

REVIEWED

By SLGFD at 8:45 am, Sep 27, 2021

TOWN OF HILDEBRAN

HILDEBRAN, NORTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2021

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

Morganton, North Carolina

TOWN OF HILDEBRAN
TOWN OFFICIALS
JUNE 30, 2021

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, 2021

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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, 2021, 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, 2021, 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 dark ink, reading "S. Eric Bowman". The signature is fluid and cursive, with a large initial "S" and a stylized "B".

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

Morganton, North Carolina
July 23, 2021

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

Financial Highlights

- The assets of the Town of Hildebran exceeded its liabilities at the close of the fiscal year by \$6 026 814 (*Net Position*).
- The government's total net position increased by \$277 508.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2 377 492, or 257 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 on pages 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 \$6 026 814 at the close of the most recent fiscal year (Table 1).

TABLE 1
NET POSITION

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Current and Other Assets	\$ 3 277 154	\$2 967 690
Capital Assets	2 901 778	2 892 016
Deferred Outflows of Resources	<u>61 779</u>	<u>40 011</u>
 Total Assets and Deferred Outflows of Resources	<u>6 240 711</u>	<u>5 899 717</u>
 Other Liabilities	168 751	97 662
Deferred Inflows of Resources	<u>45 146</u>	<u>52 749</u>
 Total Liabilities and Deferred Inflows of Resources	<u>213 897</u>	<u>150 411</u>
 Net Position:		
Net Investment in Capital		
Assets	2 901 778	2 892 016
Restricted	161 807	114 243
Unrestricted (Deficit)	<u>2 963 229</u>	<u>2 743 047</u>
 Total Net Position	<u>\$ 6 026 814</u>	<u>\$5 749 306</u>

The largest portion of net position (48%) 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 \$1 209 660 at June 30, 2021 (see Table 2). Charges for services made up 3% of revenues. Property taxes and other taxes made up 22% and 52% of revenues respectively. The Town's expenses cover a range of services with 68% of those expenses being related to general government.

TABLE 2
CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
<u>Revenues</u>		
Program Revenues:		
Charges for Services	\$ 33 093	\$ 30 635
Operating Grants and Contributions	98 149	46 798
General Revenues:		
Property Taxes	269 447	256 691
Other Taxes	623 198	531 356
Other	<u>185 773</u>	<u>184 592</u>
Total Revenues	<u>1 209 660</u>	<u>1 050 072</u>
<u>Expenses</u>		
General Government	633 523	561 964
Public Safety	45 287	74 733
Environmental Protection	107 438	103 359
Economic and Physical Development	25 857	3 000
Transportation	55 254	54 719
Cultural and Recreational	<u>64 793</u>	<u>96 354</u>
Total Expenses	<u>932 152</u>	<u>894 129</u>
Increase (Decrease) in Net Position	277 508	155 943
Net Position, July 1	<u>5 749 306</u>	<u>5 593 363</u>
Net Position, June 30	<u>\$ 6 026 814</u>	<u>\$5 749 306</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 \$932 thousand.
- However, the amount that our taxpayers paid for these activities through Town taxes was \$801 thousand. Some of the cost was paid by:
 - Those who directly benefited from the programs (33 thousand), or
 - Other governments and organizations that subsidized certain programs with grants and contributions (98 thousand).
- The Town paid for the \$801 thousand "public benefit" portion with \$893 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)

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
General Government	\$ 634	\$ 562	\$ 547	\$ 532
Public Safety	45	75	45	75
Environmental Protection	107	103	107	103
Economic and Physical Development	26	3	26	3
Transportation	55	55	11	8
Recreation	65	96	65	96
Total	<u>\$ 932</u>	<u>\$ 894</u>	<u>\$ 801</u>	<u>\$ 817</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 \$2 377 492 while total fund balance was \$3 173 226. 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 257 percent of total General Fund expenditures, while total fund balance represents 343 percent of that same amount.

At June 30, 2021, the governmental funds of Town of Hildebran reported a fund balance of \$3 173 226. Approximately 5 percent of this amount or \$161 807 is non spendable or restricted. The net change in fund balance was \$282 691.

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 \$278 178.

Capital Asset and Debt Administration

Capital assets. Town of Hildebran's investment in capital assets for its governmental activities as of June 30, 2021 totals \$2 901 778 (net of accumulated depreciation). These assets include land, buildings, equipment, vehicles and infrastructure.

Capital asset transactions during the year were as follows:

- Mower
- Sound Equipment
- Building Renovations

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

	Governmental Activities	
	2021	2020
Land and Construction in Progress	\$ 333 649	\$ 333 649
Buildings	2 391 682	2 384 278
Equipment	78 064	63 925
Vehicles	34 566	44 442
Infrastructure	63 817	65 722
Total	<u>\$2 901 778</u>	<u>\$2 892 016</u>

Long-term Debt. As of June 30, 2021, 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 \$14 299 520.

Ad Valorem and Vehicle tax collections. The Town maintained a tax collection rate of 99.26%. The state wide average in fiscal year 2021 was 98.96%.

Financial Highlights for the next Fiscal Year Ending June 30, 2022

Governmental Activities: The Town expects revenues to increase approximately \$200 000 due to increase in grants. The Town expects expenditures to increase by approximately \$589 000 due to Old Town Hall renovations and sidewalk projects. The Town expects to use approximately \$389 000 of fund balance in lieu of raising taxes.

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 \$245 351 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, 2021

Exhibit 1

<u>Assets</u>	<u>Governmental Activities</u>
Current Assets:	
Cash and Cash Equivalents	\$ 2 864 021
Restricted Cash and Cash Equivalents	309 482
Receivables (Net of Allowance for Uncollectibles)	<u>103 651</u>
Total Current Assets	<u>3 277 154</u>
Non Current Assets:	
Capital Assets:	
Land and Construction in Progress	333 649
Other Capital Assets, Net of Depreciation	<u>2 568 129</u>
Total Non Current Assets	<u>2 901 778</u>
Total Assets	<u>6 178 932</u>
<u>Deferred Outflows of Resources</u>	<u>61 779</u>
<u>Liabilities:</u>	
Current Liabilities:	
Accounts Payable	58 896
Compensated Absences	10 902
Customer Deposits	<u>3 900</u>
Total Current Liabilities	<u>73 698</u>
Long Term Liabilities:	
Net Pension Liability	<u>95 053</u>
Total Liabilities	<u>168 751</u>
<u>Deferred Inflows of Resources</u>	<u>45 146</u>
<u>Net Position</u>	
Net Investment in Capital Assets	2 901 778
Restricted For:	
Stabilization by State Statute	101 576
Streets	60 231
Unrestricted	<u>2 963 229</u>
Total Net Position	<u>\$ 6 026 814</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, 2021

Exhibit 2

					(Net Expense) Revenues and Changes in Net Position
					Total Government
Functions/Programs	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 633 523	\$ 33 093	\$ 53 441	\$	\$ (546 989)
Public Safety	45 287				(45 287)
Environmental Protection	107 438				(107 438)
Economic and Physical Development	25 857				(25 857)
Transportation	55 254		44 708		(10 546)
Cultural and Recreational	64 793				(64 793)
Total Governmental Activities	932 152	33 093	98 149		(800 910)
General Revenues:					
Taxes:					
Property					269 447
Local Option Sales					623 198
Investment Earnings					1 516
Gain on Sale of Capital Assets					1 400
Miscellaneous					182 857
Total General Revenues					1 078 418
Changes in Net Position					277 508
Net Position - Beginning Previously Reported					5 749 306
Net Position - Ending					\$ 6 026 814

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

TOWN OF HILDEBRAN
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2021

Exhibit 3

	<u>General Fund</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 2 864 021
Restricted Cash and Cash Equivalents	309 482
Receivables, Net	101 576
Property Tax Receivable, Net	<u>2 075</u>
Total Assets	<u>\$ 3 277 154</u>
<u>Liabilities:</u>	
Accounts Payable and Accrued Liabilities	\$ 58 896
Security Deposits	<u>3 900</u>
Total Liabilities	<u>62 796</u>
<u>Deferred Inflows of Resources:</u>	
Property Taxes Receivable	2 075
Unexpended Grant Funds	<u>39 057</u>
Total Deferred Inflows of Resources	<u>41 132</u>
<u>Fund Balances:</u>	
Restricted For:	
Streets	60 231
Stabilization by State Statute	101 576
Committed To:	
Economic Development	245 351
Assigned To:	
Appropriated for Subsequent Year's Expenditures	388 576
Unassigned	<u>2 377 492</u>
Total Fund Balances	<u>3 173 226</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3 277 154</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, 2021

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	\$ 2 901 778
Deferred outflows of resources related to pensions are not reported in the funds	61 779
Liabilities for earned revenues considered deferred inflows of resources in fund statements	2 075
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Net Pension Liability	(95 053)
Compensated Absences	(10 902)
	(105 955)
Deferred inflows of resources related to pensions are not reported in the funds	(6 089)
Fund Balance - Governmental Funds (Exhibit 3)	<u>3 173 226</u>
Net Position of Governmental Activities (Exhibit 1)	<u>\$ 6 026 814</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 FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>
<u>Revenues</u>	
Taxes:	
Property	\$ 268 380
Local Option Sales	623 198
Intergovernmental	255 066
Charges for Services	33 093
Investment Earnings	1 516
Miscellaneous	<u>27 340</u>
Total Revenues	<u>1 208 593</u>
<u>Expenditures</u>	
Current:	
General Government	671 676
Public Safety	35 031
Environmental Protection	107 438
Economic and Physical Development	25 857
Transportation	53 349
Cultural and Recreational	<u>32 551</u>
Total Expenditures	<u>925 902</u>
Net Change in Fund Balance	282 691
Fund Balance:	
Beginning of Year	<u>2 890 535</u>
End of Year	<u><u>\$ 3 173 226</u></u>

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, 2021

Net change in fund balance - total Governmental Funds (Exhibit 4)	\$ 282 691
Amounts reported for <i>Governmental Activities</i> in the Statement of Activities (Exhibit 2) are different because:	
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 \$133 162 was more than depreciation of \$123 400 in the current period.	9 762
Contributions to the Pension Plan in the Current Fiscal Year are not included in the Statement of Activities	18 427
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	1 067
Gain on Sale of Capital Assets	1 400
Sale of Capital Assets is recorded as revenue in the funds.	(1 400)
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	(5)
Pension Expense	(34 434) (34 439)
Change in Net Position of Governmental Activities (Exhibit 2)	<u>\$ 277 508</u>

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, 2021

Exhibit 5

	General Fund			Variances With Final Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad Valorem Taxes	\$ 235 713	\$ 235 713	\$ 268 380	\$ 32 667
Local Option Sales Tax	446 500	446 500	623 198	176 698
Unrestricted Intergovernmental	143 100	143 100	156 917	13 817
Restricted Intergovernmental	176 600	213 668	98 149	(115 519)
Sales and Services	4 200	3 900	33 093	29 193
Investment Earnings	3 423	3 423	1 388	(2 035)
Miscellaneous	100	25 400	27 340	1 940
Total Revenues	<u>1 009 636</u>	<u>1 071 704</u>	<u>1 208 465</u>	<u>136 761</u>
Expenditures:				
Current:				
General Government	667 376	769 307	664 620	104 687
Public Safety	81 695	81 695	35 031	46 664
Environmental Protection	81 474	108 374	107 438	936
Economic and Physical Development	47 000	69 813	24 107	45 706
Transportation	82 765	214 765	53 349	161 416
Cultural and Recreational	67 618	62 152	41 357	20 795
Total Expenditures	<u>1 027 928</u>	<u>1 306 106</u>	<u>925 902</u>	<u>380 204</u>
Revenues Over (Under) Expenditures	<u>(18 292)</u>	<u>(234 402)</u>	<u>282 563</u>	<u>516 965</u>
Other Financing Sources (Uses):				
Transfers	(152 000)	(25 000)	(5 836)	19 164
Appropriated Fund Balance	<u>170 292</u>	<u>259 402</u>		<u>(259 402)</u>
Total Other Financing Sources (Uses)	<u>18 292</u>	<u>234 402</u>	<u>(5 836)</u>	<u>(240 238)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$</u>	<u>\$</u>	\$ 276 727	<u>\$ 276 727</u>
Fund Balance:				
Beginning of Year, July 1			<u>2 651 148</u>	
End of Year, June 30			\$ 2 927 875	
A legally budgeted Economic Development Fund is consolidated into the General Fund for reporting purposes:				
Interest Income			128	
Transfers			5 836	
Fund Balance, Beginning			<u>239 387</u>	
Fund Balance, Ending (Exhibit 4)			<u>\$ 3 173 226</u>	

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, 2021

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, 2021 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. The NCCMT-Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is 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	\$ 60 231
Customer Deposits	3 900
Economic Development	<u>245 351</u>
Total Governmental activities	<u>\$ 309 482</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, 2020.

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 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The 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 \$3 172 010 and a bank balance of \$3 201 424. The entire bank balance was covered by federal depository insurance or other sufficient collateral held under the pooling method.

- 1a. Investments - At June 30, 2021, 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 and AAAm-mf by Moody's Investors Services. 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, 2021
General Fund:	
Property Taxes	\$ 2 997
Façade Loans	4 944
Total	<u>\$ 7 941</u>

Receivables - Net of Allowances

Accounts receivable at June 30, 2021 was as follows at the government wide level:

	Local Option		
Taxes	Sales Tax	Accounts	Total
\$2 075	\$ 99 876	\$ 1 700	<u>\$ 103 651</u>

3. Capital Assets

Capital asset activity for the year ended June 30, 2021, 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	3 693 682	86 865		3 780 547
Vehicles	94 257		44 877	49 380
Equipment	211 488	46 297		257 785
Total capital assets being depreciated	4 094 677	133 162	44 877	4 182 962
Less accumulated depreciation for:				
Infrastructure	29 528	1 905		31 433
Buildings	1 309 404	79 461		1 388 865
Vehicles	49 815	9 876	44 877	14 814
Equipment	147 563	32 158		179 721
Total accumulated depreciation	1 536 310	123 400	44 877	1 614 833
Total capital assets being depreciated, net	2 558 367	9 762		2 568 129
Governmental activity capital assets, net	\$2 892 016	\$ 9 762		\$2 901 778

Depreciation expense was charged to functions/programs as follows:

General government	\$ 78 997
Public Safety	10 256
Transportation	1 905
Culture and Recreation	32 242
Total	\$ 123 400

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, 2021, was 10.15% 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 \$18 427 for the year ended June 30, 2021.

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, 2021, The Town reported a liability of \$95 053 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.00266%, which was an increase of 0.00066% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$16 007. At June 30, 2021, the town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12 004	\$
Changes of assumptions	7 074	
Net difference between projected and actual earnings on pension plan investments	13 376	
Changes in proportion and differences between Town contributions and proportionate share of contributions	10 898	6 089
Town contributions subsequent to the Measurement date	18 427	
Total	<u>\$ 61 779</u>	<u>\$ 6 089</u>

\$18 427 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 11 073
2023	14 764
2024	7 468
2025	3 959
Total	<u>37 264</u>

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

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

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

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

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement. The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

<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 2020 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)	\$ 192 852	\$ 95 053	\$ 13 775

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, 2021 were as follows at the government-wide level:

	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
Governmental Activities	\$ 54 560	\$ 4 336	\$ 58 896

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	\$ 18 427
Changes in proportion and differences between employer contributions and proportionate share of contributions	10 898
Changes of Assumptions	7 074
Differences between expected and actual experience	12 004
Net difference between projected and actual investment earnings on plan investments	13 376
Total	<u>\$ 61 779</u>

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

	Fund Statements	Government Wide
Taxes Receivable, less penalties (General Fund)	\$ 2 075	
Differences between expected and actual experience		
Changes in proportion and differences between employer contributions and proportionate share of contributions		6 089
Unexpended Grant Funds	39 057	39 057
Total	<u>\$ 41 132</u>	<u>\$ 45 146</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, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion of Balance
Governmental activities:					
Net Pension Liability (LGRS)	\$ 54 618	\$ 40 435	\$	\$ 95 053	\$
Compensated Absences	<u>10 897</u>	<u>5</u>	<u></u>	<u>10 902</u>	<u>10 902</u>
Total	<u>\$ 65 515</u>	<u>\$ 40 440</u>	<u>\$</u>	<u>\$ 105 955</u>	<u>\$ 10 902</u>

The Town's legal debt margin at June 30, 2021 was \$14 299 520.

. 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	\$ 3 173 226
Less:	
Streets	(60 231)
Stabilization by State Statute	(101 576)
Economic Development	(245 351)
Appropriated Fund Balance in 2021-2022 Budget	(388 576)
Fund Balance Policy	<u>(1 388 853)</u>
Remaining Fund Balance	<u>\$ 988 639</u>

The Town of Hildebran has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 150% of expenditures.

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 \$68 927 during fiscal year ended June 30, 2021.

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 Eight Fiscal Years *

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Hildebran's proportion of the net pension liability (asset) (%)	.00266%	.00200%	.00295%	.00199%	.00265%	.00267%	.00269%	.00170%
Hildebran's proportion of the net pension liability (asset) (\$)	\$ 95 053	\$ 54 618	\$ 69 984	\$ 30 402	\$ 56 242	\$ 11 983	\$ (15 864)	\$ 20 492
Hildebran's covered-employee payroll	\$ 152 096	\$ 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	62.50%	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%	96.45%

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

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

This required supplementary information is intended to show information for ten years. Additional years information will be displayed as it becomes available.

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

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 18 427	\$ 13 613	\$ 11 642	\$ 17 231	\$ 11 355	\$ 10 004	\$ 10 401	\$ 11 134
Contributions in relation to the contractually required contribution	18 427	13 613	11 642	17 231	11 355	10 004	10 401	11 134
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Hildebran's covered-employee payroll	\$ 181 544	\$ 152 096	\$ 150 220	\$ 229 746	\$ 156 614	\$ 149 979	\$ 147 115	\$ 157 483
Contributions as a percentage of covered-employee payroll	10.15%	8.95%	7.75%	7.50%	7.25%	6.67%	7.07%	7.07%

This required supplementary information is intended to show information for ten years. Additional years information will be displayed as it becomes available.

TOWN OF HILDEBRAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET & ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Ad Valorem Taxes:				
Current Year	\$ 235 713	\$ 266 139	\$ 30 426	\$ 256 118
Prior Years		2 234	2 234	601
Penalties and Interest		7	7	366
Total	235 713	268 380	32 667	257 085
Other Taxes and Licenses:				
1 Cent Local Option Sales Tax	139 000	204 610	65 610	167 092
1/2 Cent Local Option Sales Tax	168 500	273 301	104 801	199 402
Hold Harmless	139 000	145 287	6 287	164 862
Total	446 500	623 198	176 698	531 356
Unrestricted Intergovernmental Revenues:				
Sales Tax Refund	2 000	1 697	(303)	10 674
Utility Sales Tax	132 200	145 374	13 174	147 634
Solid Waste Tax	1 200	1 489	289	1 524
Alcohol Beverage Tax	7 700	8 357	657	8 619
Total	143 100	156 917	13 817	168 451
Restricted Intergovernmental Revenues:				
Powell Bill Allocation	45 000	44 708	(292)	46 798
Grants	168 668	53 441	(115 227)	
Total	213 668	98 149	(115 519)	46 798
Sales and Services:				
Rentals	3 900	32 153	28 253	29 945
Sales and Fees		940	940	690
Total	3 900	33 093	29 193	30 635
Investment Earnings:				
Interest Earned	3 423	1 388	(2 035)	9 229
Miscellaneous:				
Contributions	25 000	25 500	500	
Sale of Fixed Assets	400	440	40	
Other		1 400	1 400	6 022
Total	25 400	27 340	1 940	6 022
Total Revenues	1 071 704	1 208 465	136 761	1 049 576

	2021		Variance	2020
	Budget	Actual	Favorable (Unfavorable)	Actual
Expenditures:				
General Government:				
Administration:				
Salaries	\$	\$ 155 776	\$	\$ 153 181
Mayor's Expense		2 400		2 400
Council Expense		3 300		3 300
Travel and Workshop		606		1 741
Professional Services		92 076		70 863
Telephone and Postage		3 633		3 853
Advertising and Marketing		295		2 834
Group Insurance		46 073		42 131
Maintenance		7 926		8 948
Office Supplies		1 741		2 308
Dues and Subscriptions		16 370		16 268
Insurance and Bonds		6 901		6 535
Payroll Taxes		13 237		11 431
Retirement		15 315		13 613
Internet		3 190		2 909
Elections				1 177
Covid Expenditures		14 655		
Covid Capital Outlay		43 026		
Miscellaneous		7 277		7 358
Total	473 835	433 797	40 038	350 850
Buildings and Grounds (Municipal Buildings)				
Salaries		19 524		14 249
Payroll Taxes		1 519		1 053
Utilities		39 794		37 921
Insurance		14 011		7 229
Maintenance		29 770		23 577
Miscellaneous		1 074		1 619
Contracted Services		34 995		40 090
Capital Outlay		90 136		32 437
Total	295 472	230 823	64 649	158 175
Total General Government	769 307	664 620	104 687	509 025
Public Safety:				
Police:				
Burke County Salary				
Reimbursement		34 863		68 767
Utilities and Other		168		649
Capital Outlay				49 379
Total Public Safety	81 695	35 031	46 664	118 795

	2021		Variance	2020
	Budget	Actual	Favorable (Unfavorable)	Actual
Environmental Protection:				
Sanitation:				
Garbage Pick-up		73 750		72 060
Recycling		33 688		31 299
Total Environmental Protection	108 374	107 438	936	103 359
Economic and Physical Development:				
Economic Development:				
Grant Matching Funds		16 164		
Façade Loan Assistance		4 943		
VEDIC		3 000		3 000
Total Economic Development	69 813	24 107	45 706	3 000
Transportation:				
Streets:				
Street Lights		16 966		21 263
Christmas Lights		15 332		17 602
Street Improvements		21 051		13 949
Total Transportation	214 765	53 349	161 416	52 814
Cultural and Recreational:				
Park Expense:				
Maintenance		23 967		29 160
Utilities		3 584		3 508
Supplies				539
Total Park Expense	40 464	27 551	12 913	33 207
Special Appropriations:				
Hildebran Public Library		5 000		5 000
React		1 750		1 750
Other		7 056		16 075
Total Special Appropriations	21 688	13 806	7 882	22 825
Total Cultural and Recreational	62 152	41 357	20 795	56 032
Total Expenditures	1 306 106	925 902	380 204	843 025

	2021		Variance	2020
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues Over (Under)				
Expenditures	<u>(234 402)</u>	<u>282 563</u>	<u>516 965</u>	<u>206 551</u>
Other Financing Sources (Uses):				
Transfers	(25 000)	(5 836)	19 164	(22 000)
Appropriated Fund Balance	<u>259 402</u>		<u>(259 402)</u>	
Total Other Financing Sources (Uses)	<u>234 402</u>	<u>(5 836)</u>	<u>(240 238)</u>	<u>(22 000)</u>
Revenues and Other Sources				
Over(Under) Expenditures				
and Other Uses	<u>\$</u>	276 727	<u>\$ 276 727</u>	184 551
Fund Balance - Beginning of Year		<u>2 651 148</u>		<u>2 466 597</u>
Fund Balance - End of Year		<u>\$2 927 875</u>		<u>\$2 651 148</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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	<u>2021</u>		<u>Variance</u>	<u>2020</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>	<u>Actual</u>
Revenues:				
Non-Operating Revenues				
Interest Earned	\$ 813	\$ 128	\$ (685)	\$ 890
Expenditures:				
Future Economic				
Expenditures	25 813		25 813	
Revenues Over (Under)				
Expenditures	(25 000)	128	25 128	890
Other Financing Sources (Uses):				
Transfers (to) from Other				
Funds	25 000	5 836	(19 164)	22 000
Revenues and Other Sources Over				
(Under)Expenditures and Other				
Uses	\$	5 964	\$ 5 964	22 890
Fund Balance - Beginning of Year		239 387		216 497
Fund Balance - End of Year		\$ 245 351		\$ 239 387

TOWN OF HILDEBRAN
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$	\$ 268 116	\$ 266 139	\$ 1 977
2019-2020	2 055		1 525	530
2018-2019	1 023		699	324
2017-2018	293		2	291
2016-2017	991		1	990
2015-2016				
2014-2015	132		1	131
2013-2014	236		2	234
2012-2013	295		2	293
2011-2012	304		2	302
2010-2011	<u>236</u>		<u>236</u>	
Total	<u>\$ 5 565</u>	<u>\$ 268 116</u>	<u>\$ 268 609</u>	\$ 5 072
Less Allowance for Uncollectible Accounts				<u>2 997</u>
Ad Valorem Taxes Receivable - Net				<u>\$ 2 075</u>
Reconciliation with Revenue:				
Ad Valorem Tax Revenue		\$ 268 380		
Less Penalties and Interest		<u>7</u>	\$ 268 373	
Written Off Per Statute of Limitations			<u>236</u>	
Total Collections and Credits			<u>\$ 268 609</u>	

TOWN OF HILDEBRAN
ANALYSIS OF CURRENT YEAR TAX LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Total Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Excluding Vehicles</u>	<u>Motor Vehicles</u>
Tax Levy	\$ 145 817 333	.15	\$ 218 726	\$ 218 726	\$
Vehicle Taxes	16 079 333	.15	24 119		24 119
Discoveries	16 847 333	.15	25 271	25 271	
Releases	()	.15	()	()	
Total for Year	<u>\$ 178 743 999</u>		268 116	243 997	24 119
Less Uncollected Taxes at June 30, 2021			<u>1 977</u>	<u>1 977</u>	
Current Year Taxes Collected			<u>\$ 266 139</u>	<u>\$ 242 020</u>	<u>\$ 24 119</u>
Percent of Current Year's Taxes Collected			<u>99.26%</u>	<u>99.19%</u>	<u>100.00%</u>