

TOWN OF HAMILTON,
NORTH CAROLINA
FINANCIAL STATEMENTS
JUNE 30, 2021

TOWN OF HAMILTON

HAMILTON, NORTH CAROLINA

TOWN OFFICIALS

Mayor

Ervin Williams

Town Commissioners

William Freeman - Mayor Pro-Term

Kerry Spivey

Linda Goodrich

Larry Jackson

Judith Stewart

Town Clerk

Allison Roebuck

Town of Hamilton, North Carolina
Table of Contents
June 30, 2021

	EXHIBIT/ STATEMENT NUMBER	PAGE
FINANCIAL SECTION		
Independent Auditors' Report		5
Management's Discussion and Analysis		7
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	18
Statement of Activities	2	19
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	21
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	3	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	4	22
Reconciliation of Governmental Funds, the Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities	5	23
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual-General Fund	6	24
Statement of Fund Net Position - Proprietary Fund	7	25
Statement of Revenues, Expenses, and Changes in Net Fund Position- Proprietary Fund	8	26
Statement of Cash Flows - Proprietary Fund	9	27
Notes to the Financial Statements		29

Town of Hamilton, North Carolina
Table of Contents
June 30, 2021

	EXHIBIT/ STATEMENT NUMBER	PAGE
Required Supplemental Financial Data:		
Schedule of the Proportionate Share of Net Pension Liability (Asset) - Local Governmental Employees' Retirement System	1	48
Schedule of Contributions - Local Governmental Employees' Retirement System	2	49
Individual Fund Statements and Schedules:		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	3	51
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Electric Fund	4	53
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Water and Sewer Fund	5	54
Other Schedules:		
Schedule of Ad Valorem Taxes Receivable	6	56
Analysis of Current Year Levy - Town-Wide Levy	7	57



Independent Auditors' Report

To the Honorable Mayor and
Members of the Town Council
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, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters


Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-16, Local Governmental Employees' Retirement Systems' Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 47 through 48 and the Other Post-employment Benefits' Schedule of Changes in the Total OPEB Liability and related Ratios on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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



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

December 1, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

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, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

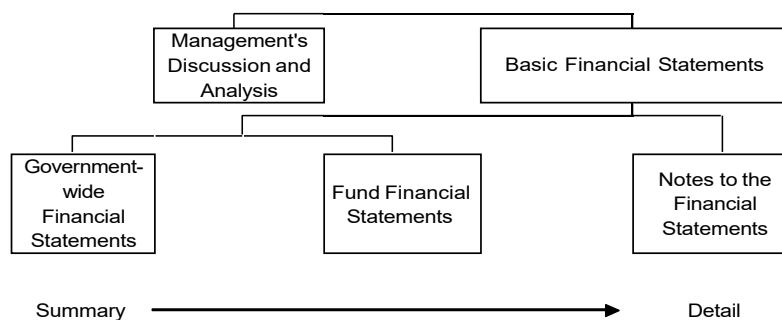
- The assets and deferred outflows of resources of the Town of Hamilton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,704,598 (*net position*).
- The government's total net position decreased by \$56,797, due to a larger decrease in business-type activities partially offset by 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 \$1,068,271, with a net change of \$38,854 in fund balance. Approximately 21.05 percent of this total amount, or \$224,906, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$839,525 or 247.28% of total general fund expenditures for the fiscal year.
- The Town of Hamilton's total debt decreased by \$20,000 (1.85%) 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



Town of Hamilton Management's Discussion and Analysis

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 on modifications to Federal and State laws and Federal and State appropriations. It is also subject to

Town of Hamilton Management's Discussion and Analysis

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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,095,065	\$ 1,048,738	\$ 886,749	\$ 995,664	\$ 1,981,814	\$ 2,044,402
Capital assets	310,302	314,979	2,516,529	2,581,100	2,826,831	2,896,079
Deferred outflows of resources	51,032	31,310	23,756	31,700	74,788	63,010
Total assets and deferred outflows of resources	1,456,399	1,395,027	3,427,034	3,608,464	4,883,433	5,003,491
Other liabilities	\$ 3,169	\$ 2,119	\$ 84,878	\$ 124,857	\$ 88,047	\$ 126,976
Long-term liabilities	26,318	27,723	1,064,470	1,087,397	1,090,788	1,115,120
Deferred inflows of resources	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	29,487	29,842	1,149,348	1,212,254	1,178,835	1,242,096
Net position:						
Net investment in capital assets	\$ 310,302	\$ 314,979	\$ 2,516,529	\$ 1,502,100	\$ 2,826,831	\$ 1,817,079
Restricted	224,906	193,974	13,198	8,770	238,104	202,744
Unrestricted	891,704	856,232	-252,041	885,340	639,663	1,741,572
Total net position	\$ 1,426,912	\$ 1,365,185	\$ 2,277,686	\$ 2,396,210	\$ 3,704,598	\$ 3,761,395

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 \$3,704,598 as of June 30, 2021. The Town net position decreased by \$56,797 for the fiscal year ended June 30, 2021. However, a large portion, 76.31%, 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, \$238,104 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$639,663 is unrestricted.

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

- The tax collection percentage of 90.81% has increased over last year's collection rate of 89.14%. 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	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 1,600	\$14,650	\$ 589,309	\$ 592,860	\$ 590,909	\$ 607,510
Operating grants and contributions	28,921	13,872	-	5,000	28,921	18,872
Program revenues:						
Property taxes	82,298	75,420	-	-	82,298	75,420
Other taxes	-	588	-	-	-	588
Grants and contributions not restricted to specific program	271,388	267,502	-	-	271,388	267,502
Unrestricted investment earnings	704	1,272	2,150	-	2,854	1,272
Miscellaneous	-	11,290	-	6,998	-	18,288
Total revenues	384,911	384,594	591,459	604,858	976,370	989,452
Expenses:						
General government	187,427	241,499	-	-	187,427	241,499
Public safety	5,640	4,350	-	-	5,640	4,350
Transportation	128,211	181,869	-	-	128,211	181,869
Environmental protection	1,906	5,086	-	-	1,906	5,086
Electric	-	-	389,902	396,836	389,902	396,836
Water and Sewer	-	-	320,081	286,764	320,081	286,764
Total expenses	323,184	432,774	709,983	683,600	1,033,167	1,116,374
Increase (decrease) in net position	61,727	(48,180)	(118,524)	(78,741)	(56,797)	(126,922)
Net position, July 1	1,365,185	1,413,365	2,396,210	2,474,952	3,761,395	3,888,317
Net position, June 30	\$ 1,426,912	\$ 1,365,185	\$ 2,277,686	\$ 2,396,210	\$ 3,704,598	\$ 3,761,395

Governmental activities: Governmental activities increased the Town net position by \$61,727. Key elements of this increase are as follows:

- Total revenue increased and expenses decreased.
- In transportation and public works, expenditures for salaries and employee benefits increased because of compensatory time paid out in the current year.

Business-type activities: Business-type activities decreased the Town of Hamilton's net position by \$118,524. The key elements of this decrease are as follows:

- Depreciation expense for the new Wastewater Treatment Facility was 12% or \$84,261 of the Water and Sewer fund operating expenses.
- Total expenditures for water and sewer increased by 12%.

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 \$839,525, while total fund balance reached \$1,068,271. The Town currently has an unassigned fund balance of 247.28% of general fund expenditures, while total fund balance represents 314.66% of the same amount.

At June 30, 2021, the governmental funds of Town of Hamilton reported a combined fund balance of \$1,068,271, a 3.77% decrease 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 \$537,731, and those for the Water and Sewer Fund amounted to a deficit of \$789,772. The total change in net position for each fund was \$(13,133) and \$(105,391), 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, 2021 totals \$2,826,831, (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	
	2021	2020	2021	2020	2021	2020
Land	\$ 57,803	\$ 57,803	\$ 7,940	\$ 7,940	\$ 65,743	\$ 65,743
Buildings and Plant	84,651	88,084	1,857,568	1,898,097	1,942,219	1,986,181
Machinery and equipment	16,401	3,928	32,747	53,739	49,148	57,667
Infrastructure	138,626	146,669	613,464	615,360	752,090	762,029
Vehicles	12,821	18,495	4,810	5,964	17,631	24,459
Total capital assets, net	\$ 310,302	\$ 314,979	\$ 2,516,529	\$ 2,581,100	\$ 2,826,831	\$ 2,896,079

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, 2021, the Town of Hamilton had revenue bonds outstanding of \$1,059,000.

Town of Hamilton's Outstanding Long-Term Liabilities

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue bonds	\$ -	\$ -	\$ 1,059,000	\$ 1,079,000	\$ 1,059,000	\$ 1,079,000
Compensated absences	1,511	958	2,266	1,410	3,777	2,368
Net pension liability (LGRS)	25,185	27,005	23,771	27,340	48,956	54,345
Total long-term liabilities	\$ 26,596	27,963	\$ 1,085,037	\$ 1,107,750	\$ 1,111,633	\$ 1,135,713

The Town of Hamilton's revenue bonds decreased by \$20,000 (1.85%) 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 \$1,054,793.

Additional information regarding the Town of Hamilton's long-term debt can be found in Note III.B.5., beginning on page 40 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, 2022

Governmental Activities: The Town Management and Staff have made a concentrated effort to reduce expenditures as much as possible.

Business – type Activities: The electric and water and sewer rates will increase in the year ending June 30, 2022.

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.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Governmental Activities	Primary Government Business-Type Activities	Total
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 895,235	\$ 792,590	\$ 1,687,825
Taxes receivable, net	24,003	-	24,003
Accounts receivable - net	-	58,229	58,229
Due from other governments	60,072	-	60,072
Internal balances	41,579	(41,579)	-
Restricted cash and cash equivalents	74,176	77,509	151,685
Total Current Assets	1,095,065	886,749	1,981,814
<i>Capital Assets</i>			
Land and other nondepreciable assets	57,803	7,940	65,743
Other capital assets, net of depreciation	252,499	2,508,589	2,761,088
Total Capital Assets	310,302	2,516,529	2,826,831
Total assets	1,405,367	3,403,278	4,808,645
DEFERRED OUTFLOWS OF RESOURCES	51,032	23,756	74,788
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable and accrued liabilities	2,791	-	2,791
Payable from restricted assets	-	64,311	64,311
Bonds payable - current	-	20,000	20,000
Compensated absences - current	378	567	945
Total Current Liabilities	3,169	84,878	88,047
<i>Long-term liabilities:</i>			
Net pension liability	25,185	23,771	48,956
Bonds payable	-	1,039,000	1,039,000
Compensated absences - long-term	1,133	1,699	2,832
Total Long-Term Liabilities	26,318	1,064,470	1,090,788
Total Liabilities	29,487	1,149,348	1,178,835
DEFERRED INFLOWS OF RESOURCES	-	-	-
NET POSITION			
Net investment in capital assets	310,302	2,516,529	2,826,831
<i>Restricted for:</i>			
Stabilization by State Statute	150,730	-	150,730
Streets	74,176	-	74,176
Pursuant to loan requirements	-	13,198	13,198
<i>Unrestricted</i>	891,704	(252,041)	639,663
Total Net Position	\$ 1,426,912	\$ 2,277,686	\$ 3,704,598

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

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

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	\$ 187,427	\$ 1,600	\$ 16,426	\$ -	\$ (169,401)	\$ -	\$ (169,401)
Public safety	5,640	-	-	-	(5,640)	-	(5,640)
Transportation	128,211	-	12,495	-	(115,716)	-	(115,716)
Environmental protection	1,906	-	-	-	(1,906)	-	(1,906)
Total governmental activities	<u>323,184</u>	<u>1,600</u>	<u>28,921</u>	<u>-</u>	<u>(292,663)</u>	<u>-</u>	<u>(292,663)</u>
Business-type activities:							
Electric	389,902	374,676	-	-	-	(15,226)	(15,226)
Water and sewer	320,081	214,633	-	-	-	(105,448)	(105,448)
Total business-type activities	<u>709,983</u>	<u>589,309</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(120,674)</u>	<u>(120,674)</u>
Total primary government	<u>\$ 1,033,167</u>	<u>\$ 590,909</u>	<u>\$ 28,921</u>	<u>\$ -</u>	<u>(292,663)</u>	<u>(120,674)</u>	<u>(413,337)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					82,298	-	82,298
Grants and contributions not restricted to specific program:					271,388	-	271,388
Unrestricted investment earnings					704	2,150	2,854
Miscellaneous, unrestricted					-	-	-
Transfers					-	-	-
Total general revenues, special items, and transfers					<u>354,390</u>	<u>2,150</u>	<u>356,540</u>
Change in net position					61,727	(118,524)	(56,797)
Net position-beginning, previously reported					1,365,185	2,396,210	3,761,395
Net position-ending					<u>\$ 1,426,912</u>	<u>\$ 2,277,686</u>	<u>\$ 3,704,598</u>

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

FUND FINANCIAL STATEMENTS

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

	Major Fund General Fund	Total Governmental Fund
ASSETS		
Cash and cash equivalents	\$ 895,235	\$ 895,235
Restricted cash and cash equivalents	74,176	74,176
Taxes receivable, net	24,003	24,003
Due from other funds	41,579	41,579
Due from other governments	60,072	60,072
Total assets	1,095,065	1,095,065
LIABILITIES		
Accounts payable and accrued liabilities	2,791	2,791
Total Liabilities	2,791	2,791
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	24,003	24,003
Unearned revenue	-	-
Total deferred inflows of resources	24,003	24,003
FUND BALANCES		
Restricted:		
Stabilization by State Statute	150,730	150,730
Streets	74,176	74,176
Assigned:		
Subsequent year's expenditures	3,840	3,840
Unassigned	839,525	839,525
Total Fund Balance	1,068,271	1,068,271
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,095,065	

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

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

Gross capital assets at historical cost	613,937	
Accumulated depreciation	(303,635)	310,302
Deferred outflows of resources related to pensions are not reported in the funds		51,032
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resource in the funds.		-
Earned revenues considered deferred inflows of resources in the fund statements.		24,003
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Net pension liability	(25,185)	
Compensated absences	(1,511)	(26,696)
Deferred inflows of resources related to pensions are not reported in the funds		-
Net position of governmental activities		\$ 1,426,912

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

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

	<u>Major Fund</u> <u>General Fund</u>
Revenues	
Ad valorem taxes	\$ 75,737
Unrestricted intergovernmental	271,388
Restricted intergovernmental	28,921
Sales and services	1,600
Investment earnings	704
Miscellaneous Income	-
Total revenues	<u>378,350</u>
EXPENDITURES	
Current:	
General Government	209,413
Public Safety	5,640
Transportation	122,537
Environmental protection	1,906
Total Expenditures	<u>339,496</u>
Excess (deficiency) of revenues over expenditures	38,854
Other Financing Sources	
Sale of capital assets	<u>-</u>
Net change in fund balance	38,854
Fund balances, beginning	1,029,417
Fund balances, ending	<u><u>\$ 1,068,271</u></u>

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

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

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

Total Net Change in Fund Balances - Governmental Funds	\$	38,854
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives as reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 14,667	
Depreciation expense for governmental assets	<u>(19,344)</u>	(4,677)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		20,180
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Revenues in the Statements of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues		6,561
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension expense	1,362	
Compensated absences	<u>(553)</u>	809

Changes in Net Position-Governmental Funds	\$	<u><u>61,727</u></u>
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The accompanying notes are an integral part of this financial statement.

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

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Ad valorem taxes	\$ 73,100	\$ 82,700	\$ 75,737	\$ (6,963)
Unrestricted intergovernmental	245,900	262,877	271,388	8,511
Restricted intergovernmental	21,493	28,921	28,921	-
Sales and services	600	1,600	1,600	-
Investment earnings	900	440	704	264
Miscellaneous Income	87,220	13,500	-	(13,500)
Total revenues	429,213	390,038	378,350	(11,688)
EXPENDITURES				
Current:				
General Government	255,453	227,554	209,413	18,141
Public Safety	18,000	16,000	5,640	10,360
Transportation	147,800	142,484	122,537	19,947
Environmental protection	7,960	4,000	1,906	2,094
Total Expenditures	429,213	390,038	339,496	50,542
Excess (deficiency) of revenues over expenditures				
Other Financing Sources				
Sale of capital assets	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ 38,854	\$ (62,230)
Fund balances, beginning			1,029,417	
Fund balances, ending			\$ 1,068,271	

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

Town of Hamilton, North Carolina
Statement of Net Position
Proprietary Fund
June 30, 2021

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 503,730	\$ 288,860	\$ 792,590
Accounts receivable (net) - billed	39,197	19,032	58,229
Restricted cash and cash equivalents	18,665	58,844	77,509
Total current assets	561,592	366,736	928,328
Noncurrent assets:			
Capital assets:			
Land and other non-depreciable assets	-	7,940	7,940
Other capital assets, net of depreciation	54,288	2,454,301	2,508,589
Total noncurrent assets	54,288	2,462,241	2,516,529
Total assets	\$ 615,880	\$ 2,828,977	\$ 3,444,857
DEFERRED OUTFLOWS OF RESOURCES	8,610	15,146	23,756
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Due to other funds	4,976	36,603	41,579
Compensated absences - current	142	425	567
Bonds payable - current	-	20,000	20,000
Liabilities payable from restricted assets:			
Customer deposits	18,665	45,646	64,311
Total current liabilities	23,783	102,674	126,457
Long-term liabilities:			
Compensated absences - noncurrent	424	1,275	1,699
Bonds payable - noncurrent	-	1,039,000	1,039,000
Net pension liability	8,264	15,507	23,771
Total long-term liabilities	8,688	1,055,782	1,064,470
Total liabilities	32,471	1,158,456	1,190,927
DEFERRED INFLOWS OF RESOURCES	-	-	-
NET ASSETS			
Net investment in capital assets	54,288	2,462,241	2,516,529
Restricted pursuant to loan requirements	-	13,198	13,198
Unrestricted	537,731	(789,772)	(252,041)
Total net position	\$ 592,019	\$ 1,685,667	\$ 2,277,686

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

Town of Hamilton, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
June 30, 2021

	Major Enterprise Funds		Total
	Electric Fund	Water and Sewer Fund	
OPERATING REVENUES			
Charges for services	\$ 361,448	\$ 214,633	\$ 576,081
Other operating revenues	13,228	-	13,228
Total operating revenues	374,676	214,633	589,309
OPERATING EXPENSES			
Salaries and benefits	48,670	128,795	177,465
Utilities	269,526	17,403	286,929
Repairs and maintenance	-	40,438	40,438
Supplies, materials and repairs	67,776	24,907	92,683
Depreciation expense	3,930	84,261	88,191
Interest	-	24,277	24,277
Other	-	-	-
Total operating expenses	389,902	320,081	709,983
Operating income (loss)	(15,226)	(105,448)	(120,674)
NONOPERATING REVENUES (EXPENSES)			
Interest on investments	2,093	57	2,150
Total nonoperating revenue (expenses)	2,093	57	2,150
Income (loss) before contributions and transfers	(13,133)	(105,391)	(118,524)
Capital contributions	-	-	-
Transfers (to) from other funds	-	-	-
Change in net position	(13,133)	(105,391)	(118,524)
Total net position - beginning	605,152	1,791,058	2,396,210
Total net position - ending	\$ 592,019	\$ 1,685,667	\$ 2,277,686

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

Town of Hamilton, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

	Major Enterprise Funds		Total
	Electric Fund	Water and Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 403,009	\$ 229,234	\$ 632,243
Cash paid for goods and services	(378,272)	(109,563)	(487,835)
Cash paid to employees	(47,328)	(124,906)	(172,234)
Customer deposits received and returned, net	3,315	-	3,315
Net cash provided (used) by operating activities	(19,276)	(5,235)	(24,511)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Due from other funds	5,911	14,393	20,304
Due to other funds	(9,008)	(18,796)	(27,804)
Net cash provided (used) by noncapital financing activities	(3,097)	(4,403)	(7,500)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(10,860)	(12,760)	(23,620)
Principal paid on bonds payable	-	(20,000)	(20,000)
Net cash provided (used) by capital and related financing activities	(10,860)	(32,760)	(43,620)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	2,093	57	2,150
Net cash (used) by investing activities	2,093	57	2,150
Net increase (decrease) in cash and cash equivalents	(31,140)	(42,341)	(65,981)
Balances-beginning of the year	553,535	390,045	239,954
Balances-end of the year	\$ 522,395	\$ 347,704	\$ 173,973
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ (15,226)	\$ (105,448)	\$ (118,524)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	3,930	84,261	88,191
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	28,333	14,601	42,934
(Increase) decrease in deferred outflows of resources	2,163	5,781	7,944
Increase (decrease) in net pension liability	(1,027)	(2,542)	(3,569)
Increase (decrease) in accounts payable and accrued liabilities	(40,970)	(2,538)	(43,508)
Increase (decrease) in customer deposits	3,315	-	3,315
Increase (decrease) in compensated absences	206	650	856
Total adjustments	(4,050)	100,213	96,163
Net cash provided by operating activities	\$ (19,276)	\$ (5,235)	\$ (22,361)

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

NOTES TO THE FINANCIAL STATEMENTS

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Hamilton 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 council.

B. Basis of Presentation

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

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

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

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 nonoperating revenues are ancillary activities such as investment earnings.

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 sanitation, street maintenance, public safety and general government 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.

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. Issuance 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 utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Hamilton because the tax is levied by County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus,

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances when needed are adopted for the Enterprise Fund Capital Projects Fund, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions to the budget. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

A budget calendar is included in the North Carolina General Statutes, which prescribe 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 value. The NCCMT – Government Portfolio, a SEC-registered (2a-7) money market mutual fund, 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, 2021, the Term Portfolio has a duration of .15 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 six months.

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, 2021, the Town has accumulated \$13,198 in this account and it is shown as restricted assets as 'pursuant to loan requirements'. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Power Bill funds are classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

Town of Hamilton Restricted Cash

Governmental Activities

General Fund

Streets	\$ 74,176
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Business-type Activities

Electric Fund

Customer deposits	18,665
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Water and Sewer Fund

USDA Reserves	13,198
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Customer deposits	<u>45,646</u>
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Total Restricted Cash

<u>\$ 151,685</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. However, effective July 1, 2008, the Town contracts with Martin County to levy, bill, and collect all ad valorem taxes except motor vehicle taxes. 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, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory 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. 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 several items that meets 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 expenses 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 financial 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 provide for the accumulation of up to three weeks earned vacation leave 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 last-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 and proprietary fund 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 has no 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.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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 unexpected Powell Bill funds.

Restricted Pursuant to Loan Requirements – portion of fund balance that is restricted by revenue source for certain debt related expenditures.

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

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

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

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

The Town 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. Use of Estimates

The preparation of the financial statements in conformity with accounting principles general 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 the purposes of measuring the net pension liability, 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 to 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.

14. Subsequent Events – Date of Management's Evaluation

Management has evaluated subsequent events through the date of the independent auditors' report, the date 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, 2021, the Town's debt coverage ratio in the Water and Sewer Fund was 64.94%, 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 – DETAILS NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

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

At June 30, 2021, the Town's deposits had a carrying amount of \$1,826,377 and a bank balance of \$1,843,228. Of the bank balances, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$200.

2. Investments

At June 30, 2021, the Town of Hamilton had \$12,933 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The amount has been included with cash and cash equivalents. The Town has no policy regarding credit risk of its investments.

3. Receivables – Allowances for Doubtful Accounts

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

	Accounts Receivable	Taxes Receivable	Total
Governmental Activities:			
General Fund	\$ -	\$ 29,475	\$ 29,475
Allowance for doubtful accounts	-	(5,472)	(5,472)
Total governmental activities	\$ -	\$ 24,003	\$ 24,003
Business-type Activities:			
Electric Fund	\$ 69,194	\$ -	\$ 69,194
Water and Sewer Fund	29,027	-	29,027
Total Receivables	98,221	-	98,221
Allowance for doubtful accounts			
Electric Fund	(29,997)	-	(29,997)
Water and Sewer Fund	(9,995)	-	(9,995)
Total business-type activities	\$ 58,229	\$ -	\$ 58,229

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	\$ 8,886	\$ -	\$ 8,886
Excise and franchise taxes	51,128	-	51,128
Solid waste disposal taxes	58	-	58
Total due from other governments	<u>\$ 60,072</u>	<u>\$ -</u>	<u>\$ 60,072</u>

4. Capital Assets

Governmental Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 57,803	\$ -	\$ -	\$ 57,803
Capital assets being depreciated:				
Buildings	194,131	-	-	194,131
Equipment	58,679	14,667	-	73,346
Infrastructure	239,103	-	-	239,103
Vehicles	49,554	-	-	49,554
Total capital assets being depreciated	<u>541,467</u>	<u>14,667</u>	<u>-</u>	<u>556,134</u>
Less Accumulated Depreciation				
Buildings	106,047	3,433	-	109,480
Equipment	54,751	2,194	-	56,945
Infrastructure	92,434	8,043	-	100,477
Vehicles	31,059	5,674	-	36,733
Total Accumulated Depreciable	<u>284,291</u>	<u>\$ 19,344</u>	<u>\$ -</u>	<u>303,635</u>
Total capital assets being depreciated, net	<u>257,176</u>			<u>252,499</u>
Governmental activity capital assets, net	<u>\$ 314,979</u>			<u>\$ 310,302</u>

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

General Government	\$ 13,670
Transportation	5,674
Total	<u>\$ 19,344</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Electric Fund				
Capital assets being depreciated:				
Substation lines	\$ 277,084	\$ 10,860	\$ -	\$ 287,944
Equipment	20,903	-	-	20,903
Vehicles	32,167	-	-	32,167
Total capital assets being depreciated	330,154	10,860	-	341,014
Less Accumulated Depreciation				
Substation lines	237,007	2,556	-	239,563
Equipment	19,586	220	-	19,806
Vehicles	26,203	1,154	-	27,357
Total Accumulated Depreciable	282,796	\$ 3,930	\$ -	286,726
Total capital assets being depreciated, net	47,358			54,288
Electric Fund capital assets, net	\$ 47,358			\$ 54,288

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Electric Fund				
Capital assets not being depreciated:				
Land	\$ 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	103,628	12,760	-	116,388
Total capital assets being depreciated	4,500,138	12,760	-	4,512,898
Less Accumulated Depreciation				
Wastewater treatment plant	128,376	40,529	-	168,905
Distribution system	1,766,091	38,863	-	1,804,954
Equipment	79,869	4,869	-	84,738
Total Accumulated Depreciable	1,974,336	\$ 84,261	\$ -	2,058,597
Total capital assets being depreciated, net	2,525,802			2,454,301
Electric Fund capital assets, net	\$ 2,533,742			\$ 2,462,241
Business-type activity capital assets, net	\$ 2,581,100			\$ 2,516,529

B. Liabilities

1. Pension Plan and Postemployment Obligations Local

Governmental Employees' Retirement System

Plan Description. The Town of Hamilton is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined 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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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, or 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 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, 2021, was 8.95% 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 \$20,180 for the year ended June 30, 2021.

Refunds of Contributions – City 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, 2021, the Town reported a liability of \$48,956 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan,

relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was .00137% which was a decrease of 0.00062% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$26,362. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,182	\$ -
Changes of assumptions	3,643	-
Net difference between projected and actual earnings on pension plan investments	6,889	-
Changes in proportion and differences between City contributions and proportionate share of contributions	14,138	-
City contributions subsequent to the measurement date	20,180	-
Total	<u>\$ 51,032</u>	<u>\$ -</u>

\$20,180 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 12,556
2023	10,715
2024	5,543
2025	2,039
2026	-
Thereafter	-

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

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

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

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

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

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

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 2019 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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)	\$ 99,326	\$ 48,956	\$ 7,095

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) 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 employees' 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 engagement in law enforcements and for law enforcement officers. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 20,180
Differences between expected and actual experience	6,182
Changes in assumptions	3,643
Net difference between projected and actual earnings on pension plan investments	6,889
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,138
Total	\$ 51,032

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 24,003
Unearned revenue	-	-
Differences between expected and actual experience	-	-
Changes in assumptions	-	-
Total	\$ -	\$ 24,003

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 carries various insurance with private insurance companies. Coverage as of June 30, 2021 included general liability \$3,000,000, real and personal property \$2,629,257 and auto liability \$1,000,000. Workmen's compensation and employee health coverage are purchased through self-funded risk financing pools administered by the North Carolina League of Municipalities. Workmen's compensation coverage is purchased up to statutory limits. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation

claims that exceed certain dollar cost levels. 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 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 pools are 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 documented on the FEMA maps prepared for Martin County.

In accordance with [G.S. 159-29], the Town 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, 2021 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. \$1,059,000

The future minimum payments of the revenue bond as of June 30, 2021, including interest are as follows:

	Revolving Loan		
	Principal	Interest	Total
Year ending June 30, 2022	\$ 20,000	\$ 23,828	\$ 43,828
Year ending June 30, 2023	21,000	23,377	44,377
Year ending June 30, 2024	21,000	22,905	43,905
Year ending June 30, 2025	22,000	22,432	44,432
Year ending June 30, 2026	22,000	21,938	43,938
Years ending June 30, 2027-2031	119,000	101,970	220,970
Years ending June 30, 2032-2036	132,000	88,043	220,043
Years ending June 30, 2037-2041	150,000	72,450	222,450
Years ending June 30, 2042-2046	171,000	54,517	225,517
Years ending June 30, 2047-2051	184,000	34,695	218,695
Years ending June 30, 2052-2056	197,000	13,455	210,455
Total	<u>\$ 1,059,000</u>	<u>\$ 479,610</u>	<u>\$ 1,538,610</u>

At June 30, 2021, Town of Hamilton, North Carolina had a legal debt margin of (\$4,207).

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, 2021 is as follows:

Water sales	\$	86,215
Sewer sales		128,418
Operating Expenses (1)		(235,820)
Net Revenues	\$	(21,187)
Debt Service Expenses		
Principal	\$	20,000
Interest		40,438
Net Income Available for Debt Service	\$	39,251
Current year debt service	\$	60,438
Debt Service Coverage Ratio		64.94%

(1) Per rate covenant, operating expenses do not include depreciation expense of \$84,261.

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 from 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 \$1,538,610. Principal and interest for the current year and total customer net revenues were \$60,438 and (\$21,187), respectively.

b. Changes in Long-Term

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities:					
Compensated absences	\$ 958	\$ 553	\$ -	\$ 1,511	\$ 378
Net pension liability (LGRS)	27,005	-	1,820	25,185	-
Governmental Activities long-term liabilities	\$ 27,963	\$ 553	\$ 1,820	\$ 26,696	\$ 378
Business-type Activities:					
Electric Fund					
Compensated absences	\$ 360	\$ 206	\$ -	\$ 566	\$ 142
Net pension liability (LGRS)	8,966	-	702	8,264	-
Electric long-term liabilities	9,326	206	702	8,830	142
Water and Sewer Fund					
Revenue bonds	\$ 1,079,000	\$ -	\$ 20,000	\$ 1,059,000	\$ -
Compensated absences	1,050	650	-	1,700	425
Net pension liability (LGRS)	17,909	-	2,402	15,507	-
Water and Sewer long-term liabilities	1,097,959	650	22,402	1,076,207	425
Business-type Activities long-term liabilities	\$ 1,107,285	\$ 856	\$ 23,104	\$ 1,085,037	\$ 567

Compensated absences have been liquidated in the General Fund and the Water and Sewer Fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

c. 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, 2021, the Town has accumulated \$13,198 in this account and it is shown as restricted assets for "pursuant to loan requirements."

C. Interfund Balances and Activity

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

		<u>Amount</u>
General Fund:		
Water and Sewer Fund	Reimburesment of Expenses	\$ 50,587
Electric Fund:		
General Fund	Reimburesment of Expenses	9,008
Water and Sewer Fund:		
Electric Fund	Reimburesment of Expenses	<u>13,984</u>
		<u>\$ 73,579</u>

Expenditures paid by the General Fund on behalf of the Water and Sewer Fund.

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.

D. Fund Balance

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

Total Fund Balance-General Fund	\$ 1,068,271
Less:	
Stabilization by State Statute	150,730
Streets-Powell Bill	74,176
Appropriated Fund Balance in 2021 Budget	3,840
Working Capital/Fund Balance Policy	-
Remaining Fund Balance	<u>\$ 839,525</u>

NOTE IV – JOINTLY GOVERNED ORGANIZATION

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, 2021, were \$269,526.

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 new 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 municipality appoints one member and each participating county government appoints three members to the Commission's governing board. The Town paid membership fees of \$350 to the Commission during the fiscal year ended June 30, 2021.

NOTE V – RELATED PARTY TRANSACTION

On December 1, 2011, a town employee was elected as a commissioner of the Town. For his services during the fiscal year ended June 30, 2021, the employee was paid \$

NOTE VI – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE VII – COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. Absent any government order or contagion of its workforce, the Town plans to continue its normal operations while taking all reasonable efforts to protect its citizens and employees. The Town's financial position and results of operations as of and for the fiscal year ended June 30, 2021 have not been materially impacted with this pandemic through that date. However, the Town cannot reasonably estimate the length or severity of this pandemic or the extent to which the disruption may materially impact its future financial statements through the distribution of intergovernmental revenues by the State of North Carolina and collection of property and vehicle taxes. The Town receive CARES Act funds passed through from Martin County in December 2020 and January 2021 totaling \$7,299.

Required Supplemental Financial Data

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in the Total OPEB Liability and Related Ratios

Town of Hamilton, North Carolina
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Required Supplementary Information
Last Eight Fiscal Years *

	2021	2020	2019	2018	2017	2016	2015	2014
Board's proportion of the net pension liability (asset)	0.00137%	0.00199%	0.00180%	0.00168%	0.00136%	0.00192%	-0.00196%	0.00210%
Board's proportionate share of the net pension liability (asset)	\$ 48,956	\$ 54,345	\$ 42,702	\$ 25,666	\$ 28,864	\$ 8,617	\$ (11,559)	\$ 25,313
Board's covered-employee payroll	\$ 238,718	\$ 161,018	\$ 171,414	\$ 149,240	\$ 144,440	\$ 134,242	\$ 130,391	\$ 126,661
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	20.51%	33.75%	24.91%	17.20%	19.98%	6.42%	-8.86%	19.98%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

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

**Town of Hamilton, North Carolina
Schedules of Contributions
Required Supplementary Information
Last Eight Fiscal Years ***

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 21,341	\$ 21,747	\$ 15,805	\$ 20,662	\$ 22,051	\$ 19,329	\$ 20,625	\$ 17,302
Contributions in relation to the contractually required contribution	21,341	21,747	15,805	20,662	22,051	19,329	20,625	17,302
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board covered-employee payroll	\$ 238,477	\$ 238,718	\$ 199,308	\$ 163,334	\$ 177,835	\$ 160,209	\$ 166,064	\$ 141,588
Contributions as a percentage of covered-employee payroll	8.95%	9.11%	7.93%	12.65%	12.40%	12.06%	12.42%	12.22%

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

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Revenues:			
Ad Valorem Taxes			
Taxes		73,923	
Interest		1,814	
Total	82,700	75,737	(6,963)
Unrestricted Intergovernmental Revenues			
Local option sales tax		33,370	
Beer & wine tax		1,612	
Utilities and telecommunications sales tax		226,131	
Hamilton Resource Center		10,000	
Solid waste disposal tax		275	
Total	262,877	271,388	8,511
Restricted Intergovernmental Revenues			
Powell Bill allocation		12,495	
Electricities grant		5,000	
CARES Act funding		7,299	
Recreation grant		4,127	
Total	28,921	28,921	-
Permits and fees			
Business registration fees		-	
Sales and services			
Cemetery lot sales		1,600	
Total	1,600	1,600	-
Investment earnings	440	704	264
Miscellaneous revenue	13,500	-	(13,500)
Total Revenues	390,038	378,350	(11,688)

Continued

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

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General Government			
Administration			
Mayor's and commissioners' salaries		21,500	
Administrative salaries and benefits		21,533	
Retirement		10,301	
Employee health insurance		31,064	
Audit, accounting and legal		26,200	
Telephone		3,617	
Insurance		31,287	
Office supplies		22,253	
Dues and fees		1,247	
Miscellaneous		4,465	
Commissions - tax collection		2,160	
Marketing director expenses		144	
Advertising		912	
Cemetery expense		3,625	
Recreation expense		4,130	
Capital outlay		14,667	
COVID expenses		6,904	
Tax penalties and interest		3,354	
Transportation		50	
Total general government	227,554	209,413	18,141
Transportation			
Streets and highways			
Salaries and employee benefits		63,209	
Repairs, maintenance and supplies		27,548	
Street repairs and maintenance - Powell Bill		7,891	
Electricity		18,618	
Capital outlay		5,271	
Total transportation	142,484	122,537	19,947
Environmental protection			
Mosquito control			
Supplies and repairs		1,906	
Total environmental protection	4,000	1,906	2,094
Public safety			
Police			
Contracted services		5,640	
Total public safety	16,000	5,640	10,360
Total expenditures	390,038	339,496	50,542
Net change in fund balance	\$ -	\$ 38,854	\$ 38,854
Fund balances, beginning		1,029,417	
Fund balances, ending		<u>\$ 1,068,271</u>	

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues			
Charges for services		361,448	
Total operating revenues	356,000	361,448	5,448
Non-operating revenues			
Interest on investments		2,092	
Miscellaneous		13,228	
Total non-operating revenues	14,233	15,320	1,087
Total Revenues	370,233	376,768	6,535
Expenditures:			
Electric Operations			
Salaries and employee benefits		44,466	
Purchase of electricity		245,021	
Telephone		2,054	
Electrical supplies		62,362	
Miscellaneous		6,553	
Dues and fees		206	
Sales tax		24,505	
Total expenditures	415,284	385,167	(30,117)
Revenues over (under) expenditures	(45,051)	(8,399)	36,652
Appropriated fund balance	45,051	-	(45,051)
Revenues and appropriated fund balance over (under) expenditures	\$ -	\$ (8,399)	\$ 36,652
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation expense		(3,930)	
Increase (decrease) in deferred outflows of resources - pensions		(2,037)	
(Increase) decrease in net pension liability		1,027	
(Increase) decrease in deferred inflows of resources - pensions		-	
(Increase) decrease in compensated absences		206	
Total		(4,734)	
Change in net position		\$ (13,133)	

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues			
Water sales		86,215	
Sewer sales		128,418	
Total operating revenues	232,500	214,633	(17,867)
Non-operating revenues			
Interest on investments		57	
Total non-operating revenues	47	57	10
Total Revenues	232,547	214,690	(17,857)
Expenditures:			
Water and sewer operations			
Salaries and employee benefits		126,038	
Repairs and maintenance		40,438	
Testing water		17,192	
Electricity		15,900	
Telephone		1,503	
Dues and training		705	
Forms and supplies		3,891	
Miscellaneous		1,422	
Sewage disposal		1,695	
Total	230,400	208,784	21,616
Debt service			
Principal		20,000	
Interest		24,277	
Total	44,300	44,277	23
Total expenditures	274,700	253,061	21,639
Revenues over (under) expenditures	(42,153)	(38,371)	(39,496)
Appropriated fund balance	42,153	-	(42,153)
Revenues and appropriated fund balance over (under) expenditures	\$ -	\$ (38,371)	\$ 3,782
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation expense		(84,261)	
Increase (decrease) in deferred outflows of resources - pensions		14,049	
(Increase) decrease in net pension liability		2,542	
(Increase) decrease in deferred inflows of resources - pensions		-	
(Increase) decrease in compensated absences		650	
Total		(67,020)	
Change in net position		\$ (105,391)	

Other Schedules

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

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

Fiscal Year	Uncollected Balance 7/1/2020	Additions	Collections and Credits	Uncollected Balance 6/30/2021
2021	\$ -	\$ 67,213	\$ 60,362	\$ 6,851
2020	8,162	-	3,025	5,137
2019	5,107	-	1,440	3,667
2018	3,048	-	917	2,131
2017	2,206	-	658	1,548
2016	1,607	-	201	1,406
2015	920	-	43	877
2014	893	-	-	893
2013	706	-	2	704
2012	787	-	-	787
2011	247	-	247	-
	<u>\$ 23,683</u>	<u>\$ 67,213</u>	<u>\$ 66,895</u>	<u>\$ 24,001</u>

Less: allowance for uncollectible accounts:

General Fund

5,472

Ad valorem taxes receivable - net

\$ 18,529

Reconcilement with Revenues

Taxes - ad valorem - General Fund

75,737

Reconciling items:

Taxes written off

(260)

Interest collected

(1,730)

Collections - prior year taxes written off

(6,509)

Refunds

(343)

Subtotal

(8,842)

Total collections and credits

\$ 66,895

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

	Property Valuation	Rate per \$100	Total Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property tax at current year's tax rate	\$ 13,200,351	\$ 0.57	\$ 75,242	\$ 61,312	\$ 13,930
Releases	<u>\$ (15,439)</u>	<u>\$ 0.57</u>	<u>\$ (665)</u>	<u>\$ (665)</u>	
Net Valuation	<u><u>\$ 13,184,912</u></u>				
Net levy			74,577	60,647	13,930
Less uncollected taxes at June 30, 2021			<u>6,852</u>	<u>6,852</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 67,725</u></u>	<u><u>\$ 53,795</u></u>	<u><u>\$ 13,930</u></u>
Current levy collection percentage			90.81%	88.70%	100.00%