

Town of Hamilton
Financial Statements
June 30, 2019



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Certified Public Accountants



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June 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
The Board of Commissioners
Town of Hamilton, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 financial statement 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, based on our 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 Hamilton, North Carolina as of June 30, 2019, 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 Management's Discussion and Analysis on pages 4 through 11, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 46 and 47, respectively, 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 Town of Hamilton's basic financial statements. The individual fund schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 and the procedures performed as described above, the individual fund schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Jeff Best, CPA, PLLC
Belhaven, North Carolina
August 10, 2020

Town of Hamilton Management's Discussion and Analysis

As management of the Town of Hamilton, we offer readers of the Town of Hamilton's financial statements this narrative overview and analysis of the financial activities of the Town of Hamilton for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

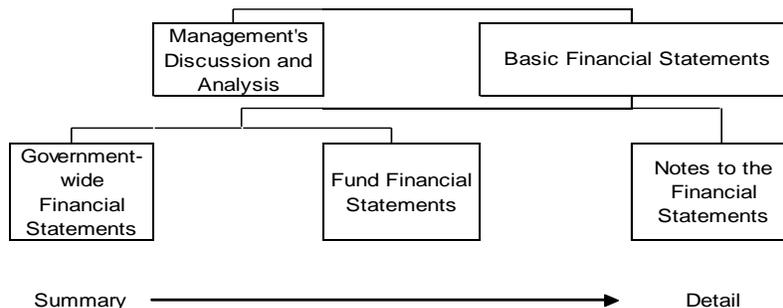
- The assets and deferred outflows of resources of the Town of Hamilton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,888,317 (*net position*).
- The government's total net position decreased by \$44,202, due to a large decrease in business-type activities and an increase in governmental activities.
- As of the close of the current fiscal year, the Town of Hamilton's governmental funds reported combined ending fund balances of \$1,056,820, with a net change of \$47,380 in fund balance. Approximately 17.87 percent of this total amount, or \$188,847, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$796,697 or 247.16% of total general fund expenditures for the fiscal year.
- The Town of Hamilton's total debt decreased by \$19,000 (1.7%) during the current fiscal year. The key factor in this decrease was due to principal payments on long-term debt.

Overview of the Financial Statements

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

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 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 individual funds. Budgetary information required by the North Carolina 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 financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows 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 services such as public safety, transportation, 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 Hamilton.

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

Fund financial statements. The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Hamilton, 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 Hamilton can be divided into two categories: governmental funds and proprietary funds.

Town of Hamilton Management's Discussion and Analysis

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* 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 Hamilton 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 the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds. Town of Hamilton has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Hamilton uses enterprise funds to account for its water and sewer activity and for its 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. The notes to the financial statements are on pages 22-45 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 Hamilton's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 46 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based

Town of Hamilton Management's Discussion and Analysis

on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

The Town of Hamilton's Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 1,089,950	\$ 1,058,597	\$ 1,044,102	\$ 1,083,286	\$ 2,134,052	\$ 2,141,883
Capital assets	329,009	346,662	2,608,119	2,690,681	2,937,128	3,037,343
Deferred outflows of resources	34,094	24,024	31,716	31,976	65,810	56,000
Total assets and deferred outflows of resources	1,453,053	1,429,283	3,683,937	3,805,943	5,136,990	5,235,226
Other liabilities	\$ 16,789	\$ 36,416	\$ 108,336	\$ 132,745	\$ 125,125	\$ 169,161
Long-term liabilities	22,785	17,304	1,100,543	1,115,515	1,123,328	1,132,819
Deferred inflows of resources	114	312	106	415	220	727
Total liabilities and deferred inflows of resources	39,688	54,032	1,208,985	1,248,675	1,248,673	1,302,707
Net position:						
Net investment in capital assets	\$ 329,009	\$ 346,662	\$ 1,510,119	\$ 1,573,681	\$ 1,839,128	\$ 1,920,343
Restricted	188,847	176,669	4,400	-	193,247	176,669
Unrestricted	895,509	851,920	960,433	983,587	1,855,942	1,835,507
Total net position	\$ 1,413,365	\$ 1,375,251	\$ 2,474,952	\$ 2,557,268	\$ 3,888,317	\$ 3,932,519

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 Hamilton exceeded liabilities and deferred inflows by \$3,888,317 as of June 30, 2019. The Town net position decreased by \$44,202 for the fiscal year ended June 30, 2019. However, a large portion, 47.30%, reflects the Town net 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 Hamilton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Hamilton's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Hamilton's net position, \$193,247 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,855,942 is unrestricted.

One particular aspect of the Town's financial operations influenced the total unrestricted governmental net position:

- The tax collection percentage of 86.74% has decreased over last year's collection rate of 88.82%. The statewide average is 98.78% but the Town's current rate is comparable to other small towns.

Town of Hamilton Management's Discussion and Analysis

Town of Hamilton Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 4,925	\$ 5,273	\$ 604,725	\$ 628,058	\$ 609,650	\$ 633,331
Operating grants and contributions	23,132	20,960	-	-	23,132	20,960
Program revenues:						
Property taxes	76,724	70,411	-	-	76,724	70,411
Other taxes	644	607	-	-	644	607
Grants and contributions not restricted to specific program:	264,092	264,475	-	-	264,092	264,475
Unrestricted investment earnings	964	1,052	-	-	964	1,052
Miscellaneous	3,059	12,287	14,822	12,404	17,881	24,691
Total revenues	373,540	375,065	619,547	640,462	993,087	1,015,527
Expenses:						
General government	154,890	170,821	-	-	154,890	170,821
Public safety	16,725	14,900	-	-	16,725	14,900
Transportation	158,725	150,759	-	-	158,725	150,759
Environmental protection	5,086	3,993	-	-	5,086	3,993
Electric	-	-	402,050	243,456	402,050	243,456
Water and Sewer	-	-	299,813	470,456	299,813	470,456
Total revenues	335,426	340,473	701,863	713,912	1,037,289	1,054,385
Increase (decrease) in net position before transfers	38,114	34,592	(82,316)	(73,450)	(44,202)	(38,858)
Transfers	-	(5,000)	-	5,000	-	-
Increase (decrease) in net position	38,114	29,592	(82,316)	(68,450)	(44,202)	(38,858)
Net position, July 1	1,375,251	1,345,659	2,557,268	2,625,718	3,932,519	3,971,377
Net position, June 30	\$ 1,413,365	\$ 1,375,251	\$ 2,474,952	\$ 2,557,268	\$ 3,888,317	\$ 3,932,519

Governmental activities: Governmental activities increased the Town net position by \$38,114. Key elements of this increase are as follows:

- Operating grants and contributions and property tax revenues increased from the prior year.
- General Government expense decreased by \$15,931 from the prior year appropriations.
- The Town used Powell Bill funds from prior years to continue a patching and paving program.
- Town staff continues to be proactive and conservative in spending due to the slow economic turn-around in the region.

Business-type activities: Business-type activities decreased the Town of Hamilton's net position by \$82,316. The key elements of this decrease are as follows:

- Depreciation expense for the new Wastewater Treatment Facility was 30% or \$81,318 of the Water and Sewer fund operating expenses.
- Emergency sewer line repair performed by TA Loving company expended \$21,683 of appropriated funds.
- Expenditures were higher than in the prior year because of aging equipment which required additional repair and maintenance.

Town of Hamilton Management's Discussion and Analysis

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Hamilton'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 Hamilton's financing requirements.

The general fund is the chief operating fund of the Town of Hamilton. At the end of the current fiscal year, Town of Hamilton's unassigned fund balance in the general fund was \$796,697, while total fund balance reached \$1,056,820. The Town currently has an unassigned fund balance of 247.16% of general fund expenditures, while total fund balance represents 330.63% of the same amount.

At June 30, 2019, the governmental funds of Town of Hamilton reported a combined fund balance of \$1,056,820, a 4.69% increase over last year.

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 become necessary to maintain services.

Proprietary funds. The Town's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Electric Fund at the end of the fiscal year amounted to \$587,441, and those for the Water and Sewer Fund amounted to \$372,992. The total change in net position for each fund was \$14,365 and \$(96,681), respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Hamilton's investment in capital assets for its governmental and business-type activities as of June 30, 2019 totals \$2,937,128 (net of accumulated depreciation). These assets include land, buildings and systems, machinery and equipment, park facilities, and vehicles.

Town of Hamilton Management's Discussion and Analysis

Town of Hamilton's Capital Assets (Net of Depreciation)

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 57,803	\$ 57,803	\$ 7,940	\$ 7,940	\$ 65,743	\$ 65,743
Buildings and Plant	91,517	94,950	1,938,626	1,979,155	2,030,143	2,074,105
Machinery and equipment	10,774	12,893	6,082	8,028	16,856	20,921
Infrastructure	154,712	162,755	655,471	695,558	810,183	858,313
Vehicles	14,203	18,261	-	-	14,203	18,261
Total capital assets, net	\$ 329,009	\$ 346,662	\$ 2,608,119	\$ 2,690,681	\$ 2,937,128	\$ 3,037,343

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

Long-term Debt. As of June 30, 2019, the Town of Hamilton had total debt outstanding of \$1,098,000.

Town of Hamilton's Outstanding Long-Term Liabilities

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue bonds	\$ -	\$ -	\$ 1,098,000	\$ 1,117,000	\$ 1,098,000	\$ 1,117,000
Compensated absences	883	6,293	1,286	2,860	2,169	9,153
Net pension liability (LGRS)	22,123	11,011	20,579	14,655	42,702	25,666
Total long-term liabilities	\$ 23,006	\$ 17,304	\$ 1,119,865	\$ 1,134,515	\$ 1,142,871	\$ 1,151,819

The Town of Hamilton's total debt decreased by \$19,000 (1.7%) during the past fiscal year, primarily due to principal payments on prior debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Hamilton is \$1,023,916.

Additional information regarding the Town of Hamilton's long-term debt can be found in Note III.B.5., beginning on page 41 of this report.



Town of Hamilton Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town:

- Occupancy rates on office and retail space have been level from year to year, with some turnover in businesses. The projected trend looks favorable with businesses including a medical transport company, a steel manufacturer, a restaurant, retail stores and an insurance company currently operating.
- The population has been stable and will trend stable for the next year, with very small increases to the Census Certified population. We expect potential growth.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: This year's budget will increase due to a significant compensation payout of a long-term retiring employee. The Town Management and Staff have made a concentrated effort to reduce expenditures as much as possible.

Business – type Activities: The water and sewer rates are set to remain stable for the coming year, with no adjustment projected. Electric expenses will be elevated due to power outages that required replacement of old and failing transformers.

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 Town Clerk, Town of Hamilton, Post Office Box 249, Hamilton, NC 27840. You can also call (252) 798-2001, visit the Town website at <https://www.town-of-hamilton.org> or send an email to townclerk@embarqmail.com.

Town of Hamilton
Statement of Net Position
June 30, 2019
Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 873,760	\$ 959,266	\$ 1,833,026
Taxes receivables (net)	16,562	-	16,562
Receivable (net)	2,437	71,411	73,848
Internal balances	49,582	(49,582)	-
Due from other governments	74,086	-	74,086
Prepaid items	10,781	-	10,781
Restricted cash and cash equivalents	62,742	63,007	125,749
Total current assets	1,089,950	1,044,102	2,134,052
Non-current assets:			
Capital assets:			
Land	57,803	7,940	65,743
Other capital assets, net of depreciation	271,206	2,600,179	2,871,385
Total capital assets	329,009	2,608,119	2,937,128
Total assets	1,418,959	3,652,221	5,071,180
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	34,094	31,716	65,810
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	16,568	30,407	46,975
Payable from restricted assets	-	58,607	58,607
Current portion of long-term liabilities	221	19,322	19,543
Total current liabilities	16,789	108,336	125,125
Long-term liabilities:			
Due in more than one year	22,785	1,100,543	1,123,328
Total liabilities	39,574	1,208,879	1,248,453
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	114	106	220
NET POSITION			
Net investment in capital assets	329,009	1,510,119	1,839,128
Restricted for:			
Stabilization by State Statute	126,105	-	126,105
Streets	62,742	-	62,742
Pursuant to loan requirements	-	4,400	4,400
Unrestricted	895,509	960,433	1,855,942
Total net position	\$ 1,413,365	\$ 2,474,952	\$ 3,888,317

The accompanying notes are an integral part of these financial statements.

Town of Hamilton
Statement of Activities
For the Fiscal Year Ended June 30, 2019
Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 154,890	\$ 4,025	\$ 6,380	\$ -	\$ (144,485)	\$ -	\$ (144,485)
Public safety	16,725	-	-	-	(16,725)	-	(16,725)
Environmental protection	5,086	900	3,126	-	(1,060)	-	(1,060)
Transportation/public works	158,725	-	13,626	-	(145,099)	-	(145,099)
Total governmental activities	335,426	4,925	23,132	-	(307,369)	-	(307,369)
Business-type activities:							
Water and sewer	299,813	203,062	-	-	-	(96,751)	(96,751)
Electric	402,050	401,663	-	-	-	(387)	(387)
Total business-type activities	701,863	604,725	-	-	-	(97,138)	(97,138)
Total primary government	\$ 1,037,289	\$ 609,650	\$ 23,132	\$ -	\$ (307,369)	\$ (97,138)	\$ (404,507)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					76,724	-	76,724
Other taxes					644	-	644
Grants and contributions not restricted to specific programs					264,092	-	264,092
Unrestricted investment earnings					964	1,470	2,434
Miscellaneous					3,059	13,352	16,411
Total general revenues					345,483	14,822	360,305
Change in net position					38,114	(82,316)	(44,202)
Net position, beginning					1,375,251	2,557,268	3,932,519
Net position, ending					\$ 1,413,365	\$ 2,474,952	\$ 3,888,317

The accompanying notes are an integral part of these financial statements.

Town of Hamilton
Balance Sheet – Governmental Fund
June 30, 2019
Exhibit 3

	Major Fund	Total
	General Fund	Governmental Fund
ASSETS		
Cash and cash equivalents	\$ 873,760	\$ 873,760
Receivables (net):		
Taxes	16,562	16,562
Accounts	2,437	2,437
Due from other governments	74,086	74,086
Due from other funds	49,582	49,582
Prepaid expenses	10,781	10,781
Restricted cash and cash equivalents	62,742	62,742
Total assets	\$ 1,089,950	\$ 1,089,950
LIABILITIES		
Accounts payable and accrued liabilities	\$ 16,568	\$ 16,568
Total liabilities	16,568	16,568
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	16,562	16,562
Total deferred inflows of resources	16,562	16,562
FUND BALANCES		
Nonspendable		
Prepaid items	10,781	10,781
Restricted		
Stabilization by State Statute	126,105	126,105
Streets	62,742	62,742
Assigned		
Subsequent year's expenditures	60,495	60,495
Unassigned	796,697	796,697
Total fund balances	1,056,820	1,056,820
Total liabilities, deferred inflows of resources, and fund balance	\$ 1,089,950	

The accompanying notes are an integral part of these financial statements.

Town of Hamilton
Reconciliation of the Balance Sheet to the
Statement of Net Position – Governmental Fund
June 30, 2019
Exhibit 3

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds	1,056,820
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	624,349
Accumulated depreciation	(295,340)
Capital assets (net)	329,009
Net pension liability - LGERS	(22,123)
Deferred outflows of resources related to pensions are not reported in the funds	34,094
Liabilities for earned revenues considered deferred inflows of resources in the fund statements.	16,562
Deferred inflows of resources related to pensions are not reported in the funds	(114)
Some liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(883)
Net position of governmental activities	\$ 1,413,365

The accompanying notes are an integral part of these financial statements.

Town of Hamilton
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Governmental Fund
For the Fiscal Year Ended June 30, 2019
Exhibit 4

	<u>Major Fund</u>	Total
	General Fund	Governmental Fund
REVENUES		
Ad valorem taxes	\$ 72,903	\$ 72,903
Other taxes and licenses	644	644
Unrestricted intergovernmental	264,092	264,092
Restricted intergovernmental	23,132	23,132
Sales and services	4,925	4,925
Investment earnings	964	964
Miscellaneous	3,059	3,059
Total revenues	369,719	369,719
EXPENDITURES		
Current:		
General government	155,326	155,326
Public safety	16,725	16,725
Environmental protection	5,086	5,086
Transportation/public works	145,202	145,202
Total expenditures	322,339	322,339
Net change in fund balance	47,380	47,380
Fund balance, beginning	1,009,440	1,009,440
Fund balance, ending	\$ 1,056,820	\$ 1,056,820

The accompanying notes are an integral part of these financial statements.

Town of Hamilton

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance to the Statement of Activities - Governmental Fund
For the Fiscal Year Ended June 30, 2019**

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$	47,380
<p>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 depreciation exceeded capital outlays in the current period.</p>		
Capital outlay expenditures which were capitalized		1,177
Depreciation expense for governmental assets		(18,830)
		(17,653)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		8,188
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		3,821
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences		5,410
Pension expense		(9,032)
		(3,622)
Total changes in net position of governmental activities	\$	38,114

The accompanying notes are an integral part of these financial statements.

Town of Hamilton

**General Fund Statement of Revenues, Expenditures, and Change
in Fund Balance – Budget to Actual
For the Fiscal Year Ended June 30, 2019**

Exhibit 6

	General Fund			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Ad valorem taxes	\$ 64,600	\$ 71,390	\$ 72,903	\$ 1,513
Other taxes and licenses	350	500	644	144
Unrestricted intergovernmental	275,200	260,850	264,092	3,242
Restricted intergovernmental	21,000	22,919	23,132	213
Sales and services	2,700	3,900	4,925	1,025
Investment earnings	1,000	1,000	964	(36)
Miscellaneous	2,650	2,721	3,059	338
Total revenues	367,500	363,280	369,719	6,439
EXPENDITURES				
Current:				
General government	206,000	212,261	155,326	56,935
Public safety	26,000	18,000	16,725	1,275
Environmental protection	7,450	7,850	5,086	2,764
Transportation/public works	162,000	150,200	145,202	4,998
Total expenditures	401,450	388,311	322,339	65,972
Revenues over (under) expenditures	(33,950)	(25,031)	47,380	72,411
Fund balance appropriated	33,950	25,031	-	(25,031)
Net change in fund balance	\$ -	\$ -	47,380	\$ 47,380
Fund balance, beginning			1,009,440	
Fund balance, ending			\$ 1,056,820	

The accompanying notes are an integral part of these financial statements.

Town of Hamilton
Statement of Fund Net Position – Proprietary Funds
June 30, 2019
Exhibit 7

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 586,879	\$ 372,387	\$ 959,266
Accounts receivable (net)	48,573	22,838	71,411
Due from other funds	6,129	29,442	35,571
Restricted cash and cash equivalents	12,732	50,275	63,007
Total current assets	654,313	474,942	1,129,255
Noncurrent assets:			
Capital assets:			
Land and construction in progress	-	7,940	7,940
Other capital assets, net of depreciation	14,135	2,586,044	2,600,179
Capital assets (net)	14,135	2,593,984	2,608,119
Total assets	668,448	3,068,926	3,737,374
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	10,552	21,164	31,716
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	28,221	2,186	30,407
Due to other funds	29,442	55,711	85,153
Liabilities payable from restricted assets:			
Customer deposits	12,732	45,875	58,607
Compensated absences - current	37	285	322
Bonds payable - current	-	19,000	19,000
Total current liabilities	70,432	123,057	193,489
Noncurrent liabilities:			
Compensated absences - noncurrent	110	854	964
Net pension liability	6,847	13,732	20,579
Bonds payable - noncurrent	-	1,079,000	1,079,000
Total noncurrent liabilities	6,957	1,093,586	1,100,543
Total liabilities	77,389	1,216,643	1,294,032
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	35	71	106
NET POSITION			
Net investment in capital assets	14,135	1,495,984	1,510,119
Restricted pursuant to loan requirements	-	4,400	4,400
Unrestricted	587,441	372,992	960,433
Total net position	\$ 601,576	\$ 1,873,376	\$ 2,474,952

The accompanying notes are an integral part of these financial statements.

Town of Hamilton
Statement of Revenues, Expenses, and Changes
in Fund Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2019
Exhibit 8

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Electricity sales	\$ 401,663	\$ -	\$ 401,663
Water and sewer sales	-	203,062	203,062
Total operating revenues	401,663	203,062	604,725
OPERATING EXPENSES			
Salaries and benefits	49,826	94,068	143,894
Purchase of electricity	284,022	21,327	305,349
Telephone	1,349	997	2,346
Forms and supplies	352	1,432	1,784
Electrical supplies	23,511	-	23,511
Miscellaneous	4,597	6,377	10,974
Repairs and maintenance	11,585	53,417	65,002
Sales tax	25,564	-	25,564
Sewage disposal	-	2,340	2,340
Testing water	-	13,029	13,029
Dues and training	-	375	375
Depreciation	1,244	81,318	82,562
Total operating expenses	402,050	274,680	676,730
Operating income (loss)	(387)	(71,618)	(72,005)
NONOPERATING REVENUES (EXPENSES)			
Interest income	1,400	70	1,470
Miscellaneous	1,223	-	1,223
Insurance proceeds	12,129	-	12,129
Interest expense	-	(25,133)	(25,133)
Total non-operating revenues (expenses)	14,752	(25,063)	(10,311)
Change in net position	14,365	(96,681)	(82,316)
Total net position, beginning	587,211	1,970,057	2,557,268
Total net position, ending	\$ 601,576	\$ 1,873,376	\$ 2,474,952

The accompanying notes are an integral part of these financial statements.

Town of Hamilton
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2019
Exhibit 9

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 398,904	\$ 198,508	\$ 597,412
Cash paid for goods and services	(359,208)	(116,964)	(476,172)
Cash paid to employees	(47,729)	(91,864)	(139,593)
Customer deposits received and returned, net	1,167	-	1,167
Net cash provided (used) by operating activities	(6,866)	(10,320)	(17,186)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Due to (from) other funds	(11,960)	11,075	(885)
Miscellaneous revenue	1,223	-	1,223
Insurance proceeds received	12,129	-	12,129
Net cash provided (used) by noncapital financing activities	1,392	11,075	12,467
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on bonds payable	-	(19,000)	(19,000)
Interest paid on bonds payable	-	(25,133)	(25,133)
Net cash provided (used) by capital and related financing activities	-	(44,133)	(44,133)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	1,400	70	1,470
Net cash provided (used) by investing activities	1,400	70	1,470
Net increase (decrease) in cash and cash equivalents	(4,074)	(43,308)	(47,382)
Balances, beginning	603,685	465,970	1,069,655
Balances, ending	\$ 599,611	\$ 422,662	\$ 1,022,273
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (387)	\$ (71,618)	\$ (72,005)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,244	81,318	82,562
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(2,759)	(4,554)	(7,313)
(Increase) decrease in deferred outflows of resources - pensions	77	183	260
Increase (decrease) in net pension liability	1,976	3,948	5,924
Increase (decrease) in deferred inflows of resources - pensions	(103)	(206)	(309)
Increase (decrease) in accounts payable and accrued liabilities	(8,228)	(17,670)	(25,898)
Increase (decrease) in compensated absences	147	(1,721)	-
Increase (decrease) in customer deposits	1,167	-	1,167
Total adjustments	(6,479)	61,298	56,393
Net cash provided (used) by operating activities	\$ (6,866)	\$ (10,320)	\$ (17,186)

The accompanying notes are an integral part of these financial statements.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Hamilton, 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 Hamilton is a municipal corporation that is governed by an elected mayor and a five-member board.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the Town). 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 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. Nonoperating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

Town of Hamilton Notes to the Financial Statements

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise funds:

Electric Fund. This fund is used to account for the Town's electric fund 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 nonoperating 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 nonoperating revenues and expenses.

Town of Hamilton Notes to the Financial Statements

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 the 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 Hamilton because the tax is levied by Martin 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 are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any fund. All amendments must be approved by the governing board. The budget ordinance must be adopted by

Town of Hamilton Notes to the Financial Statements

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.

A budget calendar is included in the North Carolina General Statutes, which prescribes the last day on which certain steps of that budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

April 30- Each department head will transmit to the budget officer the budget requests and the revenue estimates for their department for the budget year.

June 1- the budget and the budget message shall be submitted to the governing board. The public hearing on the budget shall be scheduled at this time.

July 1- The budget ordinance shall be adopted by the governing board.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool is measured at fair value. The NCCMT- Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

Town of Hamilton
Notes to the Financial Statements

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

3. Restricted Assets

The Town is required by the USDA to set aside ten percent (10%) of the current year's note payment as restricted cash in a separate account for ten years or until one payment has accrued or the note is paid out. For the fiscal year ended June 30, 2019, the Town has accumulated \$4,400 in this account and it is shown as restricted assets for 'USDA Reserve'. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

Governmental Activities:	
General Fund	
Streets	\$ 62,742
Total governmental activities	62,742
Business-type Activities:	
Electric Fund	
Customer deposits	12,732
Water / Sewer Fund	
USDA reserves	4,400
Customer deposits	45,875
Total business-type activities	63,007
Total restricted cash	\$ 125,749

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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

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 and Prepaid Items

Enterprise fund supplies are recorded as expenses when purchased and not inventoried at year-end because the amounts are considered immaterial by the Town.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Buildings	50
Infrastructure	30
Improvements	25
Furniture and equipment	10
Vehicles	6
Computer equipment	3

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 meets this criterion, contributions made to the pension plan in the 2019 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 receivable and pension deferrals.

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 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.

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 or not, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to three weeks earned vacation and ten days of personal leave each year 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 portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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.

Town of Hamilton Notes to the Financial Statements

Fund Balances

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

The governmental fund types classify fund balance 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.

Prepaid items – The portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending prepaid items, which are not expendable, available resources.

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

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

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. 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 Hamilton'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



Town of Hamilton Notes to the Financial Statements

revise the limitation. The Town does not have any committed fund balances for the governmental fund types.

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

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 Hamilton 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.

12. Estimates

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

13. Defined Benefit Cost-Sharing Plan

For purposes of measuring the net pension liability (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 Hamilton's employer contributions are recognized when due and the Town of Hamilton 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.

13. Subsequent Events – Date of Management Evaluation

Management has evaluated subsequent events through August 10, 2020, the date on which the financial statements were available to be issued.

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. United States Department of Agriculture Loan Covenant

The Town has an outstanding loan with the United States Department of Agriculture for the construction of a wastewater treatment facility which includes a covenant that requires the Town to maintain a debt coverage ratio (operating revenues less operating expenses excluding debt service principal and interest and depreciation) equal to 110% of current year debt service expenditures. For the fiscal year ended June 30, 2019, the Towns' debt coverage ratio in the Water and Sewer Fund was 21.98%, less than the required 110%. Management will more closely monitor their debt coverage ratio.

B. Compliance with General Statutes

The Town is not in compliance with North Carolina General Statute 116B Escheats and Abandoned Property. There are several old, outstanding checks carried on the bank reconciliation. These items should be turned over to the State's Escheats program for distribution to the rightful owner. The Town will review these items and submit them to the State and will more closely monitor items in the future.

NOTE 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 agent in the Town's 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 the Town's name. 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 undercollateralization, 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 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

Town of Hamilton Notes to the Financial Statements

the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$1,947,162, and a bank balance of \$1,959,849. Of the bank balance, \$500,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$200.

2. Investments

At June 30, 2019, the Town of Hamilton had \$11,413 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAA by Standard and Poor's. The Town has no formal policy regarding credit risk of its investments.

3. Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 are net of the following allowances for doubtful accounts:

	Accounts Receivable	Taxes Receivable	Total
Governmental Activities:			
General Fund	\$ 2,437	\$ 22,034	\$ 24,471
Allowance for doubtful accounts	-	(5,472)	(5,472)
Total governmental activities	2,437	16,562	18,999
Business-type Activities:			
Electric Fund	\$ 78,570	-	\$ 78,570
Water and Sewer Fund	32,833	-	32,833
Total Receivables	111,403	-	111,403
Allowance for doubtful accounts			
Electric Fund	(29,997)	-	(29,997)
Water and Sewer Fund	(9,995)	-	(9,995)
Total business-type activities	\$ 71,411	\$ -	\$ 71,411

Town of Hamilton
Notes to the Financial Statements

Due from other governments that is owed to the Town consist of the following:

	Governmental Activities	Business-type Activities	Total
State of North Carolina			
Local option sales tax	\$ 7,957	\$ -	\$ 7,957
Excise and franchise taxes	62,755	-	62,755
Solid waste disposal taxes	73	-	73
Total	70,785	-	70,785
Internal Revenue Service			
Payroll tax deposits	\$ 55	\$ -	\$ 55
Martin County, North Carolina			
Ad valorem taxes	3,246	-	3,246
Total due from other governments	\$ 74,086	\$ -	\$ 74,086

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 57,803	\$ -	\$ -	\$ 57,803
Total capital assets not being depreciated	57,803	-	-	57,803
Capital assets being depreciated:				
Buildings	194,131	-	-	194,131
Equipment	80,057	1,177	-	81,234
Infrastructure	239,103	-	-	239,103
Vehicles and motorized equipment	52,078	-	-	52,078
Total capital assets being depreciated	565,369	1,177	-	566,546
Less accumulated depreciation for:				
Buildings	99,181	3,433	-	102,614
Equipment	67,164	3,296	-	70,460
Infrastructure	76,348	8,043	-	84,391
Vehicles and motorized equipment	33,817	4,058	-	37,875
Total accumulated depreciation	276,510	18,830	-	295,340
Total capital assets being depreciated, net	288,859			271,206
Governmental activity capital assets, net	\$ 346,662			\$ 329,009

Town of Hamilton
Notes to the Financial Statements

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

General government	\$	5,307
Transportation		13,523
Total depreciation expense	\$	18,830

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Electric Fund</i>				
Capital assets being depreciated:				
Substation lines	\$ 248,421	\$ -	\$ -	\$ 248,421
Equipment	24,675	-	-	24,675
Vehicles	40,611	-	-	40,611
Total capital assets being depreciated	313,707	-	-	313,707
Less accumulated depreciation for:				
Substation lines	234,914	909	-	235,823
Equipment	22,803	335	-	23,138
Vehicles	40,611	-	-	40,611
Total accumulated depreciation	298,328	1,244	-	299,572
Total capital assets being depreciated, net	15,379			14,135
Electric fund capital assets, net	\$ 15,379			\$ 14,135

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 7,940	\$ -	\$ -	\$ 7,940
Total capital assets not being depreciated	7,940	-	-	7,940
Capital assets being depreciated:				
Wastewater treatment plant	2,026,473	-	-	2,026,473
Distribution system	2,370,037	-	-	2,370,037
Equipment	85,086	-	-	85,086
Total capital assets being depreciated	4,481,596	-	-	4,481,596
Less accumulated depreciation for:				
Wastewater treatment plant	47,318	40,529	-	87,847
Distribution system	1,687,986	39,178	-	1,727,164
Equipment	78,930	1,611	-	80,541
Total accumulated depreciation	1,814,234	81,318	-	1,895,552
Total capital assets being depreciated, net	2,667,362			2,586,044
Water and Sewer fund capital assets, net	\$ 2,675,302			\$ 2,593,984
Business-type activity capital assets, net	\$ 2,690,681			\$ 2,608,119

B. Liabilities

1. Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town of Hamilton is 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 consists 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 Comprehensive Annual Financing Report (CAFR) for the State of North Carolina. The State's CAFR 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.

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 (age 55 for firefighters). 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 (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) 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 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

Town of Hamilton Notes to the Financial Statements

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. Town of Hamilton 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 Hamilton's contractually required contribution rate for the year ended June 30, 2019, was 7.93% for general 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 Hamilton were \$15,805 for the year ended June 30, 2019.

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, 2019, the Town reported a liability of \$42,702 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018 (measurement date), the Town's proportion was .00180%, which was an increase of .00012% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$22,524. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Town of Hamilton
Notes to the Financial Statements

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,588	\$ 220
Changes of assumptions	11,332	-
Net difference between projected and actual earnings on pension plan investments	5,862	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	26,223	-
Town contributions subsequent to the measurement date	15,805	-
Total	\$ 65,810	\$ 220

\$15,805 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 21,375
2021	15,089
2022	7,335
2023	5,986
2024	-
Thereafter	-
Total	\$ 49,785

Actuarial Assumptions. The total pension liability in the December 31, 2017 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 Hamilton Notes to the Financial Statements

The actuarial assumptions used in the December 31, 2017 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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 2017 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

Town of Hamilton
Notes to the Financial Statements

pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 liability 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)	\$ 102,574	\$ 42,702	\$ (7,328)

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

2. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

Town of Hamilton
Notes to the Financial Statements

3. Deferred Outflows and Inflows of Resources

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

Source	Amount
Differences between expected and actual experience	\$ 6,588
Changes of assumptions	11,332
Contributions to pension plan subsequent to the measurement date	15,805
Changes in proportion and differences between Town contributions and proportionate share of contributions	26,223
Net difference between projected and actual earnings on pension plan investments	5,862
Total	\$ 65,810

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivables, less penalties (General Fund)	\$ -	\$ 16,562
Differences between expected and actual experience	220	-
Total	\$ 220	\$ 16,562

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance policies with various commercial insurance companies. The Town has property, general liability, auto liability, faithful performance bond, worker's compensation and employee health coverage. Employee health insurance is purchased through a self-funded risk-financing pool administered by the North Carolina League of Municipalities. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pool is audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town does not carry flood insurance. The Town's property is not located in a flood zone as

Town of Hamilton
Notes to the Financial Statements

documented on the FEMA maps prepared for Martin County.

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 finance officer / town clerk and maintenance supervisor are each individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

5. Long-Term Obligations

A. Revenue Bonds

The revenue bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2019 are comprised of the following individual issue:

Serviced by the Water and Sewer Fund:

\$1,135,000 2016 USDA-Water and Sewer serial bonds due in
annual installments of \$18,000 to \$42,000 through June 2056,
plus interest at 2.25%. Principal payments began in 2018. \$ 1,098,000

Town of Hamilton
Notes to the Financial Statements

The future minimum payments of the revenue bond as of June 30, 2019, including \$530,370 of interest, are as follows:

Year Ending	Revolving Loan			
	June 30	Principal	Interest	Total
2020	\$	19,000	\$ 24,705	\$ 43,705
2021		20,000	24,278	44,278
2022		20,000	23,828	43,828
2023		21,000	23,378	44,378
2024		21,000	22,905	43,905
2025-2029		114,000	107,145	221,145
2030-2034		126,000	93,780	219,780
2035-2039		142,000	78,930	220,930
2040-2044		158,000	62,235	220,235
2045-2049		177,000	43,605	220,605
2050-2054		197,000	22,793	219,793
2055-2056		83,000	2,788	85,788
Total	\$	1,098,000	\$ 530,370	\$ 1,628,370

At June 30, 2019, Town of Hamilton, North Carolina had a legal debt margin of \$1,023,916.

The Town is not in compliance with the covenants as to rates and charges in Section 5.01 of the Bond Order authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2016. Section 5.01 of the bond order requires the debt coverage ratio to be no less than 110%. The debt service coverage ratio for the year ended June 30, 2019 is as follows:

Water sales	\$ 75,824
Sewer sales	127,238
<u>Total Water / Sewer revenues</u>	<u>203,062</u>
<u>Operating expenses (1)</u>	<u>193,362</u>
<u>Net revenues</u>	<u>9,700</u>
Debt service expenses	
Principal	19,000
Interest	25,133
<u>Total debt service - all debt</u>	<u>44,133</u>
Total debt service coverage ratio	21.98%

(1) Per rate covenant, operating expenses do not include depreciation expense of \$81,318.

Town of Hamilton Notes to the Financial Statements

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$1,098,000 in water and sewer system revenue bonds issued in August 2016. Proceeds from the bonds provided financing for the construction of a new wastewater treatment facility. The bonds are payable solely from water and sewer customer net revenues and are payable through 2056. The total principal and interest remaining to be paid on the bonds is \$1,628,370. Principal and interest for the current year and total customer net revenues were \$44,133 and \$9,700, respectively.

D. Changes in Long-Term Liabilities

	Balance July 01, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
Governmental Activities:					
Compensated absences	\$ 6,293	\$ -	\$ 5,410	\$ 883	\$ 221
Net pension liability (LGERS)	11,011	11,112	-	22,123	-
Governmental activity long-term liabilities	\$ 17,304	\$ 11,112	\$ 5,410	\$ 23,006	\$ 221
Business-type Activities:					
<u>Electric Fund:</u>					
Compensated absences	\$ -	\$ 147	\$ -	\$ 147	\$ 37
Net pension liability (LGERS)	4,871	1,976	-	6,847	-
Electric long-term liabilities	4,871	2,123	-	6,994	37
<u>Water / Sewer Fund:</u>					
Revenue bonds	1,117,000	-	19,000	1,098,000	19,000
Compensated absences	2,860	-	1,721	1,139	285
Net pension liability (LGERS)	9,784	3,948	-	13,732	-
Water / Sewer long-term liabilities	1,129,644	3,948	20,721	1,112,871	19,285
Business-type activity long-term liabilities	\$ 1,134,515	\$ 6,071	\$ 20,721	\$ 1,119,865	\$ 19,322

Compensated absences typically have been liquidated in the General Fund.

E. Restrictive Covenants

The Town is required by the USDA to set aside ten percent (10%) of the current year's note payment as restricted cash in a separate account for ten years or until one payment has accrued or the note is paid out. For the fiscal year ended June 30, 2019, the Town has accumulated \$4,400 in this account and it is shown as restricted assets for "USDA Reserve."

**Town of Hamilton
Notes to the Financial Statements**

F. Interfund Balances and Activity

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

General Fund:			
Water and Sewer Fund	Reimbursement of expenses	\$	55,711
Electric Fund:			
General Fund	Reimbursement of expenses		6,129
Water and Sewer fund:			
Electric Fund	Water and sewer collections		29,442
<u>Total</u>		<u>\$</u>	<u>91,282</u>

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

G. Net Investment in Capital Assets

	Governmental Activities	Business-type Activities
Capital Assets	\$ 329,009	\$ 2,608,119
Less: Long-term debt	-	1,098,000
<u>Net Investment in capital assets</u>	<u>\$ 329,009</u>	<u>\$ 1,510,119</u>

H. Fund Balance

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

<u>Total fund balance - General Fund</u>	<u>\$ 1,056,820</u>
Less:	
Prepaid expenses	10,781
Stabilization by State Statute	126,105
Streets	62,742
<u>Appropriated Fund Balance in 2020 budget</u>	<u>60,495</u>
<u>Remaining Fund Balance</u>	<u>\$ 796,697</u>

NOTE IV – JOINTLY GOVERNED ORGANIZATIONS

The Town, in conjunction with twenty other local governments, is a member of the North Carolina City Electric Agency (Electric Agency). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The twenty-one members, who receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2019, were \$284,022.

On July 31, 2015, the NCEMPA completed the sale of most of its electricity generating assets to Duke Energy. These proceeds were used to defease the NCEMPA's outstanding revenue bonds. The NCEMPA entered into contractual arrangements with its member cities and Duke Energy. Under these arrangements, the NCEMPA will supply wholesale power to its members and will purchase this power from Duke Energy. In addition to payments made for electric power, NCEMPA members will make payments for their share of the debt service on the NCEMPA'S mew revenue bonds.

The Town, in conjunction with five counties and thirty-nine other municipalities, is a member of the Mid-East Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State Agencies. Each participating government appoints one member to the Commission's governing board. The Town paid membership fees of \$350 to the Commission during the fiscal year ended June 30, 2019.

NOTE V – RELATED PARTY TRANSACTION

On December 1, 2011, a town employee was elected as a commissioner of the Town. The Town employee was paid \$68,971 for his services during the fiscal year ended June 30, 2019.

NOTE VI – SUMMARY OF 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.

**Town of Hamilton
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years
Schedule 1**

	2019	2018	2017	2016	2015	2014
Hamilton's proportion of the net pension liability (asset) (%)	0.00180%	0.00168%	0.00136%	0.00192%	-0.00196%	0.00210%
Hamilton's proportion of the net pension liability (asset) (\$)	\$ 42,702	\$ 25,666	\$ 28,864	\$ 8,617	\$ (11,559)	\$ 25,313
Hamilton's covered-employee payroll	\$ 163,334	\$ 177,835	\$ 160,209	\$ 166,064	\$ 141,588	\$ 137,729
Hamilton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	26.14%	14.43%	18.02%	5.19%	-8.16%	18.38%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Town of Hamilton
Local Government Employees' Retirement System
Schedule of Contributions
Required Supplementary Information
Last Six Fiscal Years
Schedule 2

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 15,805	\$ 20,662	\$ 22,051	\$ 19,329	\$ 20,625	\$ 17,302
Contributions in relation to the contractually required contribution	15,805	20,662	22,051	19,329	20,625	17,302
Contribution deficiency (excess)	<u>\$ -</u>					
Hamilton's covered-employee payroll	\$ 199,308	\$ 163,334	\$ 177,835	\$ 160,209	\$ 166,064	\$ 141,588
Contributions as a percentage of covered-employee payroll	7.93%	12.65%	12.40%	12.06%	12.42%	12.22%

Town of Hamilton
General Fund Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2019
Schedule 3

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 71,055	\$
Interest		1,848	
Total	71,390	72,903	1,513
Other taxes and licenses:			
Motor vehicle licenses		644	
Total	500	644	144
Unrestricted intergovernmental:			
Local option sales tax		28,235	
Utility sales tax		228,430	
Telecommunications sales tax		2,924	
Video franchise fee		1,123	
Piped natural gas		514	
Beer and wine tax		1,702	
ABC profit distribution		1,164	
Total	260,850	264,092	3,242
Restricted intergovernmental:			
Powell Bill allocation		13,626	
Solid Waste Tax		293	
Electricities grant		6,380	
Mosquito control		2,833	
Total	22,919	23,132	213
Sales and services:			
Cemetery lot sales		900	
Lynch Center		4,025	
Total	3,900	4,925	1,025
Investment earnings	1,000	964	(36)
Miscellaneous:			
Other	2,721	3,059	338
Total revenues	363,280	369,719	6,439

Town of Hamilton
General Fund Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2019
Schedule 3

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Mayor's and commissioners' salaries		21,500	
Administrative salaries and benefits		12,672	
Retirement		8,003	
Employee Health Insurance		21,625	
Audit, accounting and legal		25,200	
Telephone		5,029	
Insurance		21,773	
Office supplies		5,362	
Capital outlay		1,177	
Beautification		379	
Dues and fees		4,481	
Miscellaneous		6,840	
Penalties and interest - payroll and sales tax		78	
Penalties - retirement		25	
Commissions - tax collection		1,944	
Marketing director expenses		279	
Advertising		162	
Recreation expense		4,184	
Wildlife expenses		958	
Lynch Center		1,305	
Parade expenses		2,899	
Festival expense		4,187	
Grant expense - Electricities		4,380	
Transportation		884	
Total general government	212,261	155,326	56,935
Public Safety:			
Emergency management services:			
Contribution to Hamilton Volunteer EMS Nonprofit	8,000	7,500	
Total	8,000	7,500	500
Police:			
Contract Labor	10,000	9,225	
Total public safety	18,000	16,725	1,275

Town of Hamilton
**General Fund Schedule of Revenues, Expenditures, and
 Changes in Fund Balance – Budget and Actual
 For the Fiscal Year Ended June 30, 2019
 Schedule 3**

	Budget	Actual	Variance Positive (Negative)
Environmental Protection:			
Mosquito control:			
Salaries and employee benefits		2,925	
Supplies		2,161	
Total environmental protection	7,850	5,086	2,764
Transportation / Public Works:			
Salaries and employee benefits		81,915	
Electricity		17,550	
Street repairs and maintenance		45,737	
Total transportation / public works	150,200	145,202	4,998
Total expenditures	388,311	322,339	65,972
Revenues over (under) expenditures	(25,031)	47,380	72,411
Fund balance appropriated	25,031	-	(25,031)
Net change in fund balance	\$ -	47,380	\$ 47,380
Fund balance, beginning		1,009,440	
Fund balance, ending		\$ 1,056,820	

Town of Hamilton
Electric Fund Schedule of Revenues and
Expenditures – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
Schedule 4

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for services		\$ 401,663	
Total operating revenues	\$ 406,000	401,663	\$ (4,337)
Nonoperating revenues:			
Miscellaneous		1,223	
Interest on investments		1,400	
Insurance proceeds		12,129	
Total nonoperating revenues	15,799	14,752	(1,047)
Total revenues	421,799	416,415	(5,384)
Expenditures			
Electric Operations			
Salaries and benefits		47,729	
Purchase of electricity		284,022	
Telephone		1,349	
Forms and supplies		352	
Electrical supplies		23,511	
Miscellaneous		4,597	
Repairs and maintenance		11,585	
Sales tax		25,564	
Total expenditures	421,799	398,709	23,090
Revenues over (under) expenditures	<u>\$ -</u>	17,706	<u>\$ 17,706</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items			
Depreciation expense		(1,244)	
Increase (decrease) in deferred outflows of resources - pensions		(77)	
(Increase) decrease in net pension liability		(1,976)	
(Increase) decrease in deferred inflows of resources - pensions		103	
(Increase) decrease in accrued compensated absences		(147)	
Total		<u>(3,341)</u>	
Change in net position		<u>\$ 14,365</u>	

Town of Hamilton
Water and Sewer Fund Schedule of Revenues and
Expenditures – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
Schedule 5

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Water sales		\$ 75,824	
Sewer sales		127,238	
Total operating revenues	\$ 188,700	203,062	\$ 14,362
Nonoperating revenues:			
Interest on investments		70	
Total nonoperating revenues	50	70	20
Total revenues	188,750	203,132	14,382
Expenditures			
Electric Operations			
Salaries and benefits		91,864	
Repairs and maintenance		53,417	
Testing water		13,029	
Electricity		21,327	
Telephone		997	
Dues and training		375	
Forms and supplies		1,432	
Miscellaneous		6,377	
Sewage disposal		2,340	
Total	202,909	191,158	11,751
Debt Service			
Principal		19,000	
Interest		25,133	
Total debt service	44,000	44,133	(133)
Total expenditures	246,909	235,291	11,618
Revenues over (under) expenditures	(58,159)	(32,159)	26,000
Other financing sources (uses):			
Transfer from WWTP project fund	10,477	-	(10,477)
Revenues over (under) expenditures and other financing sources (uses)	(47,682)	(32,159)	15,523
Fund balance appropriated	47,682	-	(47,682)
Revenues, other financing sources, and fund balance appropriated over expenditures	\$ -	(32,159)	\$ (32,159)

Town of Hamilton
Water and Sewer Fund Schedule of Revenues and
Expenditures – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
Schedule 5

Reconciliation from budgetary basis (modified accrual) to full accrual:

Reconciling items	
Depreciation expense	(81,318)
Bond principal and other debt payments	19,000
Increase (decrease) in deferred outflows of resources - pensions	(183)
(Increase) decrease in net pension liability	(3,948)
(Increase) decrease in deferred inflows of resources - pensions	206
(Increase) decrease in accrued compensated absences	1,721
Total	(64,522)
Change in net position	\$ (96,681)

Town of Hamilton
Schedule of Ad Valorem Taxes Receivable
June 30, 2019
Schedule 6

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Credits and Collections	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 72,954	\$ 63,280	\$ 9,674
2017-2018	7,813	-	4,196	3,617
2016-2017	3,301	-	697	2,604
2015-2016	2,781	-	675	2,106
2014-2015	1,774	-	541	1,233
2013-2014	1,129	-	236	893
2012-2013	877	-	165	712
2011-2012	987	-	200	787
2010-2011	330	-	83	247
2009-2010	170	-	9	161
2008-2009	235	-	235	-
	<u>\$ 19,397</u>	<u>\$ 72,954</u>	<u>\$ 70,317</u>	<u>22,034</u>
Less: allowance for uncollectible accounts:				
General Fund				5,472
Ad valorem taxes receivable - net				
General Fund				<u>\$ 16,562</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 72,903
Reconciling items:				
Interest collected				(1,848)
Taxes written off				244
Discounts allowed				(982)
Subtotal				<u>(2,586)</u>
Total collections and credits				<u>\$ 70,317</u>

Town of Hamilton
Analysis of Current Tax Levy – Town-Wide Levy
June 30, 2019
Schedule 7

	Town-wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 11,999,123	\$ 0.57	\$ 68,395	\$ 55,340	\$ 13,055
Discoveries	872,281	\$ 0.57	4,972	4,972	-
Abatements	(72,456)	\$ 0.57	(413)	(413)	-
Total property valuation	\$ 12,798,948				
Net levy			72,954	59,899	13,055
Unpaid (by taxpayer) taxes at June 30, 2019			(9,674)	(9,674)	-
Current year's taxes collected			\$ 63,280	\$ 50,225	\$ 13,055
Current levy collection percentage			86.74%	83.85%	100.00%