

***REVIEWED***

***By SLGFD at 10:03 am, Jun 27, 2022***

AUDIT REPORT

TOWN OF HASSELL

HASSELL, NORTH CAROLINA

JUNE 30, 2021

## **TOWN OF HASSELL**

### **HASSELL, NORTH CAROLINA**

#### **TOWN OFFICIALS**

##### **Mayor**

Michelle Sledge

##### **Town Commissioners**

James Harrell

Edward Keel

Crystal Keel

##### **Town Clerk**

David Wiseman

Town of Hassell, North Carolina  
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June 30, 2021

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# Rebekah Barr, CPA PC

*Certified Public Accountant*

5422 Boswellville Road  
Wilson, North Carolina 27893  
Office: 252-230-6294 • Fax: 252-237-2426

Email: [contact@rbarrcpa.com](mailto:contact@rbarrcpa.com)

## Independent Auditors' Report

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

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Hassell, North Carolina, as of and for the year ended June 30, 2021, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 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 of Town of Hassell, North Carolina as of June 30, 2021, and the respective changes in financial position, and cash flows, where appropriate, thereof and the respective budgetary comparison of 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 6-13 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 Hassell, North Carolina. The individual fund statements and schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements and schedules and other schedules are the responsibility of management and were derived from and relate 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 the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements, and schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

  
Rebekah Barr, CPA PC  
Certified Public Accountant  
Wilson, North Carolina

June 6, 2022

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

As management of the Town of Hassell, we offer readers of the Town of Hassell's financial statements this narrative overview and analysis of the financial activities of the Town of Hassell for the fiscal year ended June 30, 2021. 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**

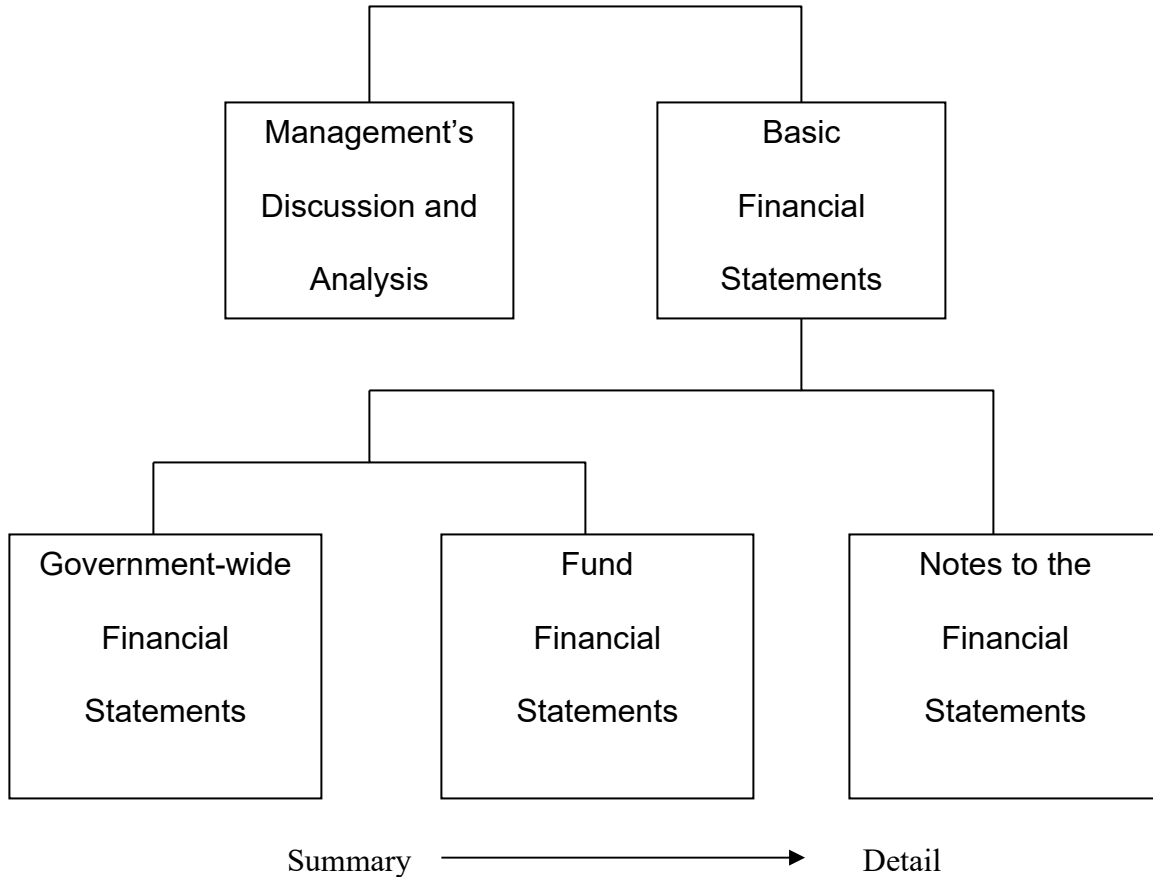
- The assets and deferred outflows of resources of the Town of Hassell exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$113,797 (*net position*).
- The government's total net position increased by \$4,032.
- As of the close of the current fiscal year, the Town of Hassell's governmental funds reported an ending fund balance of \$93,025 with a net change of \$5,408 in fund balance. Approximately 63.08% of this total amount, or \$58,677, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$58,677, or 363.46% of total general fund expenditures for the fiscal year.
- At the end of the current fiscal year, the Town of Hassell had Restricted Reserves of \$34,348.

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

This discussion and analysis is intended to serve as an introduction to the Town of Hassell'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 (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 Hassell.

**Figure 1**

**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 6) are **Fund Financial Statements**. These statements focus on the activities of the individual segments of the Town's government and are more detailed than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison 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 individual funds. 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 it has 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 consist of the governmental activities. The governmental activities include most of the Town's basic services such as public safety, cultural and recreation, and general administration. Property taxes 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 used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Hassell, 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. The Town of Hassell only has one governmental fund.

**Governmental Funds** – Governmental funds are used to account for 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 reconciliation that is a part of the fund financial statements.

The Town of Hassell 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 Town Council; 2) the final budget as amended by the Town Council; 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.

**Notes to the Financial Statements** – The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 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 Hassell’s progress in funding its obligation to provide pension benefits to its employees.

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

**Figure 2  
Town of Hassell’s Net Position**

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
Current and other assets	\$ 96,982	\$ 91,366
Capital assets	16,815	18,399
Total assets and deferred outflows of resources	113,797	109,765
Current liabilities	-	-
Deferred inflows of resources	-	-
Total liabilities and deferred inflow of resources	-	-
Net investment in capital assets	16,815	18,399
Restricted	34,348	15,995
Unrestricted	62,634	75,371
Total net position	\$ 113,797	\$ 109,765

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Hassell exceeded liabilities by \$113,797 as of June 30, 2021. The Town's net position increased by \$4,032 for the fiscal year ended June 30, 2021. However, the largest portion, \$16,815 or 16.76%, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Hassell uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town of Hassell's net investment in 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 of Hassell's net position, \$34,348 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$62,634 is unrestricted.

**Figure 3**  
**Town of Hassell's Change in Net Position**

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
<b>Revenues:</b>		
Program revenues:		
Charges for services		
Operating grants and contributions	\$ 3,923	\$ 4,279
Capital grants and contributions		
General revenues:		
Property taxes	6,098	5,754
Other Taxes	8,856	8,721
Restricted intergovernmental	-	-
Investment earnings	2,779	228
Other	104	4,329
Total revenues	21,760	23,311
<b>Expenses:</b>		
General government	11,357	19,330
Transportation	6,371	1,589
Total expenses	17,728	20,919
Increase in Net Position		
Before transfers	4,032	2,392
Increase (decrease) in Net Position	4,032	2,392
Net Position, July 1	109,765	107,373
Net Position, July 30	<u>\$ 113,797</u>	<u>\$ 109,765</u>

**Governmental activities:** Governmental activities increased the Town's net position by \$4,032.

### **Financial Analysis of the Town's Funds**

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

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

The general fund is the chief operating fund of the Town of Hassell. At the end of the current fiscal year, the Town of Hassell's fund balance available in the General Fund was \$62,634, while total fund balance reached \$113,797. The Town currently has an available fund balance of 363.46% of general fund expenditures, while total fund balance represents 641.91% of the same amount.

At June 30, 2021, the governmental funds of the Town of Hassell reported a combined fund balance of \$93,025 with a net increase in fund balance of \$5,408.

The North Carolina Local Government Commission strongly recommends that local governments maintain an undesignated fund balance of at least 8% of general fund expenditures. Undesignated fund balance is a sub classification of unassigned fund balance after consideration for management's policy designations.

### **General Fund Budgetary Highlights**

During the fiscal year, the Town revised the budget on several occasions. Generally, the budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance one 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.

### **Capital Asset and Debt Administration**

**Capital Assets.** The Town of Hassell's investment in capital assets for its governmental as of June 30, 2021, totaled \$18,399 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

**Figure 4**  
**Town of Hassell's Capital Assets**  
*(Net of Accumulated Depreciation)*

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
Land	\$ 10,000	\$ 10,000
Equipment	35,221	35,221
Buildings	15,000	15,000
Office Equipment	5,000	5,000
Road Improvements	8,636	8,636
Subtotal	73,857	73,857
Accumulated Depreciation	(57,042)	(55,458)
Capital Assets, Net	<u>\$ 16,815</u>	<u>\$ 18,399</u>

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

The following key economic indicators reflect the general condition of the Town. The economic crisis of prior years' continues to contribute to the factors below:

- High unemployment, an aged population, no industrial development, and very little retail business help to create a situation where the Town's customer base is eroded. The resulting ratio of expense versus revenue creates a difficult situation in keeping rates and fees low while maintaining an adequate level of service. In addition, most residents are on a fixed income.

### **Budget Highlights for the Fiscal Year Ending June 30, 2021**

Tax revenues along with other general fund revenues are expected to remain constant and no property tax rate increase is being considered at this time.

### **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:

**Town Clerk,  
Town of Hassell,  
P.O. Box 123,  
Hassell, North Carolina, 27841**

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Town of Hassell, North Carolina  
Statement of Net Position  
June 30, 2021

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 58,677
Taxes receivable, net	3,957
Accounts receivable - net	1,134
Restricted cash and cash equivalents	33,214
<b>Total Current Assets</b>	<u>96,982</u>
<i>Capital Assets</i>	
Land and other nondepreciable assets	10,000
Other capital assets, net of depreciation	6,815
<b>Total Capital Assets</b>	<u>16,815</u>
<b>Total assets</b>	<u>113,797</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>
<b>LIABILITIES</b>	
<i>Current Liabilities</i>	
Accounts payable and accrued liabilities	-
Current portion of long-term debt	-
<b>Total Current Liabilities</b>	<u>-</u>
<i>Long-term liabilities:</i>	
Notes payable	-
<b>Total Liabilities</b>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>
<b>NET POSITION</b>	
Net investment in capital assets	16,815
<i>Restricted for:</i>	
Stabilization by State Statute	1,134
Streets	33,214
<i>Unrestricted</i>	62,634
<b>Total Net Position</b>	<u><u>\$ 113,797</u></u>

*The accompanying notes are an integral part of this financial statement.*



**Town of Hassell, North Carolina**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2021**

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
<b>Primary government:</b>					<b>Governmental Activities</b>
Governmental Activities:					
General government	\$ 11,357	\$ -	\$ -	\$ -	\$ (11,357)
Transportation	6,371	-	3,923	-	(2,448)
Interest expense	-	-	-	-	-
Total governmental activities	<u>17,728</u>	<u>-</u>	<u>3,923</u>	<u>-</u>	<u>(13,805)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purpose					6,098
Unrestricted intergovernmental					8,856
Investment earnings					2,779
Miscellaneous, unrestricted					104
Transfers					-
Total general revenues, special items, and transfers					<u>17,837</u>
Change in net position					4,032
Net position-beginning, previously reported					<u>109,765</u>
Net position-ending					<u><u>\$ 113,797</u></u>

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

## **FUND FINANCIAL STATEMENTS**

**Town of Hassell, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

	<b>Major Fund</b>
	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 58,677
Restricted cash and cash equivalents	33,214
Taxes receivable, net	3,957
Accounts receivable, net	1,134
<b>Total assets</b>	<b>96,982</b>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	-
<b>Total Liabilities</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property taxes receivable	3,957
<b>Total deferred inflows of resources</b>	<b>3,957</b>
<b>FUND BALANCES</b>	
Restricted:	
Stabilization by State Statute	1,134
Streets	33,214
Assigned:	
Subsequent year's expenditures	-
Unassigned	58,677
<b>Total Fund Balance</b>	<b>93,025</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 96,982</b>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross capital assets at historical cost	73,857	
Accumulated depreciation	(57,042)	16,815
Earned revenues considered deferred inflows of resources in the fund statements.		3,957
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Notes payable	-	-
Net position of governmental activities	-	<b>\$ 113,797</b>

*The accompanying notes are an integral part of this financial statement.*

**Town of Hassell, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

	<b>Major Fund</b>
	<b>General Fund</b>
<b>Revenues</b>	
Ad valorem taxes	\$ 5,890
Unrestricted intergovernmental	8,856
Restricted intergovernmental	3,923
Grants and contributions	-
Sales and services	-
Investment earnings	2,779
Miscellaneous Income	104
<b>Total revenues</b>	<b>21,552</b>
<b>EXPENDITURES</b>	
Current:	
General Government	10,119
Transportation	6,025
Capital outlay	-
<b>Total Expenditures</b>	<b>16,144</b>
Net change in fund balance	5,408
<b>Fund balances, beginning</b>	<b>87,617</b>
<b>Fund balances, ending</b>	<b>\$ 93,025</b>

*The accompanying notes are an integral part of this financial statement.*

**Town of Parmele, North Carolina**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended June 30, 2021**

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

Total Net Change in Fund Balances - Governmental Funds	\$	5,408
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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 as reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$	-
Depreciation expense for governmental assets	(1,584)	(1,584)

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

Change in unavailable revenue for tax revenues		208
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

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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		-
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<b>Changes in Net Position-Governmental Funds</b>	<b>\$</b>	<b>4,032</b>
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*The accompanying notes are an integral part of this financial statement.*

**Town of Hassell, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2021**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable) Final to Actual</b>
<b>Revenues</b>				
Ad valorem taxes	\$ 5,000	\$ 5,000	\$ 5,890	\$ 890
Unrestricted intergovernmental	5,500	5,500	8,856	3,356
Restricted intergovernmental	3,800	3,800	3,923	123
Grants and contributions	-	-	-	-
Sales and services	-	-	-	-
Investment earnings	-	-	2,779	2,779
Miscellaneous Income	-	-	104	104
<b>Total revenues</b>	<b>14,300</b>	<b>14,300</b>	<b>21,552</b>	<b>7,252</b>
<b>EXPENDITURES</b>				
Current:				
General Government	12,500	12,500	10,119	2,381
Transportation	6,800	6,800	6,025	775
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<b>19,300</b>	<b>19,300</b>	<b>16,144</b>	<b>3,156</b>
Excess (deficiency) of revenues over expenditures				
<b>Other Financing Sources</b>				
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ (5,000)</u>	<u>\$ (5,000)</u>	\$ 5,408	<u>\$ 4,096</u>
<b>Fund balances, beginning</b>			<u>87,617</u>	
<b>Fund balances, ending</b>			<u>\$ 93,025</u>	

*The accompanying notes are an integral part of this financial statement.*

## **NOTES TO THE FINANCIAL STATEMENTS**

**Town of Hassell, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Hassell 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 Hassell is a municipal corporation that is governed by an elected mayor and a three-member council. As required by generally accepted accounting principles, these financial statements present the financial information of 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. 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 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. The emphasis of fund financial statements on major governmental funds is displayed. All remaining governmental funds are aggregated and reported as non-major funds.

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, State grants, and various other taxes and licenses. (The primary expenditures are for public safety and street maintenance and construction).

**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 fund 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.

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2015, 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, 2015 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 Hassell because the tax is levied by County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then 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 and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. 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 fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. The Town Manager has the authority to amend appropriations within departments. All other amendments must be approved by the governing board.

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

### ***1. Deposits and Investments***

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

State Law [G.S. 159-30(c)], authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, a SEC registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

### ***2. Cash and Cash Equivalents***

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

### ***3. Restricted Assets***

Power Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening local streets per G.S. 136-41.1 through 136-41.4. Customer deposits are classified as restricted cash because they must be returned to the customer at the conclusion of the service.

### ***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<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2015. 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.

### ***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. Inventory & Prepaid Items***

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

## **7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
Infrastructure	50
Buldings	30
Vehicles and motorized equipment	6
Furniture and equipment	10
Computer equipment	3
Other improvements	25

## **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. 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 one item that meets the criterion for this category – property taxes receivable.

## **9. Net Position/Fund Balances**

### *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 governments or imposed by law through state statute.

### *Fund Balance*

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

The governmental fund types classify fund balances as follows:

*Nonspendable Fund Balance* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town does not have any nonspendable fund balances for the governmental fund types.

*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* – portion of fund balance that is restricted by State Statute [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 unexpected Powell Bill funds.

*Committed fund balance* – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Hassell’s 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 otherwise revise the limitation.

*Assigned Fund Balance* – portion of fund balance that the Town of Hassell intends to use for specific purposes.

*Subsequent Years’ Expenditures* – portion of fund balance that is appropriated in the next years’ budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

## **NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. Significant Violations of Finance-Related Legal and Contractual Provisions**

#### **1. Noncompliance with North Carolina General Statutes**

The Town was in violation of NC State Statute 159-34 which states that each local government shall have its accounts audited as soon as possible after the close of each fiscal year. The Town failed to provide complete and timely accounting records for the year ended June 30, 2021. The Town’s annual audit was submitted late due to this. The Town will review their procedures and policies to assure that their records be submitted in a timely manner in the future.

#### **2. Contractual Violations**

NONE

#### **3. Deficit in Fund Balance or Net Position of Individual Funds**

NONE

#### **4. Excess of Expenditures over Appropriations**

NONE

## **NOTE III – DETAILS NOTES ON ALL FUNDS**

### **A. Assets**

#### **1. Deposits and Investments**

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 unites' 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 agents in their names. 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. 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 risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$91,891 and a bank balance of \$91,891. Of the bank balance, all was covered by federal depository insurance.

## 2. Capital Assets

### Governmental Capital Assets

A summary of changes in the Town's capital assets used in governmental activities follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>By Asset Type:</b>				
<b>Nondepreciable Assets</b>				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
<b>Total Nondepreciable Assets</b>	10,000	-	-	10,000
<b>Depreciable Assets</b>				
Equipment	35,221	-	-	35,221
Buildings	15,000	-	-	15,000
Office Equipment	5,000	-	-	5,000
Road Improvements	8,636	-	-	8,636
<b>Total Depreciable Assets</b>	63,857	-	-	63,857
<b>Less Accumulated Depreciation</b>				
Equipment	31,660	1,238	-	32,898
Buildings	15,000	-	-	15,000
Office Equipment	5,000	-	-	5,000
Road Improvements	3,798	346	-	4,144
<b>Total Accumulated Depreciable</b>	55,458	\$ 1,584	\$ -	57,042
Depreciable Capital Assets, Net	8,399			6,815
<b>Total Capital Assets, Net</b>	<u>\$ 18,399</u>			<u>\$ 16,815</u>

Depreciable expense was charged to functional programs of the primary government as follows:

General Government	1,238
Transportation	346
<b>Total</b>	<u>\$ 1,584</u>

### B. Liabilities

#### 1. Pension Plan Obligations Employment Benefits and Post-Employment Benefits

The Town has part-time employees and offers no benefits.

#### 2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources were none at the year end.

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

	Unavailable Revenue	Unearned Revenue
<b>General Fund:</b>		
Taxes receivable, net	\$ 3,957.00	
<b>Total</b>	<u>\$ 3,957.00</u>	<u>\$ -</u>

### 3. Fund Balance

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

<b>Total Fund Balance-General Fund</b>	<b>\$ 93,025</b>
Less:	
Stabilization by State Statute	\$ 1,134
Streets-Powell Bill	\$ 33,214
Working Capital/Fund Balance Policy	
Remaining Fund Balance	\$ 58,677

### 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 three self-funded risk-financing pools administered by the North Carolina League of Municipalities.

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three years.

The Town carries commercial coverage for all other risks of loss. The Town does not carry flood insurance.

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 mayor and the town clerk are individually bonded for \$50,000.

## NOTE IV – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

### *Federal and State Assisted Programs*

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

## NOTE V – SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the independent auditors' report, the date the financial statements were available to be issued.

## **INDIVIDUAL FUND STATEMENTS AND SCHEDULES**



Town of Hassell, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
For the Fiscal Year Ended June 30, 2021

			Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
<b>Ad Valorem Taxes</b>			
Taxes		5,890	
Total	5,000	5,890	890
<b>Unrestricted Intergovernmental Revenues</b>			
Local option sales tax		3,491	
Franchise and Utility Tax		5,365	
Total	5,500	8,856	3,356
<b>Restricted Intergovernmental Revenues</b>			
Powell Bill allocation		3,923	
Total	3,800	3,923	123
<b>Other Revenues</b>			
Interest income		2,779	
Miscellaneous		104	
Total	-	2,883	2,883
<b>Total Revenues</b>	14,300	21,552	7,252
<b>Expenditures:</b>			
General Government			
Administration		6,901	
Utilities		3,218	
Other operating expenses		-	
Total general government	12,500	10,119	2,381
Transportation			
Highway and streets		6,025	
Total transportation	6,800	6,025	775
<b>Total expenditures</b>	19,300	16,144	3,156
Net change in fund balance	\$ (5,000)	\$ 5,408	\$ 10,408
Fund balances, beginning		87,617	
Fund balances, ending		<u>\$ 93,025</u>	

## **OTHER SCHEDULES**

Town of Hassell, North Carolina  
General Fund  
Schedule of Ad Valorem Taxes Receivable  
For the Fiscal Year Ended June 30, 2021

<b>Fiscal Year</b>	<b>Uncollected Balance 7/1/2020</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance 6/30/2021</b>
2021	\$ -	\$ 6,595	\$ 5,590	\$ 1,005
2020	1,094	-	332	762
2019	803	-	334	469
2018	451	-	67	384
2017	391	-	76	315
2016	273	-	43	230
2015	232	-	6	226
2014	230	-	10	220
2013	215	-	15	200
2012	146	-	-	146
	<u>\$ 3,835</u>	<u>\$ 6,595</u>	<u>\$ 6,473</u>	<u>\$ 3,957</u>

**Reconciliation with Revenues:**

Ad valorem Tax-General Fund	\$ 6,098
Reconciling Items:	
Interest collected	(13)
Taxes written off	388
Total Collections and credits	<u>\$ 6,473</u>

Town of Hassell, North Carolina  
General Fund  
Analysis of Current Tax Levy  
For the Fiscal Year Ended June 30, 2021

	Property Valuation	Rate per \$100	Total Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property tax at current year's tax rate	\$ 2,289,808	\$ 0.25	\$ 6,595	\$ 5,968	\$ 627
Net Valuation	<u>\$ 2,289,808</u>				
Net levy			6,595	5,968	627
Less uncollected taxes at June 30, 2021			1,005	1,005	-
Current year's taxes collected			<u>\$ 5,590</u>	<u>\$ 4,963</u>	<u>\$ 627</u>
Current levy collection percentage			84.76%	83.16%	0.00%