

REVIEWED

By SLGFD at 8:51 am, Nov 24, 2021

TOWN OF HOFFMAN, NORTH CAROLINA

FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2021

TOWN OF HOFFMAN, NORTH CAROLINA

TOWN OFFICIALS

JUNE 30, 2021

MAYOR

TOMMY HART

TOWN COUNCIL

DANIEL KELLY – MAYOR PRO-TEM

CYNTHIA NORTHCUTT

RORY JONES

JOHN TAYLOR

RICARDO ANDERSON

OTHER OFFICIALS

MAGGIE BETHEA

TOWN CLERK

MINNIE MYERS

FINANCE OFFICER

TOWN OF HOFFMAN, NORTH CAROLINA
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FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Hoffman, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hoffman, North Carolina as of June 30, 2021, and the respective changes in financial position, and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3 through 7, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Hoffman, North Carolina. The individual fund statements, budgetary schedules and other schedules, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The individual fund statements and budgetary schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the individual fund statements and budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 18, 2021 on our consideration of Town of Hoffman's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Hoffman's internal control over financial reporting and compliance.



Rockingham, NC
October 18, 2021

Management's Discussion and Analysis

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

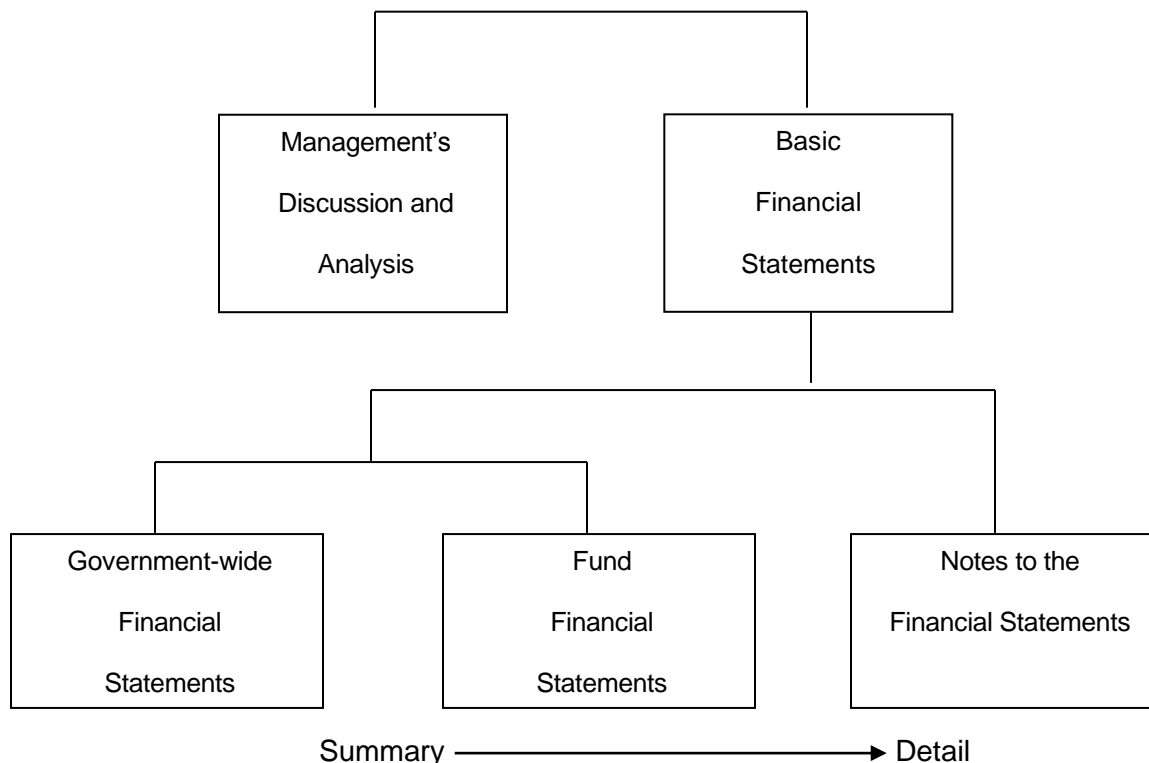
Financial Highlights

- The net position of the Town of Hoffman exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,792,597 (*net position*).
- The government's total net position increased by \$286,752, due to revenues exceeding expenditures and asset additions in the business-type activities.
- As of the close of the current fiscal year, the Town of Hoffman's General Fund reported an ending fund balance of \$828,553, a decrease of \$72,545 in comparison with the prior year. Approximately 69.3 percent of fund balance, or \$574,070 is available for spending at the government's discretion (unassigned fund balance).

Overview of the Financial Statements

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

Required Components of Annual Financial Report



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's general fund. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

The 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 services such as general government and transportation. Other taxes finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the sewer services offered by the Town of Hoffman.

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

Fund Financial Statements

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

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

The Town of Hoffman maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and one capital project fund, which are all considered being major funds.

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 17-24 of this report.

Government-Wide Financial Analysis

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

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

The Town of Hoffman's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 854,079	\$ 968,385	\$ 40,037	\$ 147,844	\$ 894,116	\$1,116,229
Capital assets	797,474	821,586	3,142,013	2,714,414	3,939,487	3,536,000
Total assets	1,587,981	1,789,971	3,182,050	2,862,258	4,770,031	4,652,229
Current liabilities	7,898	8,361	33,108	138,023	41,006	146,384
Net Position						
Net investment in capital assets	797,474	821,586	3,142,013	2,714,414	3,939,487	3,536,000
Restricted	193,736	183,893	-	-	193,736	183,893
Unrestricted	652,445	776,131	6,929	9,821	659,374	785,952
Total net position	\$1,643,655	\$1,781,610	\$3,148,942	\$2,724,235	\$4,792,597	\$4,505,845

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The net position of the Town of Hoffman exceeded liabilities and deferred inflows by \$4,792,597 as of June 30, 2021. The Town's net position increased by \$286,752 for the fiscal year ended June 30, 2021. A portion of net position (82.2%) reflects the Town's net investment in capital assets (e.g. land, buildings and improvements). The Town of Hoffman uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining portions of net position are restricted (4.0%) and unrestricted (13.8%).

Town of Hoffman Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 8,235	\$ 5,325	\$ 5,592	\$ -	\$ 13,827	\$ 5,325
Operating Grants and Contributions	89,074	30,671	-	-	89,074	30,671
Capital Grants and Contributions	3,344	27,026	408,189	860,467	411,533	887,493
General revenues:						
Property taxes	48,840	67,682	-	-	48,840	67,682
Other taxes	43,098	154,760	-	-	43,098	154,760
Unrestricted investment Earnings	1,592	2,780	-	-	1,592	2,780
Miscellaneous	679	515	-	-	679	515
Total revenues	<u>194,862</u>	<u>288,759</u>	<u>413,781</u>	<u>860,467</u>	<u>608,643</u>	<u>1,149,226</u>
Expenses:						
General Government	167,007	202,955	-	-	167,007	202,955
Public Safety	-	2,520	-	-	-	2,520
Transportation	41,874	38,623	-	-	41,874	38,623
Environmental	15,069	18,243	-	-	15,069	18,243
Recreation	47,612	106,405	-	-	47,612	106,405
Sewer	-	-	50,329	-	50,329	-
Total expenses	<u>271,562</u>	<u>368,746</u>	<u>50,329</u>	<u>-</u>	<u>321,891</u>	<u>368,746</u>
Increase (decrease) in net position before transfers	<u>(76,700)</u>	<u>(79,987)</u>	<u>363,452</u>	<u>860,467</u>	<u>286,752</u>	<u>780,480</u>
Transfers	(61,255)	(15,518)	61,255	15,518	-	-
Increase (decrease) in net position before transfers	(137,955)	(95,505)	424,707	875,985	286,752	780,480
Net position, July 1	<u>1,781,610</u>	<u>1,877,115</u>	<u>2,724,235</u>	<u>1,848,250</u>	<u>4,505,845</u>	<u>3,725,365</u>
Net position, June 30	<u>\$1,643,655</u>	<u>\$1,781,610</u>	<u>\$3,148,942</u>	<u>\$2,724,235</u>	<u>\$4,792,597</u>	<u>\$4,505,845</u>

Governmental activities: Governmental activities decreased the Town's net position by \$137,955. Key elements of this increase were as follows:

- Revenues decreased by approximately \$93,897 and transfers increased by 46,037.

Business-type activities: Business-type activities increased the Town's net position by \$424,707. Key element of this increase was as follows:

- Transfer from the General fund increased by approximately \$61,255 and grant revenues were \$408,189.

Financial Analysis of the Town's Funds

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

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

At the end of the current fiscal year, the Town had an unassigned fund balance of the general fund was \$574,070, while the total fund balance reached \$828,553. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 232.0 percent of total expenditures, while total fund balance represents 334.8 percent of that same amount.

General Fund Budgetary Highlights: During the fiscal year, the Town had amendments to its original budget and expenditures were held to only 82.9% of budget.

Proprietary Funds: The Town of Hoffman's proprietary fund provides the same type of information found in the government-wide statements but in more detail. The total increase in net position was \$424,707.

Capital Asset and Debt Administration

Capital assets. The Town of Hoffman's capital assets, at cost, for its governmental activities as of June 30, 2021, totals \$3,939,487 (net of accumulated depreciation). These assets include land, buildings and improvements, equipment, vehicles, and infrastructure.

There were \$456,438 of capital asset additions and no disposals during the fiscal year.

Town of Hoffman's Capital Assets						
	Governmental		Business-type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Non-depreciable assets						
Land and CIP	\$ 100,609	\$ 100,609	\$ 863,849	\$2,714,414	\$ 964,458	\$2,815,023
Depreciable assets						
Building and improvements	498,870	517,451	-	-	498,870	517,451
Equipment and Vehicles	44,798	50,329	-	-	44,798	50,329
Infrastructure	153,197	153,197	2,278,164	-	2,975,029	153,197
Total	<u>\$ 797,474</u>	<u>\$ 821,586</u>	<u>\$3,142,013</u>	<u>\$2,714,414</u>	<u>\$3,939,487</u>	<u>\$3,536,000</u>

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

Long-term debt. As of June 30, 2021, the Town did not have any long-term debt.

Economic Factors and Next Year's Budgets and Rates

- The Town completed Phase I and commenced Phase II of their sewer capital project during the year and sewer fund operations also commenced during the year.

Impact of Coronavirus on Town

On January 30, 2021, the World Health Organization declared the coronavirus "COVID-19" outbreak a "Public Health Emergency of International Concern" and on March 11, 2021, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or "stay-at-home" restrictions in certain areas and forced closures for certain types of public places and businesses.

COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including that of the Town. While it is unknown how long these conditions will last and what the complete financial impact will be, the Town is closely monitoring the impact of the COVID-19 pandemic on all aspects of their operations and are unable at this time to predict the continued impact that COVID-19 will have on their services, financial position, and operating results in future periods due to numerous uncertainties.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: The governmental funds' primary revenue resources are local option sales taxes. For the fiscal year ending June 30, 2022, the budget decreased \$108,706 from the prior year.

Business-type Activities: For the fiscal year ending June 30, 2022, the Sewer Fund budget decreased \$2,508,456 from prior year largely due to nearing the end of the Sewer fund capital project.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

TOWN OF HOFFMAN, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2021

Exhibit 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 642,715	\$ 8,026	\$ 650,741
Taxes receivable	17,628	-	17,628
Prepaid expense	600	-	600
Due from other governments	73,087	32,011	105,098
Restricted cash and cash equivalents	<u>120,049</u>	<u>-</u>	<u>120,049</u>
Total current assets	<u>854,079</u>	<u>40,037</u>	<u>894,116</u>
Non-current assets:			
Capital assets			
Land and construction in progress	100,609	863,849	964,458
Other capital assets, net of depreciation	<u>696,865</u>	<u>2,278,164</u>	<u>2,975,029</u>
Total capital assets	<u>797,474</u>	<u>3,142,013</u>	<u>3,939,487</u>
Total assets	<u>\$ 1,651,553</u>	<u>\$ 3,182,050</u>	<u>\$ 4,833,603</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 7,898	\$ 32,708	40,606
Customer deposits	<u>-</u>	<u>400</u>	<u>400</u>
Total liabilities	<u>7,898</u>	<u>33,108</u>	<u>41,006</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	\$ -	\$ -	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred infows of resources	<u>\$ 7,898</u>	<u>\$ 33,108</u>	<u>\$ 41,006</u>
NET POSITION			
Investment in capital assets	\$ 797,474	\$ 3,142,013	3,939,487
Restricted for:			
Stabilization by State Statute	73,087	-	73,087
Prepaid Expense	600	-	600
Other functions	120,049	-	120,049
Unrestricted	<u>652,445</u>	<u>6,929</u>	<u>659,374</u>
Total net position	<u>\$ 1,643,655</u>	<u>\$ 3,148,942</u>	<u>\$ 4,792,597</u>

TOWN OF HOFFMAN, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary government							
Governmental activities							
General government	\$ 167,007	\$ -	\$ 63,572	\$ 3,344	\$ (100,091)	\$ -	\$ (100,091)
Public safety	-	-	-	-	-	-	-
Transportation	41,874	-	25,502	-	(16,372)	-	(16,372)
Environmental protection	15,069	-	-	-	(15,069)	-	(15,069)
Recreation	47,612	8,235	-	-	(39,377)	-	(39,377)
Total governmental activities	<u>\$ 271,562</u>	<u>\$ 8,235</u>	<u>\$ 89,074</u>	<u>\$ 3,344</u>	<u>\$ (170,909)</u>	<u>\$ -</u>	<u>\$ (170,909)</u>
Business-Type activities							
Enterprise activities							
Sewer project	<u>50,329</u>	<u>5,592</u>	<u>-</u>	<u>408,189</u>	<u>-</u>	<u>363,452</u>	<u>363,452</u>
Total primary government	<u>\$ 321,891</u>	<u>\$ 13,827</u>	<u>\$ 89,074</u>	<u>\$ 411,533</u>	<u>\$ (170,909)</u>	<u>\$ 363,452</u>	<u>\$ 192,543</u>
General revenues							
Taxes							
Property taxes, levied for general purposes					48,840	-	48,840
Other taxes					43,098	-	43,098
Unrestricted investment earnings					1,592	-	1,592
Miscellaneous					679	-	679
Transfers					(61,255)	61,255	-
Total general revenues and transfers					<u>32,954</u>	<u>61,255</u>	<u>94,209</u>
Change in net position					<u>(137,955)</u>	<u>424,707</u>	<u>286,752</u>
Net position - beginning					<u>1,781,610</u>	<u>2,724,235</u>	<u>4,505,845</u>
Net position - ending					<u>\$ 1,643,655</u>	<u>\$ 3,148,942</u>	<u>\$ 4,792,597</u>

TOWN OF HOFFMAN, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2021

Exhibit 3

	<u>Major Fund</u>		Total
	<u>General</u>	<u>Town Park Project Fund</u>	<u>Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 642,715	\$ -	\$ 642,715
Restricted cash	120,049	-	120,049
Receivables, net			
Taxes	17,628	-	17,628
Prepaid expense	600	-	600
Due from other governments	<u>73,087</u>	<u>-</u>	<u>73,087</u>
Total assets	<u>\$ 854,079</u>	<u>\$ -</u>	<u>\$ 854,079</u>
LIABILITIES			
Accounts payable and accrued payroll liability	<u>\$ 7,898</u>	<u>\$ -</u>	<u>\$ 7,898</u>
Total liabilities	<u>7,898</u>	<u>-</u>	<u>7,898</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	-	-	-
Tax receivable	<u>17,628</u>	<u>-</u>	<u>17,628</u>
Total deferred inflows of resources	<u>17,628</u>	<u>-</u>	<u>17,628</u>
FUND BALANCES			
Restricted for:			
Stabilization by State Statute	73,087	-	73,087
Streets - Powell Bill	120,049	-	120,049
Prepaid expense	600	-	600
Assigned			
Subsequent year's expenditures	60,747	-	60,747
Unassigned	<u>574,070</u>	<u>-</u>	<u>574,070</u>
Total fund balances	<u>828,553</u>	<u>-</u>	<u>828,553</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 854,079</u>	<u>\$ -</u>	<u>\$ 854,079</u>
Reconciliation of fund balance as reported in the balance sheet-			
governmental funds with net assets - governmental activities			
Fund balance as reported in the balance sheet - governmental funds			\$ 828,553
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources are not reported in the funds			797,474
Liabilities for earned but deferred revenues in fund statements			<u>17,628</u>
Net assets of governmental activities			<u>\$ 1,643,655</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

For the Year Ended June 30, 2021

	Major Fund		Total
	General Fund	Town Park Project Fund	Governmental Funds
REVENUES			
Ad valorem taxes	\$ 49,117	\$ -	\$ 49,117
Unrestricted intergovernmental	43,098	-	43,098
Restricted intergovernmental	92,418	-	92,418
Investment earnings	1,592	-	1,592
Miscellaneous	8,914	-	8,914
Total revenues	195,139	-	195,139
EXPENDITURES			
Current			
General government	164,183	-	164,183
Public safety	-	-	-
Transportation	41,314	-	41,314
Environmental protection	13,343	-	13,343
Recreation	28,610	-	28,610
Total expenditures	247,450	-	247,450
Revenues over (under) expenditures	(52,311)	-	(52,311)
Other financing sources (uses)			
Transfer to (from) Park Project	41,021	(41,021)	-
Transfer to Sewer Project	(61,255)	-	(61,255)
Total other financing sources (uses)	(20,234)	(41,021)	(61,255)
Change in fund balance after other financing sources (uses)	(72,545)	(41,021)	(113,566)
Fund balance - beginning	901,098	41,021	942,119
Fund balance - ending	\$ 828,553	\$ -	\$ 828,553

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND

BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2021

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

Net change in fund balance - governmental fund	\$ (113,566)
--	--------------

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

Capital outlay	-
Depreciation expense	(24,112)

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

Change in deferred revenue for tax revenues	<u>(277)</u>
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Total change in net position of governmental activities	<u>\$ (137,955)</u>
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STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2021

	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 87,500	\$ 51,500	\$ 49,117	\$ (2,383)
Unrestricted intergovernmental	25,275	55,975	43,098	(12,877)
Restricted intergovernmental	30,000	30,000	92,418	62,418
Investment earnings	2,200	3,200	1,592	(1,608)
Miscellaneous	5,000	9,300	8,914	(386)
Total revenues	<u>149,975</u>	<u>149,975</u>	<u>195,139</u>	<u>45,164</u>
EXPENDITURES				
Current				
General government	247,300	172,300	164,183	8,117
Public safety	12,500	12,500	-	12,500
Transportation	51,500	51,500	41,314	10,186
Environmental protection	16,000	16,000	13,343	2,657
Recreation	46,200	46,200	28,610	17,590
Total expenditures	<u>373,500</u>	<u>298,500</u>	<u>247,450</u>	<u>51,050</u>
Revenues over (under) expenditures	(223,525)	(148,525)	(52,311)	96,214
Other financing sources (uses)				
Transfer to Town Park Project	-	-	41,021	41,021
Transfer to Sewer Project	-	(75,000)	(61,255)	13,745
Total other financing sources (uses)	<u>-</u>	<u>(75,000)</u>	<u>(20,234)</u>	<u>54,766</u>
Change in fund balance after other financing sources (uses)	(223,525)	(223,525)	(72,545)	150,980
Fund balance appropriated	<u>223,525</u>	<u>223,525</u>	<u>-</u>	<u>(223,525)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(72,545)</u>	<u>\$ (72,545)</u>
Fund balance - beginning			<u>901,098</u>	
Fund balance - ending			<u>\$ 828,553</u>	

TOWN OF HOFFMAN, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUND - SEWER PROJECT FUND
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit 7

	<u>Enterprise Fund</u> <u>Sewer</u> <u>Project Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 8,026
Accounts receivable	<u>32,011</u>
Total current assets	<u>40,037</u>
Non-current assets	
Capital assets	
Land and construction in progress	863,849
Other capital assets, net of depreciation	<u>2,278,164</u>
Total capital assets	<u>3,142,013</u>
Total Assets	<u>3,182,050</u>
LIABILITIES	
Accounts payable and accrued liabilities	32,708
Customer deposits	<u>400</u>
Total Liabilities	<u>33,108</u>
NET POSITION	
Net investment in capital assets	3,142,013
Unrestricted	<u>6,929</u>
Total net position	<u>3,148,942</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,182,050</u>

TOWN OF HOFFMAN, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND - SEWER PROJECT FUND
For the Year Ended June 30, 2021

Exhibit 8

	<u>Enterprise Fund Sewer Project Fund</u>
OPERATING REVENUES	
Revenue	\$ 5,592
Total operating revenues	<u>5,592</u>
OPERATING EXPENSES	
Sewer administration	21,491
Depreciation and amortization	<u>28,838</u>
Total operating expenses	<u>50,329</u>
Operating loss	(44,737)
Income before contributions and transfers	<u>(44,737)</u>
Capital contributions	408,189
Transfer from General fund	<u>61,255</u>
Change in net position	424,707
Total net position, beginning	<u>2,724,235</u>
Total net position, ending	<u><u>\$ 3,148,942</u></u>

TOWN OF HOFFMAN, NORTH CAROLINA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2021

Exhibit 9

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	5,592
Cash paid for goods and services	(24,568)
Customer deposits received	<u>400</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (18,576)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(456,438)
Capital contributions	408,189
Transfer from General fund	<u>61,255</u>
NET CASH INCREASED CAPITAL AND RELATED FINANCING ACTIVITIES	<u>13,006</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>-</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,570)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>13,596</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 8,026</u>
 Reconciliation of operating loss to net cash used by operating activities:	
	(44,737)
 Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation	28,838
Decrease in accounts receivable	102,237
(Decrease) in accounts payable and other accrued liabilities	(105,314)
Customer deposits received	<u>400</u>
Total adjustments	<u>26,161</u>
Net cash (used) by operating activities	<u>\$ (18,576)</u>

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF HOFFMAN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Revenues, that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

The Town reports the following major governmental funds:

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

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

The Town reports the following major enterprise fund:

Sewer Fund. This fund is used to account for the Town's 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and 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. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivables are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Richmond County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Hoffman. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Richmond County from March 2020 through May 2021 apply to the fiscal year ended June 30, 2021. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax collected and held by the State at year-end on behalf of the Town, are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Hoffman because the tax is levied by Richmond County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash.

D. Budgetary Data

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

TOWN OF HOFFMAN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

Cash and Cash Equivalents

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

Restricted Assets

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

Ad Valorem Taxes Receivable

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

Allowance for Uncollectible Accounts

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs have not been approved. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

TOWN OF HOFFMAN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets (Continued)

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

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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no item that meets this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only two items that meet the criterion for this category - prepaid taxes and property taxes receivable.

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

TOWN OF HOFFMAN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Balances (Continued)

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

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

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

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

F. Other

Use of Estimates

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

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the units' name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in their name. The amount of the pledged collateral is based on an approved averaging method for noninterest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risks for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The Town's investment with NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's and AAAM-mf by Moody's Investment Service as of June 30, 2021.

At June 30, 2021, the Town's deposits had a carrying amount of \$770,790 and a bank balance of \$780,248. Of the bank balance, \$500,000 was covered by federal depository insurance and \$280,248 was covered by collateral held under the pooling method.

TOWN OF HOFFMAN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Capital assets not being depreciated				
Land	\$ 100,609	\$ -	\$ -	\$ 100,609
Construction in progress	-	-	-	-
Total land and CIP	100,609	-	-	100,609
Capital assets being depreciated				
Buildings and improvements	643,656	-	-	643,656
Equipment	246,687	-	-	246,687
Vehicles	102,694	-	-	102,694
Infrastructure	452,214	-	-	452,214
Total capital assets being depreciated	1,445,251	-	-	1,445,251
Less accumulated depreciation for				
Buildings and improvements	126,205	18,581	-	144,786
Equipment	196,358	5,531	-	201,889
Vehicles	102,694	-	-	102,694
Infrastructure	299,017	-	-	299,017
Total accumulated depreciation	724,274	24,112	-	748,386
Total capital assets being depreciated, net	720,977	-	-	696,865
Governmental activity capital assets, net	\$ 821,586	\$ -	\$ -	\$ 797,474

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

General government	\$ 2,824
Transportation	560
Environmental protection	1,726
Cultural and Recreation	19,002
	<u>\$ 24,112</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities				
Land	\$ -	\$ 34,169	\$ -	\$ 34,169
Construction in progress	2,714,413	456,438	2,341,171	829,680
Total land and CIP	2,714,413	490,607	2,341,171	863,849
Capital assets being depreciated				
Infrastructure	-	2,307,002	-	2,307,002
Total capital assets being depreciated	-	2,307,002	-	2,307,002
Less accumulated depreciation for				
Infrastructure	-	28,838	-	28,838
Total accumulated depreciation	-	28,838	-	28,838
Total capital assets being depreciated, net	-	2,278,164	-	2,278,164
Business-type activity capital assets, net	\$ 2,714,413	\$ 2,797,609	\$ 2,341,171	\$ 3,142,013

TOWN OF HOFFMAN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 2 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

Construction Commitments

The Town has active construction projects as of June 30, 2021. At year-end, the Town's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Sewer treatment facilities	\$ 3,170,851	\$ 535,149

B. Liabilities

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance of \$319,027 on the Town Hall and up to \$50,000 on its contents. An auto liability policy provides \$1,000,000 of coverage and general liability insurance coverage is maintained for \$1,000,000. The Town is also covered by a workers' compensation policy. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

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

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

C. Interfund Balances and Activity

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

From the General Fund to the Capital Sewer Project Fund to fund the project	\$40,255
From the General Fund to the Sewer Fund to commence Sewer Fund operations	21,000
From the Town Park Capital project to the General Fund to complete project and return funds	41,021

NOTE 3 – FUND BALANCE

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

Total fund balance – General Fund	<u>\$764,981</u>
Stabilization by State Statute	9,515
Streets – Powell Bill	120,049
Prepaid Expense	600
Appropriated Fund Balance in 2021 budget	60,747
Remaining Fund Balance	574,070

TOWN OF HOFFMAN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 4 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State assisted Programs

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

Impact of COVID-19

On January 30, 2021, the World Health Organization declared the coronavirus "COVID-19" outbreak a "Public Health Emergency of International Concern" and on March 11, 2021, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or "stay-at-home" restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including that of the Town. While it is unknown how long these conditions will last and what the complete financial impact will be, the Town is closely monitoring the impact of the COVID-19 pandemic on all aspects of their operations and are unable at this time to predict the continued impact that COVID-19 will have on their services, financial position, and operating results in future periods due to numerous uncertainties.

NOTE 5 – SUBSEQUENT EVENT

On March 11, 2021, the American Rescue Plan Act of 2021 ("ARPA") was signed into law. The law appropriates \$1.9 trillion of federal funding for COVID-19 relief and economic recovery including provisions directly benefiting state and local governments. North Carolina is expecting to receive over \$8.6 billion for state and local government relief, \$3.2 billion of which is to be distributed to local governments via federal formulas. ARPA funds are restricted to use within broad categories outlined in the Act, though within the categories of eligible uses, recipients have broad flexibility to decide how best to use this funding to meet the needs of their communities. State and local governments must obligate ARPA funds by December 31, 2024, and spend them by December 31, 2026. Subsequent to June 30, 2021, the Town received ARPA allocations of \$91,147. The Town is currently collaborating on a plan to utilize the funds received.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL SCHEDULES**

MAJOR GOVERNMENTAL FUNDS

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

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

TOWN OF HOFFMAN, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

Exhibit A-1
Page 1 of 2

	2021		Variance
	Budget	Actual	Positive (Negative)
Revenues			
Ad valorem taxes			
Real and personal	\$ -	\$ 37,198	\$ -
Motor vehicles	-	8,592	-
Penalties and interest	-	3,327	-
Total	51,500	49,117	(2,383)
Unrestricted intergovernmental revenues			
Local option sales tax	-	17,861	-
Hold harmless	-	5,879	-
Telecommunications tax	-	1,047	-
Video programming tax	-	2,345	-
Utility franchise tax	-	12,697	-
Beer and wine tax	-	2,397	-
Sales tax refund	-	442	-
Solid waste tax	-	430	-
Total	55,975	43,098	(12,877)
Restricted intergovernmental revenue			
Powell Bill allocation	-	25,502	-
County contributions	-	63,572	-
Federal grant	-	3,344	-
Total	30,000	92,418	62,418
Investment earnings	3,200	1,592	(1,608)
Miscellaneous			
Recreation Center	-	8,235	-
Other	-	679	-
Total	9,300	8,914	19,651
Total revenues	149,975	195,139	45,164
Expenditures			
General government			
Administration			
Salaries and employee benefits	-	49,237	-
Professional services	-	27,785	-
Building and grounds	-	19,709	-
Insurance	-	23,254	-
Other operating expenditures	-	44,198	-
Total general government	172,300	164,183	8,117

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2021

	2021		Variance
	Budget	Actual	Positive (Negative)
Public safety			
Fire and rescue			
Operating expenditures	-	-	-
Total public safety	12,500	-	12,500
Transportation			
Street department			
Salaries and employee benefits	-	1,044	-
Operating expenditures	-	40,270	-
Total transportation	51,500	41,314	10,186
Environmental Protection			
Sanitation			
Salaries and employee benefits	-	10,019	-
Operating expenditures	-	3,324	-
Total environmental protection	16,000	13,343	2,657
Recreation			
Salaries and employee benefits	-	16,049	-
Operating expenditures	-	12,561	-
Capital outlay	-	-	-
Total recreation	46,200	28,610	17,590
Total expenditures	298,500	247,450	51,050
Revenues over (under) expenditures	(148,525)	(52,311)	96,214
Other financing sources (uses)			
Transfer from Park project	-	41,021	41,021
Transfer to Sewer project	(75,000)	(61,255)	13,745
Total other financing sources (uses)	(75,000)	(20,234)	54,766
Change in fund balance after other financing sources (uses)	(223,525)	(72,545)	150,980
Fund balance appropriated	223,525	-	(223,525)
Net change in fund balance	\$ -	(72,545)	\$ (72,545)
Fund balance - beginning		901,098	
Fund balance - ending		\$ 828,553	

TOWN OF HOFFMAN, NORTH CAROLINA
CAPITAL PROJECT FUND - TOWN PARK PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

Exhibit A-2

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
NC Parks & Recreation trust fund	87,000	83,616	-	83,616	(3,384)
Donations	-	3,050	-	3,050	3,050
Investment earnings	100	79	-	79	(21)
Total revenues	87,100	86,745	-	86,745	(355)
Expenditures					
Current					
Economic and physical development					
Engineering	187,040	194,842	-	194,842	(7,802)
Supplies	60	60	-	60	-
Total expenditures	187,100	194,902	-	194,902	(7,802)
Revenues over (under) expenses	(100,000)	(108,157)	-	(108,157)	(8,157)
Other financing resources					
Transfer to General Fund	100,000	149,178	(41,021)	108,157	8,157
Total other financing resources	100,000	149,178	(41,021)	108,157	8,157
Net change in fund balance after other financing resources	\$ -	\$ 41,021	(41,021)	\$ -	\$ -
Fund balance					
Beginning of year, July 1			41,021		
End of year, June 30			\$ -		

ENTERPRISE FUNDS

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

Sewer Fund – This fund is used to account for the Town's sewer operations.

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

SEWER FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)

For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for services			
Sewer charges	\$ -	\$ 5,592	\$ -
Total operating revenues	6,000	5,592	(408)
Expenditures			
Sewer administration			
Operating expenditures	-	21,491	-
Total Water and Sewer administration	31,000	21,491	9,509
Revenues over (under) expenditures	(25,000)	(15,899)	9,101
Other financing sources			
Transfer from the General fund	25,000	21,000	(4,000)
Revenues and other financing sources over expenditures	\$ -	\$ 5,101	\$ 5,101
Reconciling items			
Depreciation expense		\$ (28,838)	
Capital contributions		408,189	
Transfer to capital project fund		40,255	
Total reconciling items		419,606	
Change in net position		\$ 424,707	

CAPITAL PROJECT FUND - SEWER PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)

From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
CDBG grant	\$ 3,550,000	\$ 2,654,303	\$ 408,189	\$ 3,062,492	\$ (487,508)
Local funds	6,000	17,576	-	17,576	11,576
Miscellaneous income	-	12,967	-	12,967	12,967
Total revenues	<u>3,556,000</u>	<u>2,684,846</u>	<u>408,189</u>	<u>3,093,035</u>	<u>(462,965)</u>
EXPENDITURES:					
Capital outlay					
Administrative	156,000	57,223	21,129	78,352	77,648
Engineering & service delivery	739,000	518,764	99,275	618,039	120,961
Construction	2,710,000	2,121,958	336,034	2,457,992	252,008
Contingency	26,000	16,469	-	16,469	9,531
Hookups (local funds)	75,000	-	-	-	75,000
Total capital outlay	<u>3,706,000</u>	<u>2,714,414</u>	<u>456,438</u>	<u>3,170,852</u>	<u>535,148</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(150,000)</u>	<u>(29,568)</u>	<u>(48,249)</u>	<u>(77,817)</u>	<u>72,183</u>
OTHER FINANCING SOURCES:					
Transfer from General fund	150,000	39,389	40,255	79,644	(70,356)
Total other financing sources	<u>150,000</u>	<u>39,389</u>	<u>40,255</u>	<u>79,644</u>	<u>(70,356)</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 9,821</u>	<u>(7,994)</u>	<u>\$ 1,827</u>	<u>\$ 1,827</u>
Fund balance, beginning			9,821		
Fund balance, ending			<u>\$ 1,827</u>		

Other Schedules

This section includes additional information on property taxes.

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

TOWN OF HOFFMAN, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2021

Exhibit C-1

<u>Fiscal Year</u>	<u>Uncollected Balance 6/30/2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance 6/30/2021</u>
2020-2021	\$ -	\$ 42,541	\$ 35,557	\$ 6,984
2019-2020	11,175	-	3,118	8,057
2018-2019	9,569	-	2,717	6,852
2017-2018	2,833	-	1,373	1,460
2016-2017	2,271	-	887	1,384
2015-2016	1,854	-	410	1,444
2014-2015	1,974	-	466	1,508
2013-2014	3,589	-	481	3,108
2012-2013	2,681	-	417	2,264
2011-2012	1,933	-	366	1,567
2010-2011	27	-	27	-
	<u>37,906</u>	<u>\$ 42,541</u>	<u>\$ 45,819</u>	<u>34,628</u>
Less: Allowance for uncollectible accounts: Ad valorem taxes receivable				<u>(17,000)</u>
Ad valorem taxes receivable - net				<u>\$ 17,628</u>
Reconcilement with revenue: Taxes - ad valorem - General Fund				<u>\$ 49,117</u>
Reconciling items:				
Penalties and interest				(3,327)
Releases				2
Taxes written off				<u>27</u>
		Subtotal		<u>(3,298)</u>
Total collections and credits				<u>\$ 45,819</u>

TOWN OF HOFFMAN, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
For the Fiscal Year Ended June 30, 2021

Exhibit C-2

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current year's rate	<u>\$ 21,269,500</u>	\$.20	<u>\$ 42,539</u>	<u>\$ 33,947</u>	<u>\$ 8,592</u>
Discoveries:	<u>1,000</u>	\$.20	<u>2</u>	<u>2</u>	<u>-</u>
Abatements:	<u>-</u>	\$.20	<u>-</u>	<u>-</u>	<u>-</u>
Total property valuation	<u>\$ 21,270,500</u>				
Net levy			42,541	33,949	8,592
Uncollected taxes at June 30, 2021			<u>6,984</u>	<u>6,984</u>	<u>-</u>
Current year's taxes collected			<u>\$ 35,557</u>	<u>\$ 26,965</u>	<u>\$ 8,592</u>
Current levy collection percentage			<u>83.58%</u>	<u>79.43%</u>	<u>100.00%</u>

COMPLIANCE

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

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

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the Town of Hoffman, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town of Hoffman, North Carolina's basic financial statements, and have issued our report thereon dated October 18, 2021

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Anderson Smith + Wike PLLC

Rockingham, NC
October 18, 2021

TOWN OF HOFFMAN, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR FINDINGS
For the Fiscal Year Ended June 30, 2021

Finding 2020-1

Status: Corrected