Town of Hope Mills

North Carolina

Financial Statements

Fiscal year ended June 30, 2009

Mayor – Eddie Dees

Town Manager –Randy Beeman

Finance Director – John W. Ellis III

Town Clerk – Connie F. Spell

Attorney –John H. Jackson

Board of Commissioners:

Bob Gorman (Mayor Pro Tem) • Tonzie Collins • Doris R. Luther • Eddie Maynor • Jackie Warner

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CERTIFIED PUBLIC ACCOUNTANTS
1007 HAY STREET
FAYETTEVILLE, NORTH CAROLINA

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Town of Hope Mills, North Carolina
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June 30, 2009

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FINANCIAL SECTION

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Independent Auditor's Report

To the Honorable Mayor
and Members of the Board of Commissioners
Hope Mills, North Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hope Mills, North Carolina, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Hope Mills' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hope Mills, North Carolina as of June 30, 2009, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2009 on our consideration of the Town of Hope Mills internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions on pages 3-11 and 37-38 respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Hope Mills, North Carolina. The introductory information, combining, and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the accompanying schedule of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied by us in the audit of basic financial statements and, accordingly, we express no opinion on them.

Haigh, Byrd & Lambert, LLP

Haigh, Byrd & Lambert, LLP
October 29, 2009

Management's Discussion and Analysis

As management of the Town of Hope Mills, we offer readers of the Town of Hope Mills' financial statements this narrative overview and analysis of the financial activities of the Town of Hope Mills for the fiscal year ended June 30, 2009. 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

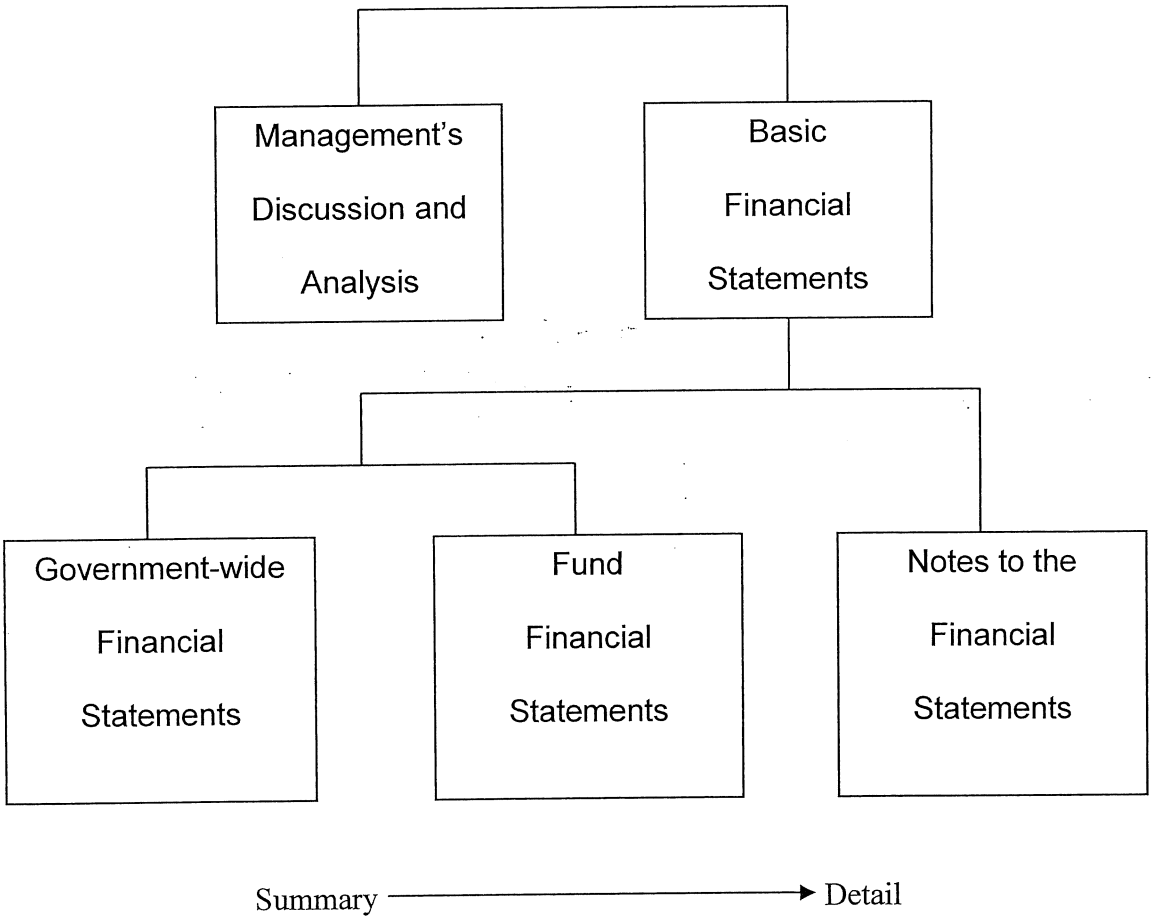
- The assets of the Town of Hope Mills *exceeded* its liabilities at the close of the fiscal year by $25,967,113. ***(net assets)***.
- The government's total net assets *increased* by $1,981,475, primarily due to *increases* in the *governmental type* activities net assets.
- As of the close of the current fiscal year, the Town of Hope Mills' governmental funds reported combined ending fund balances of $6,026,620 an *increase* of $817,066 in comparison with the prior year. Approximately 65 percent of this total amount, or $3,926,263 is available for spending at the government's discretion **(unreserved fund balance).**
- At the end of the current fiscal year, unreserved fund balance for the General Fund was $3,263,050 or 38 percent of total general fund expenditures for the fiscal year.
- The Town of Hope Mills' total debt *decreased* by $583,121 during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) 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.

Government-wide Financial Statements

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

The two government-wide statements report the Town's net assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services 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. The Town of Hope Mills does not have any component units at June 30, 2009.

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

Fund Financial Statements

The fund financial statements (see Figure 2) 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 Hope Mills, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Hope Mills are governmental funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* 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 Assets and

the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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 19-34 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Hope Mills' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 35 of this report.

Government-Wide Financial Analysis

The Town of Hope Mills' Net Assets

Figure 2

	Governmental Activities		Total	
	2009	2008	2009	2008
Current and other assets	$ 6,461,168	$ 7,684,061	$ 6,461,168	$ 7,684,061
Capital assets	25,171,482	24,626,462	25,171,482	24,626,462
Total assets	31,632,650	32,310,523	31,632,650	32,310,523
Long-term liabilities outstanding	5,224,736	5,807,857	5,224,736	5,807,857
Other liabilities	440,801	2,517,028	440,801	2,517,028
Total liabilities	5,665,537	8,324,885	5,665,537	8,324,885
Net assets:				
Invested in capital assets, net of related debt	20,318,728	19,148,052	20,318,728	19,148,052
Restricted	1,355,815	1,284,765	1,355,815	1,284,765
Unrestricted	4,292,570	3,552,821	4,292,570	3,552,821
Total net assets	$ 25,967,113	$ 23,985,638	$ 25,967,113	$ 23,985,638

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Hope Mills exceeded liabilities by $25,967,113 as of June 30, 2009. The Town's net assets *increased* by $1,981,475 for the fiscal year ended June 30, 2009. However, the largest portion (78%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Hope Mills uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Hope Mills' 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 Hope Mills' net assets $1,355,815 (5 %) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $4,292,570 is unrestricted.

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

- **Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.24%, which is comparable to the statewide average of 97.97%**

- **Increased in storm water fees of approximately $393,090.**