules

This section includes additional information on property taxes.

- *Schedule of Ad Valorem Taxes Receivable*
- *Analysis of Current Tax Levy*

TOWN OF HOFFMAN, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
6/30/2019

Exhibit C-1

<u>Fiscal Year</u>	<u>Uncollected Balance 30-Jun-18</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance 30-Jun-19</u>
2018-2019	\$ -	\$ 42,125	\$ 38,001	\$ 4,124
2017-2018	720	-	357	363
2016-2017	1,938	-	1,056	882
2015-2016	5,436	-	1,219	4,217
2014-2015	3,488	-	2,033	1,455
2013-2014	1,359	-	124	1,235
2012-2013	3,047	-	836	2,211
2011-2012	2,255	-	836	1,419
2010-2011	1,231	-	836	395
2009-2010	1,322	-	836	486
2008-2009	983	-	983	-
	<u>21,779</u>	<u>\$ 42,125</u>	<u>\$ 47,117</u>	16,787
Less: Allowance for uncollectible accounts: Ad valorem taxes receivable				<u>-</u>
Ad valorem taxes receivable - net				<u>\$ 16,787</u>
Reconcilement with revenue: Taxes - ad valorem - General Fund				<u>\$ 55,107</u>
Reconciling items:				
Penalties and interest				(8,059)
Abatements				(914)
Taxes written off				<u>983</u>
		Subtotal		<u>(7,990)</u>
Total collections and credits				<u>\$ 47,117</u>

TOWN OF HOFFMAN, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
For the Fiscal Year Ended June 30, 2019

Exhibit C-2

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxes at current year's rate	\$ 21,520,000	\$.20	\$ 43,040	\$ 35,470	\$ 7,570
Discoveries:	-	\$.20	-	-	-
Abatements:	(457,500)	\$.20	(915)	(915)	-
Total property valuation	\$ 21,062,500				
Net levy			42,125	34,555	7,570
Uncollected taxes at June 30, 2019			4,124	4,124	-
Current year's taxes collected			\$ 38,001	\$ 30,431	\$ 7,570
Current levy collection percentage			90.21%	88.07%	100.00%

COMPLIANCE

220 East Washington Street
Post Office Box 697
Rockingham, North Carolina 28380
(910) 557-1176

Other Office Locations:
Seven Lakes, North Carolina
Gastonia, North Carolina
Statesville, North Carolina

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
Hoffman, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hoffman, North Carolina, as of and for the year ended June 30, 2019 [not presented here], and the related notes to the financial statements, which collectively comprises the Town of Hoffman's basic financial statements, and have issued our report thereon dated November 5, 2019

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Hoffman's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Hoffman's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs 2019-1 to be a significant deficiency.

Compliance and Other Matters

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

Town of Hoffman's Response to Findings

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

Purpose of this Report

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



Rockingham, NC
November 5, 2019

TOWN OF HOFFMAN, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified *Yes*

Noncompliance material to financial statements noted *No*

Federal Awards

None

State Awards

None

TOWN OF HOFFMAN, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2019

Section II – Financial Statement Findings (Continued)

Finding 2019-1

SIGNIFICANT DEFICIENCY

Segregation of Duties

- Criteria: Segregation of duties provides checks and balances to reduce possibilities for misstatements resulting from errors in judgment, dishonesty, personal carelessness, distraction and fatigue
- Condition: The Town has a limited number of personnel for accounting functions which creates inherent limitations on the effectiveness of certain controls due to the lack of segregation of duties among the Town's personnel.
- Effect: Potential misstatement of financial statements.
- Cause: The Town has a limited number of personnel for accounting functions which creates inherent limitations on the effectiveness of certain controls due to the lack of segregation of duties among the Town's personnel.
- Recommendations: The Board should continually keep in mind that internal controls are limited due to the size of the Town's staff.

Views of responsible officials and planned corrective actions: The Council agrees with this finding.

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – State Award Findings and Questioned Costs

None reported



Town of Hoffman
Commissioner Ricardo Anderson
Commissioner Althea Cobb
Commissioner Rory Jones
Commissioner Daniel Kelly
Commissioner Cynthia Northcutt
Mayor Tommy H. Hart

To the members of the Town Council
Town of Hoffman, North Carolina

Re: Corrective Action Plan

Finding 2019-1

Name of Contact Person: Tommy Hart, Mayor

Corrective Action Plan: The Board should continually keep in mind that internal controls are limited due to the size of the Town's staff and monitor accordingly.

Proposed Completion Date: Immediately.

TOWN OF HOFFMAN, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR FINDINGS
For the Fiscal Year Ended June 30, 2019

Finding 2018-1

Status: The Town hired a new accounting firm and prior year issues have been resolved.

Finding 2018-2

Status: Similar comment found in current year. See Finding 2019-1.