

TOWN OF HUDSON NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019



The HUB Station Arts & Business Center
143 & 145 Cedar Valley Road, Hudson NC
Project Launch: January 12, 2019

TOWN OF HUDSON, NORTH CAROLINA

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2019

Mayor

Janet H. Winkler

Mayor Pro-Tem

Bill Warren

Town Commissioners

Larry Chapman

Jonathan Greer

Barry Mitchell

Rick Shew

Ann E. Smith

Town Manager

Rebecca M. Bentley

Prepared by the Town of Hudson Finance Department

Rebecca M. Bentley, Finance Officer

Michelle Y. Coffey, Asst. Finance Officer

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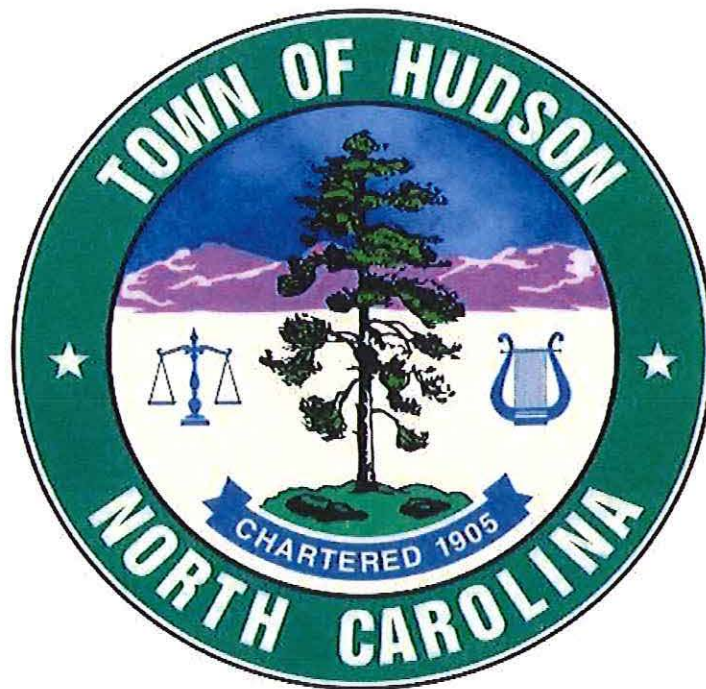
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TOWN OF HUDSON, NORTH CAROLINA

Introductory Section



Janet H Winkler
Mayor

Office of the Town Manager
Rebecca M. Bentley
rebecca.bentley@townofhudsonnc.com



Town Commissioners:

Larry Chapman
Jonathan Greer
Barry Mitchell
Rick Shew
Ann Smith
Bill Warren

October 28, 2019

Honorable Mayor Janet H. Winkler
Members of Hudson Board of Commissioners
Town of Hudson
PO Box 457
Hudson, North Carolina 28638

The comprehensive annual financial report of the Town of Hudson, North Carolina, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Town. To the best of our knowledge and belief the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

The Town underwent an audit in conformity with *Government Auditing Standards*. Information related to this audit, including the schedule of findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, are included in this report. This report includes all funds of the Town. The Town provides a full range of services. These services include police protection, solid waste collection, street maintenance, public improvements, planning and zoning, community and economic development, recreational and cultural activities, and contracts with the City of Lenoir for water distribution, sewer collection. Also, the Town contracts with the Western Piedmont Council of Governments for planning services, code enforcement and storm water regulation enforcement.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Hudson's MD&A can be found immediately following the report of the independent auditors.

Description of Hudson

The Town of Hudson, incorporated in 1905, is located within Caldwell County and nestled in the scenic Appalachian foothills of western North Carolina. Hudson is approximately 70 miles northwest of Charlotte, 85 miles southwest of Winston-Salem and 90 miles northeast of Asheville. It has a land area of approximately four square miles and a population of 3,970. North Carolina is blessed with a fine network of interstate and state highways making many of the major cities of the Southeast easily accessible to our area. Hudson is 18 miles north of Interstate 40.

In an article published in the Reader's Digest, the metropolitan four county service area that



includes Hudson was identified as one of the best 10 areas of the Country to raise a family. Also, the late Charles Kuralt of CBS Broadcasting identified the 10 most picturesque places in America. Of these ten places, two are within easy access of Hudson. One, Grandfather Mountain, is only minutes from Hudson and the other, the North Carolina Outer Banks, can be reached in less than a day by car. Caldwell County is home to Wilson's Creek a designated National Wild and Scenic River just south of the Blue Ridge Parkway, which also traverses Caldwell County.

Hudson enjoys excellent weather. Snow is infrequent, occurring perhaps once a month from December through March. January is the coldest month, with an average temperature of 41 degrees. Spring and fall are delightful. The warm summers are moderated on most days by the altitude, which is about 1,200 feet above sea level. Temperatures in July, the warmest month, average 75 degrees with evening lows into the 60s and daytime highs ranging into the 80s and 90s. The fertile clay soil is usually well watered due to an annual rainfall, which averages 51 inches contributing to the lush greenery that surrounds the area in

the summer then turning to beautiful golden hues in the fall. North Carolina is truly a variety vacation showplace. Hudson benefits from tourists seeking scenic vacations.

The Town utilizes the council/manager form of government. Hudson has a Mayor and six-member Board of Commissioners. The mayor is elected at large for a two-year term of office. The six commissioners are elected at large for staggered four-year terms of office. The Board represents the citizens by setting policy and enacting Town ordinances. A Town Manager hired by the Board administers the day-to-day business of government and carries out the policies of the Board.

Economic Condition and Outlook

The Town exists as primarily a residential community, but industry and commerce play a vital part in keeping Hudson vibrant. While furniture and textiles were long the dominant industries in Caldwell County, great strides are being made in the diversification of the local economy. The previous decade has seen a downturn in the economy and it has heavily impacted the Town. In 2003, two of Hudson's largest taxpayers were trucking companies. In 2017, one of those trucking companies was sold to Associated Hardwoods, Inc. and is a very vibrant corporate citizen. The top ten taxpayers in Hudson in 2019 consists of a tape manufacturer, a chemical coatings manufacturer, two textile manufacturing firms, a packaging manufacturer, three large retail complexes, and only one furniture manufacturer. The Town has approximately 150 small businesses and seven major industries. Those industries employ nearly 800 people, while many of our small businesses employ fewer than ten people. Our longest existing industries, Shurtape Technologies, Inc. and Kincaid Furniture, a division of Laz-E-Boy, have weathered the economic downturn. Shurtape, a former textile manufacturer, reinvented its product design and is a leading shipping tape manufacturer with its trademark *Frog Tape*. Kincaid Furniture, a division of Laz-E-Boy, has closed some plants in other parts of the state but the corporate offices in Hudson remain. Hudson's newest corporate citizen is Outdura, Inc. a division of Sattler, AG. based in Austria. In 2011, Sattler purchased the facilities from Shuford Mills and also purchased their patented fabric, Outdura®. Sattler Corp is doing well and considering expansion. Hudson is Sattler's North American Headquarters and have moved the entire North American operations to Hudson to be incorporated into the Hudson division. Sattler has been in an expansion mode since coming to Hudson in 2011. Sattler manufactures one of the world's leading outdoor fabrics. Sattler and another of our top ten taxpayers, BeoCare, are both European based businesses that decided to put their faith in the United States economy and people by opening operations here—specifically in our beautiful downtown Hudson. Hudson's businesses are not going overseas, but rather, overseas companies have chosen to come to us. Another cutting edge company in Hudson is Adhezion Biomedical, a privately-held medical device company focused on the development and commercialization of highly differentiated cyanoacrylate based surgical, wound management and infection prevention technologies. They, too, have expanded by completing the building of a packaging plant to package and ship their pharmaceutical product.

The Town of Hudson remains a popular place to live, work and further an education. Hudson's population has grown from 2,819 in 1990 to 3,970 in 2019. As is the case nationally, Hudson was experiencing a near standstill in residential housing, but within the last year housing construction and sales are continuing to improve. Due to its central location within Caldwell County, the daytime population can increase to as much as 10,000 with people coming into Hudson to work or attend school.

Major Initiatives

Fiscal year 2018-2019 continues the recent trend of undertaking and completing several major projects by the Town. The Town has taken a critical review of its services and their delivery and is positioning itself to meet the service needs of its citizenry in the future. Some of the efforts of the Town include:

Annexations and Housing – The Town of Hudson completed a few voluntary annexation of commercial property in the last few years. There were 43 zoning permits issued for 2018-2019, remaining steady with last year. Developers are expressing more interest in Hudson every day.

New Business and Industry – In a county that has been traditionally furniture and textile industries, Hudson enjoys a very diverse industrial community. A few years ago, Google located a large data center in Lenoir, just seven miles north of Hudson. Although no new businesses directly related to Google have located in Hudson, data related industries are appearing in the region. Hudson participates with Caldwell County in an Economic Development Incentive Program that grants 75% of the tax revenue received from a new industry back to that industry in the form of a grant. Incentive grants similar to this have successfully been used in other jurisdictions for some time. Local incentives grant \$2,000 per new job created.

The shopping centers and downtown Hudson are experiencing some increase in retail growth. Again in 2019 retail establishments are not 100% occupied—but are very nearly full. The downtown area of Hudson has not experienced “downtown blight” so typical of towns and cities today. New businesses are appearing along Central/Main Streets. However, one of Hudson’s longest existing grocery stores in the Fairway shopping center closed due to needed building renovations. Yet, Hudson still has two very successful groceries. The Board of Commissioners adopted a façade grant to assist downtown businesses improve their store fronts and some businesses are taking advantage of this grant opportunity.

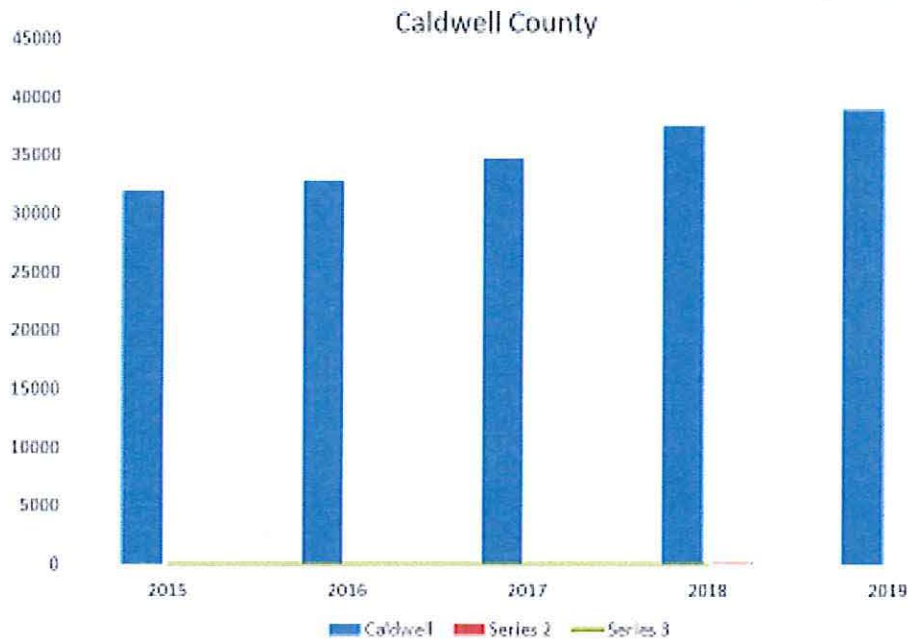
Highway 321 is the main thoroughfare in Hudson. Wal-Mart built a new Neighborhood Market store along Hwy 321 and it opened in August 2015. Interest in the outlying parcels of this development has already peaked and it is expected the Town will see growth in this part of the municipality.

Economic Development – The Town of Hudson along with the Caldwell County and its additional municipal counterparts are active members of Advantage West Economic Development Group. Advantage West is an economic development consortium composed of 22 western North Carolina counties who collectively market this region nationally and internationally attempting to attract industrial and commercial development.

Hudson is located within Caldwell County and is a part of the Caldwell County Economic Development Commission (EDC). The EDC Board and staff work diligently to attract new business and industry to Hudson and all of Caldwell County. Sattler is one of those success stories as well as others in Caldwell County. Recently, the EDC reports that 35 new industries have located within Caldwell County since 2007. These new businesses increased the tax assessed values in Caldwell County by nearly \$300 million—an overall 10% increase in the tax base since 2007. The result was millions in private investment and more than 700 new jobs. Caldwell County has made tremendous strides toward recovering lost industry and jobs. These new industries are diverse but still many offer the traditional woodworking skills the former furniture employees possess. The trend of increased unemployment in North Carolina and Caldwell County has turned. Caldwell County’s employment numbers are higher than they have been since 2010. (See Graph below provided by the Caldwell County Economic Development Commission). Not only has Caldwell County improved itself, it has outpaced neighboring counties as well in job growth. Caldwell County’s greatest obstacle now seems to be housing. There is a lack of housing since many of the house in Hudson were built prior to 1950. Housing starts have dwindled in the last decade, but more and more developers are looking at housing here. Median household income has risen to \$37,118. The future seems very positive.

Private Sector Average Wages

Source: LEAD NC Dept of Commerce



Education - Serving almost 12,000 students, Caldwell County's public school system is recognized statewide for its innovative approach, faculty excellence, and exceptional test scores. Modern learning facilities feature computer labs and "smart technology rooms," and the percentage of nationally board certified teachers is among the highest in the state and nation.

Within the four square miles of Hudson are located seven separate educational facilities. Hudson Elementary School with an enrollment of 691 students is the largest elementary school in Caldwell County. Also, the county's largest Middle school, Hudson Middle School, has an enrollment of 677 students. Caldwell Community College & Technical Institute is also located within the Town of Hudson on U.S. Highway 321. CCC&TI provides the educational needs of full and part-time day and evening students with an enrollment of over 3,700 students. A drop in student enrollment at the college, evidences the reduced unemployment in our area. Two high schools are located on the CCC&TI campus, the Early College High School, enrollment 391, and the Caldwell Applied Sciences Academy, enrollment 225. Additionally, on CCC&TI campus is the Appalachian State University education curriculum in the Faye A. Broyhill Center. Also, in Hudson is Heritage School a parochial school at Ambassador Baptist Church. The number of students coming into Hudson for school is more than twice the total population of the entire Town. Although the population of Hudson represents only 4% of the total Caldwell County population, the Hudson schools house nearly 18% of the total County school enrollment due to Hudson's central location in Caldwell County.

Infrastructure Improvements – The Town of Hudson is continually making improvements to its infrastructure. Road resurfacing projects and sidewalk repair/construction were undertaken in Hudson in 2018-2019. Hudson has more than 26 miles of municipal maintained streets. Water and Sewer services are provided by the City of Lenoir to the Town of Hudson. Hudson and Lenoir work very closely together to provide reliable and adequate water and sewer to the citizens of Hudson. The City of Lenoir has a contractual commitment to Hudson to provide this service to the citizens in our existing corporate limits and any area that Hudson may annex in the future. The Town Manager and one Town Commissioner serve on the City of Lenoir Utilities Committee. This Committee addresses the needs of the Utility System and its plans for growth and maintenance. The Hudson Board of Commissioners and the Lenoir City Council believe this is a wise economic decision for both municipalities and will permit continued high levels of service for the least costs.

Financial Information

Management of the Town is responsible for establishing and maintaining an internal control structure designed to protect the assets of the Town from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be received, and (2) the valuation of costs and benefits requires estimates and judgments by management.

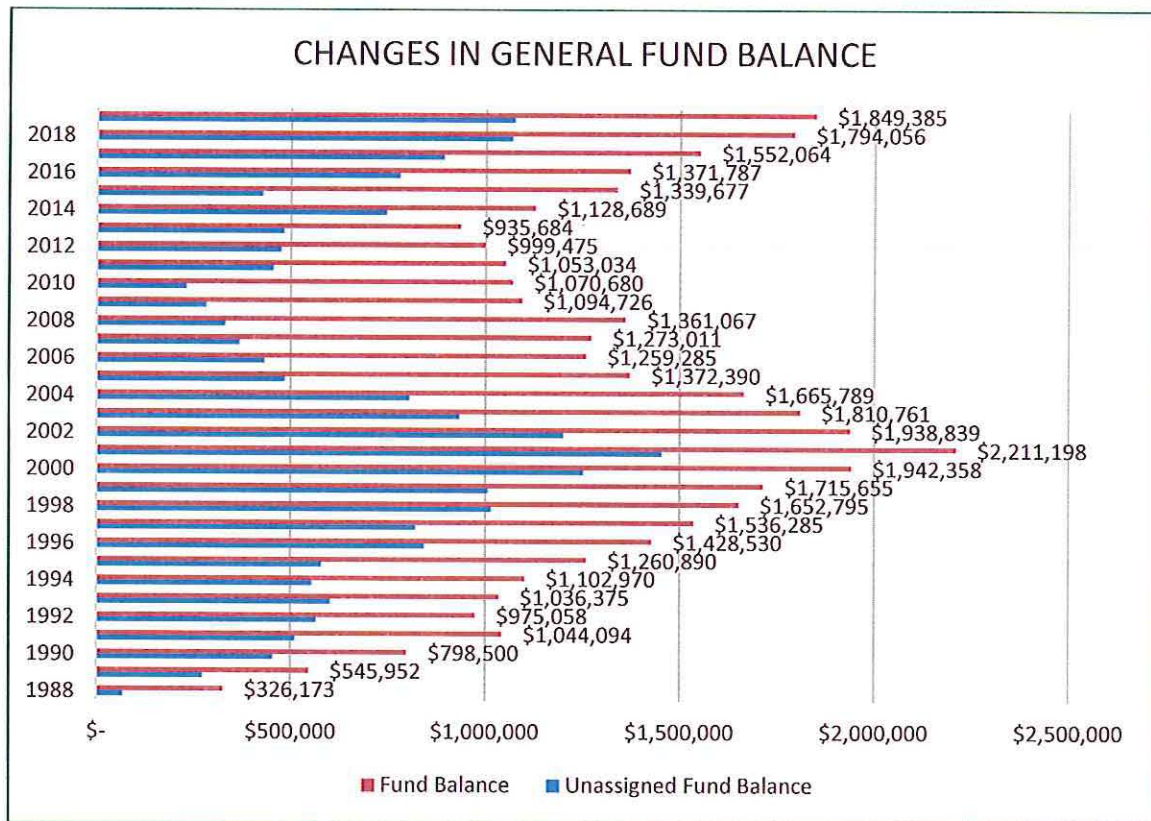
In accordance with the North Carolina General Statutes, the Town adopts a balanced budget for each fiscal year starting July 1st and ending June 30th of the calendar year. In addition to setting legal limits on expenditures, establishing a tax levy and tax rate, the Hudson budget acts as a “work plan” designed for the purpose of implementing goals established by the Board of Commissioners. At the end of the fiscal year the “work plan” provides the governing body with a way to evaluate budgetary and organization performance.

It is the philosophy of the Hudson Board of Commissioners to keep the municipal property tax at the lowest level possible. However, this has necessitated some changes. For example, the municipally provided curbside recycling service was eliminated in 2009. Instead, through negotiations between the Town and a private carrier, citizens may contract with this private carrier to collect their recycling at a cost of \$8 per month. Many have chosen to do so, but just as many have chosen to abandon this service. Park improvements, necessitated by aging infrastructure and equipment, were mostly funded through private fund-raising efforts on the part of our citizens. Two separate capital campaigns have netted the community nearly a \$1 million. State grants have assisted in the park improvements as well. Hudson’s renovated Hudson Uptown Building (former Hudson Elementary School) provides the setting for cultural activities in Hudson. Two Dinner Theatre productions are undertaken each year to provide live community theatre of the highest quality to the public for minimal costs. Also, the HUB is the setting for many weddings, receptions, business meetings, concerts, etc. utilizing the facility more than 200 days per year. The Town was able to convert the aged and abandoned school into a vibrant community/arts center. The HUB was rebranded in January 2019 as The HUB Station Arts & Business Center. The Town acquired a second 15,000 square foot building on the campus. The original HUB Building A will be designated for the Arts, while the newly acquired HUB Building B will serve as a Business Incubator. Caldwell Community College and Technical Institute is less than one-half mile from the HUB. The college has agreed to house their Small Business Center in HUB Building B. At the end of June 2019, the HUB Station Building A housed an Art Gallery, music lessons, art lessons, as well as Hudson’s renowned Dinner Theatre. The auditorium remains available for rent for

special events. The HUB Station Building B is occupied with the entire first floor rented. The HUB continues to undergo renovations with great hopes for even more exciting things for its future.

The Town of Hudson Board of Commissioners strives to provide the necessary services to the citizens to keep them well, safe, and happy. Much needed equipment for the public works and law enforcement departments has been purchased. Staffing levels are kept to a minimum.

To insure the Town's fiscal stability it is necessary to maintain a healthy operating fund balance. In addition to the need for emergency funds, the fund balance allows the Town to maintain adequate cash flow levels, provides steady investment income, helps absorb revenue shortfalls, and occasionally aids in making non-recurring capital purchases. The general fund balance increased for 2018-2019 by \$55,329 to a total of \$1,849,385. At the end of the fiscal year, unassigned fund balance for the General Fund was \$1,074,353, or 33 percent, of total General Fund expenditures for the fiscal year. The NC Local Government Commission recommends a municipality have at least one month's expenditure, or 8%, of general fund balance available at year end. Hudson's general fund balance is more than sufficient for those purposes. The general fund balance is adequate to provide for future needs. It is the hope and faith of the Board that the economy will continue to improve over time and the general fund balance will become stronger. Until that happens, the Town is financially sound enough to weather the storm.



The chart above demonstrates how the general fund balance decreased as Hudson, Caldwell County, North Carolina, and the nation experience the recession and economic downturn. The Hudson Board of Commissioners through wise decision making and conservative budgeting weathered the economy without burdening the citizens with unreasonable taxes for many years. From a fund balance high in 2000 of \$2.2 million the fund balance fell to a low of \$230,587 in

2009. Hudson has been steadily rebuilding the fund balance to \$1.88 million in 2019. All the while, the Board was able to maintain the services expected of and provided to the Town's citizens.

Other Information

Independent Audit – N.C. General Statutes require an annual independent financial audit of all local government units in the State. C. Randolph CPA, PLLC, a firm of independent certified public accountants, has audited the financial records of the Town and their opinion has been included in this report. Their audit was made in accordance with generally accepted auditing standards and, accordingly, includes such tests of the accounting records and such other auditing procedures as they consider necessary in the circumstances. Their unmodified opinion indicates that the accompanying basic financial statements for the fiscal year ended June 30, 2019, have been prepared in conformity with accounting principles generally accepted in the United States of America. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of Government Auditing Standards, issued by the Comptroller General of the United States.

Awards – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Hudson for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. This was the twenty-sixth consecutive year Hudson has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable local requirements.

A Certificate of Achievement is valid for a period of one year. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements – I recognize the responsibility for the contents of this report is the Town's; but, it would be inappropriate not to mention the invaluable assistance of the staff of our independent auditor, C. Randolph CPA, PLLC. Assistance and cooperation was also provided by the Town's various departments and is appreciated by both the Town Manager and the Finance Officer. "Thank you" is extended to you, the Mayor and Hudson Board of Commissioners for your continued support and interest.

As required by the North Carolina General Statute 159-34, a copy of this report will be filed with the Secretary of the North Carolina Local Government Commission. In addition, a copy will be available in the Town Clerk's office for public inspection.

Sincerely,



Rebecca M. Bentley
Town Manager and Finance Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Hudson
North Carolina**

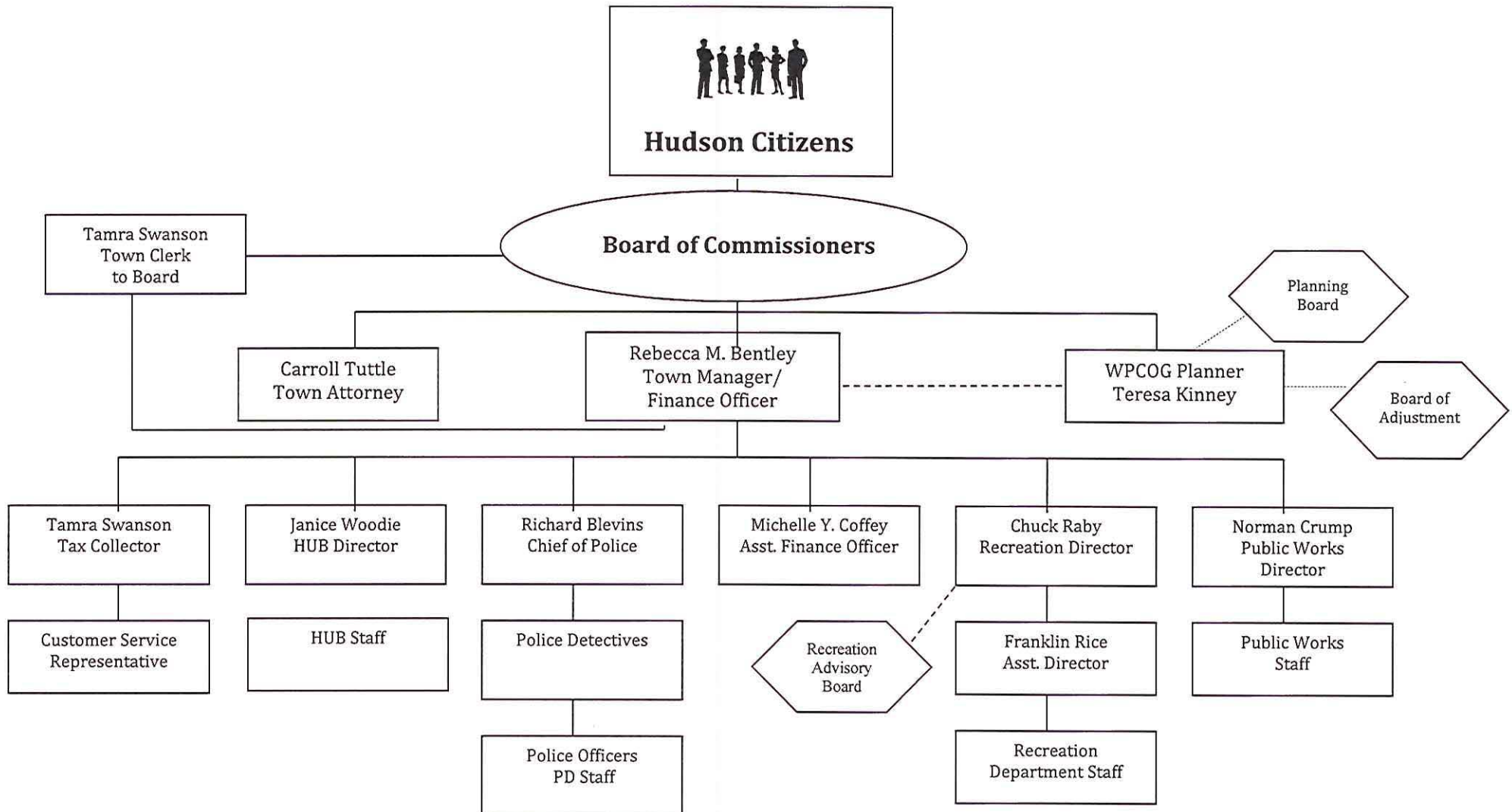
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

Town of Hudson Government Organizational Chart



Legend:

Budgetary Control and
Administrative Coordination ----

Administrative and
Budgetary Control _____

Policy Making Board

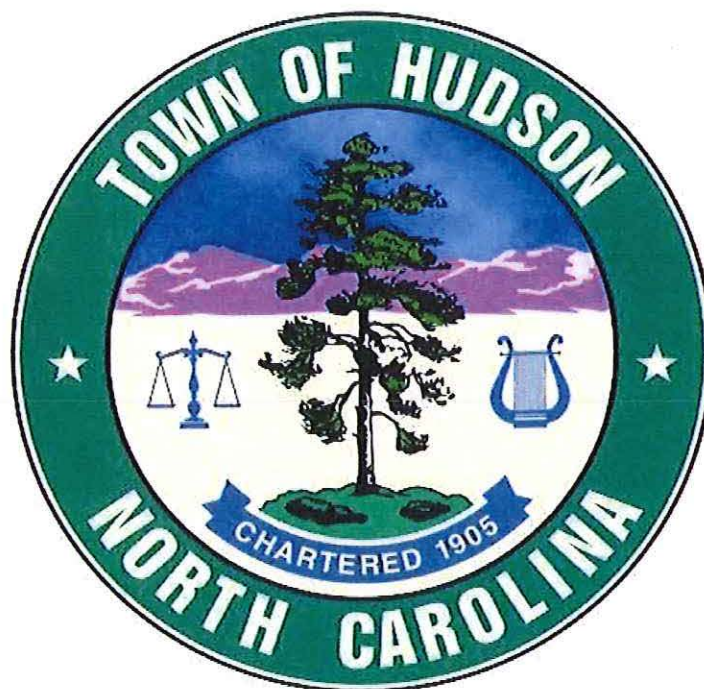
Department / Staff Unit

Advisory
Boards

Revised 10/03/2019 rmb

TOWN OF HUDSON, NORTH CAROLINA

Financial Section



C. Randolph CPA, PLLC
Certified Public Accountant
219-A Beaver Creek School Rd.
West Jefferson, North Carolina 28694
Phone: (336) 846-3211
Fax: (336) 846-1142

Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Hudson, North Carolina, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Town'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Hudson, North Carolina, as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 45 and 46, respectively, 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 43 and 44 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The individual fund statements, 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 by me. In my opinion, based on my audit and the procedures performed as described above, 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.

The introductory information and statistical section have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, I do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated October 28, 2019 on my consideration of the Town of Hudson's internal control over financial reporting and on my 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 my 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 the Town of Hudson's internal control over financial reporting and compliance.

C. Randolph CPA, PLLC

West Jefferson, North Carolina
October 28, 2019

Management's Discussion and Analysis

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

Financial Highlights

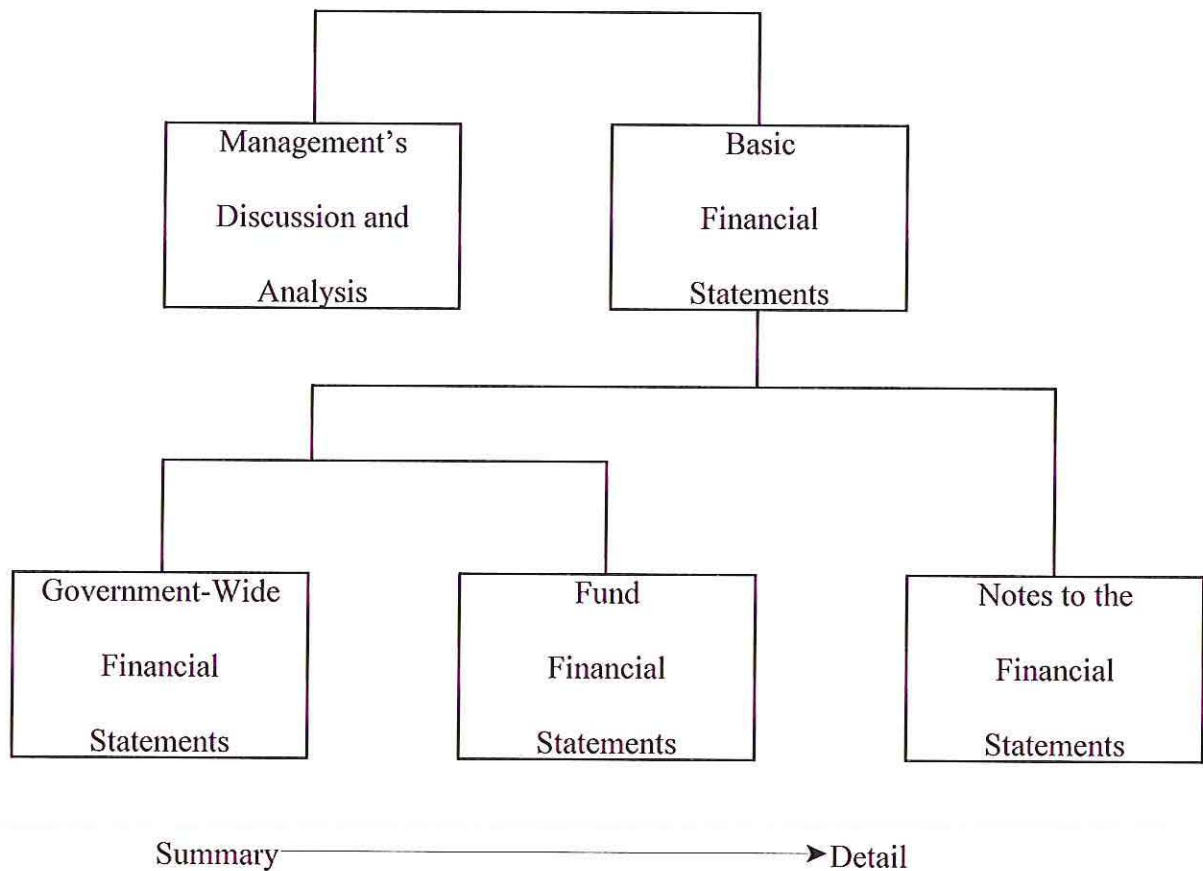
- The assets and deferred outflows of resources of the Town of Hudson exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,042,988 (net position).
- As of the close of the current fiscal year, the Town of Hudson's governmental funds reported combined ending fund balances of \$1,882,962 with a net increase of \$88,906 in fund balance. Approximately 27% of this total amount, or \$501,387, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,074,353, or 33% 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 Town of Hudson's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Town of Hudson.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, public works, cultural and recreation, and general government administration. Property taxes and state and federal grant funds finance most of these activities. The Town does not have a business-type activity. The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

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

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

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

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 begin on page 19 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Hudson's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 43 of this report.

Interdependence with Other Entities - The Town of Hudson depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

**Town of Hudson's Net Position
Figure 2**

	<u>2019</u>	<u>2018</u>
Assets:		
Current and other assets	\$2,099,043	\$2,083,759
Capital assets	3,702,652	3,453,600
Deferred outflows of resources	<u>375,462</u>	<u>248,482</u>
Total assets and deferred outflows of resources	<u>6,177,157</u>	<u>5,785,841</u>
Liabilities:		
Long-term liabilities outstanding	905,221	649,141
Other liabilities	207,574	228,511
Deferred inflows of resources	<u>21,374</u>	<u>13,012</u>
Total liabilities and deferred outflows of resources	<u>1,134,169</u>	<u>890,664</u>
Net position:		
Net investment in capital assets	3,519,289	3,425,162
Restricted	493,460	551,552
Unrestricted	<u>1,030,239</u>	<u>918,463</u>
Total net position	<u>\$ 5,042,988</u>	<u>\$ 4,895,177</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 Town of Hudson exceeded liabilities and deferred inflows by \$5,042,988 as of June 30, 2019. The Town's net position increased by \$147,811 for the fiscal year ended June 30, 2019. One of the largest portions (70%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Hudson uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town of Hudson's net position of \$493,460 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,030,239 is unrestricted.

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

- The Ad Valorem Tax collection rate traditionally is excellent and exceeds 96% for 2018-2019.
- The Town actively seeks and is awarded grant dollars to accomplish service objectives and purchase much needed equipment in order to provide the highest quality service to Hudson citizens.
- The Town Board of Commissioners adopts a very conservative and balanced General Fund budget each year.
- Capital improvement plans are carefully analyzed and implemented as funds are available.
- Staff and salary needs are evaluated on a daily basis and much consideration goes into the selection of very experienced and qualified staff members.

- The needs of the citizens are paramount to the decisions made as to the services the Town Board of Commissioners decides are to be provided. Once those needs are assessed the Board and staff of the Town work diligently to determine how to most effectively and efficiently provide those services and determine to do so in the most cost effective way possible.
- The local economy continues to improve. Caldwell County's unemployment rate is lower than the state average. There are more people working in Caldwell County since July 2008. The true test of the workforce is the number of people working rather than the unemployment rate. There are more than 2,000 more people working in Caldwell County than there were persons working in the pre-recession of 2008. As the number of people working increases so does the sales tax revenues and new home sales.

Town of Hudson's Changes in Net Position
Figure 3

	Governmental Activities	
	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues:		
Charges for services	\$ 398,218	\$ 382,572
Operating grants and contributions	191,304	183,243
Capital grants and contributions	119,464	129,832
General revenues:		
Property taxes	1,331,383	1,274,175
Other taxes	1,168,031	1,101,414
Other	<u>31,539</u>	<u>15,856</u>
Total revenues	<u>3,239,939</u>	<u>3,087,092</u>
Expenses:		
General government	688,139	563,753
Public safety	987,330	996,025
Street and public works	574,540	486,092
Environmental protection	130,691	126,647
Cultural and recreation	449,508	380,655
Economic and physical development	248,674	230,787
HUB station	11,255	-
Interest on long-term debt	<u>1,991</u>	<u>2,376</u>
Total expenses	<u>3,092,128</u>	<u>2,786,335</u>
Increase in net position	147,811	300,757
Net Position:		
Net position - beginning	<u>4,895,177</u>	<u>4,594,420</u>
Net position - ending	<u>\$5,042,988</u>	<u>\$4,895,177</u>

Governmental Activities - Governmental activities increased the Town's net position by \$147,811. Total revenues increased \$152,847, or 5%. General Fund revenues operating grants increased due to the addition in operating grants for Dinner Theatre. Capital grants decreased due to a decrease in Powell Bill distributions from NC Department of Transportation. Also, the Governor's Highway Safety Grant the Town received in 2017-2018 was not available in 2018-2019. All other revenues were steady or slightly increased. Expenses overall increased \$305,793, or 11%, due primarily to an increase in various expenses.

The Town continues its contracts with Caldwell County Schools and Caldwell Community College and Technical Institute to provide school resource officers. One officer is provided to Hudson Middle School, and two officers are provided to Caldwell Community College and Technical Institute. On the campus of Caldwell Community College is housed two unique high schools, the Caldwell Middle College and the Early College High School. These officer positions are fully funded by the Caldwell County School Board and the Caldwell Community College.

Financial Analysis of the Town's Funds

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

Governmental Funds - The focus of the Town of Hudson's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Hudson's financing requirements. Specifically, fund balance available for appropriation can be 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 Town of Hudson. At the end of the current fiscal year, available fund balance of the General Fund was \$1,074,353 while total fund balance was \$1,849,385. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 32.8% of total General Fund expenditures, while total fund balance represents 56.4% of that same amount.

General Fund revenues increased \$142,391. The following activities contributed to that increase:

- Ad Valorem Taxes make up the majority of that increase. These taxes increased \$79,179 or 6% from previous year 2017-2018. The Town's collection rate increased by nearly one-half percent due to increased efforts in collect taxes. Motor vehicle tax collections continue to increase largely because the NC Legislature passed legislation requiring motor vehicle property tax be collected by the NC Dept. of Motor Vehicles at the point the vehicle is annually registered with the NCDMV. The NC Tag & Tax Together program combines the North Carolina vehicle's registration fees and property taxes into one renewal notice and has resulted in an improved motor vehicle property tax collection rate. This, along with the increased property tax collection rate, accounts for the increase in Ad Valorem Taxes.
- Again, in 2018-2019, no major industries within the Town of Hudson closed or experienced any significant downturn in business activity. Several retail and commercial businesses have opened filling vacant spaces. However, the Town did suffer the loss of the closing of one of the three grocery stores within Hudson. The building was in need of significant repair and the owner's chose to close the business rather than invest in the improvements.
- Sales tax increased \$59,761 or 7%. This increase is a result of an increasingly improving economy in Hudson, North Carolina, and nationwide.
- Franchise sales tax increased \$8,200 or 4% also due to an improving economy.
- The Town did see a significant increase in Interest Earned Revenue of \$15,683 or 99% increase over the \$15,856 earned in 2017-2018. Although the dollar amount is small, increased investment earnings rates with North Carolina Cash Management Trust have markedly increased last year. Again, reflective of the improving local and nationwide economy.
- The Town continuously seeks grant funding to promote economic development and to improve Town equipment and facilities.

General Fund overall expenditures increased \$423,513 from 2017-2018 to 2018-2019.

- Total general government increased \$20,892 overall. Several departments expenses were less than the previous year, but the Finance Department increased \$44K or 30% primarily due to the retirement of the Finance Officer. An additional staff person was hired and trained for five months with the Finance Officer to insure a smooth transition.

- Public Safety increased \$124,755, or 12%. Salary and fringe benefit increases of \$48,729 are due to staffing changes and salary increases. An additional police investigator was added to the law enforcement personnel to handle a growing case load. Capital Outlay increased \$93K due to the upgrading of patrol vehicles. Approximately one third of the law enforcement fleet is replaced every three years to afford the department vehicles with approximately ten years of service life. Slight increases in gasolines, auto supplies, uniforms, and insurance account for most of the remaining increases.
- Streets and Public Works expenditures increased by \$89K or 19%. Street repaving accounted for most of the increase in this department. All other expenditures remained level.
- Economic and Physical Development increased \$122k or 53% due to more capital improvements made to the Hudson Uptown Building (HUB). The HUB is the former elementary school of which the Town took ownership in 1999. In 2018-2019 it was rebranded and operates as The HUB Station where Arts and Business Connect. The building was built in 1949. In 2018-2019 the Town replaced windows, upgrading the restrooms, installed a security system and upgrading the lighting to LED lights.
- Recreation/Cultural departments increased \$52,579, or 14%, over 2017-2018. In January 2019 the Town increased the recreation department staff by one position. Hudson Baseball organization ceased operation; therefore, the baseball programs were absorbed into the Hudson Recreation Department to prevent the baseball programs from ceasing to exist for the children of Hudson.
- Continued diligence in keeping expenses, such as personnel costs, travel and training costs, and capital assets, to a bare minimum is evidenced by General Fund revenues exceeding expenditures by \$55,329.

General Fund Budgetary Highlights - During the fiscal year, the Town revised the budget several times. 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. Total amendments to the General Fund amounted to increases in the total overall General Fund Budget.

Capital Assets and Debt Administration

Capital Assets - The Town of Hudson's investment in capital assets for its governmental activities as of June 30, 2019, total \$3,702,652 (net of accumulated depreciation). These assets include buildings, land, equipment, vehicles, and park facilities.

Major capital asset transactions during the year include the following:

- Addition to police department: \$76,861
- New patrol vehicles for law enforcement: \$126,989
- HUB station bathroom remodel: \$40,000
- Bleachers/amphitheater: \$23,500
- New windows for Hudson Uptown Building: \$11,957
- Security cameras for Hudson Uptown Building: \$14,095
- New pickup truck: \$25,105
- New Massey-Ferguson tractor: \$19,885
- LED lighting for Hudson Uptown Building: \$24,036
- Horizon building: \$100,000

**Town of Hudson's Capital Assets
(net of depreciation)**

Figure 4

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Land and buildings	\$ 3,938,433	\$ 3,631,440
Other improvements	936,536	936,536
Equipment and vehicles	1,523,997	1,507,924
Furniture and fixtures	<u>304,664</u>	<u>307,921</u>
	6,703,630	6,383,821
Less: Accumulated depreciation	<u>(3,000,978)</u>	<u>(2,930,221)</u>
Total	<u>\$ 3,702,652</u>	<u>\$ 3,453,600</u>

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

Long-Term Debt. As of June 30, 2019, the Town of Hudson had total outstanding debt of \$183,363 due to a capital lease purchase issued April 2019 for three police vehicles and an installment note issued July 2018.

Outstanding Debt

Figure 5

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Installment purchase from direct borrowing	\$ 90,000	\$ -
Capital leases	93,563	28,438
Pension related debt (LGERS)	385,031	238,630
Pension related debt (LEOSSA)	306,896	318,494
Compensated absences	<u>118,996</u>	<u>103,117</u>
Total	<u>\$ 994,286</u>	<u>\$ 688,679</u>

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for the Town of Hudson is \$22,879,269.

Additional information regarding the Town of Lansing's long-term debt can be found in Note III. B. 5.

Economic Factors and Next Year's Budgets and Rates

The following are some of the components that have reflected the economic condition of the Town of Hudson and prospects for the future:

- Caldwell County was experiencing an unemployment rate of 17% in January 2010 and was ranked 97th of North Carolina 100 counties for unemployment. Known as the Furniture Center of the South, most of those furniture factories were closed or downsized. Through much effort on the part of the citizens of Caldwell County, the governing boards of the County and municipalities within Caldwell County, and the Caldwell County Economic Commission – Caldwell County is experiencing nearly full employment today. Caldwell County has the largest number employed and the largest workforce since 2008. Caldwell County has reinvented itself and changed from being primarily furniture manufacturing to a Data Center HUB with the coming of Google and their enormous campus in Lenoir. Caldwell County has attracted several large pharmaceutical manufactures among them are Excelsa in Lenoir and Adhezion Biomedical right here in Hudson. People are working, factories are open, shops are selling merchandise, and the economy is doing well. The economic conditions have slowly but steadily improved. The future is bright for Hudson and all of Caldwell County.
- Hudson's largest and most long-standing businesses are still in operation. Shuford Mills, the oldest operating industry in Hudson, having been in continuous operation since 1904, was sold in December 2010 to Sattler, Inc., based in Austria. A Sattler announcement in 2012 named the Hudson facility its North American headquarters, solidifying their plans to remain a growing and viable company in Hudson. Since that announcement building improvements at Sattler are evident, bolstering the community's confidence in the improving economy. Sattler just purchased 2.7 acres of adjacent land to further expand their operations in Hudson, solidifying their presence here. Other major industries such as Shurtape Technologies, RPM Manufacturing, Sealed Air Corporation, Beo-Care Industries, and others are continuing to be great corporate citizens of Hudson. Industries and commercial business is nearly \$90 million and represent 30% of Hudson's total tax base.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Hudson's budget is traditionally conservative and this year, again, it is so. In order to bring balance to the Town revenues and expenditures department heads were instructed to continue the most minimal budgets reasonable to contain expenditures. The FY19-20 Budget continues the Town's current level of service provided for its citizenry. Our Town staff is our most valued asset and is to be commended for the fine jobs they do. Each employee is dedicated to serving the citizens of Hudson and performing the best possible job in a safe, efficient, and effective manner.

It is estimated that, in the 2019-2020 fiscal year, the Town will spend just over \$3.6 million for general services, including administration, public safety, public works, and recreation. The 2019-2020 General Fund budget reflects less than 1% increase in the operating budget from the total 2018-2019 amended General Fund budget. The fiscal year 2019-2020 budget represents no increase in the current ad valorem property tax rate of 43 cents per \$100 valuation. One cent ad valorem tax on the base valuation is equivalent to \$27,000 in increased revenue. A sanitation fee is proposed to increase 20% at \$9 per month to cover the cost of contract increases with Republic Services. The residential fee will be billed \$108 annually on the ad valorem tax bill. Commercial businesses' solid waste is collected twice weekly. The commercial businesses sanitation fee is proposed to remain at \$216 billed annually to the property owner. All other fees remain the same.

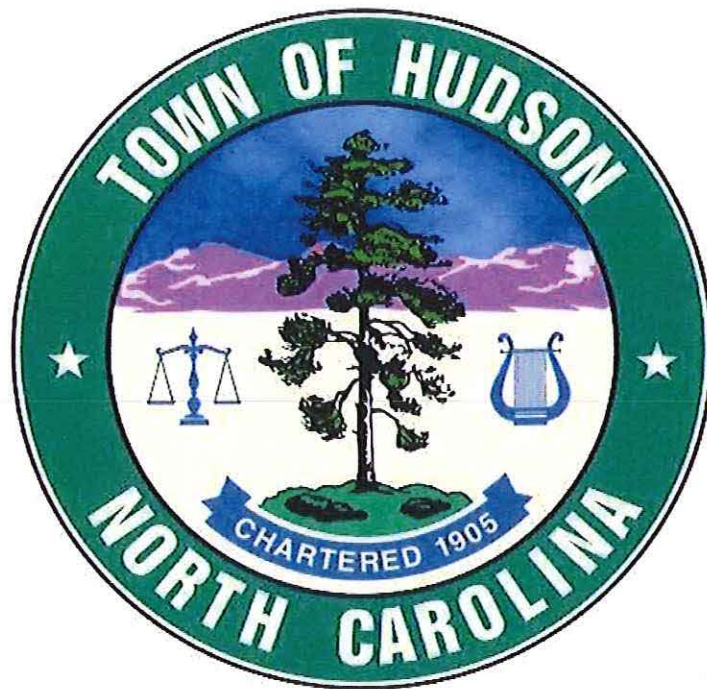
Town staffing levels are to remain steady for the 2019-2020 fiscal year. The Town has several long tenured employees who are or are becoming eligible for retirement in the near future. The Town must consider a succession plan for the near future. The 2018-2019 budget includes a COLA of 2% for employees as well as a 1% merit increase. Other expenditures remain relatively flat with the bulk of increase due to long overdue capital outlay needs.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager or Finance Officer, Town of Hudson, P.O. Box 457, Hudson, NC 28638.

TOWN OF HUDSON, NORTH CAROLINA

Basic Financial Section



TOWN OF HUDSON

Exhibit A

Statement of Net Position June 30, 2019

	Primary Government	
	Governmental	
	Activities	Total
<u>Assets</u>		
Current assets:		
Cash and investments	\$ 1,499,521	\$ 1,499,521
Taxes receivable (net)	75,571	75,571
Intergovernmental receivable (net)	255,494	255,494
Other receivables	33,663	33,663
Prepaid items	7,927	7,927
Restricted cash	226,867	226,867
Total current assets	2,099,043	2,099,043
Noncurrent assets:		
Capital assets:		
Land and construction in progress, non-depreciable	413,071	413,071
Other capital assets, net of depreciation	3,289,581	3,289,581
Total capital assets	3,702,652	3,702,652
Total assets	5,801,695	5,801,695
<u>Deferred Outflows of Resources</u>		
Contributions to pension plan in current fiscal year	98,584	98,584
Pension deferrals	276,878	276,878
Total deferred outflows of resources	375,462	375,462
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	113,984	113,984
Prepaid fees	4,525	4,525
Current portion of long-term liabilities	89,065	89,065
Total current liabilities	207,574	207,574
Long-term liabilities:		
Net pension liability (LGERS)	385,031	385,031
Total pension liability (LEOSSA)	306,896	306,896
Due in more than one year	213,294	213,294
Total long-term liabilities	905,221	905,221
Total liabilities	1,112,795	1,112,795
<u>Deferred Inflows of Resources</u>		
Pension deferrals	18,899	18,899
Prepaid taxes	2,475	2,475
Total deferred inflows of resources	21,374	21,374
<u>Net Position</u>		
Net investment in capital assets	3,519,289	3,519,289
Restricted for:		
Stabilization for state statute	266,593	266,593
Streets	226,867	226,867
Unrestricted	1,030,239	1,030,239
Total net position	\$ 5,042,988	\$ 5,042,988

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

TOWN OF HUDSON

Exhibit B

Statement of Activities For the Year Ended June 30, 2019

					Net (Expense) Revenue and Changes in Net Position	
Program Revenues					Primary Government	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary government:						
Governmental Activities:						
General government	\$ 688,139	\$ 61,675	\$ -	\$ -	\$ (626,464)	\$ (626,464)
Public safety	987,330	1,210	162,949	-	(823,171)	(823,171)
Street and public works	574,540	-	-	119,464	(455,076)	(455,076)
Environmental protection	130,691	132,607	-	-	1,916	1,916
Cultural and recreational	449,508	183,524	-	-	(265,984)	(265,984)
Economic and physical development	259,929	19,202	28,355	-	(212,372)	(212,372)
Interest in long-term debt	1,991	-	-	-	(1,991)	(1,991)
Total government activities	3,092,128	398,218	191,304	119,464	(2,383,142)	(2,383,142)
Total primary government	\$ 3,092,128	\$ 398,218	\$ 191,304	\$ 119,464	(2,383,142)	(2,383,142)
General revenues:						
Taxes:						
Ad valorem taxes					1,331,383	1,331,383
Local option sales tax					660,092	660,092
Franchise tax					217,680	217,680
Other taxes					290,259	290,259
Interest earned on investments					31,539	31,539
Total general revenues					2,530,953	2,530,953
Change in net position					147,811	147,811
Net Position:						
Beginning of year - July 1					4,895,177	4,895,177
End of year - June 30					\$ 5,042,988	\$ 5,042,988

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

TOWN OF HUDSON

Exhibit C

**Balance Sheet
Governmental Funds
June 30, 2019**

	<u>Major Fund</u> General Fund	<u>Capital</u> <u>Improvement</u> Capital Project Fund	<u>Total</u> Governmental Funds
<u>Assets</u>			
Current assets:			
Cash and investments	\$ 1,466,272	\$ 33,249	\$ 1,499,521
Taxes receivable, net	75,571	-	75,571
Due from other governments	255,494	-	255,494
Other receivables	33,100	563	33,663
Prepaid items	7,927	-	7,927
Restricted cash	226,867	-	226,867
Total assets	<u>\$ 2,065,231</u>	<u>\$ 33,812</u>	<u>\$ 2,099,043</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>			
Liabilities:			
Accounts payable and accrued expenses	\$ 113,749	\$ 235	\$ 113,984
Prepaid fees	4,525	-	4,525
Total liabilities	<u>118,274</u>	<u>235</u>	<u>118,509</u>
Deferred inflows of resources:			
Property taxes receivable	75,571	-	75,571
Other receivables	19,526	-	19,526
Prepaid taxes	2,475	-	2,475
Total deferred inflows of resources	<u>97,572</u>	<u>-</u>	<u>97,572</u>
Fund balances:			
Non-spendable:			
Prepaid items	7,927	-	7,927
Restricted:			
Stabilization for State Statute	266,593	-	266,593
Streets	226,867	-	226,867
Assigned	273,645	33,577	307,222
Unassigned	1,074,353	-	1,074,353
Total fund balances	<u>1,849,385</u>	<u>33,577</u>	<u>1,882,962</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,065,231</u>	<u>\$ 33,812</u>	<u>\$ 2,099,043</u>

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

TOWN OF HUDSON**Exhibit D****Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2019**

Total fund balances, governmental fund	\$ 1,882,962
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,702,652
Pension liabilities (LGERS & LEOSSA)	(691,927)
Deferred outflows of resources related to pensions are not reported in the funds.	375,462
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(302,359)
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be available within 60 days of year-end. These receivables are a component of net position in the Statement of Net Position.	95,097
Pension related deferrals	<u>(18,899)</u>
Net position of governmental activities	<u>\$ 5,042,988</u>

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

TOWN OF HUDSON

Exhibit E

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Year ended June 30, 2019

	Major Fund General Fund	Capital Improvement Capital Project Fund	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 1,331,383	\$ -	\$ 1,331,383
Other taxes and licenses	895,591	-	895,591
Unrestricted intergovernmental	272,440	-	272,440
Restricted intergovernmental	282,413	-	282,413
Permits and fees	136,591	-	136,591
Sales and services	242,425	19,202	261,627
Donations	-	28,355	28,355
Investment earnings	31,539	-	31,539
Total revenues	<u>3,192,382</u>	<u>47,557</u>	<u>3,239,939</u>
Expenditures:			
Current:			
General government	567,941	-	567,941
Public safety	1,177,373	-	1,177,373
Street and public works	562,416	-	562,416
Environmental protection	130,691	-	130,691
Cultural and recreational	419,919	-	419,919
Economic and physical development	352,581	-	352,581
HUB station	-	13,980	13,980
Debt service:			
Principal	66,068	-	66,068
Interest	1,991	-	1,991
Total expenditures	<u>3,278,980</u>	<u>13,980</u>	<u>3,292,960</u>
Revenues over (under) expenditures	<u>(86,598)</u>	<u>33,577</u>	<u>(53,021)</u>
Other Financing Sources (Uses):			
Proceeds from installment note and capital lease	126,989	-	126,989
Sales of fixed assets	14,937	-	14,937
Transfer to other funds	-	-	-
Fund balance appropriated	-	-	-
Total other financing sources (uses)	<u>141,926</u>	<u>-</u>	<u>141,926</u>
Net change in fund balances	55,329	33,577	88,906
Fund Balances:			
Beginning of year - July 1	1,794,056	-	1,794,056
End of year - June 30	<u>\$ 1,849,385</u>	<u>\$ 33,577</u>	<u>\$ 1,882,962</u>

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

TOWN OF HUDSON

Exhibit F**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019**

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

Net changes in fund balances - total governmental funds	\$ 88,906
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental fund statement.	
Change in unavailable revenues for tax revenues	(4,882)
Other	1,659
Expenses related to compensated absences and the Law Enforcement Officers Separation Allowance that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(15,879)
Change in deferred outflow - pension	112,045
Change in deferred inflows - pension	6,638
Change in net pension liability	(134,803)
The issuance of long-term debt provides current financial resources to governmental funds. The transaction does not have an effect on net position.	(220,993)
Debt principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	66,068
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	492,297
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(243,245)
Total changes in net position of governmental activities	<u>\$ 147,811</u>

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

TOWN OF HUDSON

Exhibit G

General Fund Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual For the Year Ended June 30, 2019

	Budgeted Amount			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 1,251,500	\$ 1,251,500	\$ 1,331,383	\$ 79,883
Other taxes and licenses	886,000	886,000	895,591	9,591
Unrestricted intergovernmental	266,800	267,100	272,440	5,340
Restricted intergovernmental	284,500	284,500	282,413	(2,087)
Permits and fees	134,500	166,065	136,591	(29,474)
Sales and services	240,400	260,400	242,425	(17,975)
Investment earnings	-	6,000	31,539	25,539
Total revenues	<u>3,063,700</u>	<u>3,121,565</u>	<u>3,192,382</u>	<u>70,817</u>
Expenditures:				
Current:				
General government	624,548	635,706	567,941	67,765
Public safety	1,154,081	1,238,697	1,177,373	61,324
Street and public works	511,392	606,889	562,416	44,473
Environmental protection	134,120	134,120	130,691	3,429
Cultural and recreational	447,338	472,398	419,919	52,479
Economic and physical development	288,959	424,774	352,581	72,193
Contingency	55,262	11,521	-	11,521
Debt service:				-
Principal retirement	-	66,068	66,068	-
Interest and fees	-	1,991	1,991	-
Total expenditures	<u>3,215,700</u>	<u>3,592,164</u>	<u>3,278,980</u>	<u>313,184</u>
Revenues over (under) expenditures	<u>(152,000)</u>	<u>(470,599)</u>	<u>(86,598)</u>	<u>384,001</u>
Other Financing Sources (Uses):				
Proceeds from installment note and capital lease	-	126,989	126,989	-
Sale of fixed assets	-	10,550	14,937	4,387
Fund balance appropriated	152,000	333,060	-	(333,060)
Total other financing sources (uses)	<u>152,000</u>	<u>470,599</u>	<u>141,926</u>	<u>(328,673)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	55,329	<u>\$ 55,329</u>
Fund Balance:				
Beginning of year - July 1			<u>1,794,056</u>	
End of year - June 30			<u>\$ 1,849,385</u>	

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

TOWN OF HUDSON

Notes to the Financial Statements For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Hudson, North Carolina is a municipal corporation that is governed by an elected Mayor and a six-member Board of Commissioners.

B. Basis of Presentation

Government-Wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements report the *governmental activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental fund:

Capital Project Campaign HUB Station - This fund is used to account for the construction of the Hudson Uptown Building facility.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Government-Wide Fund Financial Statements: The government-wide fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for the 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 utilities franchise tax, collected and held by the State at the year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Hudson because the tax is levied by Caldwell County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when the program

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

D. 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 those estimates. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

E. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for multi-year funds. The Town Manager is authorized to transfer appropriations between departments up to \$5,000; however, any revisions that alter the total expenditures of any department or fund by greater than \$5,000 must be previously approved by the governing board. The Board must be notified of transfers of appropriations of less than \$5,000 at the next scheduled Board meeting.

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

1. Deposits and Investments

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

State law [G.S. 159-30 (c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Nonparticipating interest-earning investments contracts are accounted for at cost. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized costs, which is NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

The Town 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.

3. Restricted Assets

Powell Bill funds, in the General Fund, are classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

Town of Hudson Restricted Cash

Governmental activities:

General Fund:

Streets

\$ 226,867

Total restricted cash

\$ 226,867

4. Ad Valorem Taxes Receivable

In accordance with State Law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Prepaid Items

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

7. Capital Assets

Capital assets are recorded at original cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. Also, the Town has elected not to capitalize those interest costs that are incurred during the construction period of general capital assets. 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.

Certain items are recorded at an estimated original cost. The total of such estimates is not considered large enough that the errors would be material when capital assets are considered as a whole.

In conjunction with implementing GASB 34, "The New Reporting Model," the Town began capitalizing public domain ("infrastructure") capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems as of July 1, 2003. Infrastructure assets exceeding the Town's capitalization threshold of \$1,000 will be reported as capital assets in the Statement of Net Position. General governmental infrastructure assets acquired prior to July 1, 2003 were not retroactively reported; therefore, the infrastructure capital assets in the Statement of Net Position only include assets purchased after July 1, 2003.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
General governmental infrastructure - road network	45 years
General governmental infrastructure - bridges	50 years
Buildings	40 years
Other improvements	10 - 40 years
Equipment and vehicles	3 - 10 years

8. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion: contributions made to the pension plan in the 2019 fiscal year and pension related to deferrals. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meets the criteria for this category: prepaid taxes, property taxes receivable, other receivables, and pension deferrals.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities.

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.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensation 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.

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepaid Items - portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items, 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 - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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 - The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's 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.

Assigned Fund Balance - Assigned fund balance is the portion of fund balance that the Town of Hudson intends to use for specific purposes. The Town's governing body has the authority to assign fund balance. The Manager/Finance Officer, as granted in the officially adopted budget ordinance, has been granted limited authority to assign fund balance.

Assigned for HUB Station - portion of fund balance that has been budgeted by the Board for construction of the Hudson Uptown Building facility.

Assigned for subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to make certain modifications without requiring board approval.

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

The Town of Hudson has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: debt proceeds, federal funds, State funds, local non-Town funds, Town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town or when required by grant or other contractual agreements.

The Town has not officially adopted a fund balance policy.

12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government Employees' Retirement System (LERS) and additions to/deductions from LERS' fiduciary net position have been determined on the same basis as they are reported by LERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LERS. Investments are reported at fair value.

II. Stewardship, Compliance, and Accountability

None noted.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2019, the Town's deposits had a carrying amount of \$563,458, and a bank balance of \$701,291. Of the bank balance, \$351,306 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$1,485.

2. Investments

At June 30, 2019, the Town of Hudson had \$1,161,445 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAm by Standard and Poor's.

Interest Rate Risk. The Town does not have a formal investment policy regarding interest rate risk.

Credit Risk. The Town has no formal policy regarding credit risk.

3. Receivables - Allowance for Doubtful Accounts

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

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 33,100	\$ 188,928	\$ 255,494	\$ 477,522
Allowance for doubtful accounts	-	(113,357)	-	(113,357)
Total governmental activities	<u>\$ 33,100</u>	<u>\$ 75,571</u>	<u>\$ 255,494</u>	<u>\$ 364,165</u>

Due from other governments consisted of the following:

Local option sales tax	\$ 156,519
Sales tax	19,919
NCDMV	12,656
Franchise tax	<u>66,400</u>
Total	<u>\$ 255,494</u>

4. Capital Assets

Primary Government

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	<u>\$ 413,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 413,071</u>
Total capital assets not being depreciated	<u>413,071</u>	<u>-</u>	<u>-</u>	<u>413,071</u>
Capital assets being depreciated:				
Land improvements	936,536	-	-	936,536
Buildings	3,218,369	306,993	-	3,525,362
Furniture and fixtures	307,921	1,590	(4,847)	304,664
Equipment and vehicles	<u>1,507,924</u>	<u>183,714</u>	<u>(167,641)</u>	<u>1,523,997</u>
Total capital assets being depreciated	<u>5,970,750</u>	<u>492,297</u>	<u>(172,488)</u>	<u>6,290,559</u>
Less accumulated depreciation for:				
Land improvements	(439,451)	(38,111)	-	(477,562)
Building	(1,097,762)	(91,983)	-	(1,189,745)
Furniture and fixtures	(252,600)	(6,712)	4,847	(254,465)
Equipment and vehicles	<u>(1,140,408)</u>	<u>(106,439)</u>	<u>167,641</u>	<u>(1,079,206)</u>
Total accumulated depreciation	<u>(2,930,221)</u>	<u>(243,245)</u>	<u>172,488</u>	<u>(3,000,978)</u>
Total capital assets being depreciated, net	<u>3,040,529</u>	<u>249,052</u>	<u>-</u>	<u>3,289,581</u>
 Governmental activity capital assets, net	 <u>\$3,453,600</u>	 <u>\$ 249,052</u>	 <u>\$ -</u>	 <u>\$3,702,652</u>

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

Governmental Activities:	
General government	\$ 77,838
Public safety	53,514
Public works	38,919
Culture and recreation	<u>72,974</u>
Total depreciation expense	<u>\$243,245</u>

B. Liabilities

1. Payables

Payables at June 30, 2019 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities:			
General	<u>\$ 49,696</u>	<u>\$ 64,288</u>	<u>\$113,984</u>

2. Pension Plan and Post-employment Obligations

a. Local Government Employees' Retirement System

Plan Description: The Town is a participating employer in the state-wide 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 government 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 LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling 919-981-5454, or at www.osc.nc.gov.

Benefits Provided: LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with

15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to 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 Town of Hudson employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2019 was 8.5% of compensation for law enforcement officers and 7.75% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$114,727 for the year ended June 30, 2019.

Refunds of Contributions: Town employees who have terminated service as a contributing member of LGERS may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2019, the Town reported a liability of \$385,031 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.01623%, which was an increase of 0.00061% from its portion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$114,727. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actuarial experience	\$ 59,401	\$ 1,993
Changes of assumptions	102,172	-
Net difference between projected and actual earning on pension plan investments	52,853	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	24,735	1,035
Town contributions subsequent to the measurement date	<u>98,584</u>	<u>-</u>
Total	<u>\$ 337,745</u>	<u>\$ 3,028</u>

\$98,584 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2020	\$ 73,539
2021	19,300
2022	33,635
2023	-
Thereafter	<u>-</u>
	<u>\$ 126,474</u>

Actuarial Assumptions: The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increase	3.50% to 8.10%, including inflation and productivity factor
Investment rate of return	7.20%, 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, 2017 valuation were based on the results of an actuarial experience study of the period ending January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

<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	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 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 calculation from nominal rates 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 7.20%. The projection of cash flows used to determine the discount rate assumed that contribution 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 member. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefits payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate: The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$924,878	\$385,031	\$(66,073)

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

b. Law Enforcement Officers' Special Separation Allowance

Plan Description: The Town administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town'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 .85% 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 that authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>13</u>
Total	<u>15</u>

A separate report was not issued for the plan

Summary of Significant Accounting Policies

Basis of Accounting: The Town 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 and refunds are recognized when due and payable in accordance with the terms of the plan.

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

Method Used to Value Investments: No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2017 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increase	3.50% to 7.35%, including inflation and productivity factor
Discount rate	3.64%

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ended December 31, 2014.

Deaths After Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths Before Retirement: RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

Deaths After Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 123% for males and females.

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

Contributions: The Town 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 operation budget. There were no contributions made by the employees. The Town'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 Town paid \$22,808 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, 2019, the Town reported a total pension liability of \$306,896. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$29,077.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actuarial experience	\$ 11,533	\$ 3,763
Changes of assumptions	11,249	12,108
Town benefit payments and plan administrative expenses made subsequent to the measurement date	<u>14,935</u>	<u>-</u>
Total	<u>\$ 37,717</u>	<u>\$ 15,871</u>

\$14,935 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2020	\$ 1,976
2021	1,976
2022	1,976
2023	2,527
2024	(1,314)
Thereafter	<u>(230)</u>
Total	<u>\$ 6,911</u>

Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate: The following presents the Town's total pension liability calculated using the discount rate of 3.64%, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.64%) or 1-percentage-point higher (4.64%) than the current:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Town's proportionate share of the net pension liability (asset)	<u>\$330,481</u>	<u>\$306,896</u>	<u>\$285,482</u>

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

	<u>2019</u>
Beginning balance	\$ 318,494
Service cost	17,048
Interest on the total pension liability	9,704
Differences between expected and actual experience	(4,502)
Changes of assumptions or other inputs	(11,040)
Benefit payments	<u>(22,808)</u>
Ending balance of the total pension liability	<u>\$306,896</u>

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, 2017 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
Related to Pensions***

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$114,727	\$ 29,077	\$143,804
Pension Liability	385,031	306,896	691,927
Proportionate share of the net pension liability	0.01623%	N/A	

Deferred of Outflows of Resources:

Difference between expected and actual experience	59,401	11,533	70,934
Change in assumptions	102,172	11,249	113,421
Net difference between projected and actual earnings on plan investments	52,853	-	52,853
Change in proportion and differences between contributions and proportionate share of contributions	24,735	-	24,735
Benefit payments and administrative cost paid subsequent to measurement date	98,584	14,935	113,519

Deferred of Inflows of Resources:

Difference between expected and actual experience	1,993	3,763	5,756
Change in assumptions	-	12,108	12,108
Change in proportion and differences between contributions and proportionate share of contributions	1,035	-	1,035

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description: The Town 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 Town. 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for 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 Serve Center, Raleigh, North Carolina 27699-1410, or by calling 919-981-5454.

Funding Policy: Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

The Town elects to contribute 3% of employees' salaries not engaged in law enforcement. Contributions for the year ended June 30, 2019 were \$65,640, which consisted of \$28,488 from the Town for law enforcement, \$19,157 from the Town for general employees, \$10,640 from the law enforcement officers, and \$7,355 from the general employees.

d. Other Employment Benefits

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

3. Deferred Outflows and Inflows of Resources

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

	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 98,584
Benefit payments made and administration expenses for LEOSA	14,935
Differences between expected and actual experience	70,934
Changes of assumptions	113,421
Net difference between expected and actual experience	52,853
Changes of assumptions	<u>24,735</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u><u>\$375,462</u></u>

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

	<u>Statement of Net Position</u>	<u>Fund Balance Sheet</u>
Other receivables	\$ -	\$ 19,526
Prepaid taxes	2,475	2,475
Taxes receivable, less penalties	-	75,571
Changes in assumptions (LEOSSA)	12,108	-
Differences between expected and actual experience (LGERS)	1993	-
Differences between expected and actual experience (LEOSSA)	3,763	-
Changes in proportion and differences between employer contributions and proportionate share of contributions (LGERS)	<u>1,035</u>	<u>-</u>
	<u>\$ 21,374</u>	<u>\$ 97,572</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial coverage for all risks of loss. The Town of Hudson has entered into an insurance contract with "A" rated insurance carrier Argonaut Insurance for the property and liability risks. The risk of injury to employees has been transferred likewise to "A+" rated insurance carrier BITCO Insurance Company. Automobile liability, law enforcement liability, employment practices liability, public officials liability, and general liability each are insured up to \$2,000,000. Additionally, the Town carries an umbrella liability of \$1,000,000. Property coverage for all building and personal property is in excess of \$7.5 million. Workers' compensation coverage of loss limits are the limits established by North Carolina General Statutes as set forth in North Carolina G.S. 97-31. Employee health insurance is provided by commercial coverage with United Healthcare with an unlimited Lifetime Maximum Benefit.

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

The Town is located in an area of the state mapped and designated "Zone A" by the Federal Emergency Management Agency and, thus, the Town has elected not to carry specific flood insurance coverage. Although the Town does not have any structures in the designated "A" areas, the current policy provides \$1,000,000 flood coverage as part of the package of coverage.

In accordance with North Carolina G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance-bonded through a commercial surety bond. The finance officer is bonded for \$50,000 and tax collector is bonded for \$10,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

5. Long-Term Obligations

a. Capital Lease

The Town entered into several capital leases for the purchase of police patrol vehicles. The lease agreements qualify as a capital lease for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of its inception.

The first capital lease was executed on May 22, 2018 and requires three annual lease payments of \$15,729. The title will pass to the Town at the end of the lease term during the 2019-2020 fiscal year. The second capital lease was executed April 5, 2019 and requires three annual lease payments of \$42,330. The title will pass to the Town at the end of the lease term during the 2020-2021 fiscal year.

The following is an analysis of the assets recorded under capital leases at June 30, 2019:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Vehicles	<u>\$171,156</u>	<u>\$15,919</u>	<u>\$155,237</u>

The future minimum lease obligations and net present value of these minimum lease payments as of June 30, 2019 were as follows:

<u>Year Ending June 30</u>	<u>Principal</u>
2020	\$ 58,058
2021	<u>42,330</u>
Total minimum lease payments	100,388
Less: amount representing interest	<u>(7,025)</u>
Present value of the minimum lease payments	<u>\$ 93,363</u>

b. Direct Borrowing Installment Purchase

In July, 2018, the Town entered into a \$100,000 direct borrowing installment purchase for a building. The financing contract requires principal payments beginning in the fiscal year 2018 with no interest. Annual debt service payments of the installment purchase as of June 30, 2019 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$10,000	\$ -
2021	10,000	-
2022	10,000	-
2023	10,000	-
2024	10,000	-
2024-2028	<u>40,000</u>	<u>-</u>
Total	<u>\$90,000</u>	<u>\$ -</u>

A summary of changes in long-term obligations follows:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2019</u>	<u>Current Portion</u>
Governmental Activities:					
Capital leases	\$ 28,438	\$ 120,993	\$ 56,068	\$ 93,363	\$ 53,065
Installment purchase from direct borrowing	-	100,000	10,000	90,000	10,000
Net pension liability (LGRS)	238,630	146,401	-	385,031	-
Total pension liability (LEOSSA)	318,494	-	11,598	306,896	-
Accrued vacation pay	<u>103,117</u>	<u>15,879</u>	<u>-</u>	<u>118,996</u>	<u>26,000</u>
Total	<u>\$688,679</u>	<u>\$383,273</u>	<u>\$ 77,666</u>	<u>\$994,286</u>	<u>\$ 89,065</u>

Compensated absences and net pension obligation typically have been liquidated in the General Fund. Compensated absences are accounted for on an FIFO basis, assuming that employees are taking leave time as it is earned.

At June 30, 2019, the Town had a legal debt margin of approximately \$22,879,269.

6. Net Investment in Capital Assets

	Governmental Activities
Capital assets	\$ 3,702,652
Less: long-term debt	(183,363)
Add: unexpended debt proceeds	<u>-</u>
Net investment in capital asset	<u>\$ 3,519,289</u>

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>\$1,849,385</u>
Less:	
Prepaid items	7,927
Stabilization by State Statute	266,593
Streets - Powell Bill	226,867
Appropriated Fund balance in 2020 budget	273,645
Remaining Fund Balance	1,074,353

IV. Jointly Governed Organization

The Town, in conjunction with four counties and 23 municipalities established the Western Piedmont Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each Participating government appoints one member to the Council's governing board. The Town paid \$2,366 for membership fees and \$44,902 for administrative services during the fiscal year ended June 30, 2019.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys 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 moneys.

VI. Significant Effects of Subsequent Events

Management has evaluated subsequent events through October 28, 2019, the date on which the financial statements were available to be issued. During the period from the end of the year and through this date, no circumstances occurred that require recognition or disclosure in these financial statements.

TOWN OF HUDSON, NORTH CAROLINA

Required Supplementary Information



TOWN OF HUDSON**Schedule 1**

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Three Fiscal Years***

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 318,494	\$ 275,384	\$ 273,702
Service cost	17,048	13,298	11,718
Interest on the total pension liability	9,704	10,358	9,519
Differences between expected and actual experience in the measurement of the total pension liability	(4,502)	16,985	-
Changes of assumptions or other inputs	(11,040)	16,569	(5,455)
Benefit payments	<u>(22,808)</u>	<u>(14,100)</u>	<u>(14,100)</u>
Ending balance of the total pension liability	<u>\$ 306,896</u>	<u>\$ 318,494</u>	<u>\$ 275,384</u>

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

*Pension schedules are intended to show information for ten years, additional years' information will be displayed as it comes available.

TOWN OF HUDSON**Schedule 2**

**Schedule of Total Pension Liability as a Percentage of Covered
Payroll Law Enforcement Officers' Special Separation Allowance
Last Three Fiscal Years
Law Enforcement Officers' Special Separation Allowance**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 306,896	\$ 318,494	\$ 275,384
Covered payroll	537,545	526,445	455,750
Total pension liability as a percentage of covered payroll	57.09%	60.50%	60.42%

Notes to the schedules:

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

TOWN OF HUDSON

Schedule 3

Town of Hudson's Proportionate Share of Net Pension Liability (Asset) Required Supplementary Information Last Six Fiscal Years* Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset) (%)	0.01623%	0.01562%	0.01417%	0.01606%	0.01596%	0.01620%
Proportion of the net pension liability (asset) (\$)	\$ 385,031	\$ 238,630	\$ 300,734	\$ 72,075	\$ (94,124)	\$ 195,272
Town of Hudson's covered payroll	\$ 1,141,110	\$ 1,065,552	\$ 996,565	\$ 937,463	\$ 908,139	\$ 845,003
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	33.74%	22.39%	30.18%	7.69%	-10.36%	23.11%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.
Pension schedules are intended to show information for ten years, additional years' information will be displayed as it comes available.

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

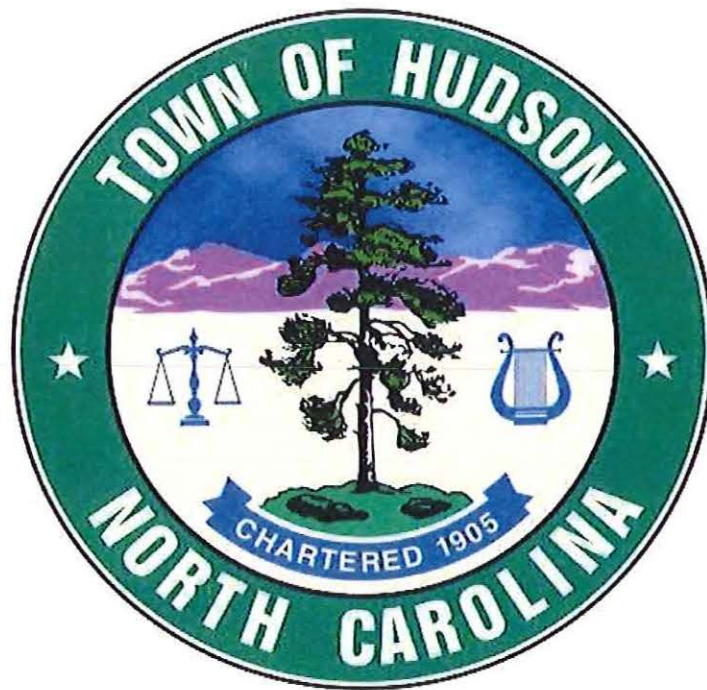
TOWN OF HUDSON**Schedule 4**

**Town of Hudson's Contributions
Required Supplementary Information
Last Six Fiscal Years
Local Government Employees' Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 98,584	\$ 89,523	\$ 80,964	\$ 68,641	\$ 67,754	\$ 65,014
Contributions in relation to the contractually required contribution	<u>98,584</u>	<u>89,523</u>	<u>80,964</u>	<u>68,641</u>	<u>67,754</u>	<u>65,014</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Hudson's covered payroll	\$ 1,291,263	\$ 1,141,110	\$ 1,065,552	\$ 996,565	\$ 937,463	\$ 908,139
Contributions as a percentage of covered payroll	7.63%	7.85%	7.60%	6.89%	7.23%	7.16%

TOWN OF HUDSON, NORTH CAROLINA

Supplementary Information



TOWN OF HUDSON

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General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual For the Year Ended June 30, 2019
(With Comparative Actual Totals for the Year Ended June 30, 2018)

	<u>2019</u>		<u>Variance</u>	<u>2018</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
Revenues:				
Ad valorem taxes:				
Taxes - net of discount	\$ 1,242,500	\$ 1,306,919	\$ -	\$ 1,231,818
Penalties and interest	9,000	24,464	-	20,386
Total ad valorem taxes	<u>1,251,500</u>	<u>1,331,383</u>	<u>79,883</u>	<u>1,252,204</u>
Other Taxes:				
Local option sales tax	259,000	266,741	-	247,958
Half-cent local option sales tax	211,000	221,947	-	196,822
Additional half-cent local option sales tax	125,000	118,504	-	120,626
Article 44 half-cent local option sales tax	53,000	52,900	-	50,458
Sales tax hold harmless	238,000	235,499	-	219,966
Total other taxes	<u>886,000</u>	<u>895,591</u>	<u>9,591</u>	<u>835,830</u>
Unrestricted intergovernmental revenues:				
Franchise tax	211,000	217,680	-	209,451
Solid waste disposal tax	3,000	2,776	-	2,724
Cable TV franchise tax	36,000	34,629	-	36,326
Beer and wine tax	17,100	17,355	-	17,083
Total unrestricted intergovernmental revenues	<u>267,100</u>	<u>272,440</u>	<u>5,340</u>	<u>265,584</u>
Restricted intergovernmental revenues:				
State street allocation - Powell Bill	120,000	119,464	-	120,967
Governor's Highway Safety Program	-	-	-	17,500
CCC&TI Officer	163,000	161,863	-	157,808
Resource officer donation	1,500	1,086	-	4,635
Total restricted intergovernmental revenues	<u>284,500</u>	<u>282,413</u>	<u>(2,087)</u>	<u>300,910</u>
Permits and Fees:				
Sanitation fee	130,500	132,607	-	135,455
Zoning permits	1,200	1,625	-	1,800
Court costs	1,000	1,210	-	1,036
Miscellaneous	33,365	1,149	-	3,473
Total permits and fees	<u>166,065</u>	<u>136,591</u>	<u>(29,474)</u>	<u>141,764</u>

cont.

TOWN OF HUDSON

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General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual For the Year Ended June 30, 2019
(With Comparative Actual Totals for the Year Ended June 30, 2018)

	2019		Variance Positive (Negative)	2018 Actual
	<u>Budget</u>	<u>Actual</u>		
Sales and Services:				
Pool admissions	\$ 20,000	\$ 17,784	\$ -	\$ 19,128
Pool concessions	6,000	6,933	-	7,958
Recreation center concessions	10,000	7,583	-	6,858
Fees and lessons	31,550	29,906	-	32,914
Park rental fees	14,000	10,270	-	2,850
Hudson Uptown Building rental	35,500	39,751	-	28,645
Hudson Uptown Building ticket sales	79,250	61,897	-	75,901
Hudson Uptown Building advertising	10,000	9,400	-	7,000
BellSouth lease	20,000	20,633	-	21,699
Lease revenue	33,600	37,250	-	33,600
Miscellaneous	500	1,018	-	1,290
Total sales and services	<u>260,400</u>	<u>242,425</u>	<u>(17,975)</u>	<u>237,843</u>
Investment earnings	<u>6,000</u>	<u>31,539</u>	<u>25,539</u>	<u>15,856</u>
Total revenues	<u>3,121,565</u>	<u>3,192,382</u>	<u>70,817</u>	<u>3,049,991</u>
Expenditures:				
General government:				
Governing Body:				
Salaries	20,925	14,595	-	11,025
Social security	1,600	1,117	-	843
Travel and training	1,880	1,555	-	1,371
Departmental supplies	575	571	-	221
Election expense	-	-	-	4,675
Workers' compensation	50	40	-	64
Insurance and bonds	1,420	1,419	-	1,421
Miscellaneous	4,925	2,828	-	8,454
Total governing body	<u>31,375</u>	<u>22,125</u>	<u>9,250</u>	<u>28,074</u>
Administration:				
Salaries	89,427	89,292	-	79,437
Social security	6,638	6,619	-	6,158
Group insurance	7,178	7,174	-	6,897
				cont.

TOWN OF HUDSON

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General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual For the Year Ended June 30, 2019
(With Comparative Actual Totals for the Year Ended June 30, 2018)

	2019		Variance	2018
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
Retirement	\$ 7,049	\$ 6,799	\$ -	\$ 8,498
Unemployment insurance	200	189	-	-
Fringe benefits	25,865	-	-	388
Telephone	1,000	886	-	961
Postage	1,000	865	-	844
Printing	175	117	-	88
Utilities	2,600	2,571	-	1,868
Travel and training	1,600	1,344	-	628
Maintenance and repairs:				
Building and grounds	5,000	4,659	-	691
Equipment	700	278	-	93
Advertising	5,000	2,327	-	2,094
Gasoline	-	-	-	121
Departmental supplies	3,000	2,338	-	1,859
Contracted services	9,500	7,823	-	7,289
Workers' compensation	150	85	-	136
Insurance and bonds	1,400	954	-	1,372
Dues and subscriptions	12,000	11,247	-	11,005
Capital outlay	-	-	-	39,990
Miscellaneous	1,500	1,066	-	934
Total administration	<u>180,982</u>	<u>146,633</u>	<u>34,349</u>	<u>171,351</u>
Professional and Legal:				
Legal retainer	5,000	5,000	-	5,000
Contracted services	5,000	1,236	-	2,074
Travel and training	1,990	1,423	-	1,404
Miscellaneous	10	10	-	-
Total professional and legal	<u>12,000</u>	<u>7,669</u>	<u>4,331</u>	<u>8,478</u>
Finance:				
Salaries	112,370	110,017	-	78,802
Annual audit	21,500	21,500	-	14,700
Social security	8,357	6,735	-	5,355
Group insurance	17,740	15,669	-	13,528
Retirement	8,455	8,307	-	8,287
Telephone	500	471	-	510
				cont.

TOWN OF HUDSON

Schedule 5

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General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual For the Year Ended June 30, 2019
(With Comparative Actual Totals for the Year Ended June 30, 2018)

	2019		Variance Positive (Negative)	2018 Actual
	<u>Budget</u>	<u>Actual</u>		
Postage	\$ 300	\$ 300	\$ -	\$ 250
Printing	750	117	-	822
Utilities	1,500	1,372	-	1,373
Travel and training	2,000	1,989	-	254
Equipment lease	2,575	2,560	-	2,705
Departmental supplies	3,800	3,764	-	1,403
Contracted services	12,000	11,806	-	10,168
Dues and subscriptions	300	260	-	260
Workers' compensation	100	51	-	127
Insurance and bonds	560	555	-	552
Credit card fees	3,650	3,188	-	2,823
Capital outlay	3,040	1,799	-	4,446
Miscellaneous	500	487	-	425
Total finance	<u>199,997</u>	<u>190,947</u>	<u>9,050</u>	<u>146,790</u>
Tax Collection:				
Salaries and wages	58,335	58,215	-	53,473
Social security	4,281	4,261	-	4,141
Group insurance	7,081	7,077	-	6,800
Retirement	4,405	4,399	-	5,761
Postage	850	850	-	928
Telephone	300	238	-	256
Printing	200	117	-	671
Utilities	1,425	1,372	-	1,372
Travel and training	50	50	-	125
Advertising	-	-	-	834
Departmental supplies	5,810	5,805	-	1,897
Motor vehicle tax collection	5,160	5,695	-	4,731
Contracted services	2,900	2,899	-	1,693
Dues and subscriptions	170	240	-	230
Workers' compensation	60	54	-	86
Insurance and bonds	625	620	-	654
Miscellaneous	200	156	-	-
Capital outlay	-	-	-	2,625
Equipment lease	375	363	-	506
Total tax collection	<u>92,227</u>	<u>92,411</u>	<u>(184)</u>	<u>86,783</u>
				cont.

TOWN OF HUDSON

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General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual For the Year Ended June 30, 2019
(With Comparative Actual Totals for the Year Ended June 30, 2018)

	2019		Variance	2018
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
Planning:				
Advertising	\$ 1,500	\$ 866	\$ -	\$ 1,493
Planning contract	53,680	53,284	-	37,631
Engineering	4,000	-	-	10,998
Departmental supplies	500	55	-	-
Miscellaneous	1,500	111	-	40
Total planning	<u>61,180</u>	<u>54,316</u>	<u>6,864</u>	<u>50,162</u>
Landscaping:				
Salaries and wages	36,338	34,388	-	33,449
Social security	2,700	2,408	-	2,388
Group insurance	6,228	6,225	-	3,517
Retirement	2,679	2,597	-	5,948
Utilities	440	376	-	-
Materials and supplies	8,010	7,181	-	9,984
Travel and training	200	28	-	-
Contract services	650	550	-	-
Miscellaneous	700	87	-	125
Total landscaping	<u>57,945</u>	<u>53,840</u>	<u>4,105</u>	<u>55,411</u>
Total general government	<u>635,706</u>	<u>567,941</u>	<u>67,765</u>	<u>547,049</u>
Public safety - Police				
Salaries and wages	679,189	642,073	-	593,344
Social security	48,740	44,630	-	43,610
Group insurance	105,588	98,582	-	91,884
Retirement	52,264	49,616	-	75,253
Telephone	4,800	4,470	-	4,589
Postage	450	362	-	359
Printing	650	447	-	577
Utilities	5,000	4,155	-	4,118
Travel and training	4,500	3,817	-	4,631
Maintenance and repairs:				
Building and grounds	4,500	4,065	-	853
Equipment	1,300	931	-	350
Auto and trucks	14,570	13,807	-	14,791
Equipment lease	4,300	4,255	-	5,168

cont.

TOWN OF HUDSON

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General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual For the Year Ended June 30, 2019
(With Comparative Actual Totals for the Year Ended June 30, 2018)

	2019		Variance	2018
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>Actual</u>
			<u>(Negative)</u>	
Batteries and tires	\$ 4,200	\$ 3,971	\$ -	\$ 3,317
Advertising	500	350	-	447
Gasoline	25,200	26,690	-	23,129
Dare expenditures	3,500	3,100	-	-
Departmental supplies	6,500	5,667	-	7,606
Community resource supplies	680	670	-	-
Uniforms	10,000	9,706	-	9,637
Sales tax	2,500	2,038	-	1,686
Contracted services	13,350	13,393	-	11,726
Dues and subscriptions	300	-	-	150
Workers' compensation	13,000	11,363	-	21,467
Insurance and bonds	16,400	14,977	-	12,122
Miscellaneous	800	303	-	650
Capital outlay	215,666	213,685	-	120,906
Contribution to Crime Stoppers	250	250	-	250
Total public safety	<u>1,238,697</u>	<u>1,177,373</u>	<u>61,324</u>	<u>1,052,620</u>
Streets and Public Works				
Public Works:				
Salaries and wages	45,469	45,309	-	42,265
Social security	3,473	3,427	-	3,308
Group insurance	6,228	6,219	-	5,977
Retirement	3,520	3,520	-	4,595
Telephone	1,000	820	-	895
Printing	100	-	-	-
Utilities	4,375	4,308	-	4,593
Travel and training	-	-	-	-
Maintenance and repairs:				
Building and grounds	11,467	9,242	-	2,518
Equipment	500	155	-	-
Auto and trucks	2,400	605	-	1,004
Batteries and tires	2,300	2,285	-	257
Gasoline	2,800	2,514	-	1,826
Automobile supplies	200	24	-	30
Departmental supplies	5,586	5,585	-	5,253
Workers' compensation	1,925	1,427	-	2,226
Insurance and bonds	4,300	4,047	-	4,089

cont.

TOWN OF HUDSON

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General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual For the Year Ended June 30, 2019 (With Comparative Actual Totals for the Year Ended June 30, 2018)

	2019		Variance	2018
	Budget	Actual	Positive (Negative)	Actual
Uniforms	\$ 514	\$ 514	\$ -	\$ 549
NC sales tax	400	377	-	-
Miscellaneous	200	41	-	60
Capital outlay	14,800	14,243	-	8,991
Contracted services	-	-	-	20
Total public works	111,557	104,662	6,895	88,456
Streets:				
Salaries and wages	128,050	127,943	-	112,244
Social security	9,290	9,289	-	8,417
Group insurance	24,634	23,801	-	21,767
Retirement	9,712	9,700	-	11,851
Telephone	1,400	1,263	-	1,364
Utilities	2,000	1,276	-	1,654
Streets and lighting	58,000	47,688	-	55,344
Maintenance and repairs:				
Equipment	3,140	2,560	-	2,804
Building	500	91	-	23
Auto and trucks	7,185	7,184	-	4,214
Fuel oil	2,250	2,216	-	959
Auto supplies	200	3	-	-
Gasoline	6,150	6,623	-	6,415
Departmental supplies	4,375	4,373	-	4,264
Travel and training	250	-	-	40
Uniforms	2,500	2,290	-	2,504
Workers' compensation	7,700	6,841	-	10,090
Insurance and bonds	2,700	2,669	-	2,910
Miscellaneous	200	175	-	135
Contracted services	2,250	2,244	-	377
Total streets	272,486	258,229	14,257	247,376
Powell Bill:				
Salaries and wages	27,931	27,883	-	26,377
Social security	2,089	2,030	-	2,004
Group insurance	5,001	4,929	-	4,594
Retirement	2,125	2,124	-	2,774

cont.

TOWN OF HUDSON

Schedule 5
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General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual For the Year Ended June 30, 2019 (With Comparative Actual Totals for the Year Ended June 30, 2018)

	2019		Variance	2018
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Actual</u>
Maintenance and repairs:				
Equipment	\$ 5,850	\$ 5,844	\$ -	\$ 6,366
Streets	144,400	141,215	-	72,028
Batteries and tires	4,500	77	-	2,475
Departmental supplies	2,500	786	-	209
Gasoline	2,700	1,246	-	1,124
Regulatory traffic sign	500	462	-	-
NC sales tax	400	377	-	-
Engineering fees	12,000	-	-	1,000
Capital outlay - equipment	12,850	12,552	-	18,531
Total powell bill	<u>222,846</u>	<u>199,525</u>	<u>23,321</u>	<u>137,482</u>
 Total streets and public works	 <u>606,889</u>	 <u>562,416</u>	 <u>44,473</u>	 <u>473,314</u>
 Environmental Protection:				
Sanitation supplies	<u>134,120</u>	<u>130,691</u>	<u>-</u>	<u>126,647</u>
Total environmental protection	<u>134,120</u>	<u>130,691</u>	<u>3,429</u>	<u>126,647</u>
 Economic and Physical Development				
Hudson Uptown Building:				
Salaries and wages	102,548	77,495	-	72,169
Social security	7,692	5,737	-	5,340
Retirement	3,557	3,540	-	4,418
Group insurance	7,047	7,046	-	6,769
Telephone	5,000	2,183	-	2,166
Postage	250	200	-	-
Printing	200	176	-	-
Utilities	41,000	38,640	-	27,695
Maintenance and repairs	50,450	31,872	-	20,015
Advertising	2,050	2,002	-	2,334
Supplies	11,400	8,923	-	6,164
Events - meals	2,500	2,226	-	-
Contracted services	5,750	3,634	-	4,759
Workers' compensation	1,400	864	-	-
Insurance and bonds	8,500	7,159	-	6,010
Capital outlay	108,410	103,907	-	12,102
				cont.

TOWN OF HUDSON

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General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual For the Year Ended June 30, 2019
(With Comparative Actual Totals for the Year Ended June 30, 2018)

	2019		Variance	2018
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Actual</u>
Equipment lease	\$ 200	\$ 194	\$ -	\$ 361
Dinner theater	66,820	56,783	-	60,485
Total economic and physical development	<u>424,774</u>	<u>352,581</u>	<u>72,193</u>	<u>230,787</u>
Cultural and Recreation				
Recreation:				
Salaries and wages	177,086	166,493	-	150,149
Social security	12,974	12,528	-	11,557
Retirement	8,800	8,738	-	9,724
Group insurance	17,232	16,855	-	13,568
Telephone	3,800	3,784	-	3,813
Postage	-	-	-	175
Travel and training	500	-	-	432
Utilities	49,800	36,671	-	43,925
Maintenance and repairs:				
Building and grounds	28,696	21,396	-	14,577
Equipment	3,750	3,423	-	5,869
Departmental supplies	14,900	14,386	-	11,518
Automotive supplies	1,250	70	-	447
Chemicals and supplies	10,000	8,816	-	9,171
Program supplies	10,990	7,276	-	4,530
Senior citizens supplies	1,000	956	-	653
Landscaping	5,500	5,284	-	-
Gasoline	2,500	2,303	-	2,393
Workers' compensation	5,500	4,125	-	6,377
Insurance and bonds	6,100	6,061	-	5,231
Contracted services	16,170	14,132	-	7,316
Miscellaneous	3,800	783	-	821
Sales tax	1,310	1,047	-	1,801
Capital outlay	43,500	43,385	-	20,644
Purchase - resale	11,440	10,267	-	10,320
Total recreation	<u>436,598</u>	<u>388,779</u>	<u>47,819</u>	<u>335,011</u>
				cont.

TOWN OF HUDSON

Schedule 5, cont.
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General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual For the Year Ended June 30, 2019
(With Comparative Actual Totals for the Year Ended June 30, 2018)

	2019		Variance	2018
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
Cultural:				
Contribution to Arts Council	\$ 500	\$ 500	\$ -	\$ 500
Contribution to Shelter Home	400	400	-	400
Contribution to Helping Hands	400	400	-	400
Contribution to Caldwell County Reinvest	27,500	27,500	-	27,500
Local activities	5,000	1,400	-	-
Other activities	2,000	940	-	3,529
Total cultural	<u>35,800</u>	<u>31,140</u>	<u>4,660</u>	<u>32,329</u>
Total cultural and recreation	<u>472,398</u>	<u>419,919</u>	<u>52,479</u>	<u>367,340</u>
Debt service:				
Principal	66,068	66,068	-	55,334
Interest	1,991	1,991	-	2,376
Total debt service	<u>68,059</u>	<u>68,059</u>	<u>-</u>	<u>57,710</u>
Contingency	<u>11,521</u>	<u>-</u>	<u>11,521</u>	<u>-</u>
Total expenditures	<u>3,592,164</u>	<u>3,278,980</u>	<u>313,184</u>	<u>2,855,467</u>
Revenues over (under) expenditures	<u>(470,599)</u>	<u>(86,598)</u>	<u>384,001</u>	<u>194,524</u>
Other Financing Sources (Uses):				
Proceeds from installment note and capital lease	126,989	126,989	-	44,168
Sales of fixed assets	10,550	14,937	4,387	-
Transfer to other funds	-	-	-	3,300
Fund balance appropriated	<u>333,060</u>	<u>-</u>	<u>(333,060)</u>	<u>-</u>
Total other financing sources (uses)	<u>470,599</u>	<u>141,926</u>	<u>(328,673)</u>	<u>47,468</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>55,329</u>	<u>\$ 55,329</u>	<u>241,992</u>
Fund balance-beginning of year (July 1)		<u>1,794,056</u>		<u>1,552,064</u>
Fund balance - end of year (June 30)		<u>\$ 1,849,385</u>		<u>\$ 1,794,056</u>

TOWN OF HUDSON

Schedule 6

Capital Projects Fund - Campaign HUB Station Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Private campaign contributions	\$ 718,000	\$ -	\$ 28,355	\$ 28,355	\$ (689,645)
ARC grant proceeds	65,000	-	-	-	(65,000)
Ticket sales - HUB station	12,000	-	19,202	19,202	7,202
Total revenues	795,000	-	47,557	47,557	(747,443)
Expenditures:					
Marketing	10,000	-	10,857	10,857	(857)
Contracted services	20,000	-	108	108	19,892
Supplies	10,000	-	291	291	9,709
Capital outlay	655,000	-	2,725	2,725	652,275
Total expenditures	695,000	-	13,981	13,981	681,019
Revenues under expenditures	100,000	-	33,577	33,577	(66,423)
Other Financing Sources (Uses):					
Transfers from other funds:					
General fund	(100,000)	-	-	-	100,000
Net change in fund balance	\$ -	\$ -	33,577	\$ 33,577	\$ 33,577
Fund balance, beginning			-		
Fund balance, ending			\$ 33,577		

TOWN OF HUDSON

Schedule 7

Schedule of Ad Valorem Taxes Receivable June 30, 2019

<u>Fiscal year:</u>	<u>Uncollected Balance 6/30/2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance 6/30/2019</u>
2018-2019	\$ -	\$ 1,247,758	\$ 1,199,962	\$ 47,796
2017-2018	71,430	-	27,088	44,342
2016-2017	41,074	-	13,957	27,117
2015-2016	29,368	-	7,542	21,826
2014-2015	22,385	-	6,752	15,633
2013-2014	18,449	-	7,518	10,931
2012-2013	12,309	-	4,152	8,157
2011-2012	8,525	-	1,478	7,047
2010-2011	4,198	-	1,442	2,756
2009-2010	3,940	-	617	3,323
2008-2009	<u>3,667</u>	<u>-</u>	<u>3,667</u>	<u>-</u>
	<u>\$ 215,345</u>	<u>\$ 1,247,758</u>	<u>\$ 1,274,175</u>	188,928
Less: allowance for uncollectible accounts:				<u>(113,357)</u>
Ad valorem taxes receivable, net				<u>\$ 75,571</u>
Reconciliation With Revenues:				
Ad valorem taxes:				
General Fund				\$ 1,331,383
Reconciling items:				
Penalties and interest collected				(24,464)
Taxes written off				3,667
Discounts allowed				(28,464)
Other adjustments				<u>(7,947)</u>
Total collections and credits				<u>\$ 1,274,175</u>

TOWN OF HUDSON

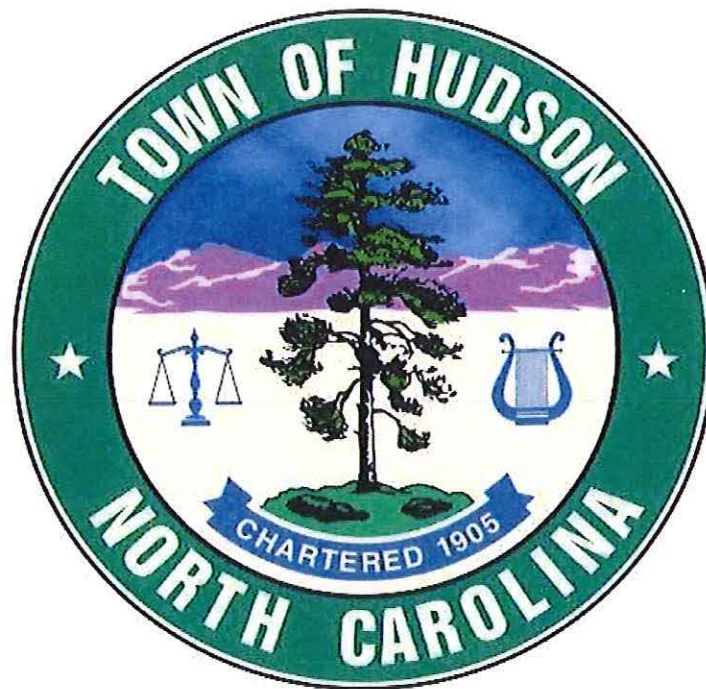
Schedule 8

Analysis of Current Tax Levy Town -Wide Levy For the Year Ended June 30, 2019

	Town-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current rate	\$ 298,095,581	0.43	\$ 1,281,811	\$ 1,158,560	\$ 123,251
Discoveries:					
Current year taxes	417,442	0.43	1,795	1,795	-
Prior year taxes	-	0.39	-	-	-
Total discoveries	417,442		1,795	1,795	-
Abatements:					
Current year levy	(894,651)	0.43	(3,847)	(3,847)	-
Discounts	(3,256,512)	0.43	(14,003)	(14,003)	-
Senior citizens and other exemptions	(4,185,500)	0.43	(17,998)	(17,998)	-
Total abatements	(8,336,663)		(35,848)	(35,848)	-
Total property valuation	\$ 290,176,360				
Net levy			1,247,758	1,124,507	123,251
Uncollected taxes at June 30, 2019			(47,796)	(47,796)	-
Current year's taxes collected			\$ 1,199,962	\$ 1,076,711	\$ 123,251
Current levy collection percentage			96.17%	95.75%	100.00%

TOWN OF HUDSON, NORTH CAROLINA

Statistical Section



Statistical Section

This part of the Town of Hudson's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

Financial Trends - These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time. The following schedules fall in this category:

- Changes in Net Position
- Net Position by Component
- Governmental Activities Tax Revenues by Source
- Fund Balances of Governmental Funds
- Changes in Fund Balance of Governmental Funds

Revenue Capacity - These schedules present information to help the reader assess the factors affecting the Town's ability to generate its property taxes. The following schedules fall in this category:

- Assessed Value and Estimated Actual Value of Taxable Property
- Property Tax Rates - Direct and Overlapping
- Principal Property Taxpayers
- Property Tax Levies and Collections

Debt Capacity - These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future. The following schedules fall in this category:

- Ratios of Outstanding Debt by Type
- Ratios of General Bonded Debt Outstanding
- Direct and Overlapping Activities Debt
- Legal Debt Margin Information
- Pledged-Revenue Coverage

Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments. The following schedules fall in this category:

- Demographic Statistics
- Principal Employers

Operating Information - These schedules contain information about the Town's operations and resources to help the reader understand how the Town's financial information relates to the services the Town provides and the activities it performs. The following schedules fall in this category:

- Full-Time Equivalent Town Employees by Function
- Operating Indicators by Function
- Capital Asset Statistics by Function

Town of Hudson
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General government	\$ 425,924	\$ 424,364	\$ 418,400	\$ 453,040	\$ 459,007	\$ 439,837	\$ 498,041	\$ 537,996	\$ 567,190	\$ 688,139
Public Safety	694,767	703,314	703,671	714,775	743,392	803,130	850,367	920,578	996,024	987,330
Streets & Public Works	414,044	636,500	432,450	540,072	437,923	457,598	388,874	494,811	486,092	574,540
Environmental Protection	78,477	78,810	80,393	116,162	118,344	120,759	121,011	123,509	126,647	130,691
Culture and recreations	324,459	349,457	366,888	390,922	346,776	392,639	434,736	495,253	380,655	449,508
Economic & Physical Development	128,083	508,522	250,377	102,501	173,885	191,591	312,698	218,194	227,351	259,929
Interest & Long Term Debt	22,980	20,100	17,274	14,339	14,395	10,094	5,830	7,452	2,376	1,991
Total governmental activities expenses	<u>2,088,734</u>	<u>2,721,067</u>	<u>2,269,453</u>	<u>2,331,811</u>	<u>2,293,722</u>	<u>2,415,648</u>	<u>2,611,557</u>	<u>2,797,793</u>	<u>2,786,335</u>	<u>3,092,128</u>
Business-type activities										
Business-type activities	-	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government expenses	<u>\$2,088,734</u>	<u>\$2,721,067</u>	<u>\$2,269,453</u>	<u>\$2,331,811</u>	<u>\$2,293,722</u>	<u>\$2,415,648</u>	<u>\$2,611,557</u>	<u>\$2,797,793</u>	<u>\$2,786,335</u>	<u>\$3,092,128</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 95,684	\$ 48,832	\$ 50,804	\$ 65,747	\$ 101,604	\$ 87,577	\$ 70,686	\$ 68,764	\$ 61,862	\$ 61,675
Public Safety	1,074	1,226	854	1,034	1,027	1,524	1,308	890	1,036	1,210
Highways and streets	-	-	-	-	-	-	-	-	-	-
Sanitation	3,191	2,590	2,490	44,066	86,818	143,962	125,347	138,600	138,420	132,607
Culture and recreations	162,381	137,131	137,903	147,296	192,131	188,519	157,089	172,053	181,254	202,726
Other activities	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	32,239	42,483	50,907	43,501	70,863	111,465	246,726	238,516	183,243	191,304
Capital grants and contributions	114,400	834,553	306,691	135,901	433,986	265,877	222,414	302,067	129,832	119,464
Total governmental activities programs revenues	<u>408,969</u>	<u>1,066,815</u>	<u>549,649</u>	<u>437,545</u>	<u>886,429</u>	<u>798,924</u>	<u>823,570</u>	<u>920,890</u>	<u>695,647</u>	<u>708,986</u>

Table 1

Town of Hudson
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Business-type activities:										
Charges for services:										
Business-type activities	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	-	-	-	-	-	-	-	-	-	-
Total primary government program revenues	<u>\$ 408,969</u>	<u>\$ 1,066,815</u>	<u>\$ 549,649</u>	<u>\$ 437,545</u>	<u>\$ 886,429</u>	<u>\$ 798,924</u>	<u>\$ 823,570</u>	<u>\$ 920,890</u>	<u>\$ 695,647</u>	<u>\$ 708,986</u>
Net (expense)/revenue										
Governmental activities	\$ (1,679,765)	\$ (1,654,252)	\$ (1,719,804)	\$ (1,894,266)	\$ (1,407,293)	\$ (1,616,724)	\$ (1,787,987)	\$ (1,876,903)	\$ (2,090,688)	\$ (2,383,142)
Business-type activities	-	-	-	-	-	-	-	-	-	-
Total primary government net expense	<u>\$ (1,679,765)</u>	<u>\$ (1,654,252)</u>	<u>\$ (1,719,804)</u>	<u>\$ (1,894,266)</u>	<u>\$ (1,407,293)</u>	<u>\$ (1,616,724)</u>	<u>\$ (1,787,987)</u>	<u>\$ (1,876,903)</u>	<u>\$ (2,090,688)</u>	<u>\$ (2,383,142)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Ad Valorem Taxes	\$ 893,489	\$ 932,160	\$ 972,008	\$ 990,386	\$ 1,080,984	\$ 1,037,161	\$ 1,093,420	\$ 1,105,794	\$ 1,274,175	\$ 1,331,383
Other taxes and licenses	375,386	365,315	425,521	456,470	471,137	529,046	545,798	587,306	615,864	660,092
Inter-governmental	281,980	333,727	360,360	391,068	384,908	445,384	460,857	481,447	485,550	507,939
Licenses and Permits	-	-	-	-	-	-	-	-	-	-
Sales and Services	-	-	-	-	-	-	-	-	-	-
Gain on sale of capital asset	-	350,000	-	-	-	-	-	-	-	-
Investment Earnings	15,101	5,283	3,135	1,098	969	2,414	2,760	4,836	15,856	31,539
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>\$ 1,565,956</u>	<u>\$ 1,986,485</u>	<u>\$ 1,761,024</u>	<u>\$ 1,839,022</u>	<u>\$ 1,937,998</u>	<u>\$ 2,014,005</u>	<u>\$ 2,102,835</u>	<u>\$ 2,179,383</u>	<u>\$ 2,391,445</u>	<u>\$ 2,530,953</u>

Town of Hudson
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Business-type activities:										
Investment Earnings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	-	-	-	-	-	-	-	-	-	-
Total primary government	<u>\$ 1,565,956</u>	<u>\$ 1,986,485</u>	<u>\$ 1,761,024</u>	<u>\$ 1,839,022</u>	<u>\$ 1,937,998</u>	<u>\$ 2,014,005</u>	<u>\$ 2,102,835</u>	<u>\$ 2,179,383</u>	<u>\$ 2,391,445</u>	<u>\$ 2,530,953</u>
Change in Net Position										
Governmental activities	\$ (113,809)	\$ 332,233	\$ 41,220	\$ (55,244)	\$ 530,705	\$ 397,281	\$ 314,848	\$ 302,480	\$ 300,757	\$ 147,811
Business-type activities	-	-	-	-	-	-	-	-	-	-
Total primary government	<u>\$ (113,809)</u>	<u>\$ 332,233</u>	<u>\$ 41,220</u>	<u>\$ (55,244)</u>	<u>\$ 530,705</u>	<u>\$ 397,281</u>	<u>\$ 314,848</u>	<u>\$ 302,480</u>	<u>\$ 300,757</u>	<u>\$ 147,811</u>

Town of Hudson
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 1,952,061	\$ 2,300,764	\$ 2,385,561	\$ 2,393,012	\$ 2,689,715	\$ 3,161,379	\$ 3,268,118	\$ 3,386,611	\$ 3,425,162	\$ 3,519,289
Restricted	679,590	742,052	660,694	587,662	629,082	1,027,578	553,777	599,016	551,552	480,998
Unrestricted	309,168	230,236	268,017	278,354	470,936	(132,201)	549,709	608,793	918,463	1,042,701
Total governmental activities net position	<u>\$ 2,940,819</u>	<u>\$ 3,273,052</u>	<u>\$ 3,314,272</u>	<u>\$ 3,259,028</u>	<u>\$ 3,789,733</u>	<u>\$ 4,056,756</u>	<u>\$ 4,371,604</u>	<u>\$ 4,594,420</u>	<u>\$ 4,895,177</u>	<u>\$ 5,042,988</u>
Business-type activities										
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-	-	-	-
Total business-type activities net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Primary government										
Net investment in capital assets	\$ 1,952,061	\$ 2,300,764	\$ 2,385,561	\$ 2,393,012	\$ 2,689,715	\$ 3,161,379	\$ 3,268,118	\$ 3,386,611	\$ 3,425,162	\$ 3,519,289
Restricted	679,590	742,052	660,694	587,662	629,082	1,027,578	553,777	599,016	551,552	480,998
Unrestricted	309,168	230,236	268,017	278,354	470,936	(132,201)	549,709	608,793	918,463	1,042,701
Total primary government net position	<u>\$ 2,940,819</u>	<u>\$ 3,273,052</u>	<u>\$ 3,314,272</u>	<u>\$ 3,259,028</u>	<u>\$ 3,789,733</u>	<u>\$ 4,056,756</u>	<u>\$ 4,371,604</u>	<u>\$ 4,594,420</u>	<u>\$ 4,895,177</u>	<u>\$ 5,042,988</u>

Table 3

Town of Hudson
 Governmental Activities Tax Revenues By Source
 Last Ten Fiscal Years
 (accrual basis of accounting)

Fiscal Year	Property Tax	Motor Vehicle Tax	Sales Tax	Franchise Sales Tax	Other Tax	Total
2010	805,933	78,036	436,728	178,484		1,499,181
2011	853,973	73,948	481,647	183,390		1,592,958
2012	897,361	79,521	572,380	210,952		1,760,214
2013	905,016	82,947	619,700	225,437		1,833,100
2014	958,311	116,514	634,249	219,630		1,928,704
2015	960,280	91,832	710,076	254,378		2,016,566
2016	976,915	115,576	739,687	247,399		2,079,577
2017	982,054	119,250	799,081	248,802	20,870	2,170,057
2018	1,116,966	135,238	835,830	245,777	19,807	2,353,618
2019	1,163,711	167,672	895,591	252,309	19,861	2,499,144

Schedule 1
 & Revenue Statement from FoxPro

Town of Hudson
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Nonspendable										
Prepays		\$ 3,801	\$ 3,801	\$ 7,055	\$ 21,833	\$ 6,759	\$ 9,730	\$ 15,887	\$ 21,382	\$ 7,927
Restricted										
Stabilization for State Statue		\$ 215,571	\$ 177,242	\$ 192,744	\$ 279,746	\$ 561,309	\$ 220,814	\$ 286,944	\$ 251,814	\$ 266,593
Restricted, all other		\$ 379,154	\$ 343,948	\$ 254,434	\$ 81,915	\$ 287,317	\$ 332,963	\$ 312,072	\$ 299,738	\$ 226,867
Assigned						\$ 57,225	\$ 29,007	\$ 44,809	\$ 152,000	\$ 273,645
Unassigned		\$ 454,508	\$ 474,487	\$ 481,451	\$ 745,195	\$ 427,067	\$ 779,273	\$ 892,352	\$ 1,069,122	\$ 1,074,353
Reserved (prior GASB 54)	\$ 840,093									
Unreserved (prior GASB 54)	\$ 230,587									
Total General Fund	<u>\$ 1,070,680</u>	<u>\$ 1,053,034</u>	<u>\$ 999,478</u>	<u>\$ 935,684</u>	<u>\$ 1,128,689</u>	<u>\$ 1,339,677</u>	<u>\$ 1,371,787</u>	<u>\$ 1,552,064</u>	<u>\$ 1,794,056</u>	<u>\$ 1,849,385</u>
All other governmental funds										
Restricted										
Stabilization for State Statue		\$ -	\$ 1,470	\$ 12,225	\$ 96,073	\$ 6,944	\$ -	\$ -	\$ -	\$ -
Restricted, all other		\$ 112,133	\$ 123,287	\$ 128,259	\$ 171,348	\$ 172,008	\$ -	\$ -	\$ -	\$ -
Assigned		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,577
Unassigned		\$ (4,020)	\$ (2,115)	\$ (14,340)	\$ (96,073)	\$ (339,085)	\$ -	\$ -	\$ -	\$ -
Reserved (prior GASB 54)	\$ -									
Unreserved, reported in: (prior GASB 54)	\$ -									
Special revenue funds (prior GASB 54)	\$ -									
Capital projects funds (prior GASB 54)	\$ 87,284									
Permanent funds (prior GASB 54)	\$ -									
Total all other governmental funds	<u>\$ 87,284</u>	<u>\$ 108,113</u>	<u>\$ 122,642</u>	<u>\$ 126,144</u>	<u>\$ 171,348</u>	<u>\$ (160,133)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,577</u>

Town of Hudson
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes	\$ 883,969	\$ 927,921	\$ 976,882	\$ 987,963	\$ 1,074,825	\$ 1,052,112	\$ 1,092,491	\$ 1,101,304	\$ 1,252,204	\$ 1,331,383
Intergovernmental	324,953	808,530	519,704	363,409	553,263	602,023	647,967	551,184	530,168	554,853
Licenses and Permits	41,848	19,134	13,274	56,981	106,775	139,762	148,181	150,314	141,764	136,591
Sales and Services	220,482	170,645	178,777	201,162	274,805	266,546	214,201	224,695	237,843	261,627
Other taxes	476,706	513,543	612,621	659,043	672,839	749,089	776,976	835,712	872,156	895,591
Investment Earnings	15,101	5,283	3,135	1,098	969	2,414	2,760	4,836	15,856	31,539
Miscellaneous										
Contributions	6,583	201,905	11,154	4,488	134,792	660	50,852	-	-	28,355
Total revenues	1,969,642	2,646,961	2,315,547	2,274,144	2,818,268	2,812,606	2,933,428	2,868,045	3,049,991	3,239,939
Expenditures										
General government	366,455	372,207	364,466	394,388	398,677	383,664	434,610	292,358	499,988	566,142
Public Safety	638,033	648,188	660,963	671,219	697,380	785,999	811,050	871,601	928,284	963,688
Highways and streets	383,569	609,889	405,870	510,322	406,058	440,788	362,039	460,440	445,792	535,621
Sanitation	78,477	78,810	80,393	116,162	118,344	120,759	121,011	123,509	126,647	130,691
Culture and recreation	269,497	335,662	314,999	336,549	505,119	342,896	374,171	429,751	346,696	376,533
Economic and Physical Development	128,083	508,522	250,377	102,501	273,885	191,591	305,774	218,194	218,685	259,930
Capital Outlay	26,275	345,400	184,748	167,558	65,353	555,039	328,668	235,239	231,665	392,296
Debt Service										
Principal	75,000	75,000	75,000	103,769	100,848	102,269	116,982	112,364	55,334	66,068
Interest	22,980	20,100	17,274	14,339	14,395	10,094	5,830	7,452	2,376	1,991
Other charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	1,988,369	2,993,778	2,354,090	2,416,807	2,580,059	2,933,099	2,860,135	2,750,908	2,855,467	3,292,960
Excess of revenues over (under) expenditures										
Other Financing Sources (Uses)										
Transfers in	718	177,602	-	-	92,689	-	406,316	-	-	-
Transfers out	(718)	(177,602)	-	-	(92,689)	-	(406,316)	-	-	-
Debt issued	-	-	-	-	-	-	-	-	-	-
Capital leases	-	-	-	81,886	-	-	118,950	-	44,168	126,989
Sale of Capital assets	-	350,000	-	-	-	-	-	63,140	3,300	14,937
Total other financing sources (uses)	-	350,000	-	81,886	-	-	118,950	63,140	47,468	141,926
Net change in fund balances	\$ (18,727)	\$ 3,183	\$ (38,543)	\$ (60,777)	\$ 238,209	\$ (120,493)	\$ 192,243	\$ 180,277	\$ 241,992	\$ 88,905
Debt service as a percentage of noncapital expenditures	5.0%	3.6%	4.3%	5.3%	4.6%	4.7%	4.9%	4.8%	2.2%	2.3%

Table 6

Town of Hudson
Assessed Valued and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Real Property		Personal Property	Less:	Total Taxable	Total	Estimated	Assessed
	Residential Property	Commercial Property	Motor Vehicles	Tax Exempt Real Property	Assessed Value	Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Actual Value
2010	127,521,487	79,197,555	57,430,093	(4,317,154)	259,831,981	0.35	259,831,981	100%
2011	126,823,655	78,752,551	57,107,420	(4,436,280)	258,247,346	0.37	258,247,346	100%
2012	131,693,787	77,832,757	54,482,932	(4,566,950)	259,442,526	0.37	259,442,526	100%
2013	130,064,255	80,764,839	58,566,630	(4,835,850)	264,559,874	0.37	264,599,874	100%
2014	136,602,130	84,824,603	61,510,570	(5,090,080)	277,847,223	0.39	277,847,223	100%
2015	135,029,380	83,847,987	60,802,376	(5,047,358)	274,632,385	0.39	274,632,385	100%
2016	136,363,518	84,676,435	61,403,124	(4,739,334)	277,703,743	0.39	277,703,743	100%
2017	140,094,407	86,993,172	63,083,107	(4,534,110)	285,636,576	0.39	285,636,576	100%
2018	142,379,404	88,412,066	64,112,019	(4,163,256)	290,740,233	0.43	290,740,233	100%
2019	142,117,906	88,249,686	63,994,268	(4,185,500)	290,176,360	0.43	290,176,360	100%

Town of Hudson
 Property Tax Rates
 Direct and Overlapping Governments
 (Per \$100 of Assessed Value)
 Last Ten Fiscal Years

Fiscal Year	Direct Rate	Overlapping Rate			Total Direct & Overlapping Rates
	Town of Hudson (1) Real Estate/Personal Property Tax Rate	Caldwell County (2) Real Estate/Personal Property Tax Rate	Fire District Tax (3) Rate	Rescue Tax Rate	
2010	0.3500	0.6599	0.1100	0.0085	1.1284
2011	0.3700	0.6599	0.1100	0.0085	1.1484
2012	0.3700	0.6599	0.1100	0.0085	1.1484
2013	0.3700	0.6299	0.1100	0.0085	1.1184
2014	0.3900	0.6000	0.1100	0.0085	1.1085
2015	0.3900	0.6000	0.1100	0.0085	1.1085
2016	0.3900	0.6300	0.1100	0.0085	1.1385
2017	0.3900	0.6300	0.1100	0.0085	1.1385
2018	0.4300	0.6300	0.1100	0.0100	1.1800
2019	0.4300	0.6300	0.1100	0.0100	1.1800

Source: (1) Town of Hudson Tax Department
 (2) Caldwell County Tax Department
 (3) Gunpowder Fire District which includes the entire corporate limits of the Town of Hudson

Town of Hudson
Principal Property Taxpayers
June 30, 2019

2019					2010				
Total Assessed Valuation: \$290,176,361*					Total Assessed Valuation: \$259,831,981				
Taxpayer	Type of Business	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxpayer	Type of Business	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Shurtape Technologies	Tape Manufacturer	\$ 11,356,213	1	3.91%	Shurtape Technologies	Tape Manufacturer	\$ 9,194,901	1	3.54%
RPM/Chemical Coatings	Chemical Manufacturer	9,149,433	2	3.15%	Sealed Air Corporation	Packing Materials Manufacturer	6,098,915	2	2.35%
Sealed Air Corporation	Packing Materials Manufacturer	5,675,924	3	1.96%	Shuford Mills, Inc.	Textile Industry	4,612,746	3	1.78%
BeoCare	Health/Textile	4,222,273	4	1.45%	Kincaid Furniture	Furniture Manufacturer	3,808,800	4	1.47%
Sattler/Outdura	Textile Manufacturer	3,227,076	5	1.11%	Chemical Coatings, Inc.	Chemicals Manufacturer	3,531,469	5	1.36%
Hudson-Hwy 321 LLC	Retail	2,992,000	6	1.03%	Hudson-Hwy 321, LLC	Retail Merchandise	3,503,100	6	1.35%
Walmart	Retail	2,947,500	7	1.02%	Anderson Family Properties	Transportation - Trucking	3,137,555	7	1.21%
Kincaid Furniture	Furniture Manufacturer	2,887,905	8	1.00%	BellSouth	Public Service Communications	2,666,307	8	1.03%
Duke Energy Carolinas, LLC	Public Service-Energy Provider	2,713,558	9	0.94%	Newton Transportation	Transportation - Trucking	2,282,795	9	0.88%
AP Anderson, Jr.	Medical Park/Other Properties	2,209,800	10	0.76%	A.P. Anderson Jr.	Medical Park/Other Properties	1,985,900	10	0.76%
Totals		\$ 47,381,682		16.33%			\$ 40,822,488		15.73%

Source: Town of Hudson Tax Office

* Net Property Valuation + Senior Citizens & other exemptions

Town of Hudson
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collections Amount	Percentage of Levy	Collections in Subsequent Years	Total Collections to Date	
					Amount	Percentage of Levy
2010	895,326	851,859	95.15%	40,144	892,003	99.63%
2011	945,720	888,122	93.91%	54,842	942,964	99.71%
2012	959,937	901,550	93.92%	51,340	952,890	99.27%
2013	978,872	915,320	93.51%	55,395	970,715	99.17%
2014	1,084,000	1,034,972	95.48%	38,097	1,073,069	98.99%
2015	1,071,066	1,030,215	96.19%	25,218	1,055,433	98.54%
2016	1,083,045	1,042,426	96.25%	18,793	1,061,219	97.98%
2017	1,112,205	1,067,694	96.00%	17,394	1,085,088	97.56%
2018	1,250,183	1,178,753	94.29%	27,088	1,205,841	96.45%
2019	1,247,758	1,199,962	96.17%	-	1,199,962	96.17%

Town of Hudson
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Per Capita	% Personal Income *
	General Obligation Bonds	Special Assessment Bonds	Installment Purchase / Capital Lease	Sewer Bonds	Water Bonds	Installment Purchase			
2010	-	-	525,000	-	-	-	525,000	167	0.0235%
2011	-	-	450,000	-	-	-	450,000	119	0.0201%
2012	-	-	375,000	-	-	-	375,000	98	0.0168%
2013	-	-	353,117	-	-	-	353,117	92	0.0158%
2014	-	-	252,269	-	-	-	252,269	65	0.0112%
2015	-	-	150,000	-	-	-	150,000	39	0.0065%
2016	-	-	151,968	-	-	-	151,968	39	0.0064%
2017	-	-	39,604	-	-	-	39,604	10	0.0016%
2018	-	-	28,438	-	-	-	28,438	7	0.0011%
2019	-	-	183,363	-	-	-	183,363	46	0.0069%

Note:

*** 2007 the Town of Hudson incurred 10-year Installment Purchase debt to partially pay for the construction of the McCreary Family Recreation & Fitness Center

Note: Details regarding the Town's outstanding debts can be found in the notes to the financial statements.

See the Statistical Table for personal income and population data. These ratios are calculated using personal income & population for the prior calendar year.

Town of Hudson
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds (1)**</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property (1)</u>	<u>Per Capita (2)</u>
2010	\$ -	\$ -	\$ -	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	-	-	-	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-
2017	-	-	-	-	-
2018	-	-	-	-	-
2019	-	-	-	-	-

(1) Net bonded debt includes only general obligation debt which is being repaid through general property taxes.

** The Town of Hudson has no Outstanding Bond Debt

Town of Hudson
Direct and Overlapping Activities Debt
As of June 30, 2019

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: Caldwell County	\$46,300,342		
Subtotal, overlapping debt		4.19%	\$ 1,939,301
Town of Hudson direct debt (2)			<u>302,359</u>
Total direct and overlapping debt			<u><u>\$ 2,241,660</u></u>

Sources: Assessed value data used to estimate applicable percentages provide by the Caldwell County Tax Office. Debt outstanding is provided by Caldwell County Finance Office. Includes Installment Purchase Debt

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt to those overlapping governments that is borne by the taxpayers of the Town of Hudson. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property tax values. Applicable percentages were estimated by determining the portion of the Town's taxable assessed value that is within the government's boundaries and dividing it by the County's total taxable assessed value.

(2) Town of Hudson Installment Purchase Debt

Town of Hudson
 Legal Debt Margin Information
 Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit	\$ 21,131,931	\$ 21,014,690	\$ 21,120,758	\$ 21,551,658	\$ 22,900,390	\$ 22,374,379	\$ 22,595,446	\$ 23,213,655	\$ 23,592,279	\$ 22,879,269
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 21,131,931</u>	<u>\$ 21,014,690</u>	<u>\$ 21,120,758</u>	<u>\$ 21,551,658</u>	<u>\$ 22,900,390</u>	<u>\$ 22,374,379</u>	<u>\$ 22,595,446</u>	<u>\$ 23,213,655</u>	<u>\$ 23,592,279</u>	<u>\$ 22,879,269</u>

Total net debt applicable to the limit
 as a percentage of debt limit

Legal Debt Margin Calculation for Fiscal Year 2019

Assessed value	290,176,360
Add back: exempt real property	(4,185,500)
Total assessed value	<u>285,990,860</u>
Debt Limit (8% of total assessed value)	22,879,269
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>-</u>
Legal debt margin	<u>\$ 22,879,269</u>

Town of Hudson
Pledged-Revenue Coverage
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Business-Type Activities</u>			<u>Business-Type Activities</u>			<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
	<u>Water Bonds</u>	<u>Sewer Bonds</u>	<u>Tourist and Event Center</u>	<u>Sewer Bonds</u>	<u>Water Bonds</u>	<u>Capital Leases</u>			

Note: The Town of Hudson does not have any revenue backed debt.

Town of Hudson
Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Town of Hudson Population (1)	Caldwell County Personal Income (2) (Thousands of Dollars)	Caldwell County Per Capita Personal Income (3)	Median Age (8)	Caldwell County School Enrollment	Hudson School Enrollment (9)	Caldwell Comm. College Enrollment	Caldwell Co. Unemployment Rate (2)
2010	3,144	2,237,856	26,958	40.2	12,741 (5)	1,977	4,927 (7)	13.40%
2011	3,783	2,246,138	27,261	41.3	12,483 (5)	2,137	6,540 (7)	13.50%
2012	3,829	2,303,939	28,121	40.1	12,225 (5)	2,171	6,540 (7)	11.60%
2013	3,857	2,378,682	29,012	43.0	12,083 (5)	2,133	5,500 (7)	10.30%
2014	3,881	2,451,959	30,091	42.0	12,072 (5)	2,144	3,700 (7)	7.30%
2015	3,887	2,541,292	31,263	40.0	11,814 (5)	2,089	3,935 (7)	6.90%
2016	3,890	2,647,747	32,508	43.5	11,814 (5)	2,089	3,611 (7)	5.91%
2017	3,944	2,772,193	38,379	44.0	11,522 (5)	2,047	3,544 (7)	4.50%
2018	3,954	*	**		11,311 (5)	1,956 (6)	3,562 (7)	4.10%
2019	3,970	*	**		11,156 (5)	1,984 (6)	3,700 (7)	4.80%

Note:

Sources:

- (1) Office of State Budget and Management.
- (2) Bureau of Economic Analysis, US Dept of Commerce. Figures are for the prior calendar year.* STATISTICS NOT AVAILABLE FOR THE TOWN.
- (3) Employment Security Commission of NC, Web SARAS. Figures are for the prior calendar year.** STATISTICS NOT AVAILABLE FOR THE TOWN.
- (5) Caldwell County Board of Education (County wide K-12) - ninth school month
- (6) Horizon's School relocated to Lenoir reducing enrollment by 41 students in the Town of Hudson
- (7) Caldwell Community College & Appalachian State University. CAMPUSES ARE LOCATED WITH TOWN LIMITS
- (8) US Census Bureau STATISTICS NOT AVAILABLE FOR THE TOWN.
- (9) Caldwell County Schools located within the Town corporate li Hudson Elementary School
Hudson Middle School
Horizons Elementary Alternative School - *opened 2001-02 and Closed 2015-2016*
Career Center High School - *opened 2002-03*
Caldwell Early College High School - *opened 2006-07*

Table 16

Town of Hudson
Principal Employers
June 30, 2019

	Calendar YE 2018		Calendar YE 2017		Calendar YE 2016		Calendar YE 2015		Calendar YE 2014		Calendar YE 2013		Calendar YE 2012		Calendar YE 2011		Calendar YE 2010		Calendar YE 2009	
Employer	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank
Caldwell Community College & Technical Institute	586 *	1	488 *	1	652	1	616	1	620	1	641	1	692	1	725	1	715	1	514	1
RPM Manufacturing (former: Chemical Coatings, Inc.)	345	2	287	2	250	2	270	2	288	2	290	3	290	2	290	2	295	2	300	2
Caldwell County Schools (Hudson Schools only)	216	3	231	3	242	3	216	3	243	3	299	2	225	3	228	3	224	3	250	3
Beo-Care	112	4	100	4	132	4	130	4	150	4	100	4	120	4	112	4	104	4	100	4
Shurtape Technologies, Inc.	92	5	99	5	80	6	70	7	82	5	82	5	77	5	73	5	74	5	70	5
Sealed Air Corporation	75	6	76	7	73	7	83	5	81	6	69	7	65	7	56	7	50	7	56	7
Outdura, Inc. (prior to 2010 was Shuford Mills)	60	7	84	6	80	5	81	6	79	7	70	6	75	6	73	6	70	6	66	6
Kineaid Furniture	55	8	60	8	61	8	55	8	25	10	42	8	42	8	45	8	35	9	40	9
Town of Hudson	28	9	27	9	27	9	26	10	26	9	28	10	28	10						
Davis Wood Products	11	10	26	10	26	10	27	9	35	8	35	9	31	9	36	9	40	8	50	8
Autumn Wood Products (business closed)															10	10	14	10	21	10
Total	<u>1580</u>		<u>1478</u>		<u>1623</u>		<u>1574</u>		<u>1629</u>		<u>1,656</u>		<u>1,645</u>		<u>1,648</u>		<u>1,621</u>		<u>1,467</u>	

Source: Human Resource office of each facility

Note: Percentage of Total town employment is not shown since total employment is not available for the Town of Hudson.

* As employment improves in the region enrollment in training classes decrease along with the need for instructors.

Town of Hudson
 Full-Time Equivalent Town Employees by Function
 Last Ten Fiscal Years

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government	4	4	4	4	3.5	3.5	4	4	4	4
Public Safety										
Police										
Officers	11	11	11	11	11	11	13	13	13	14
Civilians	1	1	1	1	1	1	1	1	1	1
Fire/EMS										
Firefighters and officers										
Highways and Streets	7	7	7	7	7	7	6	6	6	6
Sanitation										
Culture and recreation	4	4	4	4	4	4	4	4	4	5
Water										
Sewer										
Tourist and Event Center	1.5	1.5	1.5	1.5	2.0	2.0	2	2	2	2
Total	<u>28.5</u>	<u>28.5</u>	<u>28.5</u>	<u>28.5</u>	<u>28.5</u>	<u>28.5</u>	<u>30.0</u>	<u>30.0</u>	<u>30.0</u>	<u>32.0</u>

Source: Town of Hudson Personnel Office.

Town of Hudson
Operating Indicators by Function
Last Ten Fiscal Years

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Planning (1)										
Number of permits issued	43	35	33	37	41	33	35	45	47	43
Police (2)										
Physical arrests	576	506	591	692	928	1,414	839	685	792	829
Accidents	235	262	238	209	224	207	244	242	377	342
Number of miles patrolled	100,562	102,206	91,864	92,141	93,592	112,331	102,531	105,255	109,369	133,216
Fire (3)										
Number of calls answered	584	624	595	586	586	889	959	1,021	825	849
Streets (4)										
Number of miles	25.8	26.2	26.2	26.2	26.2	26.3	26.3	26.3	26.3	26.5
Tourist and Event Center (5)										
Event Days	83	74	79	124	150	153	151	152	217	198

(1) Statistics provided by the Town of Hudson Planning & Zoning Officer

(2) Statistics provided by the Town of Hudson Police Department, compiled from internal record reporting.

(3) Statistics provided by the Hudson Volunteer Fire Department; a volunteer fire department supported by a fire district tax levied and collected by Caldwell County-reported for previous calendar years. In 2017-2018 Hudson Volunteer Fire discontinued ambulance only calls

(4) Information derived from Powell Bill Report prepared by W.K. Dickson Engineering, Hickory, NC

(5) The Hudson Uptown Building Auditorium and Events Center (HUB) information is provided by the HUB Supervisor and reflects the number of days the facility was booked for use.

Town of Hudson
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	12	12	12	12	12	14	14	14	14	14
Streets										
Miles of Streets: Paved	25.70	26.05	26.05	26.15	26.15	26.15	26.15	26.15	26.15	26.49
Unpaved	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18
Culture and recreation										
Museum	1	1	1	1	1	1	1	1	1	1
Parks	2	2	2	2	2	2	2	3	3 **	3 **
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	2	2	2	2	2	2	2	2	2	2
Baseball fields	5	5	5	5	5	5	5	7	7 **	7 **
Football Field								1	1 **	1 **
Playgrounds	2	2	2	2	2	2	2	2	2	3 ***
Disc Golf Course			1	1	1	1	1	1	1	1
Walking/Bike Path (miles)	1.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Recreation Center	1	1	1	1	1	1	1	1	1 *	1 *
Tourist and Event Center (1)	1	1	1	1	1	1	1	1	1	1

Source: Town of Hudson

(1) Tourist and Event Center, The Hudson Uptown Building Auditorium & Events Center (The HUB), opened in January of 2003.

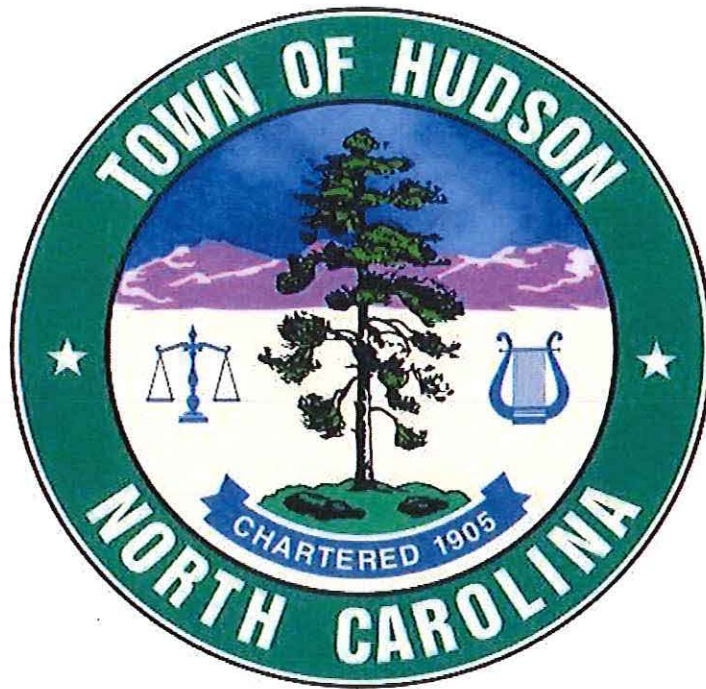
* Recreation Center doubled in size

**Acquired 8.4 acres Optimist Park plus amenities

***Acquired Playground behind HUB Bldg B in July 2018

TOWN OF HUDSON, NORTH CAROLINA

Compliance Section



C. Randolph CPA, PLLC

Certified Public Accountant

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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*

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

I have audited, in accordance with the 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hudson, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Hudson, North Carolina's basic financial statements and have issued my report thereon dated October 28, 2019.

Internal Control over Financial Reporting

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

My 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2019-001 that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Hudson, North Carolina's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Hudson, North Carolina's Response to Findings

Town of Hudson, North Carolina's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. Town of Hudson, North Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink that reads "C. Randolph CPA, PLLC". The signature is written in a cursive, flowing style.

West Jefferson, North Carolina
October 28, 2019

TOWN OF HUDSON, NORTH CAROLINA

**Schedule of Findings and Responses
For the Year Ended June 30, 2019**

I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified

___yes xno

xyes ___none
 reported

Non-compliance to financial statements noted?

___yes xno

TOWN OF HUDSON, NORTH CAROLINA

Schedule of Findings and Responses For the Year Ended June 30, 2019

II. Financial Statement Findings

Significant Deficiency

2019-001 Segregation of Duties

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: While documenting the systems of internal controls related to cash receipts, we noted segregation of duties issues. Due to the limited number of personnel in the Town office, there are inherent limitations to the segregation of duties among Town personnel relating to cash receipts and access to the general ledger. The same employee that collects cash also performs the duties of posting and reconciling the receipts and preparing the receipts for deposit. Furthermore, the employee that performs the bank statement reconciliation occasionally performs the cash collection and deposit preparation duties. Due to this limitation, access to the general ledger is not ideally restricted.

Effect: Misappropriation of cash receipts and errors in the cash receipting process could occur and go undetected.

Cause: There are a limited number of personnel for certain functions.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2018-001.

Recommendation: Access to the books and records of the Town should be separated from access to the assets of the Town as much as possible. Review and approval of adjusting journal entries should be clearly documented prior to posting. Alternative controls should be used to compensate for any lack of segregation of duties. The members of the Board of Commissioners should provide some of these controls.

Views of Responsible Officials and Planned Corrective Actions: The Town agrees with this finding and will adhere to the Corrective Action Plan in this audit report.

Janet Winkler, Mayor
Town Commissioners:
Larry Chapman
Jonathan Greer
Barry Mitchell
Rick Shew
Ann Smith
Bill Warren



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Town Manager
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**Corrective Action Plan
For the Year Ended June 30, 2019**

II. Financial Statement Findings

Significant Deficiency

2019-001 Segregation of Duties

Name of Contact Person: Rebecca Bentley, Town Manager

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.

Proposed Completion Date: The Board will implement the above procedure immediately.

TOWN OF HUDSON, NORTH CAROLINA

Schedule of Prior Year Audit Findings For the Year Ended June 30, 2019

Finding 2018-001

Status: Duties are being separated as much as possible and alternative controls are being used to compensate for lack of separation to the extent possible.

Corrective Action: The duties will be separated as much as possible, and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.