

***CITY OF HAMLET, NORTH CAROLINA***  
***FINANCIAL STATEMENTS***  
***For the fiscal year ended June 30, 2021***

CITY OF HAMLET, NORTH CAROLINA

CITY OFFICIALS

JUNE 30, 2021

MAYOR

WILLIAM E. BAYLESS

MAYOR PRO-TEM

JESSE MCQUEEN

CITY COUNCIL

MAURICE LEE STUART II

ABBIE COVINGTON

OSCAR SELLERS

EDDIE R. MARTIN

OTHER OFFICIALS

MATTHEW CHRISTIAN

CITY MANAGER

GAIL STRICKLAND

CITY CLERK

JILL DICKENS

FINANCE DIRECTOR

T.C. MORPHIS

CITY ATTORNEY

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**June 30, 2021**

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## **FINANCIAL SECTION**



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Rockingham, North Carolina 28380  
(910) 557-1176

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

## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor  
and Members of the City Council  
Hamlet, North Carolina

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

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund

information of the City of Hamlet, North Carolina as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3 through 10, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 49 and 50, respectively, and the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 51 and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 52 and 53, respectively, and Schedule of Changes in the Total OPEB Liability and Related Ratios on page 54, be presented to supplement the basic financial statements. Such information, although not a required 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 and the other auditors 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 City of Hamlet, North Carolina. The individual fund statements, budgetary schedules, and other schedules are presented for purpose of additional analysis and are not a required part of the basic financial statements.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 14, 2021 on our consideration of City of Hamlet's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Hamlet's internal control over financial reporting and compliance.



Rockingham, NC  
October 14, 2021

## Management's Discussion and Analysis

As management of the City of Hamlet, we offer readers of the City of Hamlet's financial statements this narrative overview and analysis of the financial activities of the City of Hamlet 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 City's financial statements, which follow this narrative.

### Financial Highlights

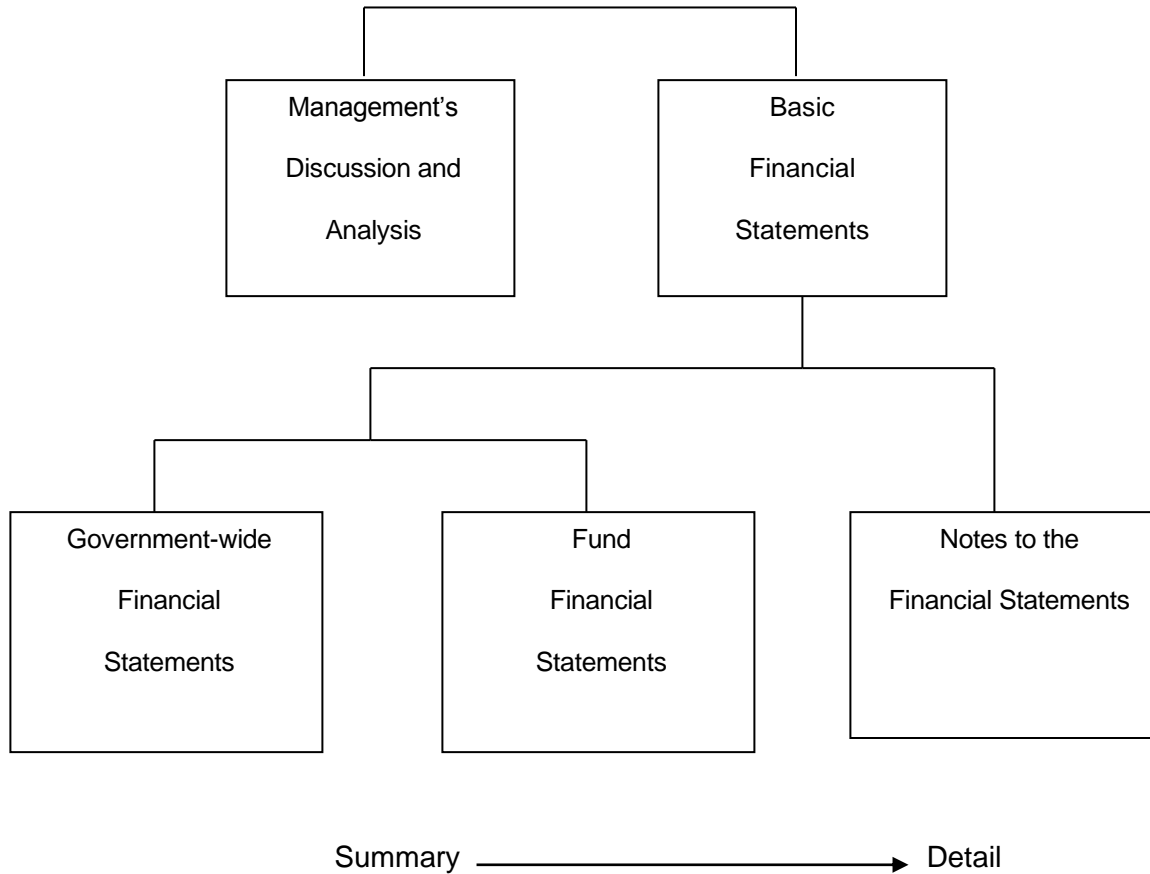
- The assets and deferred outflows of resources of the City of Hamlet exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$9,856,298 (*net position*).
- The government's total net position decreased by \$795,548, due to expenditures exceeding revenues.
- As of the close of the current fiscal year, the City of Hamlet's governmental funds reported combined ending fund balances of \$4,111,236 an increase of \$1,023,491. Approximately 73.7 percent of this total amount, or \$3,027,975, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,111,236 or 87.5 percent of total general fund expenditures for the fiscal year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of Hamlet's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City 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 City of Hamlet.



## Required Components of Annual Financial Report



### Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City'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 City'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 City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City'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 City's financial status as a whole.

The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gage the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as general government, public safety, transportation, sanitation, economic development and culture and recreation. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. This includes the water and sewer services offered by the City of Hamlet. The final category is the component unit. Although legally separate from the City, the ABC Board is important to the City because the City exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the City.

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

## **Fund Financial Statements**

The fund financial statements provide a more detailed look at the City'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 City of Hamlet, 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 City's budget ordinance. All of the funds of City of Hamlet can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City'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 City'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 City of Hamlet 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 City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 22-49 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Hamlet's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 50 of this report.

#### The City of Hamlet's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 4,437,802	\$ 3,371,352	\$ 4,606,456	\$ 4,283,890	\$ 9,044,258	\$ 7,655,242
Capital assets	7,715,053	8,701,437	4,209,986	4,753,303	11,925,039	13,454,740
Deferred outflows of resources	2,248,688	768,800	755,406	218,383	3,004,094	987,183
Total assets	14,401,543	12,841,589	9,571,848	9,255,576	23,973,391	22,097,165
Long-term liabilities	8,885,844	6,808,292	3,095,795	2,306,613	11,981,639	9,114,905
Other liabilities	171,674	151,275	293,134	279,088	464,808	430,363
Deferred inflows of resources	1,231,511	1,393,729	439,135	506,322	1,670,646	1,900,051
Total liabilities	10,289,029	8,353,296	3,828,064	3,092,023	14,117,093	11,445,319
Net position:						
Invested in capital assets						
net of related debt	7,715,053	8,701,437	4,209,986	4,753,303	11,925,039	13,454,740
Restricted	590,101	644,500	-	-	590,101	644,500
Unrestricted	(4,192,640)	(4,857,644)	1,533,798	1,410,250	(2,658,842)	(3,447,394)
Total net position	<u>\$ 4,112,514</u>	<u>\$ 4,488,293</u>	<u>\$ 5,743,784</u>	<u>\$ 6,163,553</u>	<u>\$ 9,856,298</u>	<u>\$ 10,651,846</u>

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 City of Hamlet exceeded liabilities and deferred inflows by \$9,856,298 as of June 30, 2021. The City's net position decreased by \$795,548 for the fiscal year ended June 30, 2021. The largest portion 121.0% reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Hamlet uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Hamlet'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. The remaining balance of \$(2,658,842) is unrestricted and \$590,101 is restricted.

### The City of Hamlet's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 908,856	\$ 777,121	\$ 2,831,654	\$ 2,945,985	\$ 3,740,510	\$ 3,723,106
Operating grants and contributions	171,741	15,576	155,655	155,420	327,396	170,996
Capital grants and contributions	217,048	229,771	-	-	217,048	229,771
General revenues:						
Property taxes	2,362,147	1,992,415	-	-	2,362,147	1,992,415
Other taxes	712,976	700,582	-	-	712,976	700,582
Grants and contributions not restricted to specific programs	1,133,693	1,593,794	-	-	1,133,693	1,593,794
Other	224,192	74,284	26,942	61,994	251,134	136,278
Total revenues	<u>5,730,653</u>	<u>5,383,543</u>	<u>3,014,251</u>	<u>3,163,399</u>	<u>8,744,904</u>	<u>8,546,942</u>
Expenses						
General governments	1,486,468	1,738,851	-	-	1,486,468	1,738,851
Public Safety	2,685,431	2,649,224	-	-	2,685,431	2,649,224
Transportation	565,356	605,767	-	-	565,356	605,767
Environmental protection	301,694	280,259	-	-	301,694	280,259
Culture and recreation	1,067,483	1,210,436	-	-	1,067,483	1,210,436
Interest on long-term debt	-	2,636	-	-	-	2,636
Water and sewer	-	-	3,434,020	3,224,541	3,434,020	3,224,541
Total expenses	<u>6,106,432</u>	<u>6,487,173</u>	<u>3,434,020</u>	<u>3,224,541</u>	<u>9,540,452</u>	<u>9,711,714</u>
Decrease in net position	(375,779)	(1,103,630)	(419,769)	(61,142)	(795,548)	(1,164,772)
Net position, beginning	4,488,293	5,591,923	6,163,553	6,224,695	10,651,846	11,816,618
Net position, ending	<u>\$ 4,112,514</u>	<u>\$ 4,488,293</u>	<u>\$ 5,743,784</u>	<u>\$ 6,163,553</u>	<u>\$ 9,856,298</u>	<u>\$ 10,651,846</u>

**Governmental activities:** Governmental activities decreased the City's net position by \$375,779. Key elements of this decrease are as follows:

- Expenditures decreased by \$380,741 and revenues increased by \$347,110 during the year which resulted in a decrease in loss by \$727,851 from the prior year loss.

**Business-type activities:** Business-type activities decreased the City of Hamlet's net position by \$419,769. Key elements of this decrease are as follows:

- Total expenses increased by \$189,479 and revenues decreased by \$149,148 when compared to the prior year.

Several particular aspects of the City's financial operations that influenced the total governmental net position:

Property tax revenues increased due to tax rate increases.

Due to budget cutting, expenditures are lower than in prior year

### **Financial Analysis of the City's Funds**

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

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

The general fund is the chief operating fund of the City of Hamlet. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,027,975 while total fund balance reached \$4,111,236. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 64.5 percent of total General Fund expenditures, while total fund balance represents 87.5 percent of that same amount.

At June 30, 2021, the governmental funds of City of Hamlet reported a combined fund balance of \$4,111,236 a 33.1 percent increase over last year. Included in this change in fund balance is an increase in fund balance in the General Fund.

**General Fund Budgetary Highlights:** During the fiscal year, the City 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.

Revenues were more than the budgeted amounts primarily because unrestricted intergovernmental revenues were higher than anticipated. Also, expenditures were held in check and the City was able to comply with its budgetary requirements.

**Proprietary Funds.** The City of Hamlet's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,533,798. The total decrease in net position was \$419,769. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Hamlet's business-type activities.

## Capital Asset and Debt Administration

**Capital assets.** The City of Hamlet's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$11,925,039 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Increase in capitalization of assets by \$143,858.

### City of Hamlet's Capital Assets

(Net of depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 711,460	\$ 669,739	\$ 243,585	\$ 243,585	\$ 955,045	\$ 943,324
Buildings and system	6,223,463	6,995,529	7,835	10,601	6,231,298	7,006,130
Improvements other than buildings	135,597	115,735	-	-	135,597	115,735
Machinery and equipment	249,316	346,363	167,275	239,564	416,591	585,927
Infrastructure	5,249	6,835	3,653,183	4,063,689	3,658,432	4,070,524
Vehicles and motorized equipment	389,969	537,236	138,107	195,864	528,076	733,100
Construction in progress	-	-	-	-	-	-
Total	<u>\$ 7,715,054</u>	<u>\$ 8,701,437</u>	<u>\$ 4,209,985</u>	<u>\$ 4,753,303</u>	<u>\$ 11,925,039</u>	<u>\$ 13,454,740</u>

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

**Long-term Debt.** The City of Hamlet's total debt decreased by \$117,278 from the prior fiscal year. The key factors for this decrease were the final payment of \$46,213 for the 5-year lease/purchase of a fire truck; the final payment of \$64,765 for the 3-year lease/purchase of a garbage truck and various departmental vehicles; and the final payment of \$6,300 ending the City's general obligation refunding bond, series 2003. At the close of the fiscal year ended June 30, 2021, the City of Hamlet had total bonded and installment debt outstanding of \$0.

### City of Hamlet's Outstanding Debt General Obligation Bonds

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Installment debt	-	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

### City of Hamlet's Outstanding 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 City of Hamlet is \$24,834,495.

Additional information regarding the City of Hamlet's long-term debt can be found in NOTE 2.B.6. beginning on page 46 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

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

- Increase in property tax. The City of Hamlet increased property tax rates from \$.66 per \$100 of value to \$.76 per \$100 of value.
- Increase in fire district fee per structure rates. The fees for structures outside of the City of Hamlet were increased by the City, thereby doubling the revenues for this coverage in the City's fire tax district.
- Grant revenues. The City is currently pursuing grant revenues for improvements to the City's wastewater treatment plant and related infrastructure.
- The City of Hamlet maintained its AAA bond rating.

### **Impact of Coronavirus on City**

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

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

**Governmental Activities:** The governmental funds' primary revenue resources are property taxes and intergovernmental revenues. For the fiscal year ending June 30, 2022, the budget decreased 0.1% from the prior year.

Budgeted expenditures in the General Fund decreased 0.1% to \$5,456,660.

**Business-type Activities:** The business-type funds budgeted expenditures increased approximately 0.7% for the fiscal year ending June 30, 2022.

### **Requests for Information**

This report is designed to provide an overview of the City'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 Director of Finance, City of Hamlet, P.O. Box 1229, Hamlet, North Carolina 28345.

## **BASIC FINANCIAL STATEMENTS**



	Primary Government			Hamlet
	Governmental	Business-type	Total	ABC Board
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>ABC Board</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 3,610,638	\$ 4,250,417	\$ 7,861,055	\$ 276,669
Taxes receivables (net)	232,015	-	232,015	-
Accounts receivable (net)	29,905	280,970	310,875	-
Due from other governments	400,037	26,156	426,193	-
Due from component unit	108,493	-	108,493	-
Inventories	-	48,913	48,913	127,080
Prepaid expenses	5,048	-	5,048	5,758
Restricted cash and cash equivalents	51,666	-	51,666	-
Total current assets	<u>4,437,802</u>	<u>4,606,456</u>	<u>9,044,258</u>	<u>409,507</u>
Non-current assets				
Capital assets				
Land, non-depreciable improvements and construction in progress	711,450	243,585	955,035	45,250
Other capital assets, net of depreciation	<u>7,003,603</u>	<u>3,966,401</u>	<u>10,970,004</u>	<u>39,664</u>
Total capital assets	<u>7,715,053</u>	<u>4,209,986</u>	<u>11,925,039</u>	<u>84,914</u>
Total assets	<u>12,152,855</u>	<u>8,816,442</u>	<u>20,969,297</u>	<u>494,421</u>
<b>Deferred Outflows of Resources</b>				
Pension deferrals - LGERS	728,406	269,411	997,817	19,549
Pension deferrals - LEO	206,294	-	206,294	-
OPEB deferrals	<u>1,313,988</u>	<u>485,995</u>	<u>1,799,983</u>	<u>-</u>
Total deferred outflows of resources	<u>2,248,688</u>	<u>755,406</u>	<u>3,004,094</u>	<u>19,549</u>
Total assets and deferred outflows or resources	<u>\$ 14,401,543</u>	<u>\$ 9,571,848</u>	<u>\$ 23,973,391</u>	<u>\$ 513,970</u>

	Primary Government			Hamlet
	Governmental	Business-type	Total	ABC Board
	Activities	Activities		
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued liabilities	\$ 83,438	\$ 60,238	143,676	\$ 63,506
Due to primary government	-	-	-	108,493
Other payables	-	-	-	9,059
Customer deposits	-	189,841	189,841	-
Compensated absences	88,236	43,055	131,291	-
General obligation bonds payable - current	-	-	-	-
Installment notes payable - current	-	-	-	-
Total current liabilities	<u>171,674</u>	<u>293,134</u>	<u>464,808</u>	<u>181,058</u>
Noncurrent liabilities				
Compensated absences	88,235	43,055	131,290	-
Net pension liability-LGERS	1,381,515	510,971	1,892,486	20,011
Total pension liability -LEO	543,904	-	543,904	-
Total OPEB liability	6,872,190	2,541,769	9,413,959	-
General obligation bonds payable	-	-	-	-
Installment notes payable	-	-	-	-
Total noncurrent liabilities	<u>8,885,844</u>	<u>3,095,795</u>	<u>11,981,639</u>	<u>20,011</u>
Total liabilities	<u>9,057,518</u>	<u>3,388,929</u>	<u>12,446,447</u>	<u>201,069</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid taxes	11,113	-	11,113	-
Pension deferrals - LGERS	58,640	21,689	80,329	463
Pension deferrals - LEO	33,108	-	33,108	-
Pension deferrals - OPEB	<u>1,128,650</u>	<u>417,446</u>	<u>1,546,096</u>	<u>-</u>
Total deferred inflows of resources	<u>1,231,511</u>	<u>439,135</u>	<u>1,670,646</u>	<u>463</u>
<b>NET POSITION</b>				
Net investment in capital assets	7,715,053	4,209,986	11,925,039	84,914
Restricted for				
Capital improvements	-	-	-	42,195
Stabilization by State Statute	538,435	-	538,435	-
Other functions	51,666	-	51,666	59,522
Unrestricted	<u>(4,192,640)</u>	<u>1,533,798</u>	<u>(2,658,842)</u>	<u>125,807</u>
Net Postion	<u>4,112,514</u>	<u>5,743,784</u>	<u>9,856,298</u>	<u>312,438</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 14,401,543</u>	<u>\$ 9,571,848</u>	<u>\$ 23,973,391</u>	<u>\$ 513,970</u>

**CITY OF HAMLET, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2021**

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Hamlet ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
<i>The accompanying notes are an integral part of the financial statements.</i>								
Governmental activities								
General government	\$ 1,486,468	\$ 50,348	\$ 160,216	\$ -	\$ (1,275,904)	\$ -	\$ (1,275,904)	\$ -
Public safety	2,685,431	483,258	11,525	-	(2,190,648)	-	(2,190,648)	-
Transportation	565,356	-	-	182,150	(383,206)	-	(383,206)	-
Environmental protection	301,694	334,688	-	-	32,994	-	32,994	-
Cultural and recreational	1,067,483	40,562	-	34,898	(992,023)	-	(992,023)	-
Interest on long-term debt	-	-	-	-	-	-	-	-
Total governmental activities	<u>6,106,432</u>	<u>908,856</u>	<u>171,741</u>	<u>217,048</u>	<u>(4,808,787)</u>	<u>-</u>	<u>(4,808,787)</u>	<u>-</u>
Business-type activities								
Water and sewer	<u>3,434,020</u>	<u>2,831,654</u>	<u>155,655</u>	<u>-</u>	<u>-</u>	<u>(446,711)</u>	<u>(446,711)</u>	<u>-</u>
Total primary government	<u>\$ 9,540,452</u>	<u>\$ 3,740,510</u>	<u>\$ 327,396</u>	<u>\$ 217,048</u>	<u>(4,808,787)</u>	<u>(446,711)</u>	<u>(5,255,498)</u>	<u>-</u>
Component unit								
Hamlet ABC Board	<u>\$ 1,996,660</u>	<u>\$ 2,001,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,970</u>
General revenues								
Taxes								
Property taxes, levied for general purposes					2,362,147	-	2,362,147	-
Other taxes					712,976	-	712,976	-
Grants and contributions, not restricted to specific programs					1,133,693	-	1,133,693	-
Unrestricted investment earnings					513	786	1,299	30
Miscellaneous					223,679	26,156	249,835	-
Total general revenues and transfers					<u>4,433,008</u>	<u>26,942</u>	<u>4,459,950</u>	<u>30</u>
Change in net position					(375,779)	(419,769)	(795,548)	5,000
Net position, beginning					<u>4,488,293</u>	<u>6,163,553</u>	<u>10,651,846</u>	<u>307,438</u>
Net position, ending					<u>\$ 4,112,514</u>	<u>\$ 5,743,784</u>	<u>\$ 9,856,298</u>	<u>\$ 312,438</u>

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

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**CITY OF HAMLET, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2021**

**Exhibit 3**

	<u>Major Funds</u> <u>General</u>
ASSETS	
Cash and cash equivalents	\$ 3,610,638
Restricted cash	51,666
Receivables, net	
Taxes	232,015
Accounts	29,905
Due from other governments	400,037
Due from component unit	108,493
Prepaid expense	<u>5,048</u>
Total assets	<u>\$ 4,437,802</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable and accrued liabilities	<u>\$ 83,438</u>
Total liabilities	<u>83,438</u>
DEFERRED INFLOWS OF RESOURCES	
Tax Receivable	232,015
Prepaid Taxes	<u>11,113</u>
Total deferred inflows of resources	<u>243,128</u>
Fund balances	
Non Spendable	
Inventories	-
Restricted	
Stabilization by State statute	538,435
Streets - Powell Bill	51,666
Assigned	
Subsequent year's expenditures	493,160
Unassigned	<u>3,027,975</u>
Total fund balances	<u>4,111,236</u>
Total liabilities and fund balances	<u>\$ 4,437,802</u>
Reconciliation of fund balance as reported in the balance sheet - governmental funds with net position - governmental activities	
Fund balance as reported in the balance sheet - governmental funds	\$ 4,111,236
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	7,715,053
Net pension liability	(1,381,515)
Total pension liability	(543,904)
Total OPEB liability	(6,872,190)
Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds	232,015
Deferred outflows of resources related to pensions are not reported in the funds (LGERS and LEO)	934,700
Deferred outflows of resources related to OPEB are not reported in the funds	1,313,988
Compensated absences not expected to be materially liquidated with expendable available resources	(176,471)
Long-term liabilities, principally installment purchases and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds	-
Deferred inflows of resources related to pensions are not reported in the funds (LGERS and LEO)	(91,748)
Deferred inflows of resources related to OPEB are not reported in the funds	<u>(1,128,650)</u>
Net position of governmental activities	<u>\$ 4,112,514</u>

**CITY OF HAMLET, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2021**

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**Exhibit 4**

	<u>General Funds</u>
REVENUES	
Ad valorem taxes	\$ 2,351,812
Other taxes and licenses	24,905
Unrestricted intergovernmental	1,778,064
Restricted intergovernmental	432,489
Permits and fees	5,490
Sales and services	903,366
Investment earnings	513
Miscellaneous	<u>223,679</u>
Total revenues	<u>5,720,318</u>
EXPENDITURES	
Current	
General government	1,210,305
Public safety	2,316,559
Transportation	545,654
Environmental protection	244,240
Cultural and recreational	<u>380,069</u>
Total expenditures	<u>4,696,827</u>
Revenues (under) expenditures	1,023,491
Fund balances - beginning	<u>3,087,745</u>
Fund balances - ending	<u><u>\$ 4,111,236</u></u>

**CITY OF HAMLET, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2021**

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**Exhibit 5**

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

Net changes in fund balances - total governmental funds	\$ 1,023,491
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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 and reported as depreciation expense. As a result, the gain/loss on disposal of those assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal

Capital outlay	62,361
Depreciation	(1,048,744)

Contributions to the LGERS pension plan in the current fiscal year are not included on the Statement of Activities	349,940
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities	38,439
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OPEB benefit payments paid and administrative costs made in the current year are not included on the Statement of Activities	116,028
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

Taxes including interest and penalties	10,335
--	--------

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

Compensated absences	(15,398)
Pension expense	(474,840)
LEO expense	(57,354)
OPEB expense	(380,037)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt proceeds	-
Debt payment	-

Total change in net assets of governmental activities	<u>\$ (375,779)</u>
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**CITY OF HAMLET, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2021**

**Exhibit 6**

	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Ad valorem taxes	\$ 2,132,500	\$ 2,177,500	\$ 2,351,812	\$ 174,312
Other taxes and licenses	25,000	22,000	24,905	2,905
Unrestricted intergovernmental	1,359,000	1,360,800	1,778,064	417,264
Restricted intergovernmental	193,800	279,525	432,489	152,964
Permits and fees	6,000	3,000	5,490	2,490
Sales and services	371,500	868,175	903,366	35,191
Investment earnings	30,000	30,000	513	(29,487)
Miscellaneous	1,250,120	109,500	223,679	114,179
<b>Total revenues</b>	<b>5,367,920</b>	<b>4,850,500</b>	<b>5,720,318</b>	<b>869,818</b>
<b>EXPENDITURES</b>				
Current				
General government	1,314,900	1,366,200	1,210,305	155,895
Public safety	2,683,270	2,672,540	2,316,559	355,981
Transportation	624,500	624,500	545,654	78,846
Environmental protection	263,650	263,650	244,240	19,410
Cultural and recreational	537,500	533,430	380,069	153,361
<b>Total expenditures</b>	<b>5,423,820</b>	<b>5,460,320</b>	<b>4,696,827</b>	<b>383,424</b>
Revenues over (under) expenditures	(55,900)	(609,820)	1,023,491	1,633,311
Fund balance appropriated	55,900	609,820	-	(609,820)
Net change in fund balance	\$ -	\$ -	1,023,491	\$ (609,820)
Fund balances - beginning			3,087,745	
Fund balances - ending			<u>\$ 4,111,236</u>	

**CITY OF HAMLET, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**June 30, 2021**

**Exhibit 7**

	Enterprise Fund
	Water and Sewer Fund
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 4,250,417
Accounts receivable (net)	280,970
Due from other governments	26,156
Inventories	48,913
Total current assets	<u>4,606,456</u>
Noncurrent assets	
Capital assets	
Land	243,585
Other capital assets, net of depreciation	3,966,401
Total capital assets, net	<u>4,209,986</u>
Total non-current and assests	<u>4,209,986</u>
Total assets	<u>\$ 8,816,442</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension deferrals	269,411
OPEB deferrals	485,995
Total deferred outflows of resources	<u>755,406</u>
Total assets and deferred outflows of resources	<u>9,571,848</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable and accrued liabilities	\$ 60,238
Customer deposits	189,841
Due to other funds	-
Compensated absences payable - current	43,055
General obligation bonds payable - current (net)	-
Total current liabilities	<u>293,134</u>
Noncurrent liabilities	
Other noncurrent liabilities	
Compensated absences payable - noncurrent	43,055
Net pension liability	510,971
Total OPEB liability	2,541,769
General obligation bonds payable - noncurrent (net)	-
Total noncurrent liabilities	<u>3,095,795</u>
Total liabilities	<u>3,388,929</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension deferrals	21,689
OPEB deferrals	417,446
Total deferred inflows of resources	<u>439,135</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,209,986
Unrestricted	1,533,798
Total net position	<u>\$ 5,743,784</u>
Total liabilities, deferred inflows of resources and net pension	<u>\$ 9,571,848</u>

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

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**CITY OF HAMLET, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2021**

**Exhibit 8**

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 2,831,654
Water and sewer taps	131,479
Other operating revenues	<u>24,176</u>
Total operating revenues	<u>2,987,309</u>
OPERATING EXPENSES	
Administration	686,950
Water treatment and distribution	1,715,723
Waste collections	406,533
Depreciation and amortization	<u>624,814</u>
Total operating expenses	<u>3,434,020</u>
Operating (loss)	<u>(446,711)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	786
Other	<u>26,156</u>
Total nonoperating revenues (expenses), net	<u>26,942</u>
Change in net position	(419,769)
Net position, beginning	<u>6,163,553</u>
Net position, ending	<u>\$ 5,743,784</u>

**CITY OF HAMLET, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Fiscal Year Ended June 30, 2021**

**Exhibit 9**  
**Page 1 of 2**

	Business-Type Activities
	Enterprise Fund
	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 2,974,830
Cash paid for goods and services	(1,408,880)
Cash paid to or on behalf of employees for services	(1,127,319)
Other operating revenues	<u>24,176</u>
Net cash provided by operating activities	<u>462,807</u>
CASH FLOWS USED IN NONCAPITAL FINANCING ACTIVITIES	
Other income	<u>26,156</u>
Net Cash provided in noncapital financing activities	<u>26,156</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	<u>(81,497)</u>
Net cash (used) by capital and related financing activities	<u>(81,497)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>786</u>
Net increase in cash and cash equivalents	408,252
Balances, beginning	<u>3,842,165</u>
Balances, ending	<u>\$ 4,250,417</u>

**CITY OF HAMLET, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Fiscal Year Ended June 30, 2021**

**Exhibit 9**  
**Page 2 of 2**

	Business-Type Activities
	Enterprise Fund
	Water and Sewer Fund
Reconciliation of operating income to net cash provided by operating activities	
Operating loss	\$ (446,711)
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	624,814
Changes in assets and liabilities	
(Increase) Decrease in accounts receivable	84,682
(Increase) Decrease in due from other governments	141
(Increase) Decrease in inventory	863
Increase (Decrease) in accounts payable and accrued liabilities	13,065
Increase (Decrease) in customer deposits	3,106
Increase (Decrease) in compensated absences payable	(4,250)
(Increase) Decrease in deferred outflows of resources for pensions	(51,028)
(Increase) Decrease in deferred outflows of resources for OPEB	(485,995)
Increase (Decrease) in net pension liabilities	130,690
Increase (Decrease) in OPEB liabilities	660,617
Increase (Decrease) in deferred inflows of resources for pensions	9,787
Increase (Decrease) in deferred inflows of resources for OPEB	(76,974)
Total adjustments	909,518
Net cash provided by operating activities	\$ 462,807

## **NOTES TO THE FINANCIAL STATEMENTS**

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

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Hamlet, North Carolina and its discretely presented component unit 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 City of Hamlet, North Carolina, is a municipal corporation which is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the City and its component unit, a legally-separate entity for which the City is financially accountable. The discretely presented component unit presented below is reported in a separate column in the City's financial statements in order to emphasize that it is legally separate from the City.

City of Hamlet Alcoholic Beverage Control Board (ABC Board)

The members of the ABC Board's governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the City. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative office at City of Hamlet Alcoholic Beverage Control Board, 921 Hamlet Avenue, Hamlet, North Carolina 28345.

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government and its component unit. 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 City. 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 City and for each function of the City'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 City's funds. Separate statements for each fund category – *governmental* and *proprietary* – are presented. The City 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. All remaining governmental funds are aggregated and reported as non-major funds.

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

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation (Continued)**

The City reports the following major governmental funds:

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

The City reports the following major enterprise fund:

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

**C. Measurement Focus and Basis of Accounting**

In accordance with North Carolina General Statutes, all funds of the City 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 City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

*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

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes 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, 2020, 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, 2020 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 City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Hamlet because the tax is levied by Richmond County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the City 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 positions available to finance the program. It is the City'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 City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general and enterprise funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Civic Center Restoration Project Fund and certain Enterprise Fund capital project funds, which are consolidated with the Enterprise operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. The city manager is authorized to effect interdepartmental transfers, in the same fund, provided that no departmental budget shall be reduced by more than \$1,500 without the prior approval of the governing board. Any such transfers must be reported to the governing board at its next regular meeting and be entered into the minutes of the meeting. During the year, several amendments to the original budget were necessary, the effects of which were not material. 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.

**E. Statement of Cash Flows**

All cash and investments of the enterprise funds are maintained in cash and investment pools. Funds are available on demand from the pools. Accordingly, all cash and investments are considered cash and cash equivalents in the statement of cash flows.

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Deposits and Investments

All deposits of the City and of the ABC Board are made in board-designated official depositories and are secured as required by state law [G.S. 159-31]. The City and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City and the ABC Board 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 City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT- Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued 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 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 6 months.

The City and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Government Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Restricted Cash

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

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the city levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2020.



**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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.

Inventories

The inventories of the City and the ABC Board are valued at cost (first-in, first-out), which approximates market. The City's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the City's Enterprise Fund and those of the City of Hamlet ABC Board consist of materials and supplies held for subsequent use or sale. The cost of these inventories is expensed when consumed or sold rather than when purchased.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: buildings, \$40,000; capital projects, \$25,000; infrastructure, \$20,000; and furniture and equipment, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2020 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2020 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980. The road network is reported at historical costs as reported to the North Carolina Department of Transportation under the Powell Bill program and the water and sewer system assets are reported at their historical costs. 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-30
Other Improvements	20
Equipment	5-10
Vehicles and motorized equipment	5-10
Infrastructure	30

Capital assets of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Land Improvements	15
Building	40
Office Equipment	5-10
Store Equipment	5-10

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

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Deferred outflows/inflows of resources (Continued)

expenditure until then. The City has two items that meets this criterion, pension deferrals and OPEB deferrals for the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category - prepaid taxes, property taxes receivable and OPEB and pension deferrals.

Long-Term Obligations

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

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

Compensated Absences

The vacation policies of the City and the ABC Board provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary fund, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

Both the City and the ABC Board's sick leave policies provide 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 neither the City nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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.

Non-spendable 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.

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Assets, Liabilities and Fund Equity (Continued)**

Fund Balances (Continued)

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:

Inventories – portion of fund balance that is not and available resource because it represents the year-end balance of ending inventories, which are not spendable 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 non-spendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Hamlet's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Economic Development - portion of fund balance as signed by the Board of Economic Development.

Assigned fund balance – portion of fund balance that City of Hamlet intends to use for specific purpose.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves all appropriations.

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

The City of Hamlet has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: bond proceeds, federal funds, State

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Assets, Liabilities and Fund Equity (Continued)**

Fund Balances (Continued)

funds, local non-city funds, City 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 Director has the authority to deviate from this policy if it is in the best interest of the City.

**G. Other**

Use of Estimates

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

**H. Pensions**

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Hamlet's employer contributions are recognized when due and the City of Hamlet 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.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE 2 - DETAIL NOTES ON ALL FUNDS**

**A. Assets**

Deposits

All the deposits of the City and the ABC Board 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 City's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for noninterest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City or the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City 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

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

Deposits (Continued)

to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2021, the City's deposits had a carrying amount of \$4,279,662 a bank balance of \$4,216,966. Of the bank balance, \$500,000 covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of the deposits for the ABC Board was \$275,369 and the bank balance was \$293,903. Of the bank balance, \$250,000 was covered by federal depository insurance and \$43,903 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. At June 30, 2021, the City's petty cash fund totaled \$1,040 and the ABC Board's petty cash fund totaled \$1,300.

Investments

At June 30, 2021, the City had \$3,632,020 invested with the North Carolina Capital Management Trust's Cash Portfolio carried a credit rating of AAAM by Standard and Poor's and AAAM-mf by Moody's Investors Service as of June 30, 2021. The City has no formal policy regarding credit risk.

Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position is net of the following allowances for doubtful accounts:

Governmental activities	
General fund:	
Taxes receivable	\$ 150,000
Accounts receivable	63,936
Total	<u>213,936</u>
Business-type activities	581,370

Due from Other Governmental Agencies

At June 30, 2021, funds due from other governmental agencies consisted of the following:

	Governmental Activities <u>General</u>	Business- type <u>Activities</u>
Local option sales tax	\$ 202,363	\$ -
Video programming	17,933	-
Utility franchise	71,265	-
Telecommunications	8,620	-
Solid waste	1,170	-
Sales tax refund	25,625	26,156
Property taxes on vehicles	70,561	-
Fire protection	2,500	-
	<u>\$ 400,037</u>	<u>\$ 26,156</u>

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

Capital Assets

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

Primary Government	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Capital assets not being depreciated				
Land	\$ 699,739	\$ 11,721	\$ -	\$ 711,460
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>699,739</u>	<u>11,721</u>	<u>-</u>	<u>711,460</u>
Capital assets being depreciated				
Buildings	17,385,585	-	-	17,385,585
Other improvements	177,952	29,225	-	207,177
Equipment	2,020,802	21,415	-	2,042,217
Vehicles and motorized equipment	2,902,420	-	-	2,902,420
Infrastructure	49,276	-	-	49,276
Total capital assets being depreciated	<u>22,536,035</u>	<u>50,640</u>	<u>-</u>	<u>22,586,675</u>
Less accumulated depreciation				
Buildings	10,390,056	772,066	-	11,162,122
Other improvements	62,217	9,362	-	71,580
Equipment	1,674,439	118,463	-	1,792,901
Vehicles and motorized equipment				
Equipment	2,365,184	147,267	-	2,512,451
Infrastructure	42,441	1,586	-	44,027
Total accumulated depreciation	<u>14,534,337</u>	<u>\$1,048,744</u>	<u>\$ -</u>	<u>15,583,081</u>
Total capital assets being depreciated, net	<u>8,001,698</u>			<u>7,003,594</u>
Governmental activity capital assets, net	<u>\$ 8,701,437</u>			<u>\$ 7,715,054</u>

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

General government	\$ 126,161
Public safety	121,793
Transportation	48,927
Environmental protection	57,454
Cultural and recreational	<u>694,409</u>
Total depreciation expense	<u>\$ 1,048,744</u>

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

Capital Assets (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 243,585	\$ -	\$ -	\$ 243,585
Total capital assets not being depreciated	<u>243,585</u>	<u>-</u>	<u>-</u>	<u>243,585</u>
Capital assets being depreciated				
Buildings	89,132	-	-	89,132
Plant and distribution system	18,317,091	73,480	-	18,390,571
Furniture and maintenance equipment	1,343,059	8,017	-	1,351,075
Vehicles	<u>606,070</u>	<u>-</u>	<u>-</u>	<u>606,070</u>
Total capital assets being depreciated	<u>20,355,352</u>	<u>81,497</u>	<u>-</u>	<u>20,436,848</u>
Less accumulated depreciation				
Buildings	78,531	2,765	-	81,297
Plant and distribution system	14,253,402	483,986	-	14,737,388
Furniture and maintenance equipment	1,103,495	80,305	-	1,183,800
Vehicles	<u>410,206</u>	<u>57,758</u>	<u>-</u>	<u>467,963</u>
Total accumulated depreciation	<u>15,845,634</u>	<u>\$ 624,814</u>	<u>\$ -</u>	<u>16,470,448</u>
Total capital assets being depreciated, net	<u>4,509,718</u>			<u>3,966,400</u>
Business-type activity capital assets, net	<u>\$ 4,753,303</u>			<u>\$ 4,209,985</u>

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2021, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated				
Land	\$ 42,410	\$ -	\$ -	\$ 42,410
Capital assets being depreciated				
Land improvements	2,840	-	-	2,840
Building	202,400	-	-	202,400
Office equipment	8,954	-	-	8,954
Store equipment	<u>104,732</u>	<u>-</u>	<u>-</u>	<u>104,732</u>
Total capital assets being depreciated	<u>318,926</u>	<u>-</u>	<u>-</u>	<u>318,926</u>
Less accumulated depreciation				
Land improvements	2,840	-	-	2,840
Building	166,332	6,036	-	172,368
Office equipment	8,954	-	-	8,954
Store equipment	<u>93,775</u>	<u>1,325</u>	<u>-</u>	<u>95,100</u>
Total accumulated depreciation	<u>269,061</u>	<u>\$ 7,361</u>	<u>\$ -</u>	<u>276,422</u>
Total capital assets being depreciated, net	<u>49,865</u>			<u>42,504</u>
ABC capital assets, net	<u>\$ 92,275</u>			<u>\$ 84,914</u>

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities**

**1. Pension Plan Obligations**

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

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

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The City of Hamlet employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Hamlet's contractually required contribution rate for the year ended June 30, 2021 was 10.84% of compensation for law enforcement officers and 10.23% for general employees and firefighters, 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 City of Hamlet were \$349,940 for the year ended June 30, 2021.



**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

*Refunds of Contributions.* Board 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 Board reported a liability of \$1,892,486 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 Board's proportion of the net pension asset was based on a projection of the Board'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 Board's proportion was 0.05296%, which was a decrease of -0.00274% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Board recognized pension expense of \$627,206. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 238,988	\$ -
Changes of assumptions	140,838	-
Net difference between projected and actual earnings on pension plan investments	266,317	-
Changes in proportion and differences between City contributions and proportionate share of contributions	1,734	80,239
City contributions subsequent to the measurement date	349,940	-
Total	<u>\$ 997,817</u>	<u>\$ 80,239</u>

\$349,940 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net pension asset 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:

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

**Year ended June 30:**

2022	\$	155,113
2023		217,311
2024		116,309
2025		78,816
2026		-
Thereafter		-
	\$	<u>567,549</u>

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

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

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

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:

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.0%. 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 Board's proportionate share of the net pension asset to changes in the discount rate. The following presents the Board's proportionate share of the net pension asset calculated using the discount rate of 7.0 percent, as well as what the Board'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 (6.0 percent) or one percentage point higher (8.0 percent) than the current rate:

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
City of Hamlet's proportionate share of the net pension liability (asset)	\$3,839,649	\$ 1,892,486	\$274,258

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

b. Law Enforcement Officers Special Separation Allowance

Plan Description

The City of Hamlet, NC administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>17</u>
Total	<u>20</u>

Summary of Significant Accounting Policies

*Basis of Accounting.* The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2019 valuation. 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	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$96,606 as benefits came due for the reporting period.

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

At June 30, 2021, the City reported a total pension liability of \$543,904. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$57,354.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 19,327	\$ 23,091
Changes of assumptions	90,061	10,017
County benefit payments and plan administrative expense made subsequent to the measurement date	96,906	-
Total	<u>\$ 206,294</u>	<u>\$ 33,108</u>

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

\$96,906 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2022	\$	20,668
2023		22,046
2024		13,808
2025		13,041
2026		6,717
Thereafter		-

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 1.93 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 584,570	\$ 543,904	\$ 507,181

**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**

Beginning balance	\$ 485,437
Service Cost	21,501
Interest on the total pension liability	15,199
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(27,528)
Changes of assumptions or other inputs	87,734
Benefit payments	(38,439)
Other changes	-
Ending balance of the total pension liability	<u>\$ 543,904</u>

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

The plan currently uses mortality tables that vary by age, 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.

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

Following is information related to the proportionate share and pension expense for all pension plans:

	<b>LGERS</b>	<b>LEOSSA</b>	<b>TOTAL</b>
Pension Expense	\$ 627,206	\$ 57,354	\$ 684,560
Pension Liability	1,892,486	543,904	2,436,390
Proportionate share of the net pension liability	0.05296%	N/A	
Deferred of Outflows of Resources			
Differences between expected and actual experience	238,988	19,327	258,315
Changes of assumptions	140,838	90,061	230,899
Net difference between projected and actual earnings on plan investments	266,317	-	266,317
Changes in proportion and differences between contributions and proportionate share of contributions	1,734	-	1,734
Benefit payments and administrative costs paid subsequent to the measurement date	349,940	96,906	446,846
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	23,091	23,091
Changes of assumptions	-	10,017	10,017
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	80,239	-	80,239

c. Supplemental Retirement Income Plan for Law Enforcement Officers

*Plan Description.* The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for law enforcement officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan Obligations (Continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers (Continued)

the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for law enforcement officers. 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.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of law enforcement officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$34,073, which consisted of \$34,073 from the City and \$-0- from law enforcement officers.

d. Firefighter's and Rescue Squad Workers' Pension Fund

*Plan Description.* The State of North Carolina contributes, on behalf of the City of Hamlet, NC to the Firefighter's Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 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 Firefighter's Pension Fund is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for the Fund. 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.

*Benefits Provided.* FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

*Contributions.* Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2021, the State contributed \$18,652,000 to the plan. The City of Hamlet's proportionate share of the State's contribution is \$14,840.

*Refunds of Contributions* – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.



**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan Obligations (Continued)

d. Firefighter's and Rescue Squad Workers' Pension Fund (Continued)

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

At June 30, 2021, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$28,790. 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 City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2021 and at June 30, 2020 was 0%.

For the year ended June 30, 2021, the City recognized pension expense of \$11,525 and revenue of \$11,525 for support provided by the State. At June 30, 2021, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

*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	Not applicable
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

*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.

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

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan Obligations (Continued)

e. Other Postemployment Benefits

Healthcare Benefits

*Plan Description.* Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The City Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

*Benefits Provided.* Prior to July 1, 2007, retirees qualified for benefits similar to those of employees after a minimum of five years of creditable service with the City. The City pays the full cost of coverage for employees' benefits through private insurers and employees have the option of purchasing dependent coverage at the City's group rates. Employees hired on or after July 1, 2007 who retire with a minimum of 20 years of creditable service also have the option of purchasing coverage for themselves and dependents at the City's group rate. Employees hired on or after July 1, 2007 who retire with less than 20 years of service are not eligible for postemployment coverage. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	26	1
Terminated plan member entitled to but not yet receiving benefits	-	-
Active plan members	<u>70</u>	<u>19</u>
Total	<u>96</u>	<u>20</u>

**Total OPEB Liability**

The City's total OPEB liability of \$9,413,959 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 percent, average, including inflation
Discount rate	2.21 percent
Healthcare cost trend rates	Medical – 7.0%
	Prescription – 7.0%
	Admin Expenses – 5.00%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan Obligations (Continued)

e. Other Postemployment Benefits (Continued)

**Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance at beginning	6,967,229
Changes for the year	
Service cost	302,679
Interest	251,689
Changes of benefit terms	-
Differences between expected and actual experience	(13,382)
Changes in assumptions or other inputs	2,064,686
Benefit payments	<u>(158,942)</u>
Net changes	<u>2,446,730</u>
Balance at ending	9,413,959

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate (2.21%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 11,623,961	\$ 9,413,959	\$ 7,752,228

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Discount Rate (Medical - 7.0%, Prescription - 7.0%, Admin Expenses - 5.0%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 7,526,098	\$ 9,413,959	\$ 12,016,565

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan Obligations (Continued)

e. Other Postemployment Benefits (continued)

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2021, the City recognized OPEB expense of \$520,598. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 739,694
Changes of assumptions	1,799,983	806,402
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 1,799,983</u>	<u>\$ 1,546,096</u>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total 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	\$ (33,770)
2023	(33,770)
2024	(33,770)
2025	(33,770)
2026	40,245
Thereafter	348,722

2. Other Employment Benefits

The City has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The City 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. The City considers the contributions to be immaterial.

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**3. Deferred Outflows and Inflows of Resources**

The City had several deferred outflows of resources. Deferred outflows of resources is comprised on the following:

<u>Source</u>	<u>Amount</u>
Pension deferrals-LGERS	\$ 997,817
Pension deferrals-LEO	206,294
Pension deferrals-OPEB	1,799,983
Total	<u>\$ 3,004,094</u>

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

Prepaid taxes	\$ 11,113
Pension deferrals-LGERS	80,329
Pension deferrals-LEO	33,108
Pension deferrals-OPEB	1,546,096
Total	<u>\$ 1,670,646</u>

**4. Risk Management**

The City 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 City participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

The City carries commercial coverage for all other risks of loss. 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 City does not carry flood insurance as none of their buildings are located in flood prone areas.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$75,000 and \$30,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond of \$20,000.

City of Hamlet ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation, and employee's health coverage. The ABC Board also has liquor legal liability coverage. Claims have not exceeded coverage in any of the past three fiscal years and there has been no significant reduction in insurance coverage in the prior year.

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**5. Claims, Judgments and Contingent Liabilities**

At June 30, 2021, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

**6. Long-Term Obligations**

Long-term debt obligations of the City at June 30, 2021 consist of the following:

At June 30, 2021, the City of Hamlet had a legal debt margin of \$24,834,495.

Changes in long-term liabilities

The following is a summary of changes in the City's long-term debt for the year ended June 30, 2021:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Current portion of Balance
Governmental activities:					
Compensated absences	\$ 191,869	\$ 65,685	\$ 81,083	\$ 176,471	\$ 88,236
Net pension liability (LGERS)	1,140,843	240,672	-	1,381,515	-
Total pension liability (LEO)	485,437	58,467	-	543,904	-
Total OPEB liability	<u>5,086,077</u>	<u>1,786,113</u>	<u>-</u>	<u>6,872,190</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 6,904,226</u>	<u>\$ 2,150,937</u>	<u>\$ 81,083</u>	<u>\$ 8,974,080</u>	<u>\$ 88,236</u>
Business-type activities:					
Compensated absences	\$ 90,360	\$ 42,225	\$ 46,475	\$ 86,110	\$ 43,055
Net pension liability (LGERS)	380,281	130,690	-	510,971	-
Total OPEB liability	<u>1,881,152</u>	<u>660,617</u>	<u>-</u>	<u>2,541,769</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 2,351,793</u>	<u>\$ 833,532</u>	<u>\$ 46,475</u>	<u>\$ 3,138,850</u>	<u>\$ 43,055</u>

The LGERS plan had a net pension asset as of June 30, 2021; however, the plan had a net pension liability at the beginning of the fiscal year.

**C. Revenues, Expenditures and Expenses**

**On-Behalf Payments for Fringe Benefits and Salaries**

For the fiscal year ended June 30, 2021, the City of Hamlet has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$11,525 for the 18 volunteer Firefighter and the 14 employed Firefighter who perform firefighting duties for the City's fire department. The volunteers and employees elected to be members of the Firefighter's Pension Fund, a cost-sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a state appropriation.

**NOTE 3 - JOINT VENTURES**

The City participates in a joint venture to operate a regional library with Richmond County and two other municipalities. Each participating government appoints board members to the ten-member board of the library, with the City appointing three members. The City has an ongoing financial responsibility for the joint venture because the library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the library, so no equity interest has been reflected in the financial statements at June 30, 2021. In accordance with the intergovernmental agreement between the participating governments, the City appropriated \$55,500 to the library to supplement its activities. Complete financial statements for the library can be obtained from the library's offices at 412 East Franklin Street, Rockingham, North Carolina 28379.

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firefighter's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firefighter's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the state. The state passes these monies to the local board of the Firefighter's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for supplemental retirement benefits made to retired Firefighter and for dues paid to the Fireman's and Rescue Squad Worker's Pension Plan on-behalf of the volunteer and employee members of the City's fire department by the board of trustees.

The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2021. The Firefighter's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firefighter's Association. This report can be obtained from the Association at Post Office Box 188, Farmville, NC 27828.

**NOTE 4 - RELATED ORGANIZATION**

The governing board of the City of Hamlet Housing Authority is appointed by the City of Hamlet's governing board. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority.

**NOTE 5 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Federal and State Assisted Programs

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

Impact of COVID-19

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

**CITY OF HAMLET, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2021**

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**NOTE 6 – SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

Richmond County decided to switch from a per capita share of distribution of sales tax to an ad valorem share of distribution effective in April, 2021, resulting in a significant decrease in the City's percent of distribution. The actual change took place beginning with May, 2021 collections, which were received in July. Under the previous per capital method, the City received a 10.02769% share of sales tax revenues. Under the ad valorem method, the City receives a 5.66768% share of sales tax revenues. Comparing actuals from recent years, the City is expected to face an annual loss of \$600,000 to \$750,000 if total collections remain comparable to prior years. Therefore, it is projected that this change will decrease the City's sales tax revenue by approximately 40%.

**NOTE 7 – FUND BALANCE**

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

Total fund balance – General fund	<u>\$4,111,236</u>
Less:	
Stabilization by State Statute	538,435
Streets – Powell Bill	51,666
Appropriated fund balance in 2022 budget	493,160
Remaining fund balance	3,027,975



## **Required Supplemental Financial Data**

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

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- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Proportionate Share of Net Pension Liability for Firefighters' and Rescue Squad Workers' Pension Plan
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll
- Schedule of Changes in the Total OPEB Liability

**CITY OF HAMLET, NORTH CAROLINA**  
**Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Eight Fiscal Years \***

**Local Government Employees' Retirement System**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Hamlet's proportion of the net pension liability (asset) (%)	0.05296%	0.05570%	0.05907%	0.05660%	0.05269%	0.05269%	0.06140%	0.05980%
Hamlet's proportion of the net pension liability (asset) (\$)	\$ 1,892,486	\$ 1,521,124	\$ 1,401,342	\$ 864,691	\$ 1,215,037	\$ 236,470	\$ (362,104)	\$ 720,820
Hamlet's covered payroll	\$ 3,544,289	\$ 3,514,625	\$ 3,592,001	\$ 3,464,448	\$ 3,350,278	\$ 3,260,674	\$ 3,333,723	\$ 3,153,859
Hamlet's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	53.40%	43.28%	39.01%	24.96%	36.27%	7.25%	( 10.86%)	22.86%
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.

\*\* This will be the same percentage for all participant employers in the LGERS plan.

**CITY OF HAMLET, NORTH CAROLINA**  
**City of Hamlet's Contributions**  
**Required Supplementary Information**  
**Last Eight Fiscal Years \***

**Local Government Employees' Retirement System**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 349,940	\$ 321,884	\$ 279,201	\$ 275,148	\$ 260,185	\$ 227,896	\$ 231,590	\$ 242,688
Contributions in relation to the contractually required contribution	<u>349,940</u>	<u>321,884</u>	<u>279,201</u>	<u>275,148</u>	<u>260,185</u>	<u>227,896</u>	<u>231,590</u>	<u>242,688</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hamlet's covered payroll	\$ 3,392,372	\$ 3,544,289	\$ 3,514,625	\$ 3,592,001	\$ 3,464,448	\$ 3,350,278	\$ 3,260,674	\$ 3,333,723
Contributions as a percentage of covered payroll	10.32%	9.08%	7.94%	7.66%	7.51%	6.80%	7.10%	7.28%

**CITY OF HAMLET, NORTH CAROLINA**  
**City of Hamlet's Proportionate Share of Net Pension Liability**  
**Required Supplementary Information**  
**Last Seven Fiscal Years \***

	<b>Firefighters' and Rescue Squad Workers' Pension</b>						
	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Hamlet's proportionate share of the net pension liability (%)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Hamlet's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability	<u>28,790</u>	<u>29,585</u>	<u>40,911</u>	<u>36,574</u>	<u>28,869</u>	<u>26,974</u>	<u>9,735</u>
Total	<u>\$ 28,790</u>	<u>\$ 29,585</u>	<u>\$ 40,911</u>	<u>\$ 36,574</u>	<u>\$ 28,869</u>	<u>\$ 26,974</u>	<u>\$ 9,735</u>
Hamlet's covered payroll	\$ 651,771	\$ 657,002	\$ 632,017	\$ 630,812	\$ 630,493	\$ 618,540	\$ 596,134
Hamlet's proportionate share of the net pension liability as a percentage of its covered payroll	4.42%	4.50%	6.47%	5.80%	4.58%	4.36%	1.63%
Plan fiduciary net position as a percentage of the total pension liability	89.69%	89.35%	84.94%	91.40%	93.42%	92.76%	91.45%

\* The amounts presented are for the prior fiscal year.

**CITY OF HAMLET, NORTH CAROLINA**  
**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**JUNE 30, 2021, 2020, 2019 and 2018**

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 485,437	\$ 460,265	\$ 428,443	\$ 365,064
Service cost	21,501	24,894	27,728	21,323
Interest on the total pension liability	15,199	16,235	13,294	13,685
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(27,528)	(711)	22,951	22,226
Changes of assumptions or other inputs	87,734	13,253	(16,641)	27,197
Benefits payments	(38,439)	(28,499)	(15,510)	(21,052)
Other changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance of the total pension liability	<u>\$ 543,904</u>	<u>\$ 485,437</u>	<u>\$ 460,265</u>	<u>\$ 428,443</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

**CITY OF HAMLET, NORTH CAROLINA**  
**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**JUNE 30, 2021, 2020, 2019 and 2018**

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	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>
Total pension liability	\$ 543,904	\$ 485,437	\$ 460,265	\$ 428,443
Covered Payroll	753,085	864,368	842,419	736,341
Total pension liability as a percentage of covered payroll	72.22%	56.16%	54.64%	58.19%

Notes to the schedules:

The City has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

**CITY OF HAMLET, NORTH CAROLINA**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**JUNE 30, 2021, 2020, 2019 and 2018**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>				
Service cost	302,679	350,703	375,396	431,512
Interest	251,689	290,070	264,925	233,311
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(13,382)	(956,489)	(12,005)	(17,678)
Changes of assumptions	2,064,686	(98,837)	(473,687)	(833,507)
Benefit payments	<u>(158,942)</u>	<u>(148,662)</u>	<u>(130,660)</u>	<u>(115,837)</u>
<b>Net change in total OPEB liability</b>	2,446,730	(563,215)	23,969	(302,199)
<b>Total OPEB liability - beginning</b>	<u>6,967,229</u>	<u>7,530,444</u>	<u>7,506,475</u>	<u>7,808,674</u>
<b>Total OPEB liability - ending</b>	<u>9,413,959</u>	<u>6,967,229</u>	<u>7,530,444</u>	<u>7,506,475</u>
 <b>Covered payroll</b>	 3,042,539	 3,042,539	 3,020,224	 3,020,224
 <b>Total OPEB liability as a percentage of covered payroll</b>	 309.41%	 228.99%	 249.33%	 248.54%

**Notes to Schedule**

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS**



## **MAJOR GOVERNMENTAL FUNDS**

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2021**

	2021		Variance
	Budget	Actual	Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes			
Taxes	\$ -	\$ 2,331,408	\$ -
Penalties and interest	-	20,404	-
Total	<u>2,177,500</u>	<u>2,351,812</u>	<u>174,312</u>
Other taxes and licenses			
Motor vehicle licenses	-	24,590	-
Privilege licenses	-	315	-
Total	<u>22,000</u>	<u>24,905</u>	<u>2,905</u>
Unrestricted intergovernmental			
Local option sales tax	-	1,094,712	-
Utility franchise tax	-	312,901	-
Telecommunications tax	-	40,633	-
Video franchise fee	-	73,367	-
Tax refunds	-	25,625	-
Beer and wine tax	-	26,333	-
ABC Profit distribution	-	204,493	-
Total	<u>1,360,800</u>	<u>1,778,064</u>	<u>417,264</u>
Restricted intergovernmental			
Powell Bill allocation	-	182,150	-
Federal grants	-	160,216	-
State grants	-	34,898	-
County contributions	-	38,981	-
Solid waste disposal tax	-	4,719	-
On-behalf of payments - Fire and Rescue	-	11,525	-
Total	<u>279,525</u>	<u>432,489</u>	<u>152,964</u>
Permits and fees			
Building permits	<u>3,000</u>	<u>5,490</u>	<u>2,490</u>
Sales and services			
Recreation department fees	-	28,812	-
Refuse collection fees	-	334,688	-
Cemetery lot sales	-	1,683	-
Communication tower lease	-	43,175	-
Depot revenue	-	11,750	-
Sale of assets	-	-	-
Fire Protection fees	-	322,804	-
Police fees	-	65,563	-
Emergency services fees	-	94,891	-
Total	<u>868,175</u>	<u>903,366</u>	<u>35,191</u>
Investment earnings	<u>30,000</u>	<u>513</u>	<u>(29,487)</u>

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2021

	2021		Variance
	Budget	Actual	Positive (Negative)
<b>Revenues (continued)</b>			
Miscellaneous			
Senior Center revenues	-	4,443	-
Miscellaneous	-	219,236	-
Total	109,500	223,679	114,179
Total revenues	4,850,500	5,720,318	869,818
<b>Expenditures</b>			
General Government			
Governing body			
Salaries and employee benefits	-	29,496	-
Other operating expenditures	-	959	-
Total	33,820	30,455	3,365
Administration			
Salaries and employee benefits	-	399,396	-
Other operating expenditures	-	85,319	-
Total	521,760	484,715	37,045
Finance			
Salaries and employee benefits	-	49,050	-
Other operating expenditures	-	33,624	-
Total	87,880	82,674	5,206
Public buildings			
Salaries and employee benefits	-	133,344	-
Other operating expenditures	-	65,230	-
Total	226,150	198,574	27,576
Depot Musuem			
Salaries and employee benefits	-	54,592	-
Other operating expenditures	-	101,951	-
Total	186,950	156,543	30,407
General and administrative			
Salaries and employee benefits	-	7,124	-
Other operating expenditures	-	238,499	-
Capital outlay	-	11,721	-
Total	309,640	257,344	52,296
Total general government	1,366,200	1,210,305	155,895

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2021**

	2021		Variance Positive (Negative)
	Budget	Actual	
Public safety			
Police			
Salaries and employee benefits	-	969,167	-
Other operating expenditures	-	336,738	-
Total	1,560,350	1,305,905	254,445
Fire			
Salaries and employee benefits	-	866,628	-
Other operating expenditures	-	129,606	-
Capital outlay	-	14,420	-
Total	1,112,190	1,010,654	101,536
Total public safety	2,672,540	2,316,559	355,981
Transportation			
Streets and highways			
Salaries and employee benefits	-	179,512	-
Other operating expenditures	-	161,718	-
Total	374,800	341,230	33,570
Powell Bill			
Salaries and employee benefits	-	113,412	-
Other operating expenditures	-	61,787	-
Capital outlay	-	29,225	-
Total	249,700	204,424	45,276
Total transportation	624,500	545,654	78,846
Environmental protection			
Solid waste			
Salaries and employee benefits	-	172,550	-
Other operating expenditures	-	71,690	-
Total environmental protection	263,650	244,240	19,410
Culture and recreation			
Senior Center			
Salaries and employee benefits	-	54,610	-
Other operating expenditures	-	30,457	-
Capital outlay	-	6,995	-
Total	118,350	92,062	26,288
Parks and recreation			
Salaries and employee benefits	-	100,775	-
Other operating expenditures	-	65,967	-
Total	240,780	166,742	74,038

**CITY OF HAMLET, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**For the Fiscal Year Ended June 30, 2021**

**Exhibit A-1**  
**Page 4 of 4**

	2021		Variance
	Budget	Actual	Positive (Negative)
Culture and recreation continued			
Horticulture			
Salaries and employee benefits	-	105,135	-
Other operating expenditures	-	16,130	-
Total	<u>174,300</u>	<u>121,265</u>	<u>53,035</u>
Total culture and recreation	<u>533,430</u>	<u>380,069</u>	<u>153,361</u>
Total expenditures	<u>5,460,320</u>	<u>4,696,827</u>	<u>763,493</u>
Revenues over (under) expenditures	<u>(609,820)</u>	<u>1,023,491</u>	<u>1,633,311</u>
Fund balance appropriated	<u>609,820</u>	<u>-</u>	<u>(609,820)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,023,491</u>	<u>\$ 1,023,491</u>
Fund balance, beginning		<u>3,087,745</u>	
Fund balance, ending		<u>\$ 4,111,236</u>	

## ENTERPRISE FUNDS

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

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

	2021		Variance
	Budget	Actual	Positive (Negative)
<b>Revenues</b>			
Charges for services			
Water sales	\$ -	\$ 1,741,839	\$ -
Sewer charges	-	1,089,815	-
Total	<u>2,630,000</u>	<u>2,831,654</u>	<u>201,654</u>
Water and sewer taps	<u>136,000</u>	<u>131,479</u>	<u>(4,521)</u>
Other operating revenues	<u>41,500</u>	<u>24,176</u>	<u>(17,324)</u>
Total operating revenues	<u>2,807,500</u>	<u>2,987,309</u>	<u>179,809</u>
Nonoperating revenues			
Interest earnings	-	786	786
Sales tax refund	-	26,156	26,156
Total	<u>75,000</u>	<u>26,942</u>	<u>(48,058)</u>
Total revenues	<u>2,882,500</u>	<u>3,014,251</u>	<u>131,751</u>
<b>Expenditures</b>			
Water and sewer administration			
Salaries and employee benefits	-	360,368	-
Professional services	-	110,608	-
Insurance	-	96,980	-
Other operating expenditures	-	74,281	-
Total water and sewer administration	<u>685,650</u>	<u>642,237</u>	<u>43,413</u>
Filtering plant			
Salaries and employee benefits	-	308,822	-
Electric power	-	61,659	-
Chemicals	-	52,124	-
Other operating expenditures	-	123,170	-
Total	<u>586,950</u>	<u>545,775</u>	<u>41,175</u>

	2021		Variance
	Budget	Actual	Positive (Negative)
Transmission and distribution			
Salaries and employee benefits	-	483,092	-
Other operating expenditures	-	103,255	-
Total	613,700	586,347	27,353
Water treatment and distribution			
Waste treatment plant			
Salaries and employee benefits	-	195,050	-
Chemicals	-	110,757	-
Electric power	-	100,958	-
Other operating expenditures	-	65,163	-
Total	541,500	471,928	69,572
Total water treatment and distribution	1,742,150	1,604,050	138,100
Waste collection			
Salaries and employee benefits	-	184,237	-
Other operating expenditures	-	195,835	-
Total waste collections	436,250	380,072	56,178
Capital outlay			
Waste Treatment	81,600	81,497	-
Total capital outlay	81,600	81,497	103
Total expenditures	2,945,650	2,707,856	237,794
Revenues over expenditures	(63,150)	306,395	369,545
Fund balance appropriated	63,150	-	(63,150)
Net change in fund balance	\$ -	\$ 306,395	\$ 306,395



	2021		Variance Positive (Negative)
	Budget	Actual	
Revenues and appropriated fund balance over expenditures		\$ 306,395	
Reconciling items:			
Depreciation		(624,814)	
Capital outlay		81,497	
Decrease in accrued vacation pay		4,250	
Increase (Decrease) in deferred outflows of resources for pensions		51,028	
Increase (Decrease) in deferred outflows of resources for OPEB		485,995	
(Increase) Decrease in net pension liabilities		(130,690)	
(Increase) Decrease in OPEB liabilities		(660,617)	
(Increase ) Decrease in deferred inflows of resources for pensions		(9,787)	
(Increase) Decrease in deferred inflows of resources for OPEB		76,974	
Total reconciling items		(726,164)	
Change in net position		\$ (419,769)	

## Other Schedules

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This section includes additional information on property taxes.

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

**CITY OF HAMLET, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**June 30, 2021**

**Exhibit C-1**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 2,359,277	\$ 2,235,300	\$ 123,977
2019-2020	104,520	-	47,772	56,748
2018-2019	58,703	-	18,568	40,135
2017-2018	39,122	-	10,764	28,358
2016-2017	31,018	-	6,577	24,441
2015-2016	28,736	-	3,626	25,110
2014-2015	23,254	-	2,420	20,834
2013-2014	24,633	-	1,907	22,726
2012-2013	24,958	-	2,244	22,714
2011-2012	19,202	-	2,230	16,972
2010-2011	17,534	-	17,534	-
	371,680	<u>\$ 2,359,277</u>	<u>\$ 2,348,942</u>	382,015
Less: Allowance for uncollectible accounts General Fund				<u>(150,000)</u>
Ad valorem taxes receivable - net				<u>\$ 232,015</u>
Reconcilement with revenues:				
Taxes - ad valorem - General Fund				\$ 2,351,812
Releases/adjustments				-
Amounts written off per statute of limitations				<u>17,534</u>
Subtotal				2,369,346
Less interest collected				<u>(20,404)</u>
Total collections and credits				<u>\$ 2,348,942</u>

**CITY OF HAMLET, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY**  
**CITY-WIDE LEVY**  
**6/30/2021**

**Exhibit C-2**

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current year's rate	\$ 312,062,368	\$.76	\$ 2,371,674	\$ 2,028,611	\$ 343,063
Penalties	-		-	-	-
Total	<u>312,062,368</u>		<u>2,371,674</u>	<u>2,028,611</u>	<u>343,063</u>
Discoveries:					
Current year taxes	-	\$.76	-	-	-
Abatements:	<u>(1,631,184)</u>	\$.76	<u>(12,397)</u>	<u>(12,397)</u>	-
Total property valuation	<u>\$ 310,431,184</u>				
Net levy			2,359,277	2,016,214	343,063
Uncollected taxes at June 30, 2021			<u>123,977</u>	<u>123,977</u>	-
Current year's taxes collected			<u>\$ 2,235,300</u>	<u>\$ 1,892,237</u>	<u>\$ 343,063</u>
Current levy collection percentage			<u>94.75%</u>	<u>93.85%</u>	<u>100.00%</u>

## **COMPLIANCE SECTION**

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

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

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

**Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council  
Hamlet, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregated remaining fund information of the City of Hamlet, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the City of Hamlet, North Carolina's basic financial statements, and have issued our report thereon dated October 14, 2021.

**Internal Control Over Financial Reporting**

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

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

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

### ***Compliance and Other Matters***

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

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Anderson Smith + Wike PLLC". The signature is written in a cursive, flowing style.

Rockingham, NC  
October 14, 2021