

TOWN OF HUDSON NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021



TOWN OF HUDSON, NORTH CAROLINA

Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2021

Mayor

Janet H. Winkler

Mayor Pro-Tem

Samuel L. Chapman

Town Commissioners

Jim Engelman

Jeff Link

Barry Mitchell

Rick Shew

Ann E. Smith

Town Manager

Jonathan Greer

Finance Officer

Shana Guy

TOWN OF HUDSON

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TOWN OF HUDSON, NORTH CAROLINA

Introductory Section



Janet H Winkler
Mayor

Office of the Town Manager
Jonathan Greer
j.greer@townofhudsonnc.com



Town Commissioners:

Larry Chapman
Jim Engelman
Jeff Link
Barry Mitchell
Rick Shew
Ann Smith

November 19, 2021

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

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

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

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

Description of Hudson

The Town of Hudson, incorporated in 1905, is located within Caldwell County and nestled in the scenic Appalachian foothills of western North Carolina. Hudson is approximately 70 miles northwest of Charlotte, 85 miles southwest of Winston-Salem and 90 miles northeast of Asheville. It has a land area of approximately four square miles and a population of 4,011. North Carolina is blessed with a fine network of interstate and state highways making many of the major cities of the Southeast easily accessible to our area. Hudson is 18 miles north of Interstate 40.

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



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

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

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

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

Economic Condition and Outlook

The Town exists as primarily a residential community, but industry and commerce play a vital part in keeping Hudson vibrant. While furniture and textiles were long the dominant industries in Caldwell County, great strides are being made in the diversification of the local economy. The previous decade has seen a downturn in the economy, and it has heavily impacted the Town, but the local economy is improving. In 2003, two of Hudson's largest taxpayers were trucking companies. In 2017, one of those trucking companies was sold to Associated Hardwoods, Inc. and is a very vibrant corporate citizen. The top ten taxpayers in Hudson in 2020 consists of a tape manufacturer, a chemical coatings manufacturer, two textile manufacturing firms, a packaging manufacturer, two large retail complexes, a public utility company, a retail pharmacy and only one furniture manufacturer. The Town has approximately 150 small businesses and seven major industries. Those industries employ over 750 people, while many of our small businesses employ fewer than ten people. Our longest existing industries, Shurtape Technologies, Inc. and Kincaid Furniture, a division of Laz-E-Boy, have weathered the economic downturn. Shurtape, a former textile manufacturer, reinvented its product design and is a leading shipping tape manufacturer with its trademark *Frog Tape*. Kincaid Furniture, a division of Laz-E-Boy, has closed some plants in other parts of the state but the corporate offices in Hudson remain. Hudson's newest corporate citizen is Outdura, Inc. a division of Sattler, AG. based in Austria. In 2011, Sattler purchased the facilities from Shuford Mills and also purchased their patented fabric, Outdura®. Sattler Corp is doing well and considering expansion. Hudson is Sattler's North American Headquarters and the company moved the entire North American operations to Hudson to be incorporated into the Hudson division. Sattler has been in an expansion mode since coming to Hudson in 2011. Sattler manufactures one of the world's leading outdoor fabrics. Sattler and another of our top ten taxpayers, BeoCare, are both European based businesses that decided to put their faith in the United States economy and people by opening operations here—specifically in our beautiful downtown Hudson. Hudson's businesses are not going overseas, but rather, overseas companies have chosen to come to us. Another cutting edge company in Hudson is Adhezion Biomedical, a privately-held medical device company focused on the development and commercialization of highly differentiated cyanoacrylate based surgical, wound management and infection prevention technologies. They, too, have expanded by completing the building of a packaging plant to package and ship their pharmaceutical product.

The Town of Hudson remains a popular place to live, work and further an education. In the last two years, Hudson has experienced a residential housing explosion, by our standards. Zoning permits more than doubled from 43 issued in 2018-2019 to 91 in 2019-2020. Permit numbers dipped slightly to 78 in 2020-2021, but that number is still high for Hudson. In the eight fiscal years prior to 2019-2020, no year had more than 47 permits issued. Due to its central location within Caldwell County, the daytime population can increase to as much as 10,000 with people coming into Hudson to work or attend school. Hudson is home to Caldwell Community College & Technical Institute, as well as one public elementary and one middle school, two public high schools, and one private grade school.

Major Initiatives

Fiscal year 2020-2021 continues the recent trend of undertaking and completing several major projects by the Town. The Town takes a critical review of its services and their delivery and positions itself to meet the service needs of its citizenry in the future. The Coronavirus Pandemic that gripped the world in the early months of 2020 also changed things in the Town of Hudson. However, life had to go on and the people of Hudson responded.

Coronavirus Pandemic – Hudson, Caldwell County, North Carolina, as well as, the United States and the rest of the world is still being affected by the coronavirus pandemic. At the end of the 2019-2020 fiscal year there were approximately 400 positive COVID-19 cases in Caldwell County. By the end of June, 2021, there were only 117 positive cases, and the number of new cases was trending downward at a steady pace. Unfortunately for the second year in a row, Hudson did not hold its annual North Carolina Butterfly Festival in May or spring Dinner Theater. By the end of fiscal year 2021, the Town of Hudson and its businesses had returned to some resemblance of “normal” or pre-pandemic operations. Masks were still being worn, but indoor dining, recreation, public meetings, and some events had returned. Hudson began offering its Friday night concerts in Windmill Park, and area restaurants and retailers were operating in a more normal capacity.

Annexations and Housing – The Town of Hudson had no voluntary annexations of properties in the last year. There were 78 zoning permits issued for 2020-2021, reflecting another year with an increase in residential housing development. There are few available building lots left within any subdivisions in Hudson today; but, developers are still interested in Hudson. A new 70-unit apartment complex for residents 55 years of age and older, began the permitting process in Fiscal Year 21 and broke ground in the fall of Fiscal Year 22.

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

The shopping centers and downtown Hudson are experiencing some increase in retail growth. Again in Fiscal Year 2021 retail establishments are not 100% occupied—but are very nearly full. The downtown area of Hudson has not experienced “downtown blight” so typical of towns and cities today. New businesses are appearing along Central/Main Streets. Hudson has two very successful groceries, three drug stores and several thriving medical facilities within walking distance of the residential areas. The Board of Commissioners adopted a façade grant to assist downtown businesses improve their store fronts; however, no business took advantage of this grant opportunity this year.

Highway 321 is the main thoroughfare in Hudson. Wal-Mart built a new Neighborhood Market store along Hwy 321 and it opened in August 2015. In 2020 the Hudson Walmart Neighborhood Market was the largest grossing store in the region. Interest in the outlying parcels of this development has already peaked and it is expected the Town will see growth in this part of the municipality. At present, there is interest in developing a multi-family housing unit on one of the outparcels adjacent to Walmart Neighborhood Market.

This Fiscal Year saw the addition of a new industry to Hudson. Carolina Leg Company expanded its operation by re-opening an old factory building once owned by Davis Wood Products. This is a home-grown operation that started in a basement and is now a legitimate manufacturer of various wooden legs to craft different types of furniture. The company continues to expand and now has product offerings direct to consumers and larger furniture manufacturers.

Economic Development – The Town of Hudson along with Caldwell County and its additional municipal counterparts are active members of Advantage West Economic Development Group. Advantage West is an economic development consortium composed of 22 western North Carolina

counties who collectively market this region nationally and internationally attempting to attract industrial and commercial development.

Hudson is located within Caldwell County and is a part of the Caldwell County Economic Development Commission (EDC). The EDC Board and staff work diligently to attract new business and industry to Hudson and all of Caldwell County. Sattler is one of those success stories as well as others in Caldwell County. Recently, the EDC reports nearly 50 new industries have located within Caldwell County since 2007. These new businesses increased the tax assessed values in Caldwell County by nearly one half billion dollars in tax base since 2007. The result was millions in private investment and nearly 1,000 new jobs. Caldwell County has made tremendous strides toward recovering lost industry and jobs. These new industries are diverse but still many offer the traditional woodworking skills the former furniture employees possess. The trend of increased unemployment in North Carolina and Caldwell County has turned. Caldwell County's employment numbers are higher than they have been since 2010. Not only has Caldwell County improved itself, it has outpaced neighboring counties as well in job growth. Caldwell County's greatest obstacle now seems to be housing. There is a lack of housing since many of the houses in Hudson were built prior to 1950. Housing starts have increased and more developers are looking at housing here. Median household income has risen to \$44,511 in Caldwell County. The future seems very positive.

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

Within the four square miles of Hudson are located seven separate educational facilities. Hudson Elementary School with an enrollment of almost 700 students is the largest elementary school in Caldwell County. Also, the county's largest Middle school, Hudson Middle School, has an enrollment of over 700 students. Caldwell Community College & Technical Institute is also located within the Town of Hudson on U.S. Highway 321. CCC&TI provides the educational needs of full and part-time day and evening students with an enrollment of over 4,700 students. Student enrollment at the college has increased, evidence of the unemployment in our area due to the current pandemic. Two high schools are located on the CCC&TI campus, the Early College High School, enrollment of approximately 400, and the Caldwell Applied Sciences Academy, enrollment with an approximate enrollment of 200. Additionally, on CCC&TI campus is the Appalachian State University education curriculum in the Faye A. Broyhill Center. Also, in Hudson is Heritage School a parochial school at Ambassador Baptist Church. The number of students coming into Hudson for school is more than twice the total population of the entire Town. Although the population of Hudson represents only 4% of the total Caldwell County population, the Hudson schools house nearly 18% of the total County school enrollment due to Hudson's central location in Caldwell County.

Infrastructure Improvements – The Town of Hudson is continually making improvements to its infrastructure. Road resurfacing projects and sidewalk repair/construction were undertaken in Hudson in 2020-2021. Hudson has more than 26 miles of municipal maintained streets. Water and Sewer services are provided by the City of Lenoir to the Town of Hudson. Hudson and Lenoir work very closely together to provide reliable and adequate water and sewer to the citizens of Hudson. The City of Lenoir has a contractual commitment to Hudson to provide this service to the citizens in our existing corporate limits and any area that Hudson may annex in the future. The Town Manager and one Town Commissioner serve on the City of Lenoir Utilities Committee. This Committee addresses the needs of the Utility System and its plans for growth and maintenance. The Hudson Board of Commissioners and the Lenoir City Council believe this is a wise economic decision for both municipalities and will permit continued high levels of service for the least costs.

Financial Information

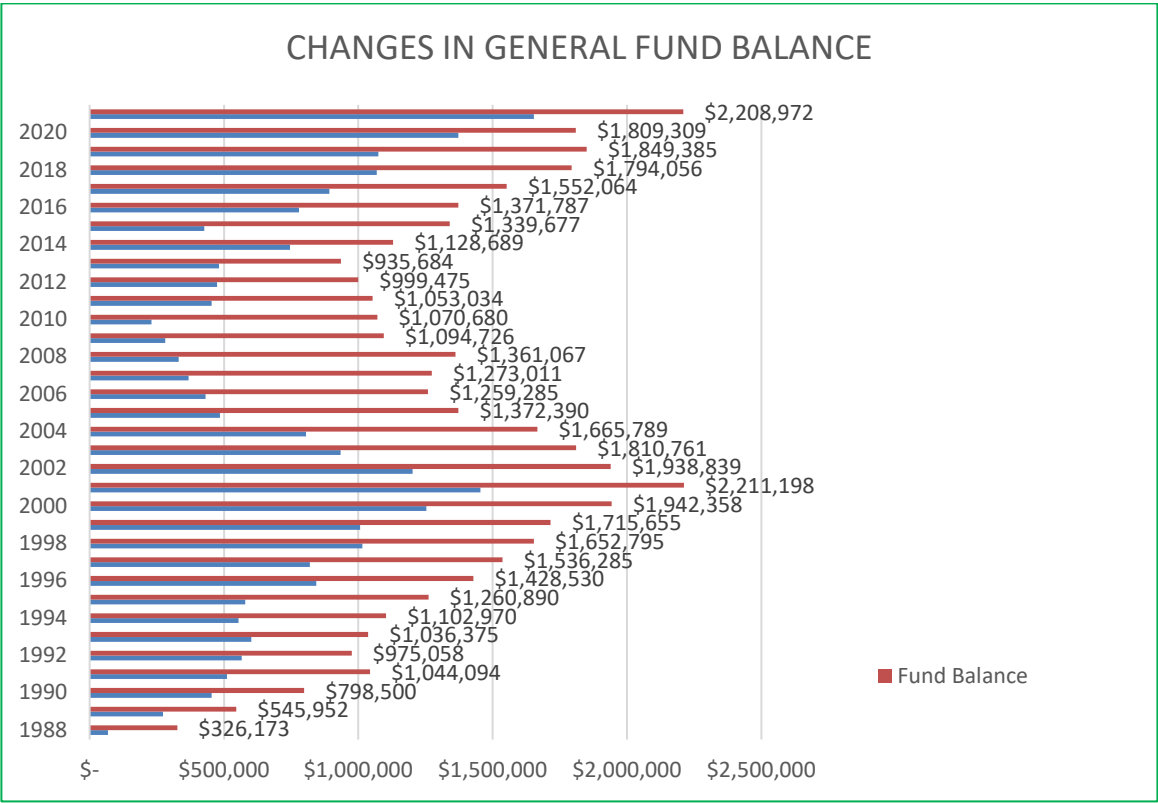
Management of the Town is responsible for establishing and maintaining an internal control structure designed to protect the assets of the Town from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with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

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

It is the philosophy of the Hudson Board of Commissioners to keep the municipal property tax at the lowest level possible. Hudson’s renovated Hudson Uptown Building (former Hudson Elementary School) provides the setting for cultural activities in Hudson. Two Dinner Theatre productions are undertaken each year to provide live community theatre of the highest quality to the public for minimal costs. Although, in this year of the COVID, Hudson was forced to cancel the spring and fall productions. Also, the HUB is the setting for many weddings, receptions, business meetings, concerts, etc. normally utilizing the facility nearly 200 days per year. Due to restriction of the pandemic daily usage of the HUB was down 28 days in Fiscal Year 2021. The Town converted the aged and abandoned school into a vibrant community/arts center. This renovation continues today. The HUB was rebranded in January 2019 as The HUB Station Arts & Business Center. The Town acquired a second 15,000 square foot building on the campus. The Board of Commissioners appointed a HUB Station Steering Committee, an Advisory Board as well as a fundraising committee, dedicated to preserving the former school building into a regional art and business center. At June 30, 2021 this committee had raised over \$300,000 in private donation with another \$100,000 pledged toward this goal. Also, one of Hudson’s hometown girls, Ms. Jan Karon, the author of the best-selling books, *The Mitford Series*, has opened The Mitford Museum and Happy Endings Bookstore. Development of the Museum began in 2019-2020 and it opened in October 2021. The museum was originally planned to open in Fiscal Year 21 but the pandemic delayed the festivities. Opening weekend saw approximately 400 people from 30 states and 3 countries visit Hudson, NC. The original HUB Building A is transformed into a beautiful facility designated for the Arts, while the newly acquired HUB Building B serves as a Business Incubator. Caldwell Community College and Technical Institute is less than one-half mile from the HUB. The college houses their Small Business Center in HUB Building B. The HUB Station Building A houses an Art Gallery, music lessons, art lessons, as well as Hudson’s renowned Dinner Theatre. As of this writing, there is also a clothing boutique and tap room serving craft beer and wine. Also, Hudson has entered into a multi-year lease with Appalachian State University to house its Community Music School to teach various instruments and singing to school aged children. The auditorium remains available for rent for special events. The HUB Station Building B is enjoying full occupancy with all available spaces currently leased.

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

To insure the Town’s fiscal stability, it is necessary to maintain a healthy operating fund balance. In addition to the need for emergency funds, the fund balance allows the Town to maintain adequate cash flow levels, provides steady investment income, helps absorb revenue shortfalls, and occasionally aids in making non-recurring capital purchases. The general fund balance increased for 2020-2021 by \$399,663 to a total of \$2,208,972. At the end of the fiscal year, unassigned fund balance for the General Fund was \$1,653,408, or 49 percent, of total General Fund expenditures for the fiscal year. The NC Local Government Commission recommends a municipality have at least one month’s expenditure, or 8%, of general fund balance available at year end. Hudson’s general fund balance is more than sufficient for those purposes. The general fund balance is adequate to provide for future needs. It is the hope and faith of the Board that the economy will continue to improve over time and the general fund balance will become stronger. Until that happens, the Town is financially sound enough to weather the storm.



The chart above demonstrates how the general fund balance decreased as Hudson, Caldwell County, North Carolina, and the nation experienced the recession and economic downturn. The Hudson Board of Commissioners through wise decision making and conservative budgeting weathered the economy without burdening the citizens with unreasonable taxes for many years. From a fund balance high in 2000 of \$2.21 million the fund balance fell to a low of \$230,587 in 2009. Hudson has been steadily rebuilding the fund balance to just over \$2.2 million in 2021. All the while, the Board was able to maintain the services expected of and provided to the Town’s citizens.

Other Information

Independent Audit – N.C. General Statutes require an annual independent financial audit of all local government units in the State. C. Randolph CPA, PLLC, an independent certified public accountant, has audited the financial records of the Town and their opinion has been included in this report. Their audit was made in accordance with generally accepted auditing standards and, accordingly, includes such tests of the accounting records and such other auditing procedures as they consider necessary in the circumstances. Their unmodified opinion indicates that the accompanying basic financial statements for the fiscal year ended June 30, 2021, have been prepared in conformity with accounting principles generally accepted in the United States of America. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of Government Auditing Standards, issued by the Comptroller General of the United States.

Awards – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Hudson for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2020. This was the twenty-eighth consecutive year Hudson has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable local requirements.

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

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

Also, a special thanks goes to Rebecca Bentley. After 33 years of dedicated service to Hudson, with 25 of those years as Town Manager, she retired June 30, 2021. Due to her love of Hudson and dedication, she agreed to return and help prepare this audit. Her guidance and hard work were invaluable in its preparation.

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

Sincerely,

A handwritten signature in dark ink, appearing to read 'Jonathan Greer', written in a cursive style.

Jonathan Greer
Town Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Hudson
North Carolina**

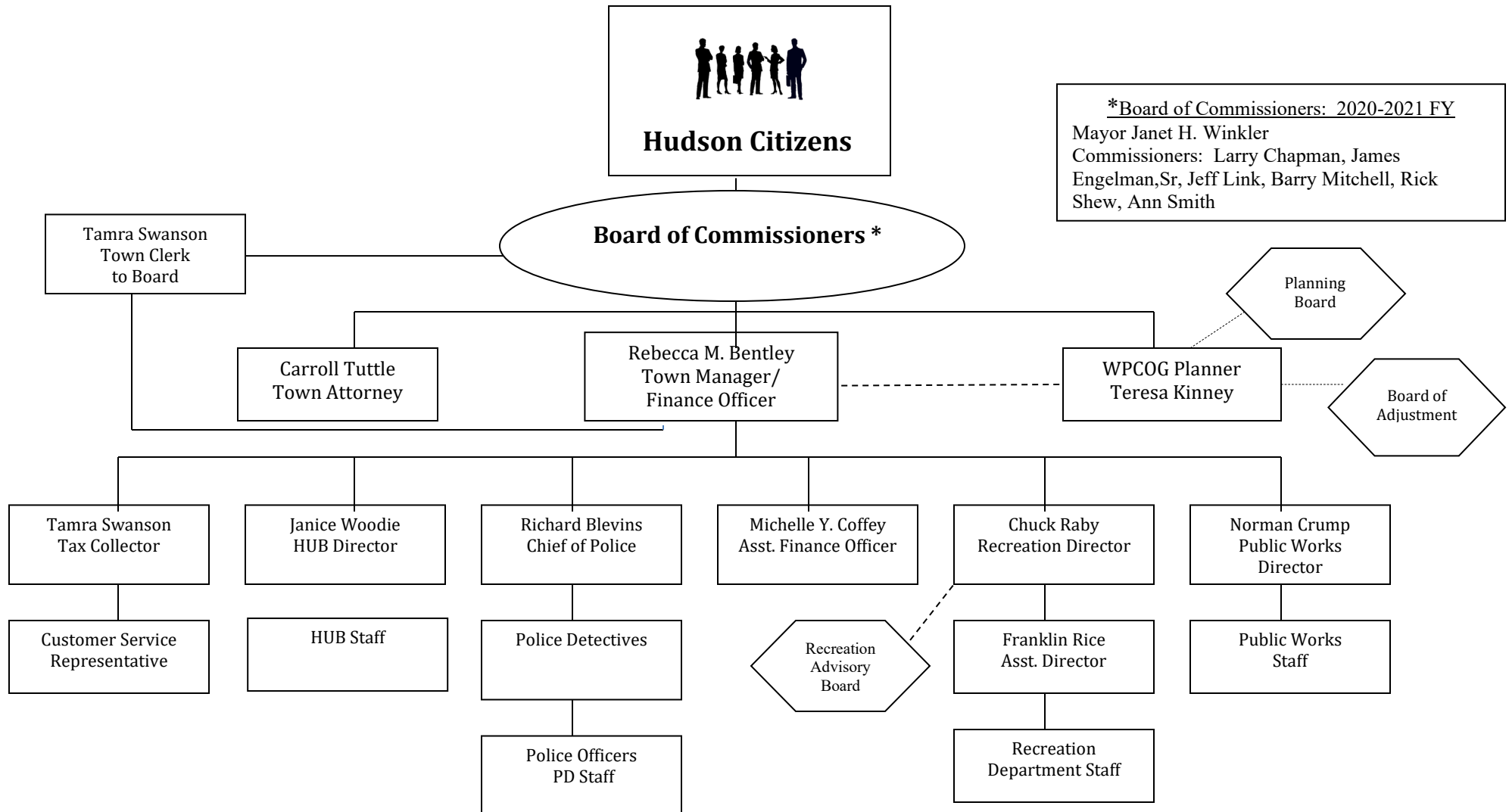
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Merrill

Executive Director/CEO

Town of Hudson Government Organizational Chart



*Board of Commissioners: 2020-2021 FY
Mayor Janet H. Winkler
Commissioners: Larry Chapman, James
Engelman, Sr, Jeff Link, Barry Mitchell, Rick
Shew, Ann Smith

Legend:

Budgetary Control and
Administrative Coordination ----

Administrative and
Budgetary Control _____

Policy Making Board

Department / Staff Unit

Advisory
Boards

Revised 11/12/2021 jdg

TOWN OF HUDSON, NORTH CAROLINA

Financial Section



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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hudson (the "Town"), North Carolina, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, each major fund, and the aggregate remaining fund information of Town of Hudson, North Carolina, as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund and the Capital Project Fund - Optimist Park Redevelopment NCPARTF Grant 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 14, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 51 and 52, respectively, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 49 and 50 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2021 on our consideration of the Town of Hudson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hudson's internal control over financial reporting and compliance.

C. Randolph CPA, PLLC

West Jefferson, North Carolina
November 29, 2021

Management's Discussion and Analysis

As management of the Town of Hudson (the “Town”), we offer readers of the Town of Hudson’s financial statements this narrative overview and analysis of the financial activities of the Town of Hudson for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town’s financial statements, which follow this narrative.

Financial Highlights

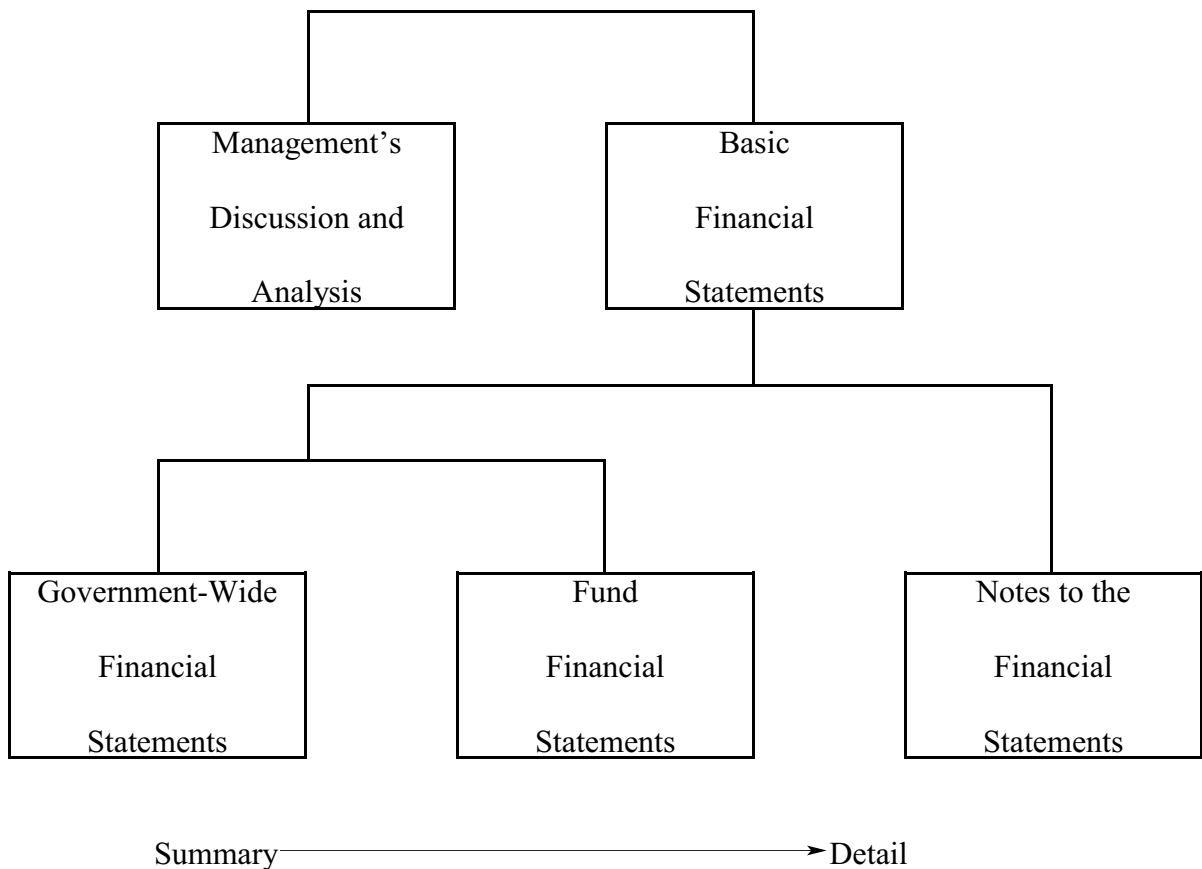
- The assets and deferred outflows of resources of the Town of Hudson exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,839,061 (net position).
- As of the close of the current fiscal year, the Town of Hudson’s governmental funds reported combined ending fund balances of \$2,353,799 with a net increase of \$368,133 in fund balance. Approximately 30% of this total amount, or \$703,196, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,650,603, or 55% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Hudson’s basic financial statements. The Town’s basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader’s understanding of the financial condition of Town of Hudson.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

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

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Hudson's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 46 of this report.

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

Government-Wide Financial Analysis

Town of Hudson's Net Position
Figure 2

	<u>2021</u>	<u>2020</u>
Assets:		
Current and other assets	\$2,670,560	\$2,308,699
Capital assets	<u>4,262,962</u>	<u>4,203,047</u>
Total assets	<u>6,933,522</u>	<u>6,511,746</u>
Deferred outflows of resources	<u>435,075</u>	<u>333,605</u>
Liabilities:		
Long-term liabilities outstanding	1,224,238	1,000,929
Other liabilities	<u>278,543</u>	<u>301,956</u>
Total liabilities	<u>1,502,781</u>	<u>1,302,885</u>
Deferred inflows of resources	<u>26,755</u>	<u>14,959</u>
Net position:		
Net investment in capital assets	4,159,439	4,069,945
Restricted	434,262	348,342
Unrestricted	<u>1,245,360</u>	<u>1,109,220</u>
Total net position	<u>\$5,839,061</u>	<u>\$ 5,527,507</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of Town of Hudson exceeded liabilities and deferred inflows by \$5,839,061 as of June 30, 2021. The Town's net position increased by \$311,554 for the fiscal year ended June 30, 2021. One of the largest portions (71%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Hudson uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town of Hudson's net position of \$434,262 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,245,360 is unrestricted.

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

- The Ad Valorem Tax collection rate traditionally is excellent which is 95.47% for 2020 - 2021.
- The Town actively seeks and is awarded grant dollars to accomplish service objectives and purchase much needed equipment in order to provide the highest quality service to Hudson citizens.
- The Town Board of Commissioners adopts a very conservative and balanced General Fund budget each year.
- Capital improvement plans are carefully analyzed and implemented as funds are available.

- Staff and salary needs are evaluated on a daily basis and much consideration goes into the selection of very experienced and qualified staff members.
- The needs of the citizens are paramount to the decisions made as to the services the Town Board of Commissioners decides are to be provided. Once those needs are assessed, the Board and staff of the Town work diligently to determine how to most effectively and efficiently provide those services and determine to do so in the most cost effective way possible.
- In the spring of 2021, the local economy showed signs of improving, even though the pandemic continued. The unemployment rate has fallen from a high of 8.4% to 4.4%. Many companies are back to operating as they were pre-pandemic, with social distancing and masking encouraged. This “re-opening” has certainly had a positive effect on the local economy, as evident by increases in sales tax revenue. Many social activities in Hudson are starting to return, such as the town’s Dinner Theater and concerts in Windmill Park. The greatest hurdle now to the local, and larger state and national economies, is supply chain disruptions. These disruptions started with the onset of the pandemic and their effects are still being felt. It is taking longer for products to ship or to even manufacture if raw materials are delayed.

Town of Hudson’s Changes in Net Position

Figure 3

	Governmental	
	Activities	
	<u>2021</u>	<u>2020</u>
Revenues:		
Program revenues:		
Charges for services	\$354,604	\$398,868
Operating grants and contributions	364,977	210,691
Capital grants and contributions	297,646	716,174
General revenues:		
Property taxes	1,345,609	1,261,015
Other taxes	1,347,929	1,211,993
Other	<u>777</u>	<u>19,847</u>
Total revenues	<u><u>3,711,542</u></u>	<u><u>3,818,588</u></u>
Expenses:		
General government	818,513	843,261
Public safety	1,137,755	1,025,063
Street and public works	485,204	555,115
Environmental protection	160,196	154,656
Cultural and recreation	456,741	476,745
Economic and physical development	251,774	247,048
Jan Karon Mitford Museum Fund	52,023	10,669
Campaign HUB Station	35,748	16,519
Interest on long-term debt	<u>2,034</u>	<u>4,993</u>
Total expenses	<u><u>3,399,988</u></u>	<u><u>3,334,069</u></u>
Increase in net position	311,554	484,519
Net Position:		
Net position - beginning	<u>5,527,507</u>	<u>5,042,988</u>
Net position - ending	<u><u>\$5,839,061</u></u>	<u><u>\$5,527,507</u></u>

Governmental Activities - Governmental activities increased the Town's net position by \$311,554. Total revenues decreased \$107,046 or 3%. General Fund revenues operating grants increased due to an addition in operating grants for Campaign HUB Station and the NC Parks & Recreation Fund Grant, all from private donations. Capital grants decreased due to a prior year Disaster Grant of \$321,000 from the NC Department of Public Safety for 75% of expenses incurred from the June 7, 2019 Flood and Rain Event. The NC Care Act grant for COVID-19 related expenses was \$54,738. Sales Tax Revenues increased by 14.5% or \$138,921. Recreation and Campaign HUB Station revenues were down 15% or nearly \$28,000 because of cancellations of rental contracts and admissions due to COVID-19 restrictions. Expenses overall increased by \$65,919, or 2%, due primarily to the individual projects. All other costs were relatively level.

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

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Hudson. At the end of the current fiscal year, available fund balance of the General Fund was \$1,650,603 while total fund balance was \$2,208,972. 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 55% of total General Fund expenditures, while total fund balance represents 74% of that same amount.

General Fund revenues decreased \$163,096. The following activities contributed to that decrease:

- Sales tax increased \$138,921 or 14.5%. This increase is the result in an increasingly approving economy in Hudson, North Carolina, and nationally as we adjust to life in a pandemic.
- Utility sales tax distribution decreased \$1,170 or 0.6%, due to changing infrastructure and utility uses.
- Restricted governmental revenues decreased \$305,634. In the previous fiscal year, Hudson received 75%, or \$321,191, of repair costs incurred due to 2019 flooding event. This money was reimbursed to Hudson by State of North Carolina emergency relief funds.
- Just like last year, but on a much grander scale, the Town's interest earning decreased \$19,070 or 96%.
- The Town continuously seeks grant funding to promote economic development and to improve Town equipment and facilities.
- Sales and service fees were down, again this year due to COVID-19's effect on the local economy. This reduction amounts to \$27,815. Fortunately, this reduction was not as dramatic as the previous year's loss of almost \$50,000.

General Fund overall expenses decreased \$581,875.

- This decrease is due primarily to the completion of the street and culver replacements on Hickman Avenue and Holly Hill due to the 2019 flooding event. Street and Public Works expenditures decreased \$488,992 when compared to the previous fiscal year.
- Public Safety increased \$80,387, or 8%. Salary and fringe benefit increases of \$61,354 are due to increases in retirement contribution dictated by the NC Retirement System and, also increases in health insurance premiums. Capital outlay decreased \$9,125 from the previous year. The department will get new vehicles in next year's budget.
- Economic and Physical Development decreased by \$147,111, or approximately 36%. This reduction is primarily due to a reduction in capital outlay due to the uncertainty of COVID-19 restrictions and its effect on revenue.
- Recreation and Cultural departments decreased \$34,041 primarily due to less capital expenditures than the previous fiscal year.

Other non-major funds overall revenues decreased \$76,241 from 2019-2020 to 2020-2021.

- The Campaign HUB Station capital project received \$184,775 in private contributions in 2021. The fundraising campaign is very successful in acquiring private funds to make major renovations to the HUB Station complex.
- The Mitford Museum fund received revenues in 2021 of \$40,000. This is money contributed by Jan Karon, best-selling author of the Mitford Series. Ms. Karon is originally from Hudson and has chosen to locate her legacy in the Campaign HUB Station. This year the money was used, at the donor's urging, for the betterment of the HUB Station landscaping and beautification.
- The NC Parks and Recreation Trust Fund Grant the Town received in 2019 also accepts private donations to meet the required 50% match. Those revenues of private donations were \$117,696.

Other non-major funds overall expenditures increased \$37,438 from 2019-2020 to 2020-2021.

- The Campaign HUB Station capital project spend \$149,254 on capital improvements to Building A and B. Building B houses the McCreary Family Business Center and the Caldwell Community College Small Business Center.
- Mitford Museum expenditures in 2021 were \$52,023. Almost \$25,000 of this was spend on landscaping and beautification. At the end of FY2021, the Museum is just beginning to become reality.
- The NC Parks and Recreation Trust Fund Grant spent \$136,979 in FY2021. Of that expenditure, \$24,146 was for site development, \$14,973 for demolition, and \$97,860 in capital outlay.

General Fund Budgetary Highlights - During the fiscal year, the Town revised the budget several times. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund amounted to increases in the total overall General Fund Budget.

Capital Assets and Debt Administration

Capital Assets - The Town of Hudson's investment in capital assets for its governmental activities as of June 30, 2021, total \$4,262,962 (net of accumulated depreciation). These assets include buildings, land, equipment, vehicles, and park facilities.

Major capital asset transactions during the year include the following:

- Mobile sign: \$12,850
- 2020 Dodge Durango: \$36,965
- 18 x 31 x 8 Storage building: \$11,093
- Construction in progress-Campaign HUB Station: \$283,025
- Construction in progress-Optimist Park NCPARTE: \$136,979

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

Figure 4

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Land and buildings	\$2,700,333	\$2,802,893
Construction in Progress	420,004	131,045
Other improvements	783,518	835,596
Equipment and vehicles	322,332	390,025
Furniture and fixtures	<u>36,775</u>	<u>43,488</u>
Total	<u><u>\$4,262,962</u></u>	<u><u>\$ 4,203,047</u></u>

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

Long-Term Debt. As of June 30, 2021, the Town of Hudson had total outstanding debt of \$1,275,051 due to three capital lease purchases and an installment note..

Outstanding Debt

Figure 5

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Installment purchase from direct borrowing	\$ 93,920	\$ 80,000
Capital leases	9,603	53,102
Pension related debt (LGERS)	634,640	496,755
Pension related debt (LEOSSA)	417,641	331,971
Compensated absences	<u>119,247</u>	<u>115,400</u>
Total	<u>\$1,275,051</u>	<u>\$1,077,228</u>

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for the Town of Hudson is \$25,387,014.

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

Economic Factors and Next Year's Budgets and Rates

Caldwell County was experiencing an unemployment rate of 17% in January 2010 and was ranked 97th out of 100 North Carolina counties for unemployment. Known as the Furniture Center of the South, most of these furniture factories are now or downsized due to consolidation. Through much effort on the part of Caldwell County citizens, the County's governing boards, municipalities within Caldwell County, and the Caldwell County Economic Development Commission, the County was experiencing nearly full employment until the COVID-19 pandemic. During this time of uncertainty, the county's unemployment rate rose to a high of 16%. Now, as we hopefully move out of the pandemic, the county's unemployment rate has dropped to 4.4% which is almost full employment for the county. Caldwell County has reinvented itself from a furniture and textile manufacturing center to a diversified industrial base composed of pharmaceuticals (Excelsa and Adhezion Biomedical), plastics extrusion and injection molding (BEMIS), food processing (JBS), green technology, and data centers (GOOGLE). Overall, despite the pandemic, Hudson's economy is faring well as evidenced by sales tax revenue and new housing starts. Fortunately, none of Hudson's major industries or employers have closed and most retail stores are doing well. Several Hudson manufacturers are actually going through expansion and job growth. Industrial and Commercial business tax valuation is over \$94 million and accounts for 30% of Hudson's tax base.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities:

Hudson's budget is traditionally conservative; however, eventually staff must be fairly compensated and equipment must be purchased to ensure our employees can safely and efficiently perform their daily duties. The FY 21-22 Budget includes no additional staff positions. Town staff is our most valued asset and is to be commended for the fine jobs they do. Each employee is dedicated to serving the citizens of Hudson and performing the best possible job in a safe, efficient, and effective manner. Hudson, like most employers, has struggled to fill the staff positions available, especially in the police department. Public safety is of greatest concern; therefore, the law enforcement staff must be of the best quality available. There is an overall shortage of trained law enforcement personnel and our police department competes with other towns, counties, and state for qualified applicants. As of the writing of this message, the Hudson Police Department is understaffed and has been seeking to fill vacant positions for the past several months.

It is estimated that in the 2021-2022 fiscal year the Town will spend approximately \$4 million for general services, including administration, public safety, public works, recreation, and cultural services. The 2021-2022 general fund budget reflects a 24.2% increase in the operating budget from the total 2020-2021 amended general fund budget of \$3,250,745. Year 2021 was a property revaluation year for Caldwell County. Every eight years the county must revalue real property. Property values for the Town of Hudson are estimated to increase approximately 13-16%. A revenue neutral ad valorem tax rate for the Town when adjusting for growth over the past eight years was calculated to be \$.39 per \$100 valuation. The fiscal year 2021-2022 budget proposes to maintain the current ad valorem property tax rate of 43 cents per \$100 valuation. One cent ad valorem tax on the base valuation is equivalent to \$30,000 in increased revenue. A sanitation fee remains at \$9 per month. The residential fee will be billed \$108 annually on the ad valorem tax bill. Commercial businesses' solid waste is collected twice weekly. The commercial businesses sanitation fee remains at \$216 annually billed on the ad valorem tax bill to property owners. All other fees remain the same.

Town staffing levels are to remain steady for the 2021-2022 fiscal year. The Town has several long tenured employees who are or are becoming eligible for retirement in the near future and the Town must consider a succession plan. The 2020-2021 budget had a 2% cost of living increases. The FY2022 budget has a 5% cost of living increase for certified law enforcement and 3% for all other employees.

Capital expenditures have long taken a lower priority in the general fund budget. However, as equipment ages and becomes obsolete it is imperative it be replaced. The Town provides services with staff and equipment. Without efficient and properly operating equipment, employees cannot adequately and safely accomplish their tasks. The Town's 5-Year Capital Improvement Plan has \$3 million dollars in unfunded requests. Total capital requests in the 2021-2022 budget are \$451,000.

Capital Project funds for the HUB Station rebranding as an Arts & Business center continues with private donations. The Capital Project for the NC Parks & Recreation Trust Fund Grant (PARTF) for the redevelopment of Optimist Park is underway with the new press box and concession facility under construction. This fund is a grant from the NC Parks of \$222,580, which the Town must match. There are ongoing fund-raising campaigns to acquire most of these dollars from private donations.

The 2021-2022 budget is sufficient to provide the necessary funding to maintain current operating expenses, increase fund balance, adequately prepare to fund capital needs, and prepare for the eventual retirement of the Town's key personnel. The 2021-2022 budget required that \$174,860 be budgeted from General Fund.

Hudson has sufficient fund balance for the transfer. Grady Fullerton, Professor of Governmental Accounting at the University of North Carolina Chapel Hill once said, *"The purpose of government is not to make money, but to spend money. It is the job of the government to determine the needs and wants of their constituents, to provide those by the most effective and efficient means possible, and to assess a tax sufficient to do so. No more and no less!"* In order to responsibly provide services to the citizens of Hudson and its corporate citizens, we must assess taxes and fees sufficient to provide the need.

The Town staff and governing board continue to seek grant funding from both State and federal levels. We also continue to look for ways to increase the revenues and minimize the expenditures. Hudson's intent to seek ways to attract new business and industry to Hudson and to be active in the economic development of our county, region, and State is evidenced by the creation of the HUB Station Arts and Business Center. The Town is seeking outside private funding to create the HUB Station and redevelop Optimist Park with very little impact on the Hudson taxpayer. We believe the future for Hudson is a positive one. We are a community of history, tradition, and commitment. The economy is definitely improving as we, hopefully, move away from the Coronavirus pandemic. Hudson's better days are always ahead of us.

Requests for Information

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

TOWN OF HUDSON, NORTH CAROLINA

Basic Financial Statements



TOWN OF HUDSON

Exhibit A

Statement of Net Position June 30, 2021

	Primary Government	
	Governmental	
	Activities	Total
<u>Assets</u>		
Current assets:		
Cash and investments	\$ 2,108,959	\$ 2,108,959
Taxes receivable (net)	89,031	89,031
Intergovernmental receivable (net)	275,972	275,972
Other receivables	36,037	36,037
Prepaid items	31,247	31,247
Restricted cash	129,314	129,314
Total current assets	2,670,560	2,670,560
Noncurrent assets:		
Capital assets:		
Land and construction in progress, non-depreciable	833,075	833,075
Other capital assets, net of depreciation	3,429,887	3,429,887
Total capital assets	4,262,962	4,262,962
Total assets	6,933,522	6,933,522
<u>Deferred Outflows of Resources</u>		
Contributions to pension plan in current fiscal year	86,812	86,812
Pension deferrals	348,263	348,263
Total deferred outflows of resources	435,075	435,075
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	218,275	218,275
Prepaid fees	9,455	9,455
Current portion of long-term liabilities	50,813	50,813
Total current liabilities	278,543	278,543
Long-term liabilities:		
Net pension liability (LGRS)	634,640	634,640
Total pension liability (LEOSSA)	417,641	417,641
Due in more than one year	171,957	171,957
Total long-term liabilities	1,224,238	1,224,238
Total liabilities	1,502,781	1,502,781
<u>Deferred Inflows of Resources</u>		
Pension deferrals	26,755	26,755
Total deferred inflows of resources	26,755	26,755
<u>Net Position</u>		
Net investment in capital assets	4,159,439	4,159,439
Restricted for:		
Stabilization for state statute	304,948	304,948
Streets	129,314	129,314
Unrestricted	1,245,360	1,245,360
Total net position	\$ 5,839,061	\$ 5,839,061

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

TOWN OF HUDSON

Exhibit B

Statement of Activities For the Year Ended June 30, 2021

Revenue and Changes in Net Position						
Program Revenues					Primary Government	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary government:						
Governmental Activities:						
General government	\$ 818,513	\$ 89,433	\$ 54,738	\$ -	\$ (674,342)	\$ (674,342)
Public safety	1,137,755	1,197	152,543	-	(984,015)	(984,015)
Street and public works	485,204	-	-	112,871	(372,333)	(372,333)
Environmental protection	160,196	165,379	-	-	5,183	5,183
Cultural and recreational	456,741	98,595	-	-	(358,146)	(358,146)
Economic and physical development	251,774	-	-	-	(251,774)	(251,774)
Campaign HUB Station	35,748	-	-	184,775	149,027	149,027
Jan Karon Mitford Museum Fund	52,023	-	40,000	-	(12,023)	(12,023)
Optimist Park NCPARTF	-	-	117,696	-	117,696	117,696
Interest in long-term debt	<u>2,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,034)</u>	<u>(2,034)</u>
Total government activities	<u>3,399,988</u>	<u>354,604</u>	<u>364,977</u>	<u>297,646</u>	<u>(2,382,761)</u>	<u>(2,382,761)</u>
Total primary government	<u>\$ 3,399,988</u>	<u>\$ 354,604</u>	<u>\$ 364,977</u>	<u>\$ 297,646</u>	<u>(2,382,761)</u>	<u>(2,382,761)</u>
General revenues:						
Taxes:						
Ad valorem taxes					1,345,609	1,345,609
Local option sales tax					1,094,206	1,094,206
Utility sales distribution					202,210	202,210
Other taxes					51,513	51,513
Interest earned on investments					<u>777</u>	<u>777</u>
Total general revenues					<u>2,694,315</u>	<u>2,694,315</u>
Change in net position					311,554	311,554
Net Position:						
Beginning of year - July 1					<u>5,527,507</u>	<u>5,527,507</u>
End of year - June 30					\$ 5,839,061	\$ 5,839,061

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

TOWN OF HUDSON

Exhibit C

**Balance Sheet
Governmental Funds
June 30, 2021**

	Major Funds		Total	Total
	General	Capital Project Fund -	Non-Major	Governmental
<u>Assets</u>	<u>Fund</u>	<u>Optimist Park</u>	<u>Funds</u>	<u>Funds</u>
		<u>Redevelopment Grant</u>		
Current assets:				
Cash and investments	\$ 1,916,321	\$ 73,547	\$ 119,091	\$ 2,108,959
Taxes receivable, net	89,031	-	-	89,031
Due from other governments	268,911	5,097	1,964	275,972
Other receivables	36,037	-	-	36,037
Prepaid items	31,247	-	-	31,247
Restricted cash	129,314	-	-	129,314
Total assets	<u>\$ 2,470,861</u>	<u>\$ 78,644</u>	<u>\$ 121,055</u>	<u>\$ 2,670,560</u>
<u>Liabilities, Deferred Inflows of Resources</u>				
<u>and Fund Balances</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ 163,403	\$ 31,872	\$ 23,000	\$ 218,275
Prepaid fees	9,455	-	-	9,455
Total liabilities	<u>172,858</u>	<u>31,872</u>	<u>23,000</u>	<u>227,730</u>
Deferred inflows of resources:				
Property taxes receivable	89,031	-	-	89,031
Total deferred inflows of resources	<u>89,031</u>	<u>-</u>	<u>-</u>	<u>89,031</u>
Fund balances:				
Non-spendable:				
Prepaid items	31,247	-	-	31,247
Restricted:				
Stabilization for State Statute	304,948	-	-	304,948
Streets	129,314	-	-	129,314
Assigned:				
Subsequent year's expenditures	92,860	-	-	92,860
Campaign HUB Station	-	-	95,747	95,747
Optimist Park Redevelopment	-	46,772	-	46,772
NCPARTF Grant				
Jan Karon Mitford Museum Fund	-	-	2,308	2,308
Unassigned	1,650,603	-	-	1,650,603
Total fund balances	<u>2,208,972</u>	<u>46,772</u>	<u>98,055</u>	<u>2,353,799</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,470,861</u>	<u>\$ 78,644</u>	<u>\$ 121,055</u>	<u>\$ 2,670,560</u>

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

TOWN OF HUDSON**Exhibit D****Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2021**

Total fund balances, governmental fund	\$ 2,353,799
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,262,962
Pension liabilities (LGERS & LEOSSA)	(1,052,281)
Deferred outflows of resources related to pensions are not reported in the funds.	435,075
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(222,770)
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be available within 60 days of year-end. These receivables are a component of net position in the Statement of Net Position.	89,031
Pension related deferrals	<u>(26,755)</u>
Net position of governmental activities	<u>\$ 5,839,061</u>

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

TOWN OF HUDSON

Exhibit E

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

For the Year ended June 30, 2021

	Major Funds		Total	Total
	General	Capital Project Fund - Optimist Park	Non-Major	Governmental
Revenues:	<u>Fund</u>	<u>Redevelopment Grant</u>	<u>Funds</u>	<u>Funds</u>
Ad valorem taxes	\$ 1,339,287	\$ -	\$ -	\$ 1,339,287
Other taxes and licenses	1,094,206	-	-	1,094,206
Unrestricted intergovernmental	253,723	-	-	253,723
Restricted intergovernmental	320,152	-	-	320,152
Permits and fees	191,945	-	-	191,945
Sales and services	162,659	-	-	162,659
Grant proceeds	-	-	2,000	2,000
Donations	-	117,471	222,775	340,246
Miscellaneous	-	225	-	225
Investment earnings	777	-	-	777
Total revenues	<u>3,362,749</u>	<u>117,696</u>	<u>224,775</u>	<u>3,705,220</u>
Expenditures:				
Current:				
General government	575,108	-	-	575,108
Public safety	1,126,299	-	-	1,126,299
Street and public works	438,295	-	-	438,295
Environmental protection	160,196	-	-	160,196
Cultural and recreational	368,787	-	-	368,787
Economic and physical development	262,867	136,979	-	399,846
Campaign HUB Station	-	-	185,002	185,002
Jan Karon Mitford Museum Fund	-	-	52,023	52,023
Debt service:				
Principal	66,462	-	-	66,462
Interest	2,034	-	-	2,034
Total expenditures	<u>3,000,048</u>	<u>136,979</u>	<u>237,025</u>	<u>3,374,052</u>
Revenues over (under) expenditures	362,701	(19,283)	(12,250)	331,168
Other Financing Sources (Uses):				
Issuance of capital lease	<u>36,965</u>	<u>-</u>	<u>-</u>	<u>36,965</u>
Net change in fund balances	399,666	(19,283)	(12,250)	368,133
Fund Balances:				
Beginning of year - July 1	1,809,309	66,055	110,305	1,985,669
End of year - June 30	<u>\$ 2,208,972</u>	<u>\$ 46,772</u>	<u>\$ 98,055</u>	<u>\$ 2,353,799</u>

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

TOWN OF HUDSON**Exhibit F****Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021**

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

Net changes in fund balances - total governmental funds	\$ 368,133
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	350,368
Depreciation expense for governmental assets	(293,179)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	77,993
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenues for tax revenues	6,322
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(3,847)
Pension expense	(223,733)

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

New long-term debt issued	(36,965)
Principal payments on long-term debt	<u>66,462</u>

Total changes in net position of governmental activities	<u>\$ 311,554</u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF HUDSON

Exhibit G

General Fund Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual For the Year Ended June 30, 2021

	<u>Budgeted Amount</u>			Variance With Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Ad valorem taxes	\$ 1,246,700	\$ 1,247,000	\$ 1,339,287	\$ 92,287
Other taxes and licenses	804,000	852,000	1,094,206	242,206
Unrestricted intergovernmental	262,600	262,600	253,723	(8,877)
Restricted intergovernmental	304,500	363,447	320,152	(43,295)
Permits and fees	162,250	172,850	191,945	19,095
Sales and services	164,970	209,770	162,659	(47,111)
Investment earnings	20,000	20,000	777	(19,223)
Total revenues	<u>2,965,020</u>	<u>3,127,667</u>	<u>3,362,749</u>	<u>235,082</u>
Expenditures:				
Current:				
General government	553,676	614,313	575,108	39,205
Public safety	1,116,150	1,174,042	1,126,299	47,743
Street and public works	469,580	481,265	438,295	42,970
Environmental protection	158,620	160,211	160,196	15
Cultural and recreational	443,740	451,344	368,787	82,557
Economic and physical development	229,550	303,593	262,867	40,726
Contingency	22,123	1,493	-	1,493
Debt service:				
Principal retirement	63,891	66,516	66,462	54
Interest and fees	4,690	2,065	2,034	31
Total expenditures	<u>3,062,020</u>	<u>3,254,842</u>	<u>3,000,048</u>	<u>254,794</u>
Revenues over (under) expenditures	<u>(97,000)</u>	<u>(127,175)</u>	<u>362,701</u>	<u>489,876</u>
Other Financing Sources (Uses):				
Issuance of capital lease	37,000	37,000	36,965	(35)
Fund balance appropriated	60,000	90,175	-	(90,175)
Total other financing sources (uses)	<u>97,000</u>	<u>127,175</u>	<u>36,965</u>	<u>(90,210)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	399,666	<u>\$ 399,666</u>
Fund Balance:				
Beginning of year - July 1			<u>1,809,309</u>	
End of year - June 30			<u>\$ 2,208,972</u>	

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

TOWN OF HUDSON

Notes to the Financial Statements For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. The town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

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

Optimist Park Redevelopment NCPARTF Grant - This fund is used to account for the construction of the Optimist Park.

The Town reports the following non-major governmental funds:

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

Jan Karon Mitford Museum Special Revenue Fund - This fund is used to account for revenues received by private donations to enhance the reading room.

C. Measurement Focus and Basis of Accounting

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

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

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

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

The Town considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for

the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for the limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at the year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Hudson because the tax is levied by Caldwell County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than

program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

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

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

E. Budgetary Data

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

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

1. Deposits and Investments

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

State law [G.S. 159-30 (c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. 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.

In accordance with State law, the City has invested in securities which are callable, and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

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

Town of Hudson Restricted Cash

Governmental activities:

General Fund:

Streets

\$129,314

Total restricted cash

\$129,314

4. Ad Valorem Taxes Receivable

In accordance with State Law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Prepaid Items

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

7. Capital Assets

Capital assets are recorded at original cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. Also, the Town has elected not to capitalize those interest costs that are incurred during the construction period of general capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Certain items are recorded at an estimated original cost. The total of such estimates is not considered large enough that the errors would be material when capital assets are considered as a whole. Infrastructure assets exceeding the Town's capitalization threshold of \$1,000 will be reported as capital assets in the Statement of Net Position. General governmental infrastructure assets acquired prior to July 1, 2003 were not retroactively reported; therefore, the infrastructure capital assets in the Statement of Net Position only include assets purchased after July 1, 2003.

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion: contributions made to the pension plan in the 2021 fiscal year and pension related to deferrals. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meets the criteria for this category: prepaid taxes, property taxes receivable, other receivables, pension deferrals, and OPEB deferrals.

9. Long-Term Obligations

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

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Prepaid Items - portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items, which are not spendable resources.

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

Restricted for Stabilization by State Statute - 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". *Appropriate fund balance in any fund shall not exceed sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

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

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

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

Assigned for Optimist Park Redevelopment NCPARTF grant - portion of fund balance that has been budgeted by the Board for construction of a playground, court games, picnic shelter, restroom/concession building and walkways.

Assigned for Jan Karon Mitford Museum Fund - portion of fund balance that has been budgeted by the Board for a reading room in the HUB building.

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

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

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

The Town has not officially adopted a fund balance policy.

12. Defined Benefit Cost-Sharing Plans

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

II. Stewardship, Compliance, and Accountability

None noted.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2021, the Town's deposits had a carrying amount of \$469,819, and a bank balance of \$497,643. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$1,485.

2. Investments

At June 30, 2021 the Town's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2021</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	<u>\$1,766,969</u>	N/A	AAAm
Total		<u>\$1,766,969</u>		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

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

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

3. Receivables - Allowance for Doubtful Accounts

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

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$36,037	\$204,301	\$275,972	\$516,040
Allowance for doubtful accounts	<u>-</u>	<u>(115,000)</u>	<u>-</u>	<u>(115,000)</u>
Total governmental activities	<u>\$36,037</u>	<u>\$ 89,031</u>	<u>\$275,972</u>	<u>\$401,040</u>

Due from other governments consisted of the following:

Local option sales tax	\$ 195,236
Sales tax	22,492
Franchise tax	<u>58,244</u>
Total	<u>\$ 275,972</u>

4. Capital Assets

Primary Government

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

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 413,071	\$ -	\$ -	\$ 413,071
Construction in progress	<u>131,046</u>	<u>288,958</u>	<u>-</u>	<u>420,004</u>
Total capital assets not being depreciated	<u>544,117</u>	<u>288,958</u>	<u>-</u>	<u>833,075</u>
Capital assets being depreciated:				
Land improvements	1,355,567	-	-	1,355,567
Buildings	3,688,292	11,093	-	3,699,385
Furniture and fixtures	304,664	-	-	304,664
Equipment and vehicles	<u>1,604,256</u>	<u>53,042</u>	<u>-</u>	<u>1,657,298</u>
Total capital assets being depreciated	<u>6,952,779</u>	<u>64,135</u>	<u>-</u>	<u>7,016,914</u>
Less accumulated depreciation for:				
Land improvements	(519,971)	(52,078)	-	(572,049)
Building	(1,298,469)	(113,652)	-	(1,412,121)
Furniture and fixtures	(261,177)	(6,712)	-	(267,889)
Equipment and vehicles	<u>(1,214,231)</u>	<u>(120,736)</u>	<u>-</u>	<u>(1,334,967)</u>
Total accumulated depreciation	<u>(3,293,848)</u>	<u>(293,178)</u>	<u>-</u>	<u>(3,587,026)</u>
Total capital assets being depreciated, net	<u>3,658,931</u>	<u>(229,043)</u>	<u>-</u>	<u>3,429,887</u>
Governmental activity capital assets, net	<u>\$4,203,047</u>	<u>\$ 59,915</u>	<u>\$ -</u>	<u>\$4,262,962</u>

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

Governmental Activities:	
General government	\$ 93,817
Public safety	64,499
Public works	46,909
Cultural and recreation	<u>87,954</u>
Total depreciation expense	<u>\$293,179</u>

B. Liabilities

1. Payables

Payables at June 30, 2021 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$ <u>123,177</u>	<u>\$95,098</u>	<u>\$218,275</u>

2. Pension Plan and Post-employment Obligations

a. Local Government Employees' Retirement System

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

Benefits Provided: LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for

firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

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

Contributions: Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Hudson employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2021 was 10.84% of compensation for law enforcement officers and 10.15% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$138,107 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 a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2021, the Town reported a liability of \$634,640 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 0.01776%, which was an decrease of 0.00043% from its portion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$173,470. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actuarial experience	\$80,144	\$ -
Changes of assumptions	47,230	-
Net difference between projected and actual earning on pension plan investments	89,309	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	23,536	2,225
Town contributions subsequent to the measurement date	<u>70,588</u>	<u>-</u>
Total	<u><u>\$310,807</u></u>	<u><u>\$2,225</u></u>

\$70,588 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$71,979
2023	88,055
2024	51,528
2025	26,431
Thereafter	<u>-</u>
	<u><u>\$237,993</u></u>

This information is provided by the Local Government Commission.

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%
Salary increase	3.50% to 8.10%, including inflation and productivity factor
Investment rate of return	7.0%, 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 of the period ending January 1, 2010 through December 31, 2014.

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

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

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculation from nominal rates multiplicatively subtracting a long-term inflation assumption of 3.059%. All rates of return and inflation are annualized.

Discount Rate: The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contribution from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan member. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefits payments to determine the total pension liability.

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$1,287,616	\$634,640	\$91,972

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

b. Law Enforcement Officers' Special Separation Allowance

Plan Description: The Town administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns that authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

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

* The number of inactive members currently receiving benefits may differ from the number of inactive members provided by the employer due to the use of rounded ages as of the valuation date.

Summary of Significant Accounting Policies

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

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

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

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2019 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected salary increase	3.25% to 7.75%, including inflation and productivity factor
Discount rate	1.93%

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ended December 31, 2019.

Deaths After Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

Deaths Before Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

Deaths After Retirement (Beneficiary): Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

Deaths After Retirement (Disabled): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

Contributions: The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operation budget. There were no contributions made by the employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly.

Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$67,519 as benefits came due for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$417,641. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$50,263.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$18,489	\$17,764
Changes of assumptions and other inputs	105,779	6,766
Town benefit payments and plan administrative expenses subsequent to the measurement date	<u>16,224</u>	<u>-</u>
Total	<u>\$140,492</u>	<u>\$24,530</u>

\$16,224 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ 23,122
2023	23,673
2024	19,832
2025	20,916
2026	12,195
Thereafter	<u>-</u>
Total	<u>\$99,738</u>

Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate: The following presents the Town's total pension liability calculated using the discount rate of 1.93%, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (0.93%) or 1-percentage-point higher (2.93%) than the current:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	<u>\$453,330</u>	<u>\$417,641</u>	<u>\$385,552</u>

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

Total pension liability as of December 31, 2019	\$331,971
Changes for the year:	
Service Cost	16,530
Interest	10,238
Differences between expected and actual experience	(18,758)
Changes of assumptions or other inputs	113,494
Benefit payments	<u>(35,834)</u>
Total pension liability as of December 31, 2020	<u>\$417,641</u>

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

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

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$173,470	\$50,263	\$223,733
Pension Liability	634,640	417,641	1,052,281
Proportionate share of the net pension liability	0.01776%	N/A	

Deferred of Outflows of Resources:

Difference between expected and actual experience	80,144	18,489	98,633
Change in assumptions	47,230	105,779	153,009
Net difference between projected and actual earnings on plan investments	89,309	-	89,309
Change in proportion and differences between contributions and proportionate share of contributions	23,536	-	23,536
Benefit payments and administrative cost paid subsequent to measurement date	70,588	16,224	86,812

Deferred of Inflows of Resources:

Difference between expected and actual experience	-	17,764	17,764
Change in assumptions	-	6,766	6,766
Change in proportion and differences between contributions and proportionate share of contributions	2,225	-	2,225

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description: The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual

Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) Plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Serve Center, Raleigh, North Carolina 27699-1410, or by calling 919-981-5454.

Funding Policy: Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town elects to contribute 3% of employees' salaries not engaged in law enforcement. Contributions for the year ended June 30, 2021 were \$68,094, which consisted of \$29,091 from the Town for law enforcement, \$21,573 from the Town for general employees, \$9,150 from the law enforcement officers, and \$8,280 from the general employees.

d. Other Employment Benefits

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

3. Deferred Outflows and Inflows of Resources

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

	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$70,588
Benefit payments made and administration expenses for LEOSSA	-
Differences between expected and actual experience	98,633
Changes of assumptions	153,009
Net difference between expected and actual experience	89,309
Changes in proportion and differences between contributions and proportionate share of contributions	<u>23,536</u>
Total	<u>\$435,075</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable, less penalties	\$ -	\$89,031
Changes in assumptions (LEOSSA)	6,766	-
Differences between expected and actual experience (LGERS)	-	-
Differences between expected and actual experience (LEOSSA)	17,764	-
Changes in proportion and differences between employer contributions and proportionate share of contributions (LGERS)	<u>2,225</u>	<u>-</u>
	<u>\$26,755</u>	<u>\$89,031</u>

4. Risk Management

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

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

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

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

5. Long-Term Obligations

a. Capital Lease

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

The capital lease was executed July 11, 2019 and requires five annual lease payments of \$3,417. The title will pass to the Town at the end of the lease term during the 2023-2024 fiscal year.

The following is an analysis of the assets recorded under capital leases at June 30, 2021:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Vehicles	<u>\$16,005</u>	<u>\$6,402</u>	<u>\$9,603</u>

The future minimum lease obligations and net present value of these minimum lease payments as of June 30, 2021 were as follows:

<u>Year Ending June 30</u>	<u>Principal</u>
2022	\$ 3,417
2023	3,417
2024	<u>3,417</u>
Total minimum lease payments	10,251
Less: amount representing interest	<u>(648)</u>
Present value of the minimum lease payments	<u>\$ 9,603</u>

b. Direct Borrowing Installment Purchase

In July 2018, the Town entered into a \$100,000 direct borrowing installment purchase for a building. The financing contract requires principal payments beginning in the fiscal year 2018 with no interest. In September 2020 the Town entered into a \$36,965 direct borrowing installment purchase for a vehicle. The financing contract requires principal payments beginning in the fiscal year 2021 with interest of 5.99%. Annual debt service payments of the installment purchase as of June 30, 2021 are as follows:

	<u>Governmental Activities</u>	
<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	\$21,612	\$1,433
2023	22,308	737
2024	10,000	-
2025	10,000	-
2026	10,000	-
2027-2028	<u>20,000</u>	<u>-</u>
Total	<u>\$93,920</u>	<u>\$2,170</u>

A summary of changes in long-term obligations follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2021</u>	<u>Current Portion</u>
Governmental Activities:					
Capital leases	\$ 53,102	\$ -	\$ 43,499	\$ 9,603	\$ 3,201
Installment purchase from direct borrowing	80,000	36,965	23,045	93,920	21,612
Net pension liability (LGERS)	496,755	137,885	-	634,640	-
Total pension liability (LEOSSA)	331,971	85,670	-	417,641	-
Accrued vacation pay	<u>115,400</u>	<u>75,716</u>	<u>71,869</u>	<u>119,247</u>	<u>26,000</u>
Total	<u>\$1,077,228</u>	<u>\$336,236</u>	<u>\$138,413</u>	<u>\$1,275,051</u>	<u>\$50,813</u>

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

At June 30, 2021, the Town had a legal debt margin of approximately \$25,387,014.

6. Net Investment in Capital Assets

	Governmental Activities
Capital assets	\$4,262,962
Less: long-term debt	(103,523)
Add: unexpended debt proceeds	<u>-</u>
Net investment in capital asset	<u>\$4,159,439</u>

7. Fund Balance

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

Total fund balance - General Fund	\$2,208,972
Less:	
Prepaid items	31,247
Stabilization by State Statute	304,948
Streets - Powell Bill	129,314
Appropriated Fund balance in 2022 budget	<u>92,860</u>
Remaining Fund Balance	<u><u>\$1,650,603</u></u>

IV. Jointly Governed Organization

The Town, in conjunction with four counties and 23 municipalities established the Western Piedmont Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each Participating government appoints one member to the Council's governing board. The Town paid \$3,176 for membership fees and \$49,586 for administrative services during the fiscal year ended June 30, 2021.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Significant Effects of Subsequent Events

Management has evaluated subsequent events through November 29, 2021, the date on which the financial statements were available to be issued and concluded that the following subsequent event has occurred that would require recognition or disclosure in these financial statements.

Covid-19 Pandemic

The spread of the Coronavirus Disease (Covid-19) has been deemed a worldwide pandemic. The Covid-19 pandemic has had significant effects on global economic markets, supply chains, businesses, and communities. Any fluctuations impacting the Town are not reflected in the financial statements for the year ended June 30, 2021, since the full impact of Covid-19 is unknown and cannot be reasonably estimated as of November 29, 2021.

TOWN OF HUDSON, NORTH CAROLINA

Required Supplementary Information



TOWN OF HUDSON**Schedule 1**

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 331,971	\$ 306,896	\$ 318,494	\$ 275,384
Service cost	16,530	16,545	17,048	13,298
Interest on the total pension liability	10,238	10,627	9,704	10,358
Differences between expected and actual experience in the measurement of the total pension liability	(18,758)	18,520	(4,502)	16,985
Changes of assumptions or other inputs	113,494	9,252	(11,040)	16,569
Benefit payments	<u>(35,834)</u>	<u>(29,869)</u>	<u>(22,808)</u>	<u>(14,100)</u>
Ending balance of the total pension liability	<u>\$ 417,641</u>	<u>\$ 331,971</u>	<u>\$ 306,896</u>	<u>\$ 318,494</u>

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

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

TOWN OF HUDSON**Schedule 2**

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 417,641	\$ 331,971	\$ 306,896	\$ 318,494
Covered payroll	554,770	592,157	537,545	526,445
Total pension liability as a percentage of covered payroll	75.28%	56.06%	57.09%	60.50%

Notes to the schedules:

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

TOWN OF HUDSON**Schedule 3**

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset) (%)	0.01776%	0.01819%	0.01623%	0.01562%	0.01417%	0.01606%	0.01596%
Proportion of the net pension liability (asset) (\$)	\$ 634,640	\$ 496,755	\$ 385,031	\$ 238,630	\$ 300,734	\$ 72,075	\$ (94,124)
Town of Hudson's covered payroll	\$ 1,304,370	\$ 1,291,263	\$ 1,141,110	\$ 1,065,552	\$ 996,565	\$ 937,463	\$ 908,139
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	48.65%	38.47%	33.74%	22.39%	30.18%	7.69%	-10.36%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%

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

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

TOWN OF HUDSON**Schedule 4**

**Town of Hudson's Contributions
Required Supplementary Information
Last Seven Fiscal Years
Local Government Employees' Retirement System (LGERS)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 70,588	\$ 62,849	\$ 98,584	\$ 89,523	\$ 80,964	\$ 68,641	\$ 67,754
Contributions in relation to the contractually required contribution	<u>70,588</u>	<u>62,849</u>	<u>98,584</u>	<u>89,523</u>	<u>80,964</u>	<u>68,641</u>	<u>67,754</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Hudson's covered payroll	\$ 1,342,719	\$ 1,304,370	\$ 1,291,263	\$ 1,141,110	\$ 1,065,552	\$ 996,565	\$ 937,463
Contributions as a percentage of covered payroll	5.26%	4.82%	7.63%	7.85%	7.60%	6.89%	7.23%

TOWN OF HUDSON, NORTH CAROLINA

Supplementary Information



TOWN OF HUDSON**Schedule 5****Page 1 of 10**

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual For the Year Ended June 30, 2021
(With Comparative Actual Totals for the Year Ended June 30, 2020)

	2021		Variance Positive (Negative)	2020 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Ad valorem taxes:				
Taxes - net of discount	\$ 1,237,000	\$ 1,321,414	\$ -	\$ 1,258,237
Penalties and interest	10,000	17,873	-	11,051
Total ad valorem taxes	<u>1,247,000</u>	<u>1,339,287</u>	<u>92,287</u>	<u>1,269,288</u>
Other Taxes:				
Local option sales tax	258,000	344,282	-	298,276
Half-cent local option sales tax	199,000	251,363	-	219,117
Additional half-cent local option sales tax	124,500	166,806	-	144,237
Article 44 half-cent local option sales tax	49,500	59,100	-	56,717
Sales tax hold harmless	221,000	272,655	-	236,938
Total other taxes	<u>852,000</u>	<u>1,094,206</u>	<u>242,206</u>	<u>955,285</u>
Unrestricted intergovernmental revenues:				
Utility sales distribution	210,000	202,210	-	203,380
Solid waste disposal tax	3,100	3,019	-	3,019
Video programming distribution	32,000	31,742	-	31,859
Controlled substance tax	-	-	-	1,375
Beer and wine tax	17,500	16,752	-	17,075
Total unrestricted intergovernmental revenues	<u>262,600</u>	<u>253,723</u>	<u>(8,877)</u>	<u>256,708</u>
Restricted intergovernmental revenues:				
State street allocation - Powell Bill	118,000	112,871	-	118,967
Disaster, rain, and flood - 2019	-	-	-	321,191
CARES Act	58,947	54,738	-	20,985
Resource Officer	185,000	152,419	-	162,814
Resource officer donation	1,500	124	-	1,829
Total restricted intergovernmental revenues	<u>363,447</u>	<u>320,152</u>	<u>(43,295)</u>	<u>625,786</u>
Permits and Fees:				
Sanitation fee	155,000	165,379	-	159,894
Zoning permits	3,000	5,750	-	6,350
Alcohol permit fees	150	-	-	300
Court costs	1,000	1,197	-	1,422
Miscellaneous	13,700	19,619	-	40,491
Total permits and fees	<u>172,850</u>	<u>191,945</u>	<u>19,095</u>	<u>208,457</u>

cont.

TOWN OF HUDSON

Schedule 5

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General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual For the Year Ended June 30, 2021
(With Comparative Actual Totals for the Year Ended June 30, 2020)

	2021			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2020 Actual</u>
Sales and Services:				
Pool and gym admissions	\$ 20,000	\$ 16,298	\$ -	\$ 15,480
Pool concessions	17,000	11,534	-	5,641
Recreation center concessions	300	138	-	7,864
Fees and lessons	34,100	19,271	-	24,658
Rental fees	14,250	9,556	-	11,309
Hudson Uptown Building rental	23,500	9,472	-	46,240
Hudson Uptown Building ticket sales	-	-	-	29,389
Hudson Uptown Building advertising	-	-	-	4,050
BellSouth lease	20,500	21,890	-	21,252
HUB lease revenue	80,120	74,500	-	23,825
Miscellaneous	-	-	-	766
Total sales and services	<u>209,770</u>	<u>162,659</u>	<u>(47,111)</u>	<u>190,474</u>
Investment earnings	<u>20,000</u>	<u>777</u>	<u>(19,223)</u>	<u>19,847</u>
Total revenues	<u>3,127,667</u>	<u>3,362,749</u>	<u>235,082</u>	<u>3,525,845</u>
Expenditures:				
General government:				
Governing Board:				
Salaries	20,925	14,830	-	16,115
Social security	1,600	1,135	-	1,233
Travel and training	1,000	281	-	362
Supplies - Covid 19	-	-	-	6,371
Departmental supplies	1,425	1,422	-	431
Contracted services	1,635	294	-	1,703
Election expense	-	-	-	3,883
Workers' compensation	25	24	-	39
Insurance and bonds	1,801	1,801	-	1,532
Miscellaneous	14,199	14,188	-	4,579
Total governing body	<u>42,610</u>	<u>33,975</u>	<u>8,635</u>	<u>36,248</u>
Administration:				
Salaries	104,124	104,345	-	89,400
Social security	8,366	7,781	-	6,870
Group insurance	8,054	7,957	-	7,546

cont.

TOWN OF HUDSON

Schedule 5

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General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual For the Year Ended June 30, 2021 (With Comparative Actual Totals for the Year Ended June 30, 2020)

	2021			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2020 Actual</u>
Retirement	\$ 13,843	\$ 13,314	\$ -	\$ 11,328
Unemployment insurance	100	98	-	312
Fringe benefits	4,900	-	-	-
Telephone	650	646	-	1,022
Postage	1,000	445	-	969
Printing	275	94	-	117
Utilities	2,430	1,863	-	1,861
Travel and training	850	624	-	507
Maintenance and repairs:				
Building and grounds	7,260	7,260	-	4,181
Equipment	-	-	-	27
Advertising	10,000	8,549	-	7,929
Supplies - Covid 19	8,183	8,162	-	1,040
Departmental supplies	2,880	2,878	-	2,665
Contracted services	7,380	7,174	-	6,782
Workers' compensation	85	84	-	85
Insurance and bonds	1,100	1,075	-	871
Dues and subscriptions	13,550	13,538	-	12,406
Miscellaneous	1,400	378	-	185
Total administration	<u>196,430</u>	<u>186,265</u>	<u>10,165</u>	<u>156,103</u>
Professional and Legal:				
Legal retainer	5,000	5,000	-	5,000
Contracted services	4,900	2,263	-	10,671
Travel and training	1,000	-	-	914
Miscellaneous	100	67	-	61
Total professional and legal	<u>11,000</u>	<u>7,330</u>	<u>3,670</u>	<u>16,646</u>
Finance:				
Salaries	83,414	82,908	-	81,458
Annual audit	16,375	16,375	-	15,900
Social security	6,458	5,479	-	5,133
Group insurance	15,865	15,863	-	14,858
Retirement	11,101	10,959	-	9,786
Telephone	300	296	-	507
				cont.

TOWN OF HUDSON

Schedule 5

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General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual For the Year Ended June 30, 2021
(With Comparative Actual Totals for the Year Ended June 30, 2020)

	2021		Variance Positive (Negative)	2020 Actual
	<u>Budget</u>	<u>Actual</u>		
Postage	\$ 300	\$ 100	\$ -	\$ 300
Printing	750	694	-	276
Utilities	1,475	1,364	-	1,332
Travel and training	550	275	-	2,414
Maintenance & repairs - equipment	-	-	-	27
Equipment lease	2,100	2,047	-	2,107
Departmental supplies	1,800	1,581	-	1,710
Contracted services	11,800	10,933	-	11,147
Dues and subscriptions	300	260	-	260
Workers' compensation	85	84	-	51
Insurance and bonds	600	600	-	521
Credit card fees	5,000	4,665	-	3,242
Bank charges	350	-	-	-
Miscellaneous	500	460	-	460
Total finance	<u>159,123</u>	<u>154,943</u>	<u>4,180</u>	<u>151,488</u>
Tax Collection:				
Salaries and wages	57,745	57,492	-	57,722
Social security	4,423	4,335	-	4,352
Group insurance	7,976	7,916	-	7,471
Retirement	7,604	7,588	-	6,923
Postage	516	400	-	900
Telephone	300	296	-	272
Printing	1,000	806	-	528
Utilities	1,550	1,364	-	1,331
Travel and training	500	-	-	-
Advertising	1,000	-	-	-
Departmental supplies	1,500	971	-	2,343
Motor vehicle tax collection	5,961	6,466	-	5,533
Contracted services	2,500	2,244	-	2,740
Dues and subscriptions	300	255	-	240
Workers' compensation	60	55	-	54
Insurance and bonds	700	700	-	603
Miscellaneous	200	-	-	-
Maintenance and repairs - tax collection	250	-	-	27
Total tax collection	<u>94,085</u>	<u>90,888</u>	<u>3,197</u>	<u>91,039</u>
				cont.

TOWN OF HUDSON

Schedule 5

Page 5 of 10

General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual For the Year Ended June 30, 2021 (With Comparative Actual Totals for the Year Ended June 30, 2020)

	2021			
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	2020 <u>Actual</u>
Planning:				
Advertising	\$ 750	\$ 686	\$ -	\$ 886
Planning contract	47,744	47,519	-	62,498
Printing	100	-	-	-
Engineering	1,140	-	-	-
Departmental supplies	500	-	-	37
Miscellaneous	1,009	886	-	136
Total planning	<u>51,243</u>	<u>49,091</u>	<u>2,152</u>	<u>63,557</u>
Landscaping:				
Salaries and wages	33,754	28,352	-	28,563
Social security	2,582	2,150	-	2,144
Group insurance	6,977	6,952	-	6,531
Retirement	4,439	3,907	-	3,512
Utilities	1,940	1,403	-	1,216
Materials and supplies	9,730	9,703	-	8,362
Travel and training	250	-	-	50
Contract services	-	-	-	250
Miscellaneous	150	150	-	150
Total landscaping	<u>59,822</u>	<u>52,617</u>	<u>7,205</u>	<u>50,778</u>
Total general government	<u>614,313</u>	<u>575,108</u>	<u>39,205</u>	<u>565,859</u>
Public safety - Police				
Salaries and wages	679,165	657,091	-	623,309
Social security	51,867	48,048	-	45,572
Group insurance	118,228	115,322	-	99,346
Retirement	100,950	97,868	-	86,272
Telephone	3,436	3,365	-	5,351
Postage	450	217	-	430
Printing	650	580	-	575
Utilities	5,123	4,093	-	3,995
Travel and training	3,750	3,737	-	3,719
Maintenance and repairs:				
Building and grounds	3,500	187	-	877
Equipment	1,300	1,080	-	800
Auto and trucks	12,900	12,386	-	10,243
Equipment lease	1,800	1,315	-	2,267
				cont.

TOWN OF HUDSON**Schedule 5****Page 6 of 10**

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual For the Year Ended June 30, 2021
(With Comparative Actual Totals for the Year Ended June 30, 2020)

	2021		Variance	2020
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>Actual</u>
			<u>(Negative)</u>	
Batteries and tires	\$ 4,750	\$ 4,535	\$ -	\$ 3,754
Advertising	473	368	-	329
Gasoline	30,000	27,435	-	22,592
Dare expenditures	3,500	2,148	-	3,153
Supplies - Covid 19	20,667	20,574	-	8,157
Departmental supplies	14,132	13,977	-	5,206
Community resource supplies	1,154	1,154	-	200
Uniforms	12,000	10,609	-	13,636
Sales tax	1,120	1,108	-	735
Contracted services	17,975	14,485	-	15,033
Dues and subscriptions	300	150	-	150
Workers' compensation	11,560	11,534	-	10,263
Insurance and bonds	18,825	18,788	-	17,205
Miscellaneous	852	852	-	325
Capital outlay	53,365	53,043	-	62,168
Contribution to Crime Stoppers	250	250	-	250
Total public safety	<u>1,174,042</u>	<u>1,126,299</u>	<u>47,743</u>	<u>1,045,912</u>

Streets and Public Works**Public Works:**

Salaries and wages	46,632	44,870	-	43,991
Social security	3,581	3,479	-	3,431
Group insurance	7,071	7,051	-	6,562
Retirement	6,157	6,063	-	1,364
Telephone	524	524	-	4,066
Printing	150	-	-	791
Utilities	5,121	4,976	-	3,975
Travel and training	200	-	-	-
Maintenance and repairs:				
Building and grounds	4,309	501	-	1,407
Equipment	-	-	-	267
Auto and trucks	2,613	2,613	-	317
Batteries and tires	3,750	3,743	-	1,087
Gasoline	2,640	1,699	-	2,047
Automobile supplies	200	61	-	132
Supplies - Covid 19	1,205	1,094	-	66
Departmental supplies	5,600	4,703	-	5,291

cont.

TOWN OF HUDSON**Schedule 5****Page 7 of 10**

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual For the Year Ended June 30, 2021
(With Comparative Actual Totals for the Year Ended June 30, 2020)

	2021		Variance	2020
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>Actual</u>
			<u>(Negative)</u>	
Workers' compensation	\$ 2,372	\$ 2,371	\$ -	\$ 1,659
Insurance and bonds	6,300	6,108	-	3,992
Uniforms	600	521	-	437
Equipment lease	500	-	-	-
Miscellaneous	200	11	-	-
Contracted services	500	-	-	263
Total public works	<u>100,225</u>	<u>90,388</u>	<u>9,837</u>	<u>81,145</u>
Streets:				
Salaries and wages	132,123	130,956	-	127,816
Social security	9,939	9,706	-	9,534
Group insurance	27,855	27,774	-	26,531
Retirement	17,085	17,270	-	15,241
Telephone	1,570	1,570	-	1,430
Utilities	-	-	-	84
Streets and lighting	59,749	51,560	-	49,187
Maintenance and repairs:				
Equipment	6,000	2,976	-	4,632
Building	700	585	-	8
Auto and trucks	4,500	2,684	-	3,050
Fuel oil	3,050	1,677	-	1,807
Auto supplies	200	91	-	-
Gasoline	6,105	6,102	-	4,831
Departmental supplies	4,000	3,334	-	2,797
Travel and training	250	-	-	-
Uniforms	2,500	2,236	-	2,521
Workers' compensation	12,325	12,325	-	5,743
Insurance and bonds	3,200	3,194	-	2,493
Miscellaneous	500	108	-	56
Contracted services	5,055	5,055	-	3,347
Total streets	<u>296,706</u>	<u>279,203</u>	<u>17,503</u>	<u>261,109</u>
Powell Bill:				
Salaries and wages	28,471	27,190	-	27,025
Social security	2,197	2,033	-	2,037
Group insurance	5,833	5,828	-	5,372
Retirement	3,773	3,632	-	3,322

cont.

TOWN OF HUDSON

Schedule 5

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General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual For the Year Ended June 30, 2021
(With Comparative Actual Totals for the Year Ended June 30, 2020)

	2021			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2020 Actual</u>
Maintenance and repairs:				
Equipment	\$ 6,000	\$ 3,909	\$ -	\$ 1,305
Streets	30,000	22,525	-	60,969
Batteries and tires	1,000	-	-	240
Departmental supplies	1,160	353	-	3,547
Gasoline	1,200	1,064	-	930
Regulatory traffic sign	2,200	2,170	-	198
Engineering fees	2,500	-	-	61,057
Capital outlay - equipment	-	-	-	419,031
Total powell bill	<u>84,334</u>	<u>68,704</u>	<u>15,630</u>	<u>585,033</u>
 Total streets and public works	 <u>481,265</u>	 <u>438,295</u>	 <u>42,970</u>	 <u>927,287</u>
 Environmental Protection:				
Sanitation supplies	<u>160,211</u>	<u>160,196</u>	<u>-</u>	<u>154,656</u>
Total environmental protection	<u>160,211</u>	<u>160,196</u>	<u>15</u>	<u>154,656</u>
 Economic and Physical Development				
Hudson Uptown Building:				
Salaries and wages	96,720	93,080	-	90,019
Social security	7,423	6,903	-	6,731
Retirement	10,787	10,715	-	9,335
Group insurance	15,843	15,803	-	14,118
Telephone	3,100	2,482	-	2,587
Postage	250	100	-	200
Printing	200	40	-	-
Utilities	58,420	38,904	-	38,862
Maintenance and repairs	65,750	59,155	-	26,038
Advertising	3,000	549	-	650
Supplies - Covid 19	3,300	3,206	-	-
Supplies	9,500	6,175	-	8,478
Miscellaneous	3,100	3,070	-	-
Contracted services	4,000	1,056	-	2,317
Workers' compensation	700	684	-	630
Insurance and bonds	10,200	9,852	-	8,693
Capital outlay	11,100	11,093	-	162,930

cont.

TOWN OF HUDSON**Schedule 5****Page 9 of 10**

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual For the Year Ended June 30, 2021
(With Comparative Actual Totals for the Year Ended June 30, 2020)

	2021		Variance Positive (Negative)	2020 Actual
	<u>Budget</u>	<u>Actual</u>		
Equipment lease	\$ 200	\$ -	\$ -	\$ -
Dinner theater	-	-	-	38,390
Total economic and physical development	<u>303,593</u>	<u>262,867</u>	<u>40,726</u>	<u>409,978</u>
Cultural and Recreation				
Recreation:				
Salaries and wages	195,996	172,874	-	173,114
Social security	15,153	13,212	-	13,238
Retirement	18,419	18,041	-	16,026
Group insurance	23,771	23,565	-	22,319
Telephone	4,235	3,846	-	3,718
Equipment lease	1,000	822	-	778
Utilities	46,650	35,723	-	38,264
Maintenance and repairs:				
Building and grounds	18,700	8,056	-	9,758
Equipment	2,000	1,541	-	2,072
Departmental supplies	20,650	15,441	-	16,056
Automotive supplies	1,000	643	-	-
Supplies - Covid 19	4,140	4,048	-	4,846
Chemicals and supplies	8,700	8,581	-	7,645
Program supplies	11,340	5,009	-	6,817
Senior citizens supplies	1,000	24	-	701
Landscaping	4,000	2,273	-	1,558
Gasoline	2,300	2,297	-	2,278
Workers' compensation	4,275	4,273	-	4,438
Insurance and bonds	7,210	7,167	-	6,890
Contracted services	18,650	4,144	-	11,267
Miscellaneous	1,590	175	-	891
Sales tax	1,500	779	-	895
Capital outlay	-	-	-	18,090
Purchase - resale	9,425	6,763	-	11,679
Total recreation	<u>421,704</u>	<u>339,297</u>	<u>82,407</u>	<u>373,338</u>

cont.

TOWN OF HUDSON

Schedule 5, cont.

Page 10 of 10

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual For the Year Ended June 30, 2021
(With Comparative Actual Totals for the Year Ended June 30, 2020)

	2021			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2020 Actual</u>
Cultural:				
Contribution to Shelter Home	\$ -	\$ -	\$ -	\$ 400
Contribution to Helping Hands	-	-	-	400
Contribution to Caldwell County Reinvest	27,500	27,500	-	27,500
Local activities	2,140	1,990	-	5,000
Other activities	-	-	-	335
Total cultural	<u>29,640</u>	<u>29,490</u>	<u>150</u>	<u>33,635</u>
Total cultural and recreation	<u>451,344</u>	<u>368,787</u>	<u>82,557</u>	<u>406,973</u>
Debt service:				
Principal	66,516	66,462	-	66,266
Interest	<u>2,065</u>	<u>2,034</u>	<u>-</u>	<u>4,993</u>
Total debt service	<u>68,581</u>	<u>68,496</u>	<u>85</u>	<u>71,259</u>
Contingency	<u>1,493</u>	<u>-</u>	<u>1,493</u>	<u>-</u>
Total expenditures	<u>3,254,842</u>	<u>3,000,048</u>	<u>254,794</u>	<u>3,581,923</u>
Revenues over (under) expenditures	<u>(127,175)</u>	<u>362,701</u>	<u>489,876</u>	<u>(56,078)</u>
Other Financing Sources (Uses):				
Issuance of installment note	37,000	36,965	(35)	16,005
Sales of fixed assets	-	-	-	-
Fund balance appropriated	<u>90,175</u>	<u>-</u>	<u>(90,175)</u>	<u>-</u>
Total other financing sources (uses)	<u>127,175</u>	<u>36,965</u>	<u>(90,210)</u>	<u>16,005</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>399,666</u>	<u>\$ 399,666</u>	<u>(40,073)</u>
Fund balance-beginning of year (July 1)		<u>1,809,309</u>		<u>1,849,385</u>
Fund balance - end of year (June 30)		<u>\$ 2,208,972</u>		<u>\$ 1,809,309</u>

TOWN OF HUDSON**Schedule 6****Capital Project Fund - Optimist Park Redevelopment NCPARTF Grant**
Schedule of Revenues, Expenditures, and Changes in Fund
Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2021

	Project	Actual			Variance
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>Total to</u>	<u>Positive</u>
		<u>Year</u>	<u>Year</u>	<u>Date</u>	<u>(Negative)</u>
Revenues:					
Private campaign contributions	\$ 222,580	\$ 64,601	\$ 117,471	\$ 182,072	\$ (40,508)
Miscellaneous	-	1,454	225	1,679	1,679
NCPARTF grant proceeds	<u>222,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(222,580)</u>
Total revenues	<u>445,160</u>	<u>66,055</u>	<u>117,696</u>	<u>183,751</u>	<u>(261,409)</u>
Expenditures:					
Site development	62,000	-	24,146	24,146	37,854
Demolition	23,100	-	14,973	14,973	8,127
Capital outlay	334,100	-	97,860	97,860	236,240
Planning/engineering	5,000	-	-	-	5,000
Contingency	<u>20,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,960</u>
Total expenditures	<u>445,160</u>	<u>-</u>	<u>136,979</u>	<u>136,979</u>	<u>308,181</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 66,055</u>	<u>(19,283)</u>	<u>\$ 46,772</u>	<u>\$ 46,772</u>
Fund balance, beginning			<u>66,055</u>		
Fund balance, ending			<u>\$ 46,772</u>		

TOWN OF HUDSON**Schedule 7****Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021**

	<u>Campaign HUB Station</u>	<u>Jan Karon Mitford Museum Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Assets</u>			
Current assets:			
Cash and investments	\$ 117,425	\$ 1,666	\$ 119,091
Due from other governments	<u>1,203</u>	<u>761</u>	<u>1,964</u>
Total assets	<u>\$ 118,628</u>	<u>\$ 2,427</u>	<u>\$ 121,055</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable and accrued expenses	<u>\$ 22,881</u>	<u>\$ 119</u>	<u>\$ 23,000</u>
Fund balances:			
Assigned:			
Campaign HUB Station	95,747	-	95,747
Optimist Park Redevelopment NCPARTF Grant	-	-	-
Jan Karon Mitford Museum	<u>-</u>	<u>2,308</u>	<u>2,308</u>
Total fund balances	<u>95,747</u>	<u>2,308</u>	<u>98,055</u>
Total liabilities and fund balances	<u>\$ 118,628</u>	<u>\$ 2,427</u>	<u>\$ 121,055</u>

TOWN OF HUDSON**Schedule 8****Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2021**

	<u>Campaign HUB Station</u>	<u>Jan Karon Mitford Museum Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
Private campaign contributions	\$ 182,775	\$ 40,000	\$ 222,775
ARC grant proceeds	2,000	-	2,000
Miscellaneous	-	-	-
Ticket sales - HUB station	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	184,775	40,000	224,775
	<hr/>	<hr/>	<hr/>
Expenditures:			
Marketing	5,042	-	5,042
Landscaping	24,611	25,000	49,611
Contracted services	328	19,401	19,729
Supplies	5,767	7,622	13,389
Capital outlay	149,254	-	149,254
	<hr/>	<hr/>	<hr/>
Total expenditures	185,002	52,023	237,025
	<hr/>	<hr/>	<hr/>
Net change in fund balance	(227)	(12,023)	(12,250)
	<hr/>	<hr/>	<hr/>
Fund balance, beginning	95,974	14,331	110,305
	<hr/>	<hr/>	<hr/>
Fund balance, ending	\$ 95,747	\$ 2,308	\$ 98,055
	<hr/>	<hr/>	<hr/>

TOWN OF HUDSON**Schedule 9**

Capital Project Fund - Campaign HUB Station
Schedule of Revenues, Expenditures, and Changes in Fund
Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2021

	<u>Project</u>	<u>Actual</u>			<u>Variance</u>
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>Total to</u>	<u>Positive</u>
		<u>Year</u>	<u>Year</u>	<u>Date</u>	<u>(Negative)</u>
Revenues:					
Private campaign contributions	\$ 718,000	\$ 227,171	\$ 182,775	\$ 409,946	\$ (308,054)
ARC grant proceeds	65,000	-	2,000	2,000	(63,000)
Ticket sales - HUB station	<u>22,300</u>	<u>30,347</u>	<u>-</u>	<u>30,347</u>	<u>8,047</u>
Total revenues	<u>805,300</u>	<u>257,518</u>	<u>184,775</u>	<u>442,293</u>	<u>(363,007)</u>
Expenditures:					
Marketing	31,344	26,481	5,042	31,523	(179)
Landscaping	24,800	-	24,611	24,611	189
Contracted services	6,500	108	328	436	6,064
Supplies	8,456	1,185	5,767	6,952	1,504
Capital outlay	<u>634,200</u>	<u>133,771</u>	<u>149,254</u>	<u>283,025</u>	<u>351,175</u>
Total expenditures	<u>705,300</u>	<u>161,545</u>	<u>185,002</u>	<u>346,547</u>	<u>358,753</u>
Revenues under expenditures	100,000	95,974	(227)	95,747	(4,253)
Other Financing Sources (Uses):					
Transfers from other funds:					
General fund	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 95,974</u>	<u>(227)</u>	<u>\$ 95,747</u>	<u>\$ 95,747</u>
Fund balance, beginning			<u>95,974</u>		
Fund balance, ending			<u>\$ 95,747</u>		

TOWN OF HUDSON**Schedule 10****Special Revenue Fund - Jan Karon Mitford Museum Fund**
Schedule of Revenues, Expenditures, and Changes in Fund
Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2021

	<u>Project</u>	<u>Actual</u>			<u>Variance</u>
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>Total to</u>	<u>Positive</u>
		<u>Year</u>	<u>Year</u>	<u>Date</u>	<u>(Negative)</u>
Revenues:					
Private campaign contributions	\$ 65,000	\$ 25,000	\$ 40,000	\$ 65,000	\$ -
Total revenues	65,000	25,000	40,000	65,000	-
Expenditures:					
Maintenance and repairs	25,000	-	19,401	19,401	5,599
Supplies	4,000	10,669	7,622	18,291	(14,291)
Contract labor	6,000	-	-	-	6,000
Landscaping	29,000	-	25,000	25,000	4,000
Contingency	1,000	-	-	-	1,000
Total expenditures	65,000	10,669	52,023	62,692	2,308
Net change in fund balance	\$ -	\$ 14,331	(12,023)	\$ 2,308	\$ 2,308
Fund balance, beginning			14,331		
Fund balance, ending			\$ 2,308		

TOWN OF HUDSON, NORTH CAROLINA

Supplemental Financial Data



TOWN OF HUDSON**Schedule 11****Schedule of Ad Valorem Taxes Receivable
June 30, 2021**

<u>Fiscal year:</u>	<u>Uncollected Balance 6/30/2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance 6/30/2021</u>
2020-2021	\$ -	\$ 1,333,050	\$ 1,272,688	\$ 60,362
2019-2020	47,966	-	21,901	26,065
2018-2019	39,415	-	13,033	26,382
2017-2018	38,555	-	12,088	26,467
2016-2017	24,390	-	3,599	20,791
2015-2016	19,485	-	5,409	14,076
2014-2015	13,970	-	3,032	10,938
2013-2014	10,301	-	2,753	7,548
2012-2013	6,950	-	690	6,260
2011-2012	6,726	-	1,584	5,142
2010-2011	1,986	-	1,986	-
	<u>\$ 209,744</u>	<u>\$ 1,333,050</u>	<u>\$ 1,338,763</u>	204,031
Less: allowance for uncollectible accounts:				<u>(115,000)</u>
Ad valorem taxes receivable, net				<u>\$ 89,031</u>
Reconciliation With Revenues:				
Ad valorem taxes:				
General Fund				\$ 1,339,287
Reconciling items:				
Penalties and interest collected				17,873
Taxes written off				1,986
Discounts allowed				(15,056)
Other adjustments				<u>(5,327)</u>
Total collections and credits				<u>\$ 1,338,763</u>

TOWN OF HUDSON**Schedule 12****Analysis of Current Tax Levy
Town -Wide Levy
For the Year Ended June 30, 2021**

	Town-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current rate	<u>\$ 317,310,000</u>	0.43	<u>\$ 1,364,433</u>	<u>\$ 1,196,629</u>	<u>\$ 167,804</u>
Discoveries:					
Current year taxes	404,884	0.43	1,741	1,741	-
Prior year taxes	<u>194,419</u>	0.43	<u>836</u>	<u>836</u>	<u>-</u>
Total discoveries	<u>599,303</u>		<u>2,577</u>	<u>2,577</u>	<u>-</u>
Late list fees	<u>57,907</u>	0.43	<u>249</u>	<u>249</u>	<u>-</u>
Abatements:					
Current year levy	(629,535)	0.43	(2,707)	(2,707)	-
Discounts	(3,501,395)	0.43	(15,056)	(15,056)	-
Senior citizens and other exemptions	<u>(3,824,651)</u>	0.43	<u>(16,446)</u>	<u>(16,446)</u>	<u>-</u>
Total abatements	<u>(7,955,581)</u>		<u>(34,209)</u>	<u>(34,209)</u>	<u>-</u>
Total property valuation	<u><u>\$ 310,011,629</u></u>				
Net levy			1,333,050	1,165,246	167,804
Uncollected taxes at June 30, 2021			<u>(60,362)</u>	<u>(47,722)</u>	<u>(12,640)</u>
Current year's taxes collected			<u>\$ 1,272,688</u>	<u>\$ 1,117,524</u>	<u>\$ 155,164</u>
Current levy collection percentage			<u>95.47%</u>	<u>95.90%</u>	<u>92.47%</u>

TOWN OF HUDSON, NORTH CAROLINA

Statistical Section



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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities:										
General government	\$ 418,400	\$ 453,040	\$ 459,007	\$ 439,837	\$ 498,041	\$ 537,996	\$ 567,190	\$ 688,139	\$ 843,261	Exl \$ 818,513
Public Safety	703,671	714,775	743,392	803,130	850,367	920,578	996,024	987,330	1,025,063	Sta 1,137,755
Streets & Public Works	432,450	540,072	437,923	457,598	388,874	494,811	486,092	574,540	555,115	485,204
Environmental Protection	80,393	116,162	118,344	120,759	121,011	123,509	126,647	130,691	154,656	160,196
Culture and recreations	366,888	390,922	346,776	392,639	434,736	495,253	380,655	449,508	476,745	456,741
Economic & Physical Development	250,377	102,501	173,885	191,591	312,698	218,194	227,351	259,929	247,048	251,774
HUB Station	-	-	-	-	-	-	-	-	16,519	35,748
Jan Karon Mitford Museum	-	-	-	-	-	-	-	-	10,669	52,023
Optimist Park NCPARTF	-	-	-	-	-	-	-	-	-	-
Interest & Long Term Debt	17,274	14,339	14,395	10,094	5,830	7,452	2,376	1,991	4,993	2,034
Total governmental activities expenses	<u>2,269,453</u>	<u>2,331,811</u>	<u>2,293,722</u>	<u>2,415,648</u>	<u>2,611,557</u>	<u>2,797,793</u>	<u>2,786,335</u>	<u>3,092,128</u>	<u>3,334,069</u>	<u>3,399,988</u>
Business-type activities										
Business-type activities	-	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	-	-	-	-	-	-	-	-	-	-
Total primary government expenses	<u>\$2,269,453</u>	<u>\$2,331,811</u>	<u>\$2,293,722</u>	<u>\$2,415,648</u>	<u>\$2,611,557</u>	<u>\$2,797,793</u>	<u>\$2,786,335</u>	<u>\$3,092,128</u>	<u>\$3,334,069</u>	<u>\$3,399,988</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 50,804	\$ 65,747	\$ 101,604	\$ 87,577	\$ 70,686	\$ 68,764	\$ 61,862	\$ 61,675	\$ 92,921	\$ 89,433
Public Safety	854	1,034	1,027	1,524	1,308	890	1,036	1,210	1,422	1,197
Highways and streets	-	-	-	-	-	-	-	-	-	-
Sanitation	2,490	44,066	86,818	143,962	125,347	138,600	138,420	132,607	159,894	165,379
Culture and recreations	137,903	147,296	192,131	188,519	157,089	172,053	181,254	202,726	144,631	98,595
Other activities	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	50,907	43,501	70,863	111,465	246,726	238,516	183,243	191,304	210,691	364,977
Capital grants and contributions	306,691	135,901	433,986	265,877	222,414	302,067	129,832	119,464	716,174	297,646
Total governmental activities programs revenues	<u>549,649</u>	<u>437,545</u>	<u>886,429</u>	<u>798,924</u>	<u>823,570</u>	<u>920,890</u>	<u>695,647</u>	<u>708,986</u>	<u>1,325,733</u>	<u>1,017,227</u>

Table 1

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Business-type activities:										
Charges for services:										
Business-type activities	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	-	-	-	-	-	-	-	-	-	-
Total primary government program revenues	<u>\$ 549,649</u>	<u>\$ 437,545</u>	<u>\$ 886,429</u>	<u>\$ 798,924</u>	<u>\$ 823,570</u>	<u>\$ 920,890</u>	<u>\$ 695,647</u>	<u>\$ 708,986</u>	<u>\$ 1,325,733</u>	<u>\$ 1,017,227</u>
Net (expense)/revenue										
Governmental activities	\$ (1,719,804)	\$ (1,894,266)	\$ (1,407,293)	\$ (1,616,724)	\$ (1,787,987)	\$ (1,876,903)	\$ (2,090,688)	\$ (2,383,142)	\$ (2,008,336)	\$ (2,382,761)
Business-type activities	-	-	-	-	-	-	-	-	-	-
Total primary government net expense	<u>\$ (1,719,804)</u>	<u>\$ (1,894,266)</u>	<u>\$ (1,407,293)</u>	<u>\$ (1,616,724)</u>	<u>\$ (1,787,987)</u>	<u>\$ (1,876,903)</u>	<u>\$ (2,090,688)</u>	<u>\$ (2,383,142)</u>	<u>\$ (2,008,336)</u>	<u>\$ (2,382,761)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Ad Valorem Taxes	\$ 972,008	\$ 990,386	\$ 1,080,984	\$ 1,037,161	\$ 1,093,420	\$ 1,105,794	\$ 1,274,175	\$ 1,331,383	\$ 1,261,015	\$ 1,345,609
Other taxes and licenses	425,521	456,470	471,137	529,046	545,798	587,306	615,864	660,092	718,347	821,551
Inter-governmental	360,360	391,068	384,908	445,384	460,857	481,447	485,550	507,939	493,646	526,378
Licenses and Permits	-	-	-	-	-	-	-	-	-	-
Sales and Services	-	-	-	-	-	-	-	-	-	-
Gain on sale of capital asset	-	-	-	-	-	-	-	-	-	-
Investment Earnings	3,135	1,098	969	2,414	2,760	4,836	15,856	31,539	19,847	777
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>\$ 1,761,024</u>	<u>\$ 1,839,022</u>	<u>\$ 1,937,998</u>	<u>\$ 2,014,005</u>	<u>\$ 2,102,835</u>	<u>\$ 2,179,383</u>	<u>\$ 2,391,445</u>	<u>\$ 2,530,953</u>	<u>\$ 2,492,855</u>	<u>\$ 2,694,315</u>

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Business-type activities:										
Investment Earnings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	-	-	-	-	-	-	-	-	-	-
Total primary government	<u>\$ 1,761,024</u>	<u>\$ 1,839,022</u>	<u>\$ 1,937,998</u>	<u>\$ 2,014,005</u>	<u>\$ 2,102,835</u>	<u>\$ 2,179,383</u>	<u>\$ 2,391,445</u>	<u>\$ 2,530,953</u>	<u>\$ 2,492,855</u>	<u>\$ 2,694,315</u>
Change in Net Position										
Governmental activities	\$ 41,220	\$ (55,244)	\$ 530,705	\$ 397,281	\$ 314,848	\$ 302,480	\$ 300,757	\$ 147,811	\$ 484,519	\$ 311,554
Business-type activities	-	-	-	-	-	-	-	-	-	-
Total primary government	<u>\$ 41,220</u>	<u>\$ (55,244)</u>	<u>\$ 530,705</u>	<u>\$ 397,281</u>	<u>\$ 314,848</u>	<u>\$ 302,480</u>	<u>\$ 300,757</u>	<u>\$ 147,811</u>	<u>\$ 484,519</u>	<u>\$ 311,554</u>

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Net investment in capital assets	\$ 2,385,561	\$ 2,393,012	\$ 2,689,715	\$ 3,161,379	\$ 3,268,118	\$ 3,386,611	\$ 3,425,162	\$ 3,519,289	\$ 4,069,945	\$ 4,159,439
Restricted	660,694	587,662	629,082	1,027,578	553,777	599,016	551,552	493,460	348,342	434,262
Unrestricted	268,017	278,354	470,936	(132,201)	549,709	608,793	918,463	1,030,239	1,109,220	1,245,360
Total governmental activities net position	<u>\$ 3,314,272</u>	<u>\$ 3,259,028</u>	<u>\$ 3,789,733</u>	<u>\$ 4,056,756</u>	<u>\$ 4,371,604</u>	<u>\$ 4,594,420</u>	<u>\$ 4,895,177</u>	<u>\$ 5,042,988</u>	<u>\$ 5,527,507</u>	<u>\$ 5,839,061</u>
Business-type activities										
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-	-	-	-
Total business-type activities net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Primary government										
Net investment in capital assets	\$ 2,385,561	\$ 2,393,012	\$ 2,689,715	\$ 3,161,379	\$ 3,268,118	\$ 3,386,611	\$ 3,425,162	\$ 3,519,289	\$ 4,069,945	\$ 4,159,439
Restricted	660,694	587,662	629,082	1,027,578	553,777	599,016	551,552	493,460	348,342	434,262
Unrestricted	268,017	278,354	470,936	(132,201)	549,709	608,793	918,463	1,030,239	1,109,220	1,245,360
Total primary government net position	<u>\$ 3,314,272</u>	<u>\$ 3,259,028</u>	<u>\$ 3,789,733</u>	<u>\$ 4,056,756</u>	<u>\$ 4,371,604</u>	<u>\$ 4,594,420</u>	<u>\$ 4,895,177</u>	<u>\$ 5,042,988</u>	<u>\$ 5,527,507</u>	<u>\$ 5,839,061</u>

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

Fiscal Year	Property Tax	Motor Vehicle Tax	Sales Tax	Utility Sales Tax	Other Tax	Total
2012	897,361	79,521	572,380	210,952	-	1,760,214
2013	905,016	82,947	619,700	225,437	-	1,833,100
2014	958,311	116,514	634,249	219,630	-	1,928,704
2015	960,280	91,832	710,076	254,378	-	2,016,566
2016	976,915	115,576	739,687	247,399	-	2,079,577
2017	982,054	119,250	799,081	248,802	20,870	2,170,057
2018	1,116,966	135,238	835,830	245,777	19,807	2,353,618
2019	1,163,711	167,672	895,591	252,309	19,861	2,499,144
2020	1,135,263	134,025	955,285	235,239	21,469	2,481,281
2021	1,184,123	155,164	1,094,206	233,952	19,771	2,687,216

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Nonspendable										
Prepays	\$ 3,801	\$ 7,055	\$ 21,833	\$ 6,759	\$ 9,730	\$ 15,887	\$ 21,382	\$ 7,927	\$ 29,310	\$ 31,247
Restricted										
Stabilization for State Statue	177,242	192,744	279,746	561,309	220,814	286,944	251,814	266,593	264,632	304,948
Restricted, all other	343,948	254,434	81,915	287,317	332,963	312,072	299,738	226,867	83,710	129,314
Assigned				57,225	29,007	44,809	152,000	273,645	60,000	92,860
Unassigned	474,487	481,451	745,195	427,067	779,273	892,352	1,069,122	1,074,353	1,371,657	1,650,603
Total General Fund	<u>999,478</u>	<u>935,684</u>	<u>1,128,689</u>	<u>1,339,677</u>	<u>1,371,787</u>	<u>1,552,064</u>	<u>1,794,056</u>	<u>1,849,385</u>	<u>1,809,309</u>	<u>2,208,972</u>
All other governmental funds										
Restricted										
Stabilization for State Statue	1,470	12,225	96,073	6,944	-	-	-	-	-	-
Restricted, all other	123,287	128,259	171,348	172,008	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	33,577	176,360	144,827
Unassigned	(2,115)	(14,340)	(96,073)	(339,085)	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 122,642</u>	<u>\$ 126,144</u>	<u>\$ 171,348</u>	<u>\$ (160,133)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,577</u>	<u>\$ 176,360</u>	<u>\$ 144,827</u>

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Taxes	\$ 976,882	\$ 987,963	\$ 1,074,825	\$ 1,052,112	\$ 1,092,491	\$ 1,101,304	\$ 1,252,204	\$ 1,331,383	\$ 1,269,288	\$ 1,339,287
Intergovernmental	519,704	363,409	553,263	602,023	647,967	551,184	530,168	554,853	882,494	573,875
Licenses and Permits	13,274	56,981	106,775	139,762	148,181	150,314	141,764	136,591	208,457	191,945
Sales and Services	178,777	201,162	274,805	266,546	214,201	224,695	237,843	261,627	201,619	162,659
Other taxes	612,621	659,043	672,839	749,089	776,976	835,712	872,156	895,591	955,285	1,094,206
Investment Earnings	3,135	1,098	969	2,414	2,760	4,836	15,856	31,539	19,847	777
Miscellaneous	-	-	-	-	-	-	-	-	1,454	2,225
Contributions	11,154	4,488	134,792	660	50,852	-	-	28,355	288,417	340,246
Total revenues	<u>2,315,547</u>	<u>2,274,144</u>	<u>2,818,268</u>	<u>2,812,606</u>	<u>2,933,428</u>	<u>2,868,045</u>	<u>3,049,991</u>	<u>3,239,939</u>	<u>3,826,861</u>	<u>3,705,220</u>
Expenditures										
General government	364,466	394,388	398,677	383,664	434,610	292,358	499,988	566,142	565,859	575,108
Public Safety	660,963	671,219	697,380	785,999	811,050	871,601	928,284	963,688	983,744	1,073,256
Highways and streets	405,870	510,322	406,058	440,788	362,039	460,440	445,792	535,621	508,256	438,295
Sanitation	80,393	116,162	118,344	120,759	121,011	123,509	126,647	130,691	154,656	160,196
Culture and recreation	314,999	336,549	505,119	342,896	374,171	429,751	346,696	376,533	388,883	407,906
Economic and Physical Development	250,377	102,501	273,885	191,591	305,774	218,194	218,685	259,930	274,235	339,545
Capital Outlay	184,748	167,558	65,353	555,039	328,668	235,239	231,665	392,296	793,265	311,250
Debt Service										
Principal	75,000	103,769	100,848	102,269	116,982	112,364	55,334	66,068	66,266	66,462
Interest	17,274	14,339	14,395	10,094	5,830	7,452	2,376	1,991	4,993	2,034
Other charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>2,354,090</u>	<u>2,416,807</u>	<u>2,580,059</u>	<u>2,933,099</u>	<u>2,860,135</u>	<u>2,750,908</u>	<u>2,855,467</u>	<u>3,292,960</u>	<u>3,740,157</u>	<u>3,374,052</u>
Excess of revenues over (under) expenditures										
Other Financing Sources (Uses)										
Transfers in	-	-	92,689	-	406,316	-	-	-	-	-
Transfers out	-	-	(92,689)	-	(406,316)	-	-	-	-	-
Debt issued	-	-	-	-	-	-	-	-	-	-
Capital leases	-	81,886	-	-	118,950	-	44,168	126,989	16,005	36,965
Sale of Capital assets	-	-	-	-	-	63,140	3,300	14,937	-	-
Total other financing sources (uses)	<u>-</u>	<u>81,886</u>	<u>-</u>	<u>-</u>	<u>118,950</u>	<u>63,140</u>	<u>47,468</u>	<u>141,926</u>	<u>16,005</u>	<u>36,965</u>
Net change in fund balances	<u>\$ (38,543)</u>	<u>\$ (60,777)</u>	<u>\$ 238,209</u>	<u>\$ (120,493)</u>	<u>\$ 192,243</u>	<u>\$ 180,277</u>	<u>\$ 241,992</u>	<u>\$ 88,906</u>	<u>\$ 102,709</u>	<u>\$ 368,133</u>
Debt service as a percentage of noncapital expenditures	4.3%	5.3%	4.6%	4.7%	4.9%	4.8%	2.2%	2.3%	2.5%	2.3%

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

Fiscal Year	Real Property		Personal Property	Less:	Total Taxable	Total	Estimated	Assessed
	Residential Property	Commercial Property	Motor Vehicles	Tax Exempt Real Property	Assessed Value	Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Actual Value
2012	131,693,787	77,832,757	54,482,932	(4,566,950)	259,442,526	0.37	259,442,526	100%
2013	130,064,255	80,764,839	58,566,630	(4,835,850)	264,559,874	0.37	264,599,874	100%
2014	136,602,130	84,824,603	61,510,570	(5,090,080)	277,847,223	0.39	277,847,223	100%
2015	135,029,380	83,847,987	60,802,376	(5,047,358)	274,632,385	0.39	274,632,385	100%
2016	136,363,518	84,676,435	61,403,124	(4,739,334)	277,703,743	0.39	277,703,743	100%
2017	140,094,407	86,993,172	63,083,107	(4,534,110)	285,636,576	0.39	285,636,576	100%
2018	142,379,404	88,412,066	64,112,019	(4,163,256)	290,740,233	0.43	290,740,233	100%
2019	142,117,906	88,249,686	63,994,268	(4,185,500)	290,176,360	0.43	290,176,360	100%
2020	144,959,240	90,014,044	65,273,693	(3,744,400)	296,502,577	0.43	296,502,577	100%
2021	151,520,156	94,088,117	68,228,007	(3,824,651)	310,011,629	0.43	310,011,629	100%

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

Fiscal Year	Direct Rate Town of Hudson (1) Real Estate/Personal Property Tax	Overlapping Rate Caldwell County (2)			Total Direct & Overlapping Rates
	Rate	Real Estate/Personal Property Tax Rate	Fire District Tax (3) Rate	Rescue Tax Rate	
2012	0.3700	0.6599	0.1100	0.0085	1.1484
2013	0.3700	0.6299	0.1100	0.0085	1.1184
2014	0.3900	0.6000	0.1100	0.0085	1.1085
2015	0.3900	0.6000	0.1100	0.0085	1.1085
2016	0.3900	0.6300	0.1100	0.0085	1.1385
2017	0.3900	0.6300	0.1100	0.0085	1.1385
2018	0.4300	0.6300	0.1100	0.0100	1.1800
2019	0.4300	0.6300	0.1100	0.0100	1.1800
2020	0.4300	0.6300	0.1400	0.0100	1.2100
2021	0.4300	0.6300	0.1400	0.0100	1.2100

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

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collections Amount	Percentage of Levy	Collections in Subsequent Years	Total Collections to Date	
					Amount	Percentage of Levy
2012	959,937	901,550	93.92%	53,245	954,795	99.46%
2013	978,872	915,320	93.51%	57,292	972,612	99.36%
2014	1,084,000	1,034,972	95.48%	41,480	1,076,452	99.30%
2015	1,071,066	1,030,215	96.19%	29,913	1,060,128	98.98%
2016	1,083,045	1,042,426	96.25%	26,543	1,068,969	98.70%
2017	1,112,205	1,067,694	96.00%	23,720	1,091,414	98.13%
2018	1,250,183	1,178,753	94.29%	44,963	1,223,716	97.88%
2019	1,247,758	1,199,962	96.17%	21,414	1,221,376	97.89%
2020	1,274,961	1,226,995	96.24%	21,901	1,226,995	96.24%
2021	1,333,050	1,272,688	95.47%		1,272,688	95.47%

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Per Capita	% Personal Income *
	General Obligation Bonds	Special Assessment Bonds	Installment Purchase / Capital Lease	Sewer Bonds	Water Bonds	Installment Purchase			
2012	-	-	375,000	-	-	-	375,000	98	0.0168%
2013	-	-	353,117	-	-	-	353,117	92	0.0158%
2014	-	-	252,269	-	-	-	252,269	65	0.0113%
2015	-	-	150,000	-	-	-	150,000	39	0.0067%
2016	-	-	151,968	-	-	-	151,968	39	0.0066%
2017	-	-	39,604	-	-	-	39,604	10	0.0017%
2018	-	-	28,438	-	-	-	28,438	7	0.0011%
2019	-	-	183,363	-	-	-	183,363	46	0.0069%
2020	-	-	133,102	-	-	-	133,102	34	0.0048%
2021	-	-	103,523	-	-	-	103,523	27	0.0036%

Note:

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

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

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

<u>Fiscal Year</u>	<u>General Obligation Bonds (1)**</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property (1)</u>	<u>Per Capita (2)</u>
2013	-	-	-	-	-
2014	-	-	-	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-
2017	-	-	-	-	-
2018	-	-	-	-	-
2019	-	-	-	-	-
2020	-	-	-	-	-
2020	-	-	-	-	-
2021	-	-	-	-	-

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

** The Town of Hudson has no Outstanding Bond Debt

Town of Hudson
Direct and Overlapping Activities Debt
As of June 30, 2021

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: Caldwell County	\$39,933,993		
Subtotal, overlapping debt		4.09%	\$ 1,634,096
Town of Hudson direct debt (2)			<u>103,523</u>
Total direct and overlapping debt			<u><u>\$ 1,737,619</u></u>

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

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

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

(2) Town of Hudson Installment Purchase Debt

Town of Hudson
Legal Debt Margin Information
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt Limit	\$ 21,120,758	\$ 21,551,658	\$ 22,900,390	\$ 22,374,379	\$ 22,595,446	\$ 23,213,655	\$ 23,592,279	\$ 22,879,269	\$ 24,283,647	\$ 25,387,014
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 21,120,758</u>	<u>\$ 21,551,658</u>	<u>\$ 22,900,390</u>	<u>\$ 22,374,379</u>	<u>\$ 22,595,446</u>	<u>\$ 23,213,655</u>	<u>\$ 23,592,279</u>	<u>\$ 22,879,269</u>	<u>\$ 24,283,647</u>	<u>\$ 25,387,014</u>

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

Legal Debt Margin Calculation for Fiscal Year 2021

Assessed value	310,011,629
Add back: Exempt real property	3,824,651
Add back: Discounts	3,501,395
Total assessed value	<u>317,337,675</u>
Debt Limit (8% of total assessed value)	25,387,014
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>-</u>
Legal debt margin	<u>\$ 25,387,014</u>

Town of Hudson
Pledged-Revenue Coverage
Last Ten Fiscal Years

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

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

Town of Hudson
Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Town of Hudson Population (1)	Caldwell County Personal Income (2) (Thousands of Dollars)	Caldwell County Per Capita Personal Income (3)	Median Age (8)	Caldwell County School Enrollment	Hudson School Enrollment (9)	Caldwell Comm. College Enrollment	Caldwell Co. Unemployment Rate (2)
2012	3,829	2,303,939	28,121	40.1	12,225 (5)	2,171	6,540 (7)	11.60%
2013	3,857	2,378,682	29,012	43.0	12,083 (5)	2,133	5,500 (7)	10.30%
2014	3,881	2,451,959	30,091	42.0	12,072 (5)	2,144	3,700 (7)	7.30%
2015	3,887	2,541,292	31,263	40.0	11,814 (5)	2,089	3,935 (7)	6.90%
2016	3,890	2,647,747	32,508	43.5	11,814 (5)	2,089	3,611 (7)	5.91%
2017	3,944	2,772,193	38,379	44.0	11,522 (5)	2,047	3,544 (7)	4.50%
2018	3,954	2,901,675	35,374	44.1	11,311 (5)	1,956 (6)	3,562 (7)	4.10%
2019	3,970	*	**		11,156 (5)	1,984 (6)	3,700 (7)	4.80%
2020	4,011	*	**		11,241 (5)	1,999 (6)	4,792 (7)	8.20%
2021	3,780	*	**		10,484 (5)	1,899 (6)	4,808 (7)	4.40%

Note:

Sources:

- (1) Office of State Budget and Management.
- (2) Bureau of Economic Analysis, US Dept of Commerce. Figures are for the prior calendar year.* STATISTICS NOT AVAILABLE FOR THE TOWN. (next release 11/16/2021)
- (3) Employment Security Commission of NC, Web SARAS. Figures are for the prior calendar year.** STATISTICS NOT AVAILABLE FOR THE TOWN. (most recent release, 10/2021; did not include 2020 statistics)
- (5) Caldwell County Board of Education (County wide K-12) - ninth school month
- (6) Horizon's School relocated to Lenoir reducing enrollment by 41 students in the Town of Hudson
- (7) Caldwell Community College & Appalachian State University. CAMPUSES ARE LOCATED WITH TOWN LIMITS
- (8) US Census Bureau STATISTICS NOT AVAILABLE FOR THE TOWN.
- (9) Caldwell County Schools located within the Town corporate limits:
 - Hudson Elementary School
 - Hudson Middle School
 - Horizons Elementary Alternative School - *opened 2001-02 and Closed 2015-2016*
 - Career Center High School - *opened 2002-03: name changed 2020 :*
to Caldwell Academy of Applied Sciences
 - Caldwell Early College High School - *opened 2006-07*

Table 16

Town of Hudson
Principal Employers
June 30, 2021

	Calendar YE 2020		Calendar YE 2019		Calendar YE 2018		Calendar YE 2017		Calendar YE 2016		Calendar YE 2015		Calendar YE 2014		Calendar YE 2013		Calendar YE 2012		Calendar YE 2011	
Employer	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank	Employees	Rank
Caldwell Community College & Technical Institute	562	1	558	1	586 *	1	488 *	1	652	1	616	1	620	1	641	1	692	1	725	1
RPM Manufacturing (<i>former: Chemical Coatings, Inc.</i>)	348	2	325	2	345	2	287	2	250	2	270	2	288	2	290	3	290	2	290	2
Caldwell County Schools (Hudson Schools only)	362	3	201	3	216	3	231	3	242	3	216	3	243	3	299	2	225	3	228	3
Shurtape Technologies, Inc.	94	5	90	5	92	5	99	5	80	6	70	7	82	5	82	5	77	5	73	5
Sealed Air Corporation	90	6	75	6	75	6	76	7	73	7	83	5	81	6	69	7	65	7	56	7
Beo-Care	83	4	102	4	112	4	100	4	132	4	130	4	150	4	100	4	120	4	112	4
Outdura, Inc. (prior to 2010 was Shuford Mills)	74	7	57	7	60	7	84	6	80	5	81	6	79	7	70	6	75	6	73	6
Kincaid Furniture	50	8	50	8	55	8	60	8	61	8	55	8	25	10	42	8	42	8	45	8
Town of Hudson	32	9	32	9	28	9	27	9	27	9	26	10	26	9	28	10	28	10		
Carolina Leg Company	14	10																		
Autumn Wood Products (business closed)																			10	10
Total	<u>1709</u>		<u>1490</u>		<u>1569</u>		<u>1452</u>		<u>1597</u>		<u>1547</u>		<u>1594</u>		<u>1,621</u>		<u>1,614</u>		<u>1,612</u>	

Source: Human Resource office of each facility

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

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

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

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government	4	4	3.5	3.5	4	4	4	4	4	4
Public Safety										
Police										
Officers	11	11	11	11	13	13	13	14	14	14
Civilians	1	1	1	1	1	1	1	1	1	1
Fire/EMS										
Firefighters and officers										
Highways and Streets	7	7	7	7	6	6	6	6	6	6
Sanitation										
Culture and recreation	4	4	4	4	4	4	4	5	5	5
Water										
Sewer										
Tourist and Event Center	1.5	1.5	2.0	2.0	2	2	2	2	2.5	2.5
Total	<u>28.5</u>	<u>28.5</u>	<u>28.5</u>	<u>28.5</u>	<u>30.0</u>	<u>30.0</u>	<u>30.0</u>	<u>32.0</u>	<u>32.5</u>	<u>32.5</u>

Source: Town of Hudson Personnel Office.

Town of Hudson
Operating Indicators by Function
Last Ten Fiscal Years

Function	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Planning (1)										
Number of permits issued	33	37	41	33	35	45	47	43	91	78
Police (2)										
Physical arrests	591	692	928	1,414	839	685	792	829	1,060	956
Accidents	238	209	224	207	244	242	377	342	226	224
Number of miles patrolled	91,864	92,141	93,592	112,331	102,531	105,255	109,369	133,216	125,923	121,662
Fire (3)										
Number of calls answered	595	586	586	889	959	1,021	825	849	837	767
Streets (4)										
Number of miles	26.2	26.2	26.2	26.3	26.3	26.3	26.3	26.5	26.5	26.5
Tourist and Event Center (5)										
Event Days	79	124	150	153	151	152	217	198	110	28

(1) Source: Town of Hudson Planning & Zoning Officer

(2) Source: Town of Hudson Police Department, compiled from internal record reporting.

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

(4) Source: Powell Bill Report prepared by W.K. Dickson Engineering, Hickory, NC

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

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

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	12	12	12	14	14	14	14	14	14	14
Streets										
Miles of Streets: Paved	26.05	26.15	26.15	26.15	26.15	26.15	26.15	26.49	26.49	26.49
Unpaved	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18
Culture and recreation										
Museum	1	1	1	1	1	1	1	1	1	1
Parks	2	2	2	2	2	3	3 **	3 **	3 **	3 **
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	2	2	2	2	2	2	2	2	2	2
Baseball fields	5	5	5	5	5	7	7 **	7 **	7 **	7 **
Football Field						1	1 **	1 **	1 **	1 **
Playgrounds	2	2	2	2	2	2	2	3 ***	3 ***	3 ***
Disc Golf Course	1	1	1	1	1	1	1	1	1	1
Walking/Bike Path (miles)	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Recreation Center	1	1	1	1	1	1	1 *	1 *	1 *	1 *
HUB Station Arts & Event Center (1) Bldg A	1	1	1	1	1	1	1	1	1	1
HUB Station Business Center Bldg B									1 ***	1 ****

Source: Town of Hudson

(1) Tourist and Event Center, The Hudson Uptown Building Auditorium & Events Center (The HUB), opened in January of 2003. Renamed HUB Station in 2019.

* Recreation Center doubled in size

**Acquired 8.4 acres Optimist Park plus amenities

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

TOWN OF HUDSON, NORTH CAROLINA

Compliance Section



C. Randolph CPA, PLLC

Certified Public Accountant

560 Beaver Creek School Rd.
West Jefferson, North Carolina 28694

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Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hudson, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Hudson, North Carolina's basic financial statements and have issued our report thereon dated November 29, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

C. Randolph CPA, PLLC

West Jefferson, North Carolina

November 29, 2021

TOWN OF HUDSON, NORTH CAROLINA

**Schedule of Findings and Responses
For the Year Ended June 30, 2021**

I. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

II. Financial Statement Findings

None noted.

Janet Winkler, Mayor
Town Commissioners:
Samuel L. Chapman
Jim Engelman
Jeff Link
Barry Mitchell
Rick Shew
Ann Smith



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Town Manager
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**Corrective Action Plan
For the Year Ended June 30, 2021**

II. Financial Statement Findings

None noted.

TOWN OF HUDSON, NORTH CAROLINA

**Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2021**

None noted.