

**REVIEWED**

*By SLGFD at 3:23 pm, Dec 14, 2021*

**TOWN OF HOBGOOD, NORTH CAROLINA**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED JUNE 30, 2021**

**GREGORY T. REDMAN, CPA**  
TARBORO, NORTH CAROLINA

Financial Statements  
Town of Hobgood, North Carolina  
June 30, 2021

Board of Commissioners

Dannie Flanary, Mayor  
Ron Elkins, Mayor Pro Tem  
Milton Armston  
Doug Braddy  
Mary Ann Coley  
Sallie Smith

Administrative Staff

Renee Ellis, Finance Officer

**Town of Hobgood, North Carolina**  
**Table of Contents**  
**June 30, 2021**

	<b><u>Page</u></b>
 <b>Financial Section</b>	
Independent Auditor's Report	1
Management's Discussion and Analysis	4
 <b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	20
Statement of Fund Net Position - Proprietary Fund	21
Statement of Revenues, Expenditures, and Changes in Fund Net Position - Proprietary Fund	22
Statement of Cash Flows - Proprietary Fund	23
Notes to the Financial Statements	24
 <b>Required Supplemental Financial Data</b>	
Schedule of the Proportionate Share of the Net Pension Liability - Local Government Employees' Retirement Systems	44
Schedule of Contributions - Local Government Employees' Retirement System	45

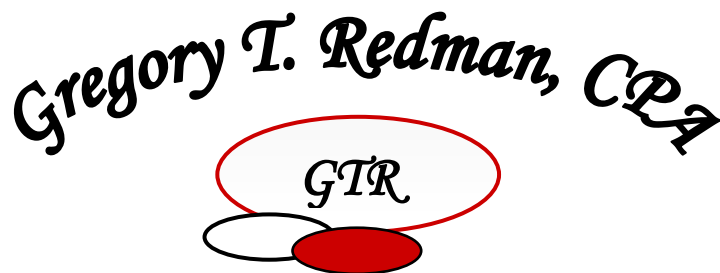
**Individual Fund Statements and Schedules**

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – General Fund	46
Schedule of Revenues and Expenditures – Budget and Actual (Non – GAAP) - Electric Fund	49
Schedule of Revenues and Expenditures – Budget and Actual (Non – GAAP) - Water and Sewer Fund	50
Schedule of Revenues and Expenditures – Budget and Actual (Non – GAAP) - Water and Sewer Capital Project Fund – 2015 CBDG – Sewer Collection Rehabilitation Grant – 15-I-3082	51
Schedule of Revenues and Expenditures – Budget and Actual (Non – GAAP) - Water and Sewer Capital Project Fund – 2019 CBDG – Sewer Collection Rehabilitation Grant – 19-I-3106	52

**Other Schedules**

Schedule of Ad Valorem Taxes Receivable	53
Analysis of Current Tax Levy – Town-wide Levy	54

## **Financial Section**



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## **Independent Auditor's Report**

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

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Hobgood, 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**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Opinions

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Hobgood as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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*

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Hobgood, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other 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 me. In my opinion, based on my audit, the procedures performed as described above, combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated in all material respects, in relation to the basic financial statements as a whole.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, I do not express an opinion or provide assurance on them.

A handwritten signature in black ink that reads "Gregory T. Redman, CPA". The signature is written in a cursive, flowing style.

Gregory T. Redman, CPA  
Tarboro, North Carolina  
November 24, 2021



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

**Town of Hobgood, North Carolina**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

As management of the Town of Hobgood, North Carolina, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Hobgood 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**

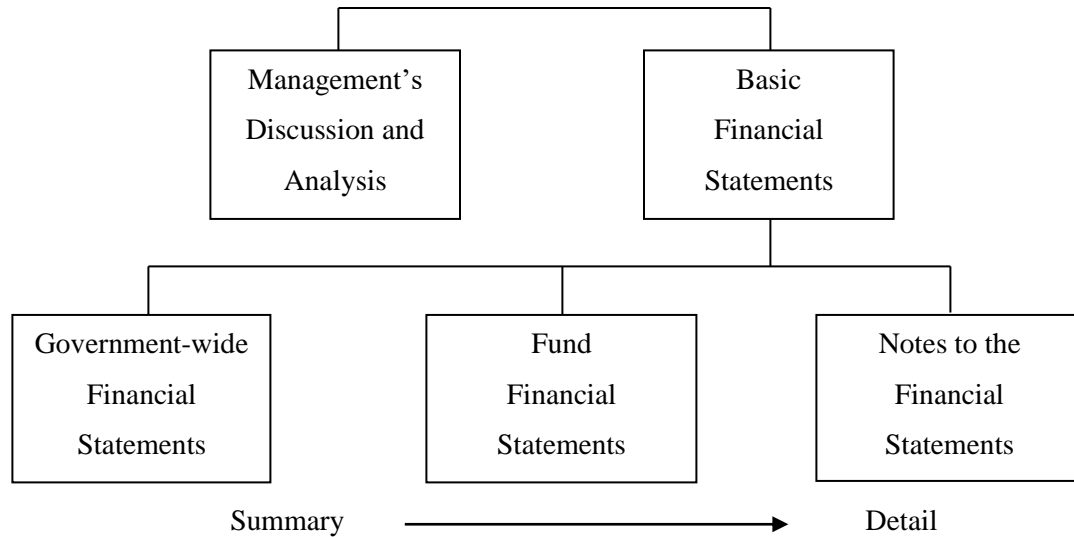
- The assets and deferred outflows of resources of the Town of Hobgood exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,524,332 (net position).
- The government's total net position decreased by \$180,320 primarily due to decreases in the governmental activities and business-type activities operations.
- At the close of the current fiscal year, the Town of Hobgood's governmental funds combined reported ending fund balances of \$332,337, with a net decrease of \$15,615 in fund balance. Approximately 73% of this total amount, or \$242,960 is unrestricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$242,960 or 146% of total general fund expenditures for the fiscal year.
- At the end of the current fiscal year, the Town had Restricted Net Position of \$89,377.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town of Hobgood'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 Hobgood.

**Town of Hobgood, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

**Required Components of Annual Financial Report**



**Basic Financial Statements**

The first two statements in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the Town's financial status.

The next statements are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. 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 individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

**Town of Hobgood, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

**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 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 divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic service such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and electric services offered by the Town of Hobgood.

**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 Hobgood, like all other government entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Hobgood can be divided into two categories: governmental funds and proprietary funds.

***Governmental Funds.*** *Governmental funds* are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and 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* that 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.

**Town of Hobgood, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

The Town of Hobgood 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's, 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

***Proprietary Funds.*** Town of Hobgood has two proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Hobgood uses an enterprise fund to account for its water and sewer activity, and electric operations. These funds are 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.

***Interdependence with Other Entities.*** The Town depends on financial resources flowing from, or associated with, both the State of North Carolina and the surrounding counties. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to State and local laws and State and local appropriations.

***Other Information.*** In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Hobgood's progress in funding its obligation to provide pension benefits to its employees.

**Town of Hobgood, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

**Government-wide Financial Analysis**

**The Town of Hobgood's Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 361,030	\$ 370,143	\$ 792,259	\$ 727,334	\$ 1,153,289	\$ 1,097,477
Capital assets	1,210,985	1,268,188	2,344,391	2,446,567	3,555,376	3,714,755
Deferred outflows of resources	12,362	42,734	24,722	22,485	37,084	65,219
Total Assets and Deferred Outflows of Resources	\$ 1,584,377	\$ 1,681,065	\$ 3,161,372	\$ 3,196,386	\$ 4,745,749	\$ 4,877,451
Current liabilities	\$ 10,948	\$ 7,517	\$ 121,809	\$ 124,398	\$ 132,757	\$ 131,915
Noncurrent liabilities	45,726	15,069	42,405	33,541	88,131	48,610
Deferred inflows of resources	176	535	353	1,190	529	1,725
Total Liabilities and Deferred Inflows of Resources	\$ 56,850	\$ 23,121	\$ 164,567	\$ 159,129	\$ 221,417	\$ 182,250
Net Position:						
Net investment in capital assets	\$ 1,184,438	\$ 1,239,698	\$ 2,334,391	\$ 2,482,567	\$ 3,518,829	\$ 3,722,265
Restricted	89,377	78,525	-	-	89,377	78,525
Unrestricted	253,712	313,172	662,414	590,690	916,126	903,862
Total Net Position	\$ 1,527,527	\$ 1,631,395	\$ 2,996,805	\$ 3,073,257	\$ 4,524,332	\$ 4,704,652

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Hobgood exceeded liabilities and deferred inflows by \$4,524,332 as of June 30, 2021. The Town's net position decreased by \$180,320 for the fiscal year ended June 30, 2021. However, the largest portion \$3,518,829 or 78% reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Hobgood uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Hobgood's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Hobgood's net position \$89,377 (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$916,126 (20%) is unrestricted.

The decrease in net position is due to a prior period adjustment for governmental activities as well as depreciation expense for business type activities.

**Town of Hobgood, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 94.91%. The Town of Hobgood contracts with Halifax County to collect their taxes. The Town's collection rate is below the statewide average of 99% and may stem from the fact that Hobgood is one of the most economically distressed locations in Halifax County and there are many absentee property owners.

**Town of Hobgood Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 48,480	\$ 35,515	\$ 653,682	\$ 585,739	\$ 702,162	\$ 621,254
Operating grants and contributions	27,848	14,215	-	-	27,848	14,215
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	70,549	62,941	-	-	70,549	62,941
Other taxes	-	43,065	-	-	-	43,065
Unrestricted intergovernmental	45,650					
Investment earnings	-	-	-	-	-	-
Other	13,540	17,635	10,000	24,764	23,540	42,399
Total Revenues	<u>\$ 206,067</u>	<u>\$ 173,371</u>	<u>\$ 663,682</u>	<u>\$ 610,503</u>	<u>\$ 824,099</u>	<u>\$ 783,874</u>
Expenses:						
General government	\$ 172,222	\$ 147,123	\$ -	\$ -	\$ 172,222	\$ 147,123
Public safety	13,112	14,895	-	-	13,112	14,895
Transportation	5,763	15,628	-	-	5,763	15,628
Economic and physical development	-	-	-	-	-	-
Environmental protection	24,811	20,819	-	-	24,811	20,819
Culture and recreation	9,765	-	-	-	9,765	-
Interest on long-term debt	1,205	1,286	-	-	1,205	1,286
Water and sewer	-	-	301,337	309,800	301,337	309,800
Electric	-	-	442,534	459,437	442,534	459,437
Total Expenses	<u>\$ 226,878</u>	<u>\$ 199,751</u>	<u>\$ 743,871</u>	<u>\$ 769,237</u>	<u>\$ 970,749</u>	<u>\$ 968,988</u>
Increase(decrease) in net position						
before transfers	\$ (20,811)	\$ (26,380)	\$ (80,189)	\$ (158,734)	\$ (101,000)	\$ (185,114)
Transfers	7,000	-	(7,000)	-	-	-
Increase(decrease) in net position	<u>\$ (13,811)</u>	<u>\$ (26,380)</u>	<u>\$ (87,189)</u>	<u>\$ (158,734)</u>	<u>\$ (101,000)</u>	<u>\$ (185,114)</u>
Net position, July 1	1,631,395	1,657,775	3,073,257	3,231,991	4,704,652	4,889,766
Prior period adjustments	(90,057)	-	10,737	-	(79,320)	-
Net position, June 30	<u>\$ 1,527,527</u>	<u>\$ 1,631,395</u>	<u>\$ 2,996,805</u>	<u>\$ 3,073,257</u>	<u>\$ 4,524,332</u>	<u>\$ 4,704,652</u>

**Governmental Activities.** Governmental activities decreased the Town's net position by \$13,811. In addition, there was a prior period adjustment of (\$90,057).

**Town of Hobgood, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

**Business-type Activities.** Business-type activities decreased the Town of Hobgood's net position by \$87,189, accounting for 86% of the total decrease in the government's net position. Key elements of this decrease are as follows:

- The Water and Sewer fund and the Electric fund collectively had a \$80,189 decrease in net position. However, the Water and Sewer Fund showed a decrease in net position of \$110,927 while the Electric Fund showed an increase in net position of \$23,738. A key component of the Water and Sewer Fund decrease is depreciation expense in the amount of \$136,559.
- The Water and Sewer Fund showed an operating loss of \$120,927 before contributions and transfers. The sewer rates for the Town of Hobgood ranks in the highest ten percent of all sewer utility rates in NC. The water rates for the town ranks in the middle fifty percent of all water utility rates in NC. The rates in Hobgood which is a Tier 1 County are already extremely high and cannot reflect the revenue needed to offset the depreciation of grants received. The Town of Hobgood is in a precarious situation in that it needs grants to improve its water/sewer infrastructure, yet the depreciation generated shows a deficiency in our rate structure.

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

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

**Governmental Funds.** The focus of the Town of Hobgood'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 Hobgood'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.

The general fund is the chief operating fund of the Town of Hobgood. At the end of the current fiscal year, Town of Hobgood's fund balance available in the General Fund was \$242,960, while total fund balance reached \$332,337. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 146% of total General Fund expenditures.

At June 30, 2021, the governmental fund of Town of Hobgood reported a combined fund balance of \$332,337 with a net increase in fund balance of \$44,426 over last year. Included in this change in fund balance are an increase in Ad Valorem taxes and Restricted Intergovernmental Revenue.

**Proprietary Funds:** The Town of Hobgood's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$295,151 and those for the Electric Fund amounted to \$367,263. The decrease in net position for the Water and Sewer Fund was \$100,190 and the increase in net position for the Electric Fund was \$23,738. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.



**Town of Hobgood, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

**General Fund Budgetary Highlights**

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

Small adjustments were made to the budget to account for more exact information being available after the original budget was adopted.

**Capital Asset and Debt Administration**

**Capital Assets:** The Town of Hobgood's investments in capital assets for its governmental and business-type activities as of June 30, 2021 total \$3,555,376 (net of accumulated depreciation). These assets include buildings, land, machinery, wastewater treatment, equipment, and vehicles.

Major capital asset transactions during the year include no significant demolitions or disposals.

**Town of Hobgood's Capital Assets  
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 42,500	\$ 42,500	\$ 50,050	\$ 40,050	\$ 92,550	\$ 82,550
Buildings and improvements	1,964,942	1,964,942	-	-	1,964,942	1,964,942
Distribution system	-	-	3,917,426	3,917,426	3,917,426	3,917,426
Waste water treatment	-	-	1,065,081	1,065,081	1,065,081	1,065,081
Equipment and vehicles	148,898	148,898	402,671	402,671	551,569	551,569
Subtotal	2,156,340	2,156,340	5,435,228	5,425,228	7,591,568	7,581,568
Accumulated depreciation	(945,355)	(888,151)	(3,090,837)	(2,942,662)	(4,036,192)	(3,830,813)
Capital Assets, Net	<u>\$ 1,210,985</u>	<u>\$ 1,268,189</u>	<u>\$ 2,344,391</u>	<u>\$ 2,482,566</u>	<u>\$ 3,555,376</u>	<u>\$ 3,750,755</u>

Additional information on the Town's capital assets can be found in Note III(A)(4) of the Basic Financial Statements.

**Town of Hobgood, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

**Long-term Debt:** As of June 30, 2021 the Town of Hobgood had \$26,547 debt outstanding.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Direct placement note	\$ 26,547	\$ 28,490	\$ -	\$ -	\$ 26,547	\$ 28,490
Net pension liability	21,202	15,069	42,405	33,541	63,607	48,610
Compensated absences	3,684	1,086	7,383	2,576	11,067	3,662
Total	<u>51,433</u>	<u>44,645</u>	<u>49,788</u>	<u>36,117</u>	<u>101,221</u>	<u>80,762</u>

**Economic Factors and Next Year's Budgets 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 fixed income.

**Budget Highlights for the Fiscal Year Ending June 30, 2022**

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. Electric revenues and expenditures are expected to remain constant so no increase or decrease in rate is being considered at this time.

**Governmental Activities:** Property taxes will remain constant in revenues and permits and fees are expected to be very modest. The Town will use these revenues to cover costs of expenses in material, supplies, and labor. These revenues will also be used to finance programs currently in place.

Budgeted revenues in the General Fund are expected to decrease by 1% to \$176,900 This decrease is due to a varying increase and decrease in sanitation charges, county sales tax refund, and miscellaneous revenue. Budgeted expenditures are expected to decrease 5% from prior year spending.

Sanitation fees will remain constant at \$16.00 per month per household.

**Business-Type Activities:** The Electric Fund budget will increase to \$507,500.

The Water/Sewer Fund budget will increase to \$226,000. The monthly in town base charge will increase from the previous year.

**Town of Hobgood, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

**Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

Town Administrator  
Town of Hobgood  
Post Office 217  
Hobgood, North Carolina 27843

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## **Financial Section**

## **Basic Financial Statements**

**Town of Hobgood, North Carolina**  
**Statement of Net Position**  
**June 30, 2021**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Assets			
Current assets:			
Cash and cash equivalents	\$ 248,201	\$ 651,188	\$ 899,389
Taxes receivables (net)	18,046	-	18,046
Accounts receivable (net)	14,786	71,541	86,327
Accrued interest receivable	5,406	-	5,406
Due from other governments	2,808	-	2,808
Restricted cash and cash equivalents	71,783	69,530	141,313
Total Current Assets	<u>\$ 361,030</u>	<u>\$ 792,259</u>	<u>\$ 1,153,289</u>
Non-current Assets:			
Capital assets:			
Land, non-depreciable improvements and construction in progress	\$ 42,500	\$ -	\$ 42,500
Other capital assets, net of depreciation	1,168,485	2,344,391	3,512,876
Total Capital Assets	<u>\$ 1,210,985</u>	<u>\$ 2,344,391</u>	<u>\$ 3,555,376</u>
Total Assets	<u>\$ 1,572,015</u>	<u>\$ 3,136,650</u>	<u>\$ 4,708,665</u>
Deferred Outflows of Resources			
Pension deferrals	<u>\$ 12,362</u>	<u>\$ 24,722</u>	<u>\$ 37,084</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 3,528	\$ 38,699	\$ 42,227
Compensated absences	3,684	7,385	11,069
Accrued salaries and employees payroll taxes	1,713	6,195	7,908
Customer deposits	-	69,530	69,530
Current portion of long-term liabilities	2,023	-	2,023
Total Current Liabilities	<u>\$ 10,948</u>	<u>\$ 121,809</u>	<u>\$ 132,757</u>
Long-term liabilities:			
Long-term debt	\$ 24,524	\$ -	\$ 24,524
Net pension liability	21,202	42,405	63,607
Total Long-term liabilities	<u>\$ 45,726</u>	<u>\$ 42,405</u>	<u>\$ 88,131</u>
Total Liabilities	<u>\$ 56,674</u>	<u>\$ 164,214</u>	<u>\$ 220,888</u>
Deferred Inflows of Resources			
Pension deferrals	\$ 176	\$ 353	\$ 529
Total Deferred Inflows of Resources	<u>\$ 176</u>	<u>\$ 353</u>	<u>\$ 529</u>
Net Position			
Net investment in capital assets	\$ 1,184,438	\$ 2,334,391	\$ 3,518,829
Restricted for:			
Stabilization by State Statute	17,594	-	17,594
Streets	71,783	-	71,783
Unrestricted	253,712	662,414	916,126
Total Net Position	<u>\$ 1,527,527</u>	<u>\$ 2,996,805</u>	<u>\$ 4,524,332</u>

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government							
Governmental Activities:							
General government	\$ 172,222	\$ 7,662	\$ 14,474	\$ -	\$ (150,086)	\$ -	\$ (150,086)
Public safety	13,112	10,202	-	-	(2,910)	-	(2,910)
Transportation	5,763	-	13,133	-	7,370	-	7,370
Environmental protection	24,811	30,616	241	-	6,046	-	6,046
Cultural and recreation	9,765	-	-	-	(9,765)	-	(9,765)
Interest and other charges	1,205	-	-	-	(1,205)	-	(1,205)
Total Governmental Activities	<u>\$ 226,878</u>	<u>\$ 48,480</u>	<u>\$ 27,848</u>	<u>\$ -</u>	<u>\$ (150,550)</u>	<u>\$ -</u>	<u>\$ (150,550)</u>
Business-type activities:							
Electric	442,534	473,272	-	-	-	30,738	30,738
Water and Sewer	301,337	180,410	-	10,000	-	(110,927)	(110,927)
Total business-type activities	<u>\$ 743,871</u>	<u>\$ 653,682</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ (80,189)</u>	<u>\$ (80,189)</u>
Total Primary Government	<u>\$ 970,749</u>	<u>\$ 702,162</u>	<u>\$ 27,848</u>	<u>\$ 10,000</u>	<u>\$ (150,550)</u>	<u>\$ (80,189)</u>	<u>\$ (230,739)</u>
General Revenues							
Revenues:							
Ad valorem taxes					\$ 70,549	\$ -	\$ 70,549
Unrestricted intergovernmental					45,650	-	45,650
Miscellaneous income					13,540	-	13,540
Total General Revenues, not including transfers					<u>\$ 129,739</u>	<u>\$ -</u>	<u>\$ 129,739</u>
Transfers					7,000	(7,000)	-
Change in Net Position					<u>\$ (13,811)</u>	<u>\$ (87,189)</u>	<u>\$ (101,000)</u>
Net Position, beginning					1,631,395	3,073,257	4,704,652
Unrestricted intergovernmental					(90,057)	10,737	(79,320)
Net Position, ending					<u>\$ 1,527,527</u>	<u>\$ 2,996,805</u>	<u>\$ 4,524,332</u>

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

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

	<u><b>Major Funds</b></u> <u><b>General</b></u>
<b>Assets</b>	
Cash and cash equivalents	\$ 248,201
Restricted cash	71,783
Receivables, net:	
Taxes	18,046
Accounts	14,786
Due from other governments	2,808
Total Assets	<u><u>\$ 355,624</u></u>
 <b>Liabilities</b>	
Liabilities:	
Accounts payable and accrued liabilities	\$ 3,528
Accrued salaries and employees payroll taxes	1,713
Total Liabilities	<u><u>\$ 5,241</u></u>
 <b>Deferred Inflows of Resources</b>	
Property taxes receivable	\$ 18,046
Total Deferred Inflows of Resources	<u><u>\$ 18,046</u></u>
 <b>Fund Balances</b>	
Restricted	
Stabilization by State Statute	17,594
Streets	71,783
Unassigned	242,960
Total Fund Balance	<u><u>\$ 332,337</u></u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 355,624</u></u>

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



**Town of Hobgood, North Carolina**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**Governmental Funds**  
**June 30, 2021**

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

Ending Fund Balance - Governmental Funds	\$ 332,337
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,210,985
Deferred outflows of resources related to pensions are not reported in the funds.	12,362
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures.	5,406
Liabilities for earned but deferred revenues in fund statements.	18,046
Deferred inflows of resources related to pensions are not reported in the funds.	(176)
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds.	
Net pension liability	(21,202)
Long-term debt	(26,547)
Compensated absences	(3,684)
	<hr/>
Net Position of Governmental Activities	<u><u>\$ 1,527,527</u></u>

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

**Town of Hobgood, North Carolina**  
**Statement of Revenues, Expenditures And Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

	<u>Major Funds</u>
	<u>General</u>
Revenues:	
Ad valorem taxes	\$ 67,825
Other taxes and licenses	175
Unrestricted intergovernmental	45,475
Restricted intergovernmental	27,848
Sales and services	40,818
Miscellaneous	21,202
Total Revenues	<u>\$ 203,343</u>
Expenditures:	
Current:	
General government	\$ 109,318
Public safety	13,112
Transportation	5,763
Environmental protection	24,811
Cultural and Recreation	9,765
Principal	3,148
Interest and other charges	-
Total Expenditures	<u>\$ 165,917</u>
Revenues Over (Under) Expenditures	\$ 37,426
Other Financing Sources (Uses):	
Transfers from Other Funds	<u>7,000</u>
Net Change in Fund Balance	\$ 44,426
Fund Balances	
Beginning of year	347,952
Prior period adjustments	(60,041)
End of year	<u><u>\$ 332,337</u></u>

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

**Town of Hobgood, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the Statement Activities**  
**For the Year Ended June 30, 2020**

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

Net Change in Fund Balance - Governmental Funds	\$ 44,426
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimate useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Depreciation expense	(57,204)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	4,290
Change in unavailable revenue for tax revenues.	2,724
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, however, has any effect on net position. This amount is the net effected of these differences in the treatment of long-term debt and related items.	
Principal payments on long-term debt	1,943
Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension expense	(7,392)
Compensated absences	(2,598)
Total Changes in Net Position of Governmental Activities	<u>\$ (13,811)</u>

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

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

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 67,400	\$ 67,400	\$ 67,825	\$ 425
Other taxes and licenses		50	\$ 175	125
Unrestricted intergovernmental	43,500	43,500	45,475	1,975
Restricted intergovernmental	14,745	68,995	27,848	(41,147)
Sales and services	33,950	33,950	40,818	6,868
Miscellaneous	19,900	28,650	21,202	(7,448)
Total Revenues	<u>\$ 179,495</u>	<u>\$ 242,545</u>	<u>\$ 203,343</u>	<u>\$ (39,202)</u>
Expenditures:				
Current				
General government	\$ 102,400	\$ 179,450	\$ 109,318	\$ 70,132
Public safety	21,425	21,425	13,112	8,313
Transportation	17,545	17,545	5,763	11,782
Environmental protection	30,575	30,575	24,811	5,764
Cultural and recreation	11,400	11,400	9,765	1,635
Principal	3,150	3,150	3,148	2
Interest and other charges	-	-	-	-
Total Expenditures	<u>\$ 186,495</u>	<u>\$ 263,545</u>	<u>\$ 165,917</u>	<u>\$ 97,628</u>
Revenues Over (Under) Expenditures	\$ (7,000)	\$ (21,000)	\$ 37,426	\$ 58,426
Other Financing Sources (Uses):				
Loan issuance	\$ -	\$ 14,000	\$ -	\$ (14,000)
Transfers from other funds	7,000	7,000	7,000	-
Total Other Financing Sources (Uses)	<u>\$ 7,000</u>	<u>\$ 21,000</u>	<u>\$ 7,000</u>	<u>\$ (14,000)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	44,426	<u>\$ 44,426</u>
Fund Balances				
Beginning of year			347,952	
Prior period adjustment			(60,041)	
End of year			<u>\$ 332,337</u>	

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

**Town of Hobgood, North Carolina**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2021**

	<b>Major Enterprise Funds</b>		
	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Totals</b>
Assets			
Current assets:			
Cash and cash equivalents	\$ 368,572	\$ 282,616	\$ 651,188
Accounts receivable (net)	53,442	18,099	71,541
Restricted cash and cash equivalents	52,875	16,655	69,530
Total Current Assets	<u>\$ 474,889</u>	<u>\$ 317,370</u>	<u>\$ 792,259</u>
Noncurrent assets:			
Capital assets:			
Land and other non-depreciable assets	\$ -	\$ -	\$ -
Other capital assets, net of depreciation	59,378	2,285,013	2,344,391
Capital assets	<u>\$ 59,378</u>	<u>\$ 2,285,013</u>	<u>\$ 2,344,391</u>
Total Noncurrent Assets	<u>\$ 59,378</u>	<u>\$ 2,285,013</u>	<u>\$ 2,344,391</u>
Total Assets	<u><u>\$ 534,267</u></u>	<u><u>\$ 2,602,383</u></u>	<u><u>\$ 3,136,650</u></u>
Deferred Outflows of Resources			
Pension deferrals	<u>\$ 12,361</u>	<u>\$ 12,361</u>	<u>\$ 24,722</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 36,044	\$ 2,655	\$ 38,699
Compensated absences	5,998	1,387	7,385
Accrued salaries and employee payroll taxes	3,690	\$ 2,505	6,195
Customer deposits	52,875	16,655	69,530
Total Current Liabilities	<u>\$ 98,607</u>	<u>\$ 23,202</u>	<u>\$ 121,809</u>
Noncurrent liabilities:			
Net pension liability	<u>\$ 21,203</u>	<u>\$ 21,202</u>	<u>\$ 42,405</u>
Total noncurrent liabilities	<u>\$ 21,203</u>	<u>\$ 21,202</u>	<u>\$ 42,405</u>
Total Liabilities	<u><u>\$ 119,810</u></u>	<u><u>\$ 44,404</u></u>	<u><u>\$ 164,214</u></u>
Deferred Inflows of Resources			
Pension deferrals	<u>\$ 177</u>	<u>\$ 176</u>	<u>\$ 353</u>
Net Position			
Net investment in capital assets	\$ 59,378	\$ 2,275,013	\$ 2,334,391
Unrestricted	367,263	295,151	662,414
Total Net Position	<u><u>\$ 426,641</u></u>	<u><u>\$ 2,570,164</u></u>	<u><u>\$ 2,996,805</u></u>

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

**Town of Hobgood, North Carolina**  
**Statement of Revenues, Expenses, And Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	<b>Major Enterprise Funds</b>		
	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Totals</b>
Operating Revenues			
Charges for sales & services	\$ 468,272	\$ 180,410	\$ 648,682
Miscellaneous	5,000	-	5,000
Total Operating Revenues	<u>\$ 473,272</u>	<u>\$ 180,410</u>	<u>\$ 653,682</u>
Operating Expenses			
Water administration	\$ -	\$ 92,799	\$ 92,799
Waste collection and treatment	-	71,979	71,979
Electric administration	132,151	-	132,151
Electrical power purchases	298,766	-	298,766
Depreciation	11,617	136,559	148,176
Total Operating Expenses	<u>\$ 442,534</u>	<u>\$ 301,337</u>	<u>\$ 743,871</u>
Income (Loss) Before Contributions and Transfers	<u>\$ 30,738</u>	<u>\$ (120,927)</u>	<u>\$ (90,189)</u>
Non-operating revenues (expenses)			
Capital contributions	\$ -	\$ 10,000	\$ 10,000
Transfers to other funds	(7,000)	-	(7,000)
Total Other Financing Sources (Uses)	<u>\$ (7,000)</u>	<u>\$ 10,000</u>	<u>\$ 3,000</u>
Change in Net Position	\$ 23,738	\$ (110,927)	\$ (87,189)
Net Position, beginning	402,903	2,670,354	3,073,257
Prior period adjustment	-	10,737	10,737
Net Position, ending	<u><u>\$ 426,641</u></u>	<u><u>\$ 2,570,164</u></u>	<u><u>\$ 2,996,805</u></u>

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

**Town of Hobgood, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	<b>Major Enterprise Funds</b>		
	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Totals</b>
Cash Flows From Operating Activities:			
Cash received from customers	\$ 431,202	\$ 194,530	\$ 625,732
Cash paid for goods and services	(313,088)	(119,325)	(432,413)
Cash paid to or on behalf of employees for services	(89,998)	(56,783)	(146,781)
Other operating revenues	5,000	-	5,000
Net Cash Provided (used) by Operating Activities	<u>\$ 33,116</u>	<u>\$ 18,422</u>	<u>\$ 51,538</u>
Cash Flows From Noncapital Financing Activities:			
Transfers to other funds	\$ (7,000)	\$ -	\$ (7,000)
Capital contributions	-	10,000	10,000
Net Cash Provided by Noncapital Financing Activities	<u>\$ (7,000)</u>	<u>\$ 10,000</u>	<u>\$ 3,000</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	\$ -	\$ (10,000)	\$ (10,000)
Net Cash Provided (used) by Capital and Related Financing Activities	<u>\$ -</u>	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>
Cash Flows From Investing Activities:			
Investment income received	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Increase (decrease) in Cash and Cash Equivalents	\$ 26,116	\$ 18,422	\$ 44,538
Balances - Beginning of year	<u>395,331</u>	<u>280,849</u>	<u>676,180</u>
Balances - End of year	<u><u>\$ 421,447</u></u>	<u><u>\$ 299,271</u></u>	<u><u>\$ 720,718</u></u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	<u>\$ 30,738</u>	<u>\$ (120,927)</u>	<u>\$ (90,189)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	\$ 11,617	\$ 136,559	\$ 148,176
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(24,468)	14,858	(9,610)
(Increase) decrease in deferred outflows of resources	1,805	(4,042)	(2,237)
Increase (decrease) in accounts payable and accrued liabilities	830	(18,653)	(17,823)
Increase (decrease) in accrued vacation pay	4,710	99	4,809
Increase (decrease) in customer deposits	8,385	2,000	10,385
Increase (decrease) in net pension liabilities	72	8,792	8,864
Increase (decrease) in deferred inflows of resources	(573)	(264)	(837)
Total adjustments	<u>\$ 2,378</u>	<u>\$ 139,349</u>	<u>\$ 141,727</u>
Net Cash Provided by Operating Activities	<u><u>\$ 33,116</u></u>	<u><u>\$ 18,422</u></u>	<u><u>\$ 51,538</u></u>

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

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

**I. Summary of Significant Accounting Policies**

The accounting policies of Town of Hobgood 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 Hobgood is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town of Hobgood, North Carolina.

**B. Basis of Presentation**

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

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

*Fund Financial Statements.* The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. There are no remaining governmental and enterprise funds reported as non-major funds.

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



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

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for general government, public safety, street maintenance, and sanitation services.

The Town reports the following major enterprise funds:

Electric Fund - This fund is used to account for the Town's electric operations.

Water and Sewer Fund - This fund is used to account for the Town's water and sewer operations.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

Sales taxes and certain intergovernmental revenues, such as beer and wine 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 Hobgood because the tax is levied by Greene 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. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Project Fund, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year fund. Amendments are required for any revisions that alter total expenditures of any fund or that

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

change functional appropriations by more than \$2500. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. 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. 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. 15-31]. The Town may designate, as an official depository, and bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and Super NOW 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. Non-participating interest earning contracts are accounted for at cost. The securities of the NCCMT-Cash Portfolio, a SEC registered (2a-7) external investment pool, is measured at amortized cost, money market mutual fund is 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. The Board considers all highly liquid investments with a maturity of twelve months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Powell 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 service.

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

Governmental Activities	
General Fund	
Streets	\$ 71,783
Total Government Activities	<u>\$ 71,783</u>
Business-type Activities	
Electric Fund	
Customer deposits	\$ 52,875
Water and Sewer Fund	
Customer deposits	16,655
Total Business-type Activities	<u>\$ 69,530</u>
Total Restricted Cash	<u><u>\$ 141,313</u></u>

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, 2020. 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 \$5,000 or more than a certain cost and an estimated useful life in excess of two years. 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

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

estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement 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:

Asset Class	Estimated Useful Lives
Infrastructure	20 years
Buildings	50 years
Improvements	25 years
Furniture and equipment	10 years
Computer equipment	3 years

**8. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion, contributions made to the pension plan in the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – property taxes receivables, and deferrals of pension expense that result from the implementation of GASB Statement 68.

**9. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Accrued compensation is paid to an employee at time of termination. Any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes.

11. Net Position/Fund Balances

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

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

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town has no nonspendable fund balance.

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

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.

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

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 the 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. This amount represents the balance of the total unexpended Powell Bill funds.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Hobgood’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 revise the limitation. Any changes or removal of specific purpose requires majority action by the governing body.

Committed for Capital Projects – portion of fund balance assigned by the Board for capital asset acquisition.

Assigned Fund Balance – portion of fund balance that Town of Hobgood intends to use for specific purposes. The Town has not assigned fund balance.

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

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

The Town of Hobgood has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Town funds, Town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

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

The Town of Hobgood has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures. Any portion of the General Fund balance in excess of 20% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

12. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Hobgood employer contributions are recognized when due and the Town of Hobgood has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

**II. Stewardship, Compliance, and Accountability**

A. Material Violations of Finance-related Legal and Contractual Provisions

There were no violations of N.C. General Statutes reported for the year ended June 30, 2021.

**III. Detail Notes on All Funds**

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's 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, 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



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

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 \$1,040,002 and a bank balance of \$1,062,820. Of the bank balance, \$429,379 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. Petty cash of the Town totaled \$700.

2. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 are net of the following allowances for doubtful accounts:

Enterprise Fund:	
Electric fund	<u>\$ 28,540</u>

3. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 42,500	\$ -	\$ -	\$ 42,500
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>\$ 42,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,500</u>
Capital assets being depreciated:				
Buildings and other improvements	\$ 1,964,942	\$ -	\$ -	\$ 1,964,942
Equipment and vehicles	148,898	-	-	148,898
Total capital assets being depreciated	<u>\$ 2,113,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,113,840</u>
Less accumulated depreciation for:				
Buildings and other improvements	\$ 784,886	\$ 49,094	\$ -	\$ 833,980
Equipment and vehicles	103,265	8,110	-	111,375
Total accumulated depreciation	<u>\$ 888,151</u>	<u>\$ 57,204</u>	<u>\$ -</u>	<u>\$ 945,355</u>
Total capital assets being depreciated, net	<u>\$ 1,225,689</u>			<u>\$ 1,168,485</u>
Governmental activity capital assets, net	<u>\$ 1,268,189</u>			<u>\$ 1,210,985</u>

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

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

General government	\$ <u>57,204</u>
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Capital asset activity for the Town's Enterprise Fund for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Electric Fund				
Capital Assets Being Depreciated:				
Distribution systems	\$ 207,471	\$ -	\$ -	\$ 207,471
Equipment	209,488	-	-	209,488
Vehicles	49,692	-	-	49,692
Total Capital Assets Being Depreciated	<u>\$ 466,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 466,651</u>
Less Accumulated Depreciation For:				
Distribution systems	\$ 207,471	\$ -	\$ -	\$ 207,471
Equipment	163,693	7,517	-	171,210
Vehicles	24,492	4,100	-	28,592
Total Accumulated Depreciation	<u>\$ 395,656</u>	<u>\$ 11,617</u>	<u>\$ -</u>	<u>\$ 407,273</u>
Electric Business-type Activities				
Capital Assets, Net	<u>\$ 70,995</u>			<u>\$ 59,378</u>
Water and Sewer Fund				
Capital Assets Not Being Depreciated:				
Construction in progress	\$ -	\$ 10,000	\$ -	\$ 10,000
Land	40,050	-	-	40,050
Total Capital Assets Not Being				
Depreciated	<u>\$ 40,050</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 50,050</u>
Capital Assets Being Depreciated:				
Distribution system	\$3,709,955	\$ -	\$ -	\$3,709,955
Equipment	143,491	-	-	143,491
Water system	1,065,081	-	-	1,065,081
Total Capital Assets Being Depreciated	<u>\$4,918,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,918,527</u>
Less accumulated depreciation for:				
Distribution system	\$1,789,850	\$123,666	\$ -	\$1,913,516
Equipment	143,209	282	-	143,491
Water system	613,946	12,611	-	626,557
Total Accumulated Depreciation	<u>\$2,547,005</u>	<u>\$136,559</u>	<u>\$ -</u>	<u>\$2,683,564</u>
Water and Sewer Business-type				
Activities Capital Assets, Net	<u>\$2,411,572</u>			<u>\$2,285,013</u>

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

**B. Liabilities**

**1. Pension Plan Obligations**

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

*Plan Description.* The Town of Hobgood is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consist of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are

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

available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Hobgood employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Hobgood's contractually required contribution rate for the year ended June 30, 2021, was 10.24% of compensation for employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Hobgood were \$12,872 for the year ended June 30, 2021.

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

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

At June 30, 2020, the Town reported a liability of \$63,607 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.00178%, which was the same as its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the Town recognized pension expense of \$22,175. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,032	\$ -
Changes of assumptions	4,734	-
Net difference between projected and actual earnings on pension plan investments	8,951	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,495	529
Town contributions subsequent to the measurement date	12,872	-
Total	<u>\$ 37,084</u>	<u>\$ 529</u>

\$12,872 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2022	\$ 7,244
2023	8,445
2024	5,345
2025	2,649
2026	-
Thereafter	-
	<u>\$ 23,683</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

*Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 129,052	\$ 63,607	\$ 9,218

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

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end are composed of the following elements:

Contributions to pension plan in current fiscal year	\$ 12,872
Differences between expected and actual experience	8,032
Changes of assumptions	4,734
Net difference between projected and actual earnings	8,951
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,495
Total	<u>\$ 37,084</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivables, less penalties (General Fund)	\$ -	\$ 18,046
Differences between expected and actual experience	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	529	-
	<u>\$ 529</u>	<u>\$ 18,046</u>

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

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters. The Town has property, general liability and auto liability through Argonaut Great Central Insurance Co. They carry workmen's compensation coverage up to statutory limits, and employee health coverage up to a \$1 million lifetime limit. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Town has elected not to carry additional 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 town officials that have access to funds are bonded under a blanket bond for \$25,000. The finance officer is individually bonded for \$50,000.

4. Long-term Obligations

a. Installment Obligations

During the June 30, 2008 fiscal year, the Town entered into a direct placement note with the USDA in the amount of \$27,000 to pay for roof repairs on the Town hall. Principal and interest payments are made annually. The interest rate on this note is 4.375%. The final payment is due June 23, 2033. The balance of this loan is \$16,522 at June 30, 2021.

During the June 30, 2015 fiscal year, the Town received a USDA grant for \$41,000 and direct placement note for \$15,000 for the purchase of a backhoe. Principal and interest payments are due annually. The interest rate on this note is 4.00%. The final payment is due October 2029. The balance of this loan is \$10,025 at June 30, 2021.

The note contains provision that an event of default would result in: (1) declare the unpaid principal components of the Installment Payments immediately due and payable, (2) proceed by appropriate court action to enforce the Town's performance of the applicable covenants of this Agreement or to recover for the breach thereof, (3) as provided in the Project Fund Agreement, pay over any balance remaining in the Project Fund to be applied against outstanding Required Payments in any manner DEQ may reasonably deem appropriate, and (4) avail itself of all available remedies under the Agreement, including execution and foreclosure and recovery of attorney's fees and other expenses.

b. Installment Obligations

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



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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 2,023	\$ 1,125	\$ 3,148
2023	2,108	1,040	3,148
2024	2,198	950	3,148
2025	2,289	859	3,148
2026	2,386	762	3,148
2027-2031	10,650	5,090	15,740
2032-2036	4,893	811	5,704
	<u>\$ 26,547</u>	<u>\$ 10,637</u>	<u>\$37,184</u>

c. Changes in Long-Term Liabilities

The following is a summary of charges in the Town's business-type activities in long-term debt:

	<u>Balance</u> <u>07/01/20</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/21</u>	<u>Current</u> <u>Maturities</u>
Governmental activities:					
Direct placement note	\$ 28,490	\$ -	\$ 1,943	\$ 26,547	\$ 2,023
Net pension liability	15,069	6,133	-	21,202	-
Compensated absences	1,086	2,598	-	3,684	3,684
Total Long-term Liabilities	<u>\$44,645</u>	<u>\$ 8,731</u>	<u>\$ 1,943</u>	<u>\$51,433</u>	<u>\$ 5,707</u>
Business-type activities:					
Net pension liability	\$ 33,541	\$ 8,864	\$ -	\$ 42,405	\$ -
Compensated absences	2,576	4,807	-	7,383	7,385
Total Long-term Liabilities	<u>36,117</u>	<u>13,671</u>	<u>-</u>	<u>49,788</u>	<u>7,385</u>

5. Claims, Judgements, and Contingent Liabilities

No claims or judgements existed at June 30, 2021.

6. Interfund Balances and Activities

Transfers to/from other funds at June 30, 2021 consist of the following:

From Electric Fund to General Fund to assist with administrative and Town Hall expenses	<u>\$ 7,000</u>
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The interfund balances have resulted from various transactions from previous years and the current year activity. The main activity in the current year to these accounts involved a transfer to assist with administrative and Town Hall expenses.

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

7. Fund Balance

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

Total fund balance - General Fund	\$ 332,337
Less:	
Stabilization by State Statute	17,594
Streets-Powell Bill	71,783
Working Capital/Fund Balance Policy	-
Remaining Fund Balance	242,960

The Town of Hobgood has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures.

8. Prior Period Adjustments

The beginning net position of the Water and Sewer Fund, and the General Fund had to be adjusted due to the prior year accounting errors.

Water and Fund - adjustment due to prior year error in posting accruals	\$ 10,737
General Fund - adjustment due to prior year error in posting accruals	\$(60,041)
Governmental Activities - adjustment due to prior year error in posting accruals	\$(90,057)

9. Commitments

The Town entered into a contract with NC Eastern Municipal Power Agency to purchase electricity which runs indefinitely. Under the contract, the Town is committed to purchase power at variable rates each year.

**IV. Related Party Transaction**

The Town has participated in no related party transactions for the year ended June 30, 2021.

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

**V. 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 moneys 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 moneys.

**VI. Subsequent Events**

As of November 24, 2021, the date of the completion of the financial statements, there were no material subsequent events that were required to be reported.

## **Required Supplementary Financial Data**

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

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- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contribution to Local Government Employees' Retirement System

**Town of Hobgood's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Eight Fiscal Years**

**Local Government Employees' Retirement System**

	2021	2020	2019	2018	2017	2016	2015	2014
Town of Hobgood's proportion of the net pension liability (asset) (%)	0.00178%	0.00178%	0.00159%	0.00195%	0.00140%	0.00237%	0.00314%	0.00310%
Town of Hobgood's proportion of the net pension liability (asset) (\$)	\$ 63,607	\$ 48,610	\$ 37,720	\$ 29,791	\$ 29,713	\$ 10,636	\$ (18,519)	\$ 37,367
Town of Hobgood's covered-employee payroll	\$ 132,175	\$ 122,272	\$ 129,197	\$ 118,098	\$ 106,691	\$ 117,300	\$ 143,350	\$ 141,486
Town of Hobgood's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	48.12%	39.76%	29.20%	25.23%	27.85%	9.07%	-12.92%	26.41%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

**Town of Hobgood, North Carolina**  
**Town of Hobgood's Contributions**  
**Required Supplementary Information**  
**Last Eight Fiscal Years**

**Local Government Employees' Retirement System**

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 12,872	\$ 11,845	\$ 9,562	\$ 9,794	\$ 7,948	\$ 6,866	\$ 8,415	\$ 10,135
Contributions in relation to the contractually required contributions	12,872	11,845	9,562	9,794	7,948	6,866	8,415	10,135
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Hobgood's covered-employee payroll	\$ 125,704	\$ 132,175	\$ 122,272	\$ 129,197	\$ 118,098	\$ 106,691	\$ 117,300	\$ 143,350
Contributions as a percentage of covered-employee payroll	10.24%	8.96%	7.82%	7.58%	6.73%	6.44%	7.17%	7.07%

## **Individual Fund Statements and Schedules**

**Town of Hobgood, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, And Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad valorem taxes:			
Taxes	\$ -	\$ 67,414	\$ -
Interest	-	411	-
Total	<u>\$ 67,400</u>	<u>\$ 67,825</u>	<u>\$ 425</u>
Other taxes and licenses:			
Motor vehicle licenses	\$ -	\$ -	\$ -
Zoning permits	50	175	-
Total	<u>\$ 50</u>	<u>\$ 175</u>	<u>\$ 125</u>
Unrestricted intergovernmental:			
Local option sales taxes	\$ 24,000	\$ 28,617	\$ -
Tax refunds	2,000		-
Utilities franchise tax	16,000	15,505	-
Beer and wine tax	1,500	1,353	-
Total	<u>\$ 43,500</u>	<u>\$ 45,475</u>	<u>\$ 1,975</u>
Restricted intergovernmental:			
Solid waste disposal tax	\$ 200	\$ 241	\$ -
Various grants	54,250	14,474	
Powell Bill allocation	14,545	13,133	-
Total	<u>\$ 68,995</u>	<u>\$ 27,848</u>	<u>\$ (41,147)</u>
Sales and services:			
Police fees	\$ 4,200	\$ 10,202	\$ -
Cemetery fees	1,500	2,100	-
Garbage services	28,250	28,516	-
Permits and fees	-	-	-
Total	<u>\$ 33,950</u>	<u>\$ 40,818</u>	<u>\$ 6,868</u>
Investment earnings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Miscellaneous:			
Tower rent	\$ 7,200	\$ 7,662	\$ -
Other miscellaneous	21,450	13,540	-
Total	<u>\$ 28,650</u>	<u>\$ 21,202</u>	<u>\$ (7,448)</u>
Total Revenues	<u>\$ 242,545</u>	<u>\$ 203,343</u>	<u>\$ (39,202)</u>



**Town of Hobgood, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, And Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures			
General Government:			
Governing Body:			
Salaries and employee benefits	\$ -	\$ 1,950	\$ -
Professional services	-	6,817	-
Other operating expenditures	-	-	-
Total	<u>\$ 9,450</u>	<u>\$ 8,767</u>	<u>\$ 683</u>
Administration:			
Salaries and employee benefits	\$ -	\$ 40,474	\$ -
Other operating expenditures	-	45,077	-
Capital outlay	-	-	-
Total	<u>\$ 155,000</u>	<u>\$ 85,551</u>	<u>\$ 69,449</u>
Elections:			
Other operating expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Zoning:			
Other operating expenditures	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ -</u>
Total	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ -</u>
Total General Government	<u>\$ 179,450</u>	<u>\$ 109,318</u>	<u>\$ 70,132</u>
Public Safety:			
Police:			
Salaries and employee benefits	\$ -	\$ 9,524	\$ -
Other operating expenditures	-	588	-
Capital outlay	-	-	-
Total	<u>\$ 18,425</u>	<u>\$ 10,112</u>	<u>\$ 8,313</u>
Fire:			
Operating expenditures	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ -</u>
Total Public Safety	<u>\$ 21,425</u>	<u>\$ 13,112</u>	<u>\$ 8,313</u>
Transportation:			
Streets and Highways:			
Salaries and employee benefits	\$ -	\$ 4,355	\$ -
Powell Bill street expenditures	-	1,408	-
Other operating expenditures	-	-	-
Capital outlay	-	-	-
Total Transportation	<u>\$ 17,545</u>	<u>\$ 5,763</u>	<u>\$ 11,782</u>

**Town of Hobgood, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, And Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2020**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Environmental Protection:			
Solid Waste:			
Salaries and employee benefits	\$ -	\$ 13,798	\$ -
Other operating expenditures	-	11,013	-
Capital outlay	-	-	-
Total Environmental Protection	<u>\$ 30,575</u>	<u>\$ 24,811</u>	<u>\$ 5,764</u>
Cultural and Recreational:			
Operating expenditures	<u>\$ -</u>	<u>\$ 9,765</u>	<u>\$ 9,765</u>
Total Cultural and Recreational	<u>\$ 11,400</u>	<u>\$ 9,765</u>	<u>\$ 1,635</u>
Debt Service:			
Principal		\$ 3,148	
Interest			
Total Debt Service	<u>\$ 3,150</u>	<u>\$ 3,148</u>	<u>\$ 2</u>
Total Expenditures	<u>\$ 263,545</u>	<u>\$ 165,917</u>	<u>\$ 97,628</u>
Revenues Over (Under) Expenditures	<u>\$ (21,000)</u>	<u>\$ 37,426</u>	<u>\$ 58,426</u>
Other Financing Sources (uses):			
Loan issuance	\$ 14,000		\$ (14,000)
Transfers from other funds			
Electric Fund	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ -</u>
Total	<u>\$ 21,000</u>	<u>\$ 7,000</u>	<u>\$ (14,000)</u>
Fund balance appropriated		<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>\$ 44,426</u>	<u><u>\$ 58,426</u></u>
Fund Balances			
Beginning of year		347,952	
Prior period adjustment		<u>(60,041)</u>	
End of year		<u><u>\$ 332,337</u></u>	

**Town of Hobgood, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues And Expenditures - Budget and Actual (Non - GAAP)**  
**For the Year Ended June 30, 2021**

	<u><b>Budget</b></u>	<u><b>Actual</b></u>	<u><b>Variance Positive (Negative)</b></u>
Revenues			
Operating Revenues:			
Water sales		\$ 180,410	
Penalties		-	
Miscellaneous revenues		-	
Total Operating Revenues	<u>\$ 198,500</u>	<u>\$ 180,410</u>	<u>\$ (18,090)</u>
Nonoperating Revenues:			
Interest earnings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Revenues	<u>\$ 198,500</u>	<u>\$ 180,410</u>	<u>\$ (18,090)</u>
Expenditures			
Electrical Operations:			
Salaries and employee benefits		\$ 51,269	
Sewage treatment fee		48,429	
Other operating expenditures		29,464	
Contracted services		40,102	
Total	<u>\$ 188,500</u>	<u>\$ 169,264</u>	<u>\$ 19,236</u>
Debt Service:			
Interest and other charges	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Principal retirement	<u>-</u>	<u>-</u>	<u>-</u>
Total Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Capital Outlay:			
Equipment	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>-</u>
Total Expenditures	<u>\$ 198,500</u>	<u>\$ 179,264</u>	<u>\$ 19,236</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 1,146</u>	<u>\$ 1,146</u>
Other Financing Sources (Uses)			
Fund balance appropriated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenues and Other Sources Over (Under)			
Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 1,146</u>	<u>\$ 1,146</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(136,559)	
Capital contributions		10,000	
Capital outlay		10,000	
Increase in net pension liability and related deferrals		4,486	
Total		<u>\$ (112,073)</u>	
Change in Net Position		<u>\$ (110,927)</u>	

**Town of Hobgood, North Carolina**  
**Electric Fund**  
**Schedule of Revenues And Expenditures - Budget and Actual (Non - GAAP)**  
**For the Year Ended June 30, 2021**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Revenues:			
Electric charges	\$ 460,000	\$ 462,842	\$ 2,842
Penalties	6,700	5,430	(1,270)
Total	\$ 466,700	\$ 468,272	\$ 1,572
Water and sewer taps	\$ -	\$ -	\$ -
Other operating revenues	6,500	5,000	(1,500)
Total operating revenues	\$ 473,200	\$ 473,272	\$ 72
Nonoperating revenues:			
Other revenue	-	-	-
Total revenues	\$ 473,200	\$ 473,272	\$ 72
Expenditures:			
Salaries and employee benefits		\$ 91,302	
Electricity purchases		298,766	
Contract services		2,067	
Equipment repairs		3,600	
Other operating expenditures		36,486	
Contingency reserve		-	
Total	\$ 473,200	\$ 432,221	\$ 40,979
Capital outlay:			
Miscellaneous water	\$ -	\$ -	\$ -
Miscellaneous sewer	-	-	-
Total capital outlay	\$ -	\$ -	\$ -
Total expenditures	\$ 473,200	\$ 432,221	\$ 40,979
Revenues over expenditures	\$ -	\$ 41,051	\$ 41,051
Fund balance appropriation	-	-	-
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -
Revenues and Other Sources Over (Under)			
Expenditures and Other Uses	\$ -	\$ 41,051	\$ 41,051
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 41,051	
Reconciling items:			
Capital outlay		-	
Depreciation		(11,617)	
Increase in net pension liability and related deferrals		1,304	
Transfers		(7,000)	
Total		\$ (17,313)	
Change in net position		\$ 23,738	

**Town of Hobgood, North Carolina**  
**Water and Sewer Capital Project Fund - 2015 CDBG**  
**Sewer Collection Rehabilitation Grant 15-I-3082**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2021**

	<b>Project</b>	<b>Actual</b>			<b>Variance</b>
	<b>Authorization</b>	<b>Prior</b>	<b>Current</b>	<b>Total to</b>	<b>Favorable</b>
		<b>Years</b>	<b>Year</b>	<b>Date</b>	<b>(Unfavorable)</b>
<b>Revenues:</b>					
Restricted intergovernmental revenues					
CDBG	\$ 258,147	\$ -	\$ 5,000	\$ 5,000	\$ (253,147)
Total Revenues	<u>\$ 258,147</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ (253,147)</u>
<b>Expenditures:</b>					
Construction	\$ 170,676	\$ -	\$ -	\$ -	\$ 170,676
Administration	15,170	-	5,000	5,000	10,170
Engineering	72,301	-	-	-	72,301
Total Expenditures	<u>258,147</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>253,147</u>
Excess (Deficit) of Revenues Over					
(Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Town of Hobgood, North Carolina**  
**Water and Sewer Capital Project Fund - 2019 CDBG**  
**Sewer Collection Rehabilitation Grant 19-I-3106**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2021**

	<b>Project</b>	<b>Actual</b>			<b>Variance</b>
	<b>Authorization</b>	<b>Prior</b>	<b>Current</b>	<b>Total to</b>	<b>Favorable</b>
		<b>Years</b>	<b>Year</b>	<b>Date</b>	<b>(Unfavorable)</b>
<b>Revenues:</b>					
Restricted intergovernmental revenues					
CDBG	\$ 224,274	\$ -	\$ 5,000	\$ 5,000	\$ (219,274)
Total Revenues	<u>\$ 224,274</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ (219,274)</u>
<b>Expenditures:</b>					
Construction	\$ 145,700	\$ -	\$ -	\$ -	\$ 145,700
Administration	15,706	-	5,000	5,000	10,706
Engineering	62,868	-	-	-	62,868
Total Expenditures	<u>224,274</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>219,274</u>
Excess (Deficit) of Revenues Over					
(Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## **Other Schedules**

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This section contains additional information on property taxes.

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

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

<b>Fiscal Year</b>	<b>Uncollected Balance June 30, 2020</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2021</b>
2020-2021	\$ -	\$ 69,108	\$ 65,593	\$ 3,515
2019-2020	3,983	-	1,474	2,509
2018-2019	5,051	-	2,948	2,103
2017-2018	2,044	-	569	1,475
2016-2017	1,534	-	114	1,420
2015-2016	1,486	-	43	1,443
2014-2015	1,822	-	308	1,514
2013-2014	1,378	-	174	1,204
2012-2013	1,254	-	233	1,021
2011-2012	992	-	43	949
2010-2011	893	-	-	893
2009-2010	748	-	748	-
<b>Total</b>	<b>\$ 21,185</b>	<b>\$ 69,108</b>	<b>\$ 72,247</b>	<b>\$ 18,046</b>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 67,825
Reconciling items:	
Interest collected	(411)
Discounts, write-offs and adjustments	4,833
Total collections and credits	<u>\$ 72,247</u>



**Town of Hobgood, North Carolina**  
**Analysis of Current Tax Levy**  
**Town - Wide Levy**  
**For the Fiscal Year Ended June 30, 2021**

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 11,309,444	0.72	\$ 81,428	\$ 67,636	\$ 13,792
Discoveries:					
Current year taxes	-	0.72	-	-	-
Releases	<u>1,711,111</u>	0.72	<u>12,320</u>	<u>12,320</u>	<u>-</u>
Total Property Valuation	<u><u>\$ 9,598,333</u></u>				
Net levy			\$ 69,108	\$ 55,316	\$ 13,792
Uncollected taxes at June 30, 2021			<u>3,515</u>	<u>3,462</u>	<u>53</u>
Current year's taxes collected			<u><u>\$ 65,593</u></u>	<u><u>\$ 51,854</u></u>	<u><u>\$ 13,739</u></u>
Current levy collection percentage			<u><u>94.91%</u></u>	<u><u>93.74%</u></u>	<u><u>99.62%</u></u>