

TOWN OF HILDEBRAN
HILDEBRAN, NORTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2020

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

Morganton, North Carolina

TOWN OF HILDEBRAN
TOWN OFFICIALS
JUNE 30, 2020

MAYOR

Wendell Hildebrand

BOARD OF ALDERMEN

Cole Herrell

Ben Honeycutt

Derek Cline

Terry Weaver

Mike Smith

FINANCE OFFICER

Fredrick Rankins

TOWN ADMINISTRATOR

Logan Shook

Town of Hildebran, North Carolina
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June 30, 2020

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FINANCIAL SECTION

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

Honorable Mayor and Board of Alderman
Town of Hildebran
Hildebran, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and major fund of the Town of Hildebran, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Town of Hildebran's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

To the Honorable Mayor
and Members of the Board of Aldermen
Town of Hildebran

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and major fund of Town of Hildebran, North Carolina as of June 30, 2020, and the respective changes in financial position, 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 12, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 35 and 36, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hildebran's basic financial statements. The individual fund financial 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 financial statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in

To the Honorable Mayor
and Members of the Board of Aldermen
Town of Hildebran

accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the individual fund financial statements, budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "S. Eric Bowman".

S. Eric Bowman, P.A.
Certified Public Accountant

Morganton, North Carolina
July 24, 2020

TOWN OF HILDEBRAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Town of Hildebran's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended on June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets of the Town of Hildebran exceeded its liabilities at the close of the fiscal year by \$5 749 306 (*Net Position*).
- The government's total net position increased by \$155 943.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2 366 613, or 281 percent of total general fund expenditures for the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and an optional section that presents *statements* for non-major governmental funds, if any. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Town's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Town's government, reporting the Town's operations in *more detail* than the government-wide statements.
- The *government funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section with statements that provide details about our non-major governmental funds, if any, which is presented in single columns in the basic financial statements.

Figure A-1 summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

FIGURE A-1
 MAJOR FEATURES OF TOWN OF HILDEBRAN'S GOVERNMENT-WIDE
 AND FUND FINANCIAL STATEMENTS

	Government-wide Statements	Fund Statements Governmental Funds
Scope	Entire Town government	The activities of the Town such as general government and transportation
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's *net position* and how they have changed. Net position, the difference between the Town's assets and liabilities, is one way to measure the Town's financial health, or position.

- Over time, increases or decreases in the Town's *net position* are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town you need to consider additional nonfinancial factors such as changes in the Town's property tax base.

The government-wide financial statements of the Town is as follows:

- *Governmental activities* - Most of the Town's basic services are included here, such as administration and transportation. Property taxes and state and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant *funds*-not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Aldermen establishes other funds to control and manage money for particular purposes.

The Town has one type of fund:

- *Governmental funds* - Most of the Town's basic services are included in governmental funds, which focus on (1) how cash and *other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

Notes to the financial statements provides additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Also included in this section are budgetary comparison statements for all major governmental funds.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Hildebran's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 35 and 36 of this report.

Interdependence with Other Entities

The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to 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.

Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of Town of Hildebran, assets exceeded liabilities by \$5 749 306 at the close of the most recent fiscal year (Table 1).

TABLE 1
NET POSITION

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Current and Other Assets	\$ 2 967 690	\$2 757 216
Capital Assets	2 892 016	2 932 178
Deferred Outflows of Resources	<u>40 011</u>	<u>59 699</u>
Total Assets and Deferred Outflows of Resources	<u>5 899 717</u>	<u>5 749 093</u>
Other Liabilities	97 662	108 853
Deferred Inflows of Resources	<u>52 749</u>	<u>46 877</u>
Total Liabilities and Deferred Inflows of Resources	<u>150 411</u>	<u>155 730</u>
Net Position:		
Net Investment in Capital Assets	2 892 016	2 932 178
Restricted	114 243	85 138
Unrestricted (Deficit)	<u>2 743 047</u>	<u>2 576 047</u>
Total Net Position	<u>\$ 5 749 306</u>	<u>\$5 593 363</u>

The largest portion of net position (50%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Town of Hildebran uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Town of Hildebran's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Change in Net Position

The Town's total revenues were \$1 050 072 at June 30, 2020 (see Table 2). Charges for services made up 3% of revenues. Property taxes and other taxes made up 24% and 51% of revenues respectively. The Town's expenses cover a range of services with 63% of those expenses being related to general government.

TABLE 2
CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
<u>Revenues</u>		
<u>Program Revenues:</u>		
Charges for Services	\$ 30 635	\$ 29 887
Operating Grants and Contributions	46 798	47 102
<u>General Revenues:</u>		
Property Taxes	256 691	243 599
Other Taxes	531 356	514 586
Other	<u>184 592</u>	<u>158 033</u>
Total Revenues	<u>1 050 072</u>	<u>993 207</u>
<u>Expenses</u>		
General Government	561 964	715 162
Public Safety	74 733	62 517
Environmental Protection	103 359	90 461
Economic and Physical Development	3 000	2 000
Transportation	54 719	444 195
Cultural and Recreational	96 354	104 835
Debt Service	<u>6 322</u>	<u>6 322</u>
Total Expenses	<u>894 129</u>	<u>1 425 492</u>
Increase (Decrease) in Net Position	155 943	(432 285)
Net Position, July 1	<u>5 593 363</u>	<u>6 025 648</u>
Net Position, June 30	<u>\$ 5 749 306</u>	<u>\$5 593 363</u>

Table 3 presents the cost of each of the Town's seven largest programs- general government, public safety, environmental protection, economic and physical development transportation, recreation and debt service-as well as each program's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

- The cost of all *governmental* activities this year was \$894 thousand.
- However, the amount that our taxpayers paid for these activities through Town taxes was \$817 thousand. Some of the cost was paid by:
 - Those who directly benefited from the programs (30 thousand), or
 - Other governments and organizations that subsidized certain programs with grants and contributions (47 thousand).
- The Town paid for the \$817 thousand "public benefit" portion with \$788 thousand in taxes, and with other revenues such as interest and miscellaneous revenues.

TABLE 3
NET COST OF TOWN OF HILDEBRAN'S GOVERNMENTAL ACTIVITIES
(In Thousands of Dollars)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
General Government	\$ 562	\$ 715	\$ 532	\$ 685
Public Safety	75	63	75	63
Environmental Protection	103	90	103	90
Economic and Physical Development	3	2	3	2
Transportation	55	444	8	397
Recreation	96	105	96	105
Debt Service	<u> </u>	<u>6</u>	<u> </u>	<u>6</u>
Total	<u>\$ 894</u>	<u>\$1 425</u>	<u>\$ 817</u>	<u>\$1 348</u>

Financial Analysis of the Town's Funds

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

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

The general fund is the only operating fund of Town of Hildebran. At the end of the current fiscal year, available fund balance of the General Fund was \$2 366 613 while total fund balance was \$2 890 535. 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 281 percent of total General Fund expenditures, while total fund balance represents 343 percent of that same amount.

At June 30, 2020, the governmental funds of Town of Hildebran reported a fund balance of \$2 890 535. Approximately 4 percent of this amount or \$114 243 is non spendable or restricted. The net change in fund balance was \$207 441.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain service. Total amendments increased the General Fund's budget by \$53 433.

Capital Asset and Debt Administration

Capital assets. Town of Hildebran's investment in capital assets for its governmental activities as of June 30, 2020 totals \$2 892 016 (net of accumulated depreciation). These assets include land, buildings, equipment, vehicles and infrastructure.

Capital asset transactions during the year were as follows:

- Vehicle
- Roof
- Security Camera

Town of Hildebran's Capital Assets
(net of accumulated depreciation)

	Governmental Activities	
	2020	2019
Land and Construction in Progress	\$ 333 649	\$ 333 649
Buildings	2 384 278	2 450 005
Equipment	63 925	80 897
Vehicles	44 442	
Infrastructure	65 722	67 627
Total	<u>\$2 892 016</u>	<u>\$2 932 178</u>

Long-term Debt. As of June 30, 2020, Town of Hildebran had no long term debt Outstanding (excluding net pension liability and compensated absences).

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for Town of Hildebran is \$13 715 893.

Financial Highlights for the next Fiscal Year Ending June 30, 2021

Governmental Activities: The Town expects revenues to decrease approximately \$100 000 due to the Covid-19 virus and its impact on the economy. The Town expects expenditures to increase by approximately \$70 000 due to Old Town Hall renovations and sidewalk projects. The Town expects to use approximately \$170 000 of fund balance in lieu of raising taxes. During the next fiscal year the Town intends to loan out \$44 000 of façade grant funds to local businesses.

Economic Factors and Next Year's Budgets and Rates

The Town of Hildebran continues to experience the economic impact from manufacturing job losses in Burke County. The Town has committed to date \$239 387 towards future economic development.

Request 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 Director of Finance, Town of Hildebran, 109 South Center St., Hildebran, NC 28637.

TOWN OF HILDEBRAN
STATEMENT OF NET POSITION
JUNE 30, 2020

Exhibit 1

<u>Assets</u>	<u>Governmental Activities</u>
Current Assets:	
Cash and Cash Equivalents	\$ 2 611 352
Restricted Cash and Cash Equivalents	276 960
Receivables (Net of Allowance for Uncollectibles)	<u>79 378</u>
Total Current Assets	<u>2 967 690</u>
Non Current Assets:	
Capital Assets:	
Land and Construction in Progress	333 649
Other Capital Assets, Net of Depreciation	<u>2 558 367</u>
Total Non Current Assets	<u>2 892 016</u>
Total Assets	<u>5 859 706</u>
<u>Deferred Outflows of Resources</u>	<u>40 011</u>
<u>Liabilities:</u>	
Current Liabilities:	
Accounts Payable	30 447
Compensated Absences	10 897
Customer Deposits	<u>1 700</u>
Total Current Liabilities	<u>43 044</u>
Long Term Liabilities:	
Net Pension Liability	<u>54 618</u>
Total Long Term Liabilities	<u>54 618</u>
Total Liabilities	<u>97 662</u>
<u>Deferred Inflows of Resources</u>	<u>52 749</u>
<u>Net Position</u>	
Net Investment in Capital Assets	2 892 016
Restricted For:	
Stabilization by State Statute	78 370
Streets	35 873
Unrestricted	<u>2 743 047</u>
Total Net Position	<u>\$ 5 749 306</u>

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

TOWN OF HILDEBRAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Exhibit 2

Functions/Programs	Expenses	Program Revenues			(Net Expense) Revenues and Changes in Net Position
Primary Government:		Charges For	Operating	Capital	Total Government
Governmental Activities:		Services	Grants and Contributions	Grants and Contributions	Governmental Activities
General Government	\$ 561 964	\$ 30 635	\$	\$	\$ (531 329)
Public Safety	74 733				(74 733)
Environmental Protection	103 359				(103 359)
Economic and Physical Development	3 000				(3 000)
Transportation	54 719		46 798		(7 921)
Cultural and Recreational	96 354				(96 354)
Total Governmental Activities	894 129	30 635	46 798		(816 696)
General Revenues:					
Taxes:					
Property					256 691
Local Option Sales					531 356
Investment Earnings					10 119
Miscellaneous					174 473
Total General Revenues					972 639
Changes in Net Position					155 943
Net Position - Beginning Previously Reported					5 593 363
Net Position - Ending					\$ 5 749 306

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

TOWN OF HILDEBRAN
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2020

Exhibit 3

	<u>General Fund</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 2 611 352
Restricted Cash and Cash Equivalents	276 960
Receivables, Net	78 370
Property Tax Receivable, Net	<u>1 008</u>
Total Assets	<u>\$ 2 967 690</u>
<u>Liabilities:</u>	
Accounts Payable and Accrued Liabilities	\$ 30 447
Security Deposits	<u>1 700</u>
Total Liabilities	<u>32 147</u>
<u>Deferred Inflows of Resources:</u>	
Property Taxes Receivable	1 008
Unexpended Grant Funds	<u>44 000</u>
Total Deferred Inflows of Resources	<u>45 008</u>
<u>Fund Balances:</u>	
Restricted For:	
Streets	35 873
Stabilization by State Statute	78 370
Committed To:	
Economic Development	239 387
Assigned To:	
Appropriated for Subsequent Year's Expenditures	170 292
Unassigned	<u>2 366 613</u>
Total Fund Balances	<u>2 890 535</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2 967 690</u>

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

TOWN OF HILDEBRAN
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds		\$ 2 892 016
Deferred outflows of resources related to pensions are not reported in the funds		40 011
Liabilities for earned revenues considered deferred inflows of resources in fund statements		1 008
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Net Pension Liability	(54 618)	
Compensated Absences	<u>(10 897)</u>	(65 515)
Deferred inflows of resources related to pensions are not reported in the funds		(8 749)
Fund Balance - Governmental Funds (Exhibit 3)		<u>2 890 535</u>
Net Position of Governmental Activities (Exhibit 1)		<u>\$ 5 749 306</u>

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

TOWN OF HILDEBRAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund
<u>Revenues</u>	
Taxes:	
Property	\$ 257 085
Local Option Sales	531 356
Intergovernmental	215 249
Charges for Services	30 635
Investment Earnings	10 119
Miscellaneous	6 022
Total Revenues	1 050 466
<u>Expenditures</u>	
Current:	
General Government	509 025
Public Safety	118 795
Environmental Protection	103 359
Economic and Physical Development	3 000
Transportation	52 814
Cultural and Recreational	56
Total Expenditures	843 025
Net Change in Fund Balance	207 441
Fund Balance:	
Beginning of Year	2 683 094
End of Year	\$ 2 890
<u>535</u>	

032

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

TOWN OF HILDEBRAN
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, 2020

Net change in fund balance - total Governmental Funds (Exhibit 4)		\$ 207 441
<p>Amounts reported for <i>Governmental Activities</i> in the Statement of Activities (Exhibit 2) are different because:</p>		
Governmental Funds report Capital Outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which Capital Outlays \$81 817 was less than depreciation of \$121 979 in the current period.		(40 162)
Contributions to the Pension Plan in the Current Fiscal Year are not included in the Statement of Activities		13 613
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes		(394)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	(748)	
Pension Expense	(23 807)	(24 555)
Change in Net Position of Governmental Activities (Exhibit 2)		\$ 155 943

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

TOWN OF HILDEBRAN
 GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Exhibit 5

	General Fund			
	Original Budget	Final Budget	Actual	Variances With Final Favorable (Unfavorable)
Revenues:				
Ad Valorem Taxes	\$ 232 700	\$ 232 700	\$ 257 085	\$ 24 385
Local Option Sales Tax	653 600	496 400	531 356	34 956
Unrestricted Intergovernmental	2 000	159 200	168 451	9 251
Restricted Intergovernmental	72 000	45 000	46 798	1 798
Sales and Services	24 013	24 013	30 635	6 622
Investment Earnings	7 000	7 000	9 229	2 229
Miscellaneous	800	25 800	6 022	(19 778)
Total Revenues	992 113	990 113	1 049 576	59 463
Expenditures:				
Current:				
General Government	472 338	598 548	509 025	89 523
Public Safety	70 439	122 372	118 795	3 577
Environmental Protection	221 274	105 775	103 359	2 416
Economic and Physical Development	3 000	97 000	3 000	94 000
Transportation	60 000	108 789	52 814	55 975
Cultural and Recreational	68 400	68 400	56 032	12 368
Total Expenditures	895 451	1 100 884	843 025	257 859
Revenues Over (Under) Expenditures	96 662	(110 771)	206 551	317 322
Other Financing Sources (Uses):				
Transfers	(175 000)	(23 000)	(22 000)	1 000
Appropriated Fund Balance	78 338	133 771		(133 771)
Total Other Financing Sources (Uses)	(96 662)	110 771	(22 000)	(132 771)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$	\$	\$ 184 551	\$ 184 551
Fund Balance:				
Beginning of Year, July 1			2 466 597	
End of Year, June 30			\$ 2 651 148	
A legally budgeted Economic Development Fund is consolidated into the General Fund for reporting purposes:				
Interest Income			890	
Transfers			22 000	
Fund Balance, Beginning			216 497	
Fund Balance, Ending (Exhibit 4)			\$ 2 890 535	

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

TOWN OF HILDEBRAN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

I. Summary of Significant Accounting Policies:

The accounting policies of Town of Hildebran 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 Hildebran is a municipal corporation which is governed by an elected mayor and a board of aldermen.

B. Basis of Presentation:

Government-wide Statements: The statement of net position and the statement of activities display information about the government. These statements include the financial activities of the overall government. 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. Program revenues include (a) fees and charges paid by the recipients for 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. All remaining governmental funds, if any, are aggregated and reported as nonmajor 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 various other taxes and licenses. The primary expenditures are for general government, street maintenance and sanitation services. Additionally, the Town has legally adopted an Economic Development Fund. Under GASB 54, the Economic Development Fund is consolidated into the General Fund. The budgetary comparison for the Economic Development Fund has been included in the supplemental information.

C. Measurement Focus, 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 Statements. The government-wide 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. Non exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which eligibility requirements have been satisfied.

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Hildebran because the tax is levied by Burke County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not

measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursements grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is 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. Budgetary Data

Budget - Budgets are adopted as required by the North Carolina General Statutes. An annual budget ordinance is adopted for the general fund. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for all capital project funds. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the object level for capital project funds. During the year several board approved amendments to the original budget were necessary.

Encumbrances - Under North Carolina General Statutes, the Town is not required to maintain encumbrance accounts which are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. At June 30, 2020 there were no open purchase orders outstanding.

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

1. Deposits and Investments:

All deposits of the Town are made in board-designated official depositories and are collateralized as required by G.S. 159-31. Official depositories may be established with any bank or savings and loan 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust. The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT-Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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 are classified as restricted cash because it can only be expended for maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Customer deposits held by the Town before any service is rendered is also restricted. Cash in the Economic Development Fund is classified as restricted because its use is restricted for economic development.

Town of Hildebran Restricted Cash

Streets	\$ 35 873
Customer Deposits	1 700
Economic Development	<u>239 387</u>
Total Governmental activities	<u>\$ 276 960</u>

4. Ad Valorem Taxes Receivable:

In accordance with [G.S. 105-347 and G.S 159-13(a)], ad valorem taxes are levied on July 1, the beginning of the fiscal year and are due on September 1; however, interest does not accrue until the following January 6. These taxes levied are based on the assessed values as of January 1, 2019.

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. Capital Assets:

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1 000 and an estimated useful life in excess of one year. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Beginning July 1, 2003 general infrastructure costs are capitalized as incurred. The Town has set a threshold of \$10 000 for capitalizing infrastructure. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	50
Buildings	40
Improvements	20
Furniture and equipment	5
Computer equipment	5

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category - property taxes receivable, unexpended grant funds and deferrals of pension expense that result from the implementation of GASB Statement 68.

8. Long-Term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

9. Compensated Absences

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

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

10. Net Position/Fund Balances:

Net Position

Net position in government-wide is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represent 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 Balance

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.

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

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

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

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

Committed for Economic Development - portion of fund balance committed by the Board for economic development.

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

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget, if any, that is not already classified in restricted or committed.

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

For purposes of fund balance classifications, funds are to be spent from restricted fund balance first followed by committed fund balance, assigned fund balance and last unassigned fund balance.

11. 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 Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due.

The Town of Hildebran's employer contributions are recognized when due and the Town of Hildebran has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

12. Uses 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.

II. 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 security held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the

State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits. At year-end, the Town's deposits had a carrying amount of \$2 886 819 and a bank balance of \$2 921 380. The entire bank balance was covered by federal depository insurance or other sufficient collateral held under the pooling method.

- 1a. Investments - At June 30, 2020, the Town of Hildebran had \$1 493 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poors. The Town has no policy regarding credit risk.
2. Receivables - Allowances for Doubtful Accounts - The receivables shown in the balance sheet and Statement of Net Position are presented net of the following allowances for doubtful accounts:

	June 30, 2020
General Fund:	
Property Taxes	\$ 4 557

Receivables - Net of Allowances

Accounts receivable at June 30, 2020 was as follows at the government wide level:

	Local Option		
Taxes	Sales Tax	Accounts	Total
\$1 008	\$ 76 670	\$ 1 700	\$ 79 378

3. Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 333 649	\$ _____	\$ _____	\$ 333 649
Total capital assets not being depreciated	333 649	_____	_____	333 649

Capital assets being depreciated:			
Infrastructure	95 250		95 250
Buildings and Land Improvements	3 665 181	28 501	3 693 682
Vehicles	44 878	49 379	94 257
Equipment	207 551	3 937	211 488
Total capital assets being depreciated	<u>4 012 860</u>	<u>81 817</u>	<u>4 094 677</u>
Less accumulated depreciation for:			
Infrastructure	27 623	1 905	29 528
Buildings	1 215 176	94 228	1 309 404
Vehicles	44 878	4 937	49 815
Equipment	126 654	20 909	147 563
Total accumulated depreciation	<u>1 414 331</u>	<u>121 979</u>	<u>1 536 310</u>
Total capital assets being depreciated, net	<u>2 598 529</u>	<u>(40 162)</u>	<u>2 558 367</u>
Governmental activity capital assets, net	<u>\$2 932 178</u>	<u>\$ (40 162)</u>	<u>\$2 892 016</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 74 434
Public Safety	5 318
Transportation	1 905
Culture and Recreation	<u>40 322</u>
Total	<u>\$ 121 979</u>

B. Liabilities

1. Pension Plan Obligations:

a. Local Government Employee's Retirement System -

Plan Description - The Town of Hildebran is a participating employer in the statewide Local Governmental Employee's Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Government Employees' Retirement System 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' Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions - Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Hildebran employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Hildebran's contractually required contribution rate for the year ended June 30, 2020, was 8.95% for general employees, actuarially as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Hildebran were \$13 613 for the year ended June 30, 2020.

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 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.

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

At June 30, 2020, The Town reported a liability of \$54 618 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019, the Town's proportion was 0.00200%, which was a decrease of 0.00095% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$23 807. At June 30, 2020, 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 actual experience	\$ 9 352	\$
Changes of assumptions	8 902	
Net difference between projected and actual earnings on pension plan investments	1 333	
Changes in proportion and differences between Town contributions and proportionate share of contributions	6 811	8 749
Town contributions subsequent to the Measurement date	<u>13 613</u>	
Total	<u>\$ 40 011</u>	<u>\$ 8 749</u>

\$13 613 reported as deferred outflows of resources related to Pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase in the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 9 371
2022	2 816
2023	5 755
2024	<u>(294)</u>
Total	<u>17 648</u>

Actuarial Assumptions - The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement. The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 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	6.0%	4.0%
Total	100.0%	

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

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

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate - The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$124 922	\$ 54 618	\$ (3 818)

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

2. Payables

Payables and accrued liabilities at June 30, 2020 were as follows at the government-wide level:

	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
Governmental Activities	\$ 20 509	\$ 9 938	\$ 30 447

3. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following at the Government Wide Level.

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 13 613
Changes in proportion and differences between employer contributions and proportionate share of contributions	6 811
Changes of Assumptions	8 902
Differences between expected and actual experience	9 352
Net difference between projected and actual investment earnings on plan investments	1 333
Total	<u>\$ 40 011</u>

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

	<u>Fund Statements</u>	<u>Government Wide</u>
Taxes Receivable, less penalties (General Fund)	\$ 1 008	
Differences between expected and actual experience		
Changes in proportion and differences between employer contributions and proportionate share of contributions		8 749
Unexpended Grant Funds	<u>44 000</u>	<u>44 000</u>
Total	<u>\$ 45 008</u>	<u>\$ 52 749</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 participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town has property coverage up to \$6 883 622, worker's compensation coverage of up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims of \$500 000 for property and \$300 000 up to statutory limit, for worker's compensation. The pools are insured for annual employee health claims in excess of \$150 000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance value. The Town carries commercial coverage for all other risk of loss. Claims have not exceeded coverage in any of the past three years. The Town does not maintain flood insurance at the present time because they are not in a flood plain.

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

5. Changes in Long-Term Liabilities

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion of Balance
Governmental activities:					
Net Pension Liability (LGERS)	\$ 69 984	\$	\$ 15 366	\$ 54 618	\$
Compensated Absences	<u>10 149</u>	<u>748</u>		<u>10 897</u>	<u>10 897</u>
Total	<u>\$ 80 133</u>	<u>\$ 748</u>	<u>\$ 15 366</u>	<u>\$ 65 515</u>	<u>\$ 10 897</u>

The Town's legal debt margin at June 30, 2020 was \$13 715 893.

. 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	\$ 2 890 535
Less:	
Streets	(35 873)
Stabilization by State Statute	(78 370)
Economic Development	(239 387)
Appropriated Fund Balance in 2020-2021 Budget	<u>(170 292)</u>
Remaining Fund Balance	<u>\$ 2 366 613</u>

III. Joint Governed Organization

Western Piedmont Council of Governments - Western Piedmont Council of Governments (WPCOG) is a regional planning organization. It consists of twenty-four municipalities and four counties within western North Carolina. WPCOG's governing board is comprised of one elected official from each of these local governments and seven at-large citizen members. Each local government has one vote. The Town paid membership dues of \$49 979 during fiscal year ended June 30, 2020.

IV. Summary Disclosure of Significant Contingencies:

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

Town of Hildebran, North Carolina
 Town of Hildebran's Proportionate Share of
 Net Pension Liability (Asset)
 Required Supplementary Information
 Last Seven Fiscal Years *

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Hildebran's proportion of the net pension liability (asset) (%)	.00200%	.00295%	.00199%	.00265%	.00267%	.00269%	.00170%
Hildebran's proportion of the net pension liability (asset) (\$)	\$ 54 618	\$ 69 984	\$ 30 402	\$ 56 242	\$ 11 983	\$ (15 864)	\$ 20 492
Hildebran's covered-employee payroll	\$ 150 220	\$ 229 746	\$ 156 614	\$ 149 979	\$ 147 115	\$ 157 483	\$ 160 240
Hildebran's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.36%	30.46%	19.41%	37.50%	8.15%	(10.07)%	12.79%
Plan fiduciary net position as a percentage of the total pension liability **	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

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

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

Town of Hildebran, North Carolina
Town of Hildebran's Contributions
Required Supplementary Information
Last Seven Fiscal Years

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 13 613	\$ 11 642	\$ 17 231	\$ 11 355	\$ 10 004	\$ 10 401	\$ 11 134
Contributions in relation to the contractually required contribution	<u>13 613</u>	<u>11 642</u>	<u>17 231</u>	<u>11 355</u>	<u>10 004</u>	<u>10 401</u>	<u>11 134</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Hildebran's covered-employee payroll	\$ 152 096	\$ 150 220	\$ 229 746	\$ 156 614	\$ 149 979	\$ 147 115	\$ 157 483
Contributions as a percentage of covered-employee payroll	8.95%	7.75%	7.50%	7.25%	6.67%	7.07%	7.07%

TOWN OF HILDEBRAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET & ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Revenues:				
Ad Valorem Taxes:				
Current Year	\$ 232 700	\$ 256 118	\$ 23 418	\$ 241 537
Prior Years		601	601	857
Penalties and Interest		366	366	371
Total	232 700	257 085	24 385	242 765
Other Taxes and Licenses:				
1 Cent Local Option Sales Tax	154 500	167 092	12 592	162 276
1/2 Cent Local Option Sales Tax	187 400	199 402	12 002	226 497
Hold Harmless	154 500	164 862	10 362	125 813
Total	496 400	531 356	34 956	514 586
Unrestricted Intergovernmental Revenues:				
Sales Tax Refund	2 000	10 674	8 674	5 656
Utility Sales Tax	147 200	147 634	434	150 056
Solid Waste Tax	1 350	1 524	174	1 395
Alcohol Beverage Tax	8 650	8 619	(31)	8 624
Total	159 200	168 451	9 251	165 731
Restricted Intergovernmental Revenues:				
Powell Bill Allocation	45 000	46 798	1 798	47 102
Total	45 000	46 798	1 798	47 102
Sales and Services:				
Rentals	24 013	29 945	5 932	28 414
Sales and Fees		690	690	1 473
Total	24 013	30 635	6 622	29 887
Investment Earnings:				
Interest Earned	7 000	9 229	2 229	8 743
Miscellaneous:				
Contributions	25 000		(25 000)	
Other	800	6 022	5 222	
Total	25 800	6 022	(19 778)	
Total Revenues	990 113	1 049 576	59 463	1 008 814

	2020		Variance Favorable (Unfavorable)	2019 Actual
	Budget	Actual		
Expenditures:				
General Government:				
Administration:				
Salaries	\$	\$ 153 181	\$	\$ 241 924
Mayor's Expense		2 400		2 400
Council Expense		3 300		3 300
Travel and Workshop		1 741		1 189
Professional Services		70 863		68 441
Telephone and Postage		3 853		4 114
Advertising and Marketing		2 834		3 090
Group Insurance		42 131		33 420
Maintenance		8 948		7 429
Office Supplies		2 308		1 854
Dues and Subscriptions		16 268		13 862
Insurance and Bonds		6 535		6 039
Payroll Taxes		11 431		20 397
Retirement		13 613		11 642
Internet		2 909		3 101
Elections		1 177		
Miscellaneous		7 358		2 552
Total	403 800	350 850	52 950	424 754
Buildings and Grounds (Municipal Buildings)				
Rent				518
Salaries		14 249		10 098
Payroll Taxes		1 053		849
Utilities		37 921		35 715
Insurance		7 229		6 590
Maintenance		23 577		113 242
Miscellaneous		1 619		2 750
Contracted Services		40 090		35 970
Capital Outlay		32 437		
Total	194 748	158 175	36 573	205 732
Total General Government	598 548	509 025	89 523	630 486
Public Safety:				
Police:				
Burke County Salary Reimbursement		68 767		61 300
Utilities and Other		649		526
Capital Outlay		49 379		
Total Public Safety	122 372	118 795	3 577	61 826

	2020		Variance	2019
	Budget	Actual	Favorable (Unfavorable)	Actual
Environmental Protection:				
Sanitation:				
Garbage Pick-up		72 060		70 761
Recycling		31 299		19 700
Total Environmental Protection	105 775	103 359	2 416	90 461
Economic and Physical Development:				
Economic Development:				
VEDIC		3 000		2 000
Total Economic Development	97 000	3 000	94 000	2 000
Transportation:				
Streets:				
Street Lights		21 263		21 666
Christmas Lights		17 602		4 742
Street Improvements		13 949		415 882
Total Transportation	108 789	52 814	55 975	442 290
Cultural and Recreational:				
Park Expense:				
Maintenance		29 160		29 350
Utilities		3 508		3 050
Supplies		539		1 735
Total Park Expense	35 400	33 207	2 193	34 135
Special Appropriations:				
Hildebran Public Library		5 000		4 000
React		1 750		1 750
Other		16 075		18 348
Total Special Appropriations	33 000	22 825	10 175	24 098
Total Cultural and Recreational	68 400	56 032	12 368	58 233
Debt Service:				
Principal Paid				175 600
Interest Paid				6 322
Total Debt Service				181 922
Total Expenditures	1 100 884	843 025	257 859	1 467 218

	2020			2019
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues Over (Under)				
Expenditures	<u>(110 771)</u>	<u>206 551</u>	<u>317 322</u>	<u>(458 404)</u>
Other Financing Sources (Uses):				
Transfers	(23 000)	(22 000)	1 000	(23 000)
Appropriated Fund Balance	<u>133 771</u>	<u> </u>	<u>(133 771)</u>	<u> </u>
Total Other Financing Sources (Uses)	<u>110 771</u>	<u>(22 000)</u>	<u>(132 771)</u>	<u>(23 000)</u>
Revenues and Other Sources Over(Under) Expenditures and Other Uses	<u>\$</u>	184 551	<u>\$ 184 551</u>	(481 404)
Fund Balance - Beginning of Year		<u>2 466 597</u>		<u>2 948 001</u>
Fund Balance - End of Year		<u>\$2 651 148</u>		<u>\$2 466 597</u>

TOWN OF HILDEBRAN
ECONOMIC DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	<u>2020</u>		Variance	2019
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>	<u>Actual</u>
Revenues:				
Non-Operating Revenues				
Interest Earned	\$	890	890	925
Expenditures:				
Future Economic Expenditures	23 000		23 000	
Revenues Over (Under) Expenditures	(23 000)	890	23 890	925
Other Financing Sources (Uses):				
Transfers (to) from Other Funds	23 000	22 000	(1 000)	23 000
Total Other Financing Sources (Uses)	23 000	22 000	(1 000)	23 000
Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$	22 890	\$ 22 890	23 925
Fund Balance - Beginning of Year		216 497		192 572
Fund Balance - End of Year		\$ 239 387		\$ 216 497

TOWN OF HILDEBRAN
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2020

<u>Fiscal Year</u>	Uncollected Balance <u>July 1, 2019</u>	<u>Additions</u>	Collections and <u>Credits</u>	Uncollected Balance <u>June 30, 2020</u>
2019-2020	\$	\$ 257 173	\$ 255 118	\$ 2 055
2018-2019	5 356		4 333	1 023
2017-2018	621		328	293
2016-2017	1 149		158	991
2015-2016	128		128	
2014-2015	187		55	132
2013-2014	299		63	236
2012-2013	295			295
2011-2012	304			304
2010-2011	236			236
2009-2010	<u>215</u>		<u>215</u>	
Total	<u>\$ 8 790</u>	<u>\$ 257 173</u>	<u>\$ 260 398</u>	<u>\$ 5 565</u>
Less Allowance for Uncollectible Accounts				<u>4 557</u>
Ad Valorem Taxes Receivable - Net				<u>\$ 1 008</u>

Reconciliation with Revenue:

Ad Valorem Tax Revenue	\$ 257 085	
Less Penalties and Interest	<u>366</u>	\$ 256 719

Written Off Per Statute of Limitations		215
Releases-Prior Years	<u>3 464</u>	

Total Collections and Credits		<u>\$ 260 398</u>
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TOWN OF HILDEBRAN
ANALYSIS OF CURRENT YEAR TAX LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Total</u> <u>Property</u> <u>Valuation</u>	<u>Rate</u>	<u>Amount</u> <u>of</u> <u>Levy</u>	<u>Excluding</u> <u>Vehicles</u>	<u>Motor</u> <u>Vehicles</u>
Tax Levy	\$ 141 082 667	.15	\$ 211 624	\$ 211 624	\$
Vehicle Taxes	13 964 000	.15	20 946		20 946
Discoveries	17 705 333	.15	26 558	26 558	
Releases	(1 303 333)	.15	(1 955)	(1 955)	
Total for Year	<u>\$ 171 448 667</u>		257 173	236 227	20 946
Less Uncollected Taxes at June 30, 2020			<u>2 055</u>	<u>2 055</u>	
Current Year Taxes Collected			<u>\$ 255 118</u>	<u>\$ 234 172</u>	<u>\$ 20 946</u>
Percent of Current Year's Taxes Collected			<u>99.20%</u>	<u>99.13%</u>	<u>100.00%</u>