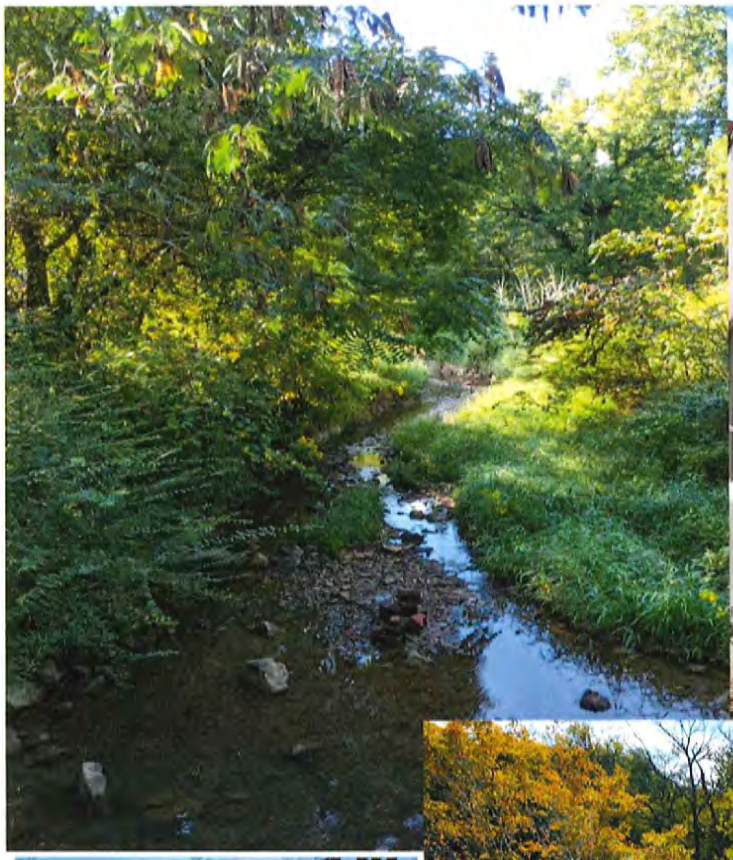
Town of Hillsborough
North Carolina



Comprehensive Annual Financial Report
For Fiscal year ended June 30, 2020

Presented by the Financial Services Department

Daphna Schwartz, Finance Director

Keri Carnes, Financial Analyst

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Introductory Section

Town of Hillsborough Board of Commissioners 2019-2020

From left: Commissioners Robb English and Kathleen Ferguson, Mayor Jenn Weaver, Commissioner Evelyn Lloyd, Mayor Pro Tem Mark Bell, and Commissioner Matt Hughes.

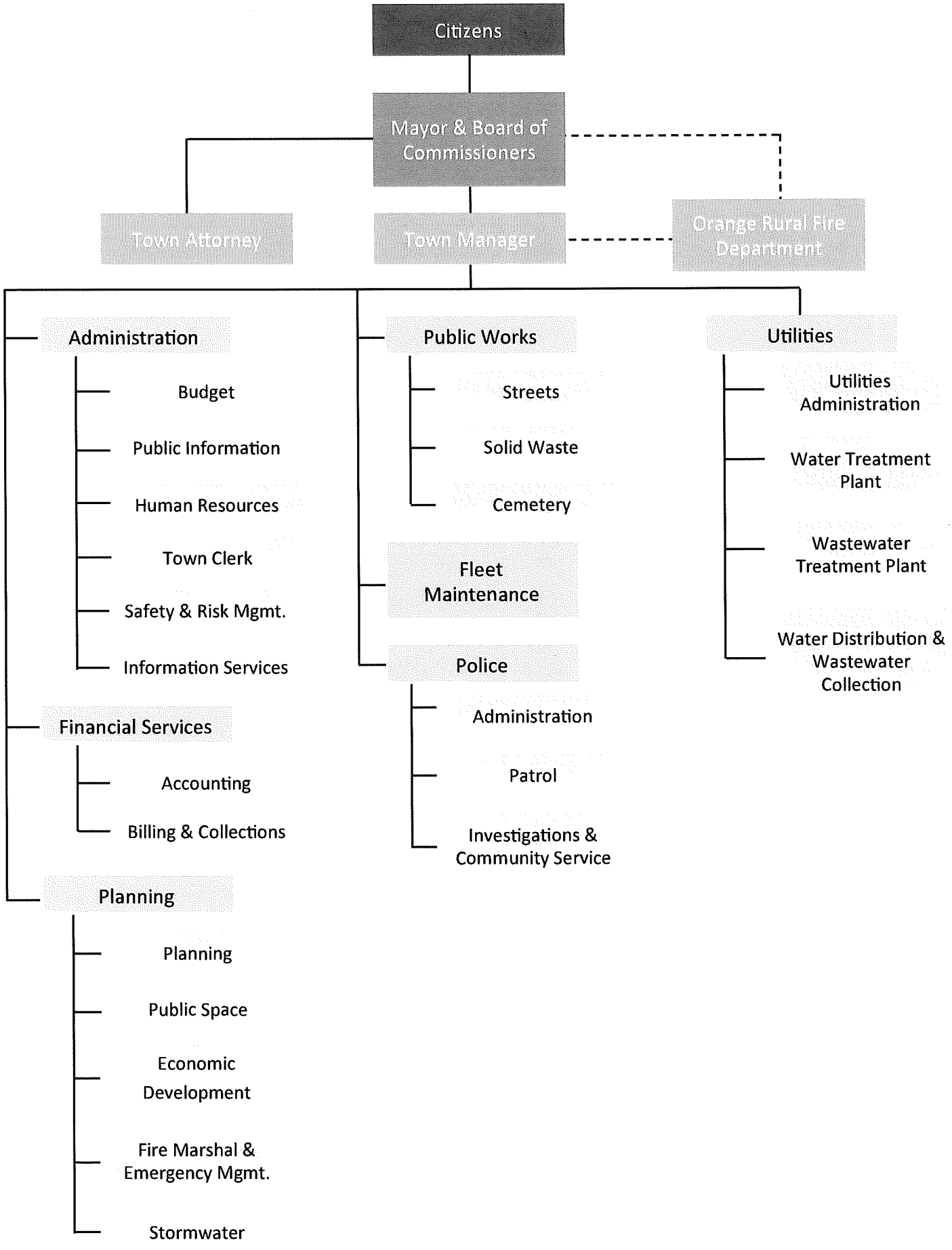
Jenn Weaver – Mayor
Mark Bell – Mayor Pro Tem
Evelyn Lloyd – Commissioner
Matt Hughes – Commissioner
Robb English – Commissioner

Town Officials

Eric J. Peterson, Town Manager
Daphna Schwartz, Finance Director
Emily Bradford, Budget Director
Jen Della Valle, Assistant to the Town Manager/Deputy Budget Director
Marie Strandwitz, Utilities Director
Katherine Cathey, Town Clerk/Human Resources Director
Duane Hampton, Police Chief
Margaret Hauth, Assistant Town Manager/Planning Director
Ken Hines, Public Works Director
Catherine Wright, Public Information Officer
Robert Hornik, Town Attorney

Town of Hillsborough

Organization Chart



Town of Hillsborough, North Carolina

November 18, 2020

Honorable Mayor Weaver,
Board of Town Commissioners,
and Citizens of Hillsborough
Hillsborough, North Carolina 27278

The Comprehensive Annual Financial Report of Hillsborough, North Carolina for the fiscal year ended June 30, 2020, is submitted for your review and use. The Town, like all other local governments in the state, is required by state law to publish a complete set of financial statements within four months of the close of each fiscal year. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. As management, we assert that, to the best of our knowledge, this financial report is complete and reliable in all material respects and is reported in a manner designed to fairly present the financial position and results of the operations of the governmental and business-type activities. All disclosures necessary to gain the maximum understanding of the Town's financial affairs have been included.

The Town's management is responsible for establishing and maintaining an internal control structure that is designed to ensure the Town's assets are protected from loss, theft, or misuse, and to ensure adequate accounting data are compiled to allow for the preparation of financial statements which conform with accounting principles generally accepted in the United States of America (GAAP). Since the cost of internal controls should not outweigh their benefits, the Town's internal control structure has been designed to provide reasonable rather than an absolute assurance that the financial statements will be free from material misstatement.

North Carolina statutes and the Town's Ordinance require an annual audit by independent certified public accountants. The accounting firm of Cherry Bekaert LLP, a firm of licensed certified public accountants, was selected and awarded the contract for the Fiscal Year 2020. The goal of an independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. An independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and the significant estimates made by management; and evaluating the overall financial statement presentation. 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 transmittal letter is designed to complement the Management's Discussion & Analysis and should be read in conjunction with it. The Town's MD&A can be found immediately following the independent auditor's report.

COVID-19

Fiscal year 2020 was challenging due to the impacts of COVID-19. The Town closed its offices to the public on March 16, 2020 and has not reopened. Many Town employees continue to work remotely. As of June 30, 2020, the Town had expended $42,380 for COVID-19 related supplies and services. The Town received $79,973 of CARES Act Coronavirus Relief Funds from Orange County in June 2020. On June 30, 2020, at the direction of the Board of Commissioners, the Town distributed these funds to local government and non-profit organizations to provide housing, food, and assistance with water and sewer utility bills to residents of the Town.

The Town suspended water and sewer service disconnections for non-payment on all accounts as of March 20, 2020. Under Governor's Executive Orders 124 and 142, public utilities were prohibited from disconnecting service from March 31 through July 29, 2020. The Town resumed standard collection practices on August 1, 2020. All water and sewer accounts in arrears from January 2020 to July 2020 were automatically set up on a 12-month equal installment payment plan. As of June 30, 2020, there were 1,883 accounts past due in the amount of $376,830.

Town of Hillsborough, North Carolina

Profile of the Government

Founded in 1754, Hillsborough, the county seat of Orange County, is located at the intersection of interstates 85 and 40, near several urban centers and universities. The small-town setting is six to 30 miles from Chapel Hill, Durham, and Raleigh. Hillsborough's 7,809 residents have easy access to employment opportunities within the Research Triangle Park area. Within Hillsborough, the economy is centered on government, retail, service providers, and manufacturing. Orange County and the Town of Hillsborough are major local employers. The Town's historical sites attract many tourists.

This is Jack. He is located at the Eno River Parking Deck in downtown Hillsborough.

The Town is operated under the council-manager form of government. Commissioners on the five-member, nonpartisan board serve four-year staggered terms and are elected at large. The mayor, also elected at large, serves a two-year term, chairs the board meetings, and votes when a tie occurs.

The Town provides a full range of municipal services, including police, fire inspection, and protection, parks, planning, public spaces, street maintenance, solid waste collection, stormwater, and cemetery. The Town provides financial support to certain boards, agencies, and commissions to assist their efforts in serving citizens. The Town has evaluated its relationship with each of these entities according to criteria established by Governmental Accounting Standards Board Statement 14 and has determined that the Hillsborough Tourism Development Authority and Hillsborough Tourism Board are required to be included in the financial report.

The Town operates its own water and sanitary sewer systems. The Town's water treatment plant has a capacity of three million gallons per day (MGD) and is currently treating an average daily flow of 1.58 MGD. The Town's water system serves a total of 6,399 customers, which includes Town residents and customers from outlying areas. The sanitary sewer system has a treatment capacity of 3 MGD, with a current average daily treated discharge of 0.75 MGD.

The town offers a seven-week course, The Citizen's Academy, aimed at helping citizens increase their knowledge of town government, as well as their interest and ability in influencing and participating in town decisions. The 2020 course was canceled due to COVID-19.

Environmental Initiatives

The town government mission statement charges personnel with enhancing the quality of life for the living beings and land within our town. Strategic objectives include conserving natural resources and expanding recreation, walkability, and connectivity.

Below are some of the environmental initiatives of the town government.

- Updating and expanding the long-term visioning and planning document, the Comprehensive Plan, to include sustainability and climate change initiatives.
- Orange County Climate Council member. The council was formed in 2019 by Orange County and the towns of Carrboro, Chapel Hill, and Hillsborough as a collaborative effort among the municipal governments, the school systems, the University of North Carolina, non-profit organizations, and residents. The council's mission is to accelerate joint action addressing the climate emergency by sharing successful strategies and identifying equitable opportunities to reduce greenhouse gas emissions, provide stewardship of the natural world, and protect all county residents from climate impacts.

Town of Hillsborough, North Carolina

- As a designated Tree City USA, the town's Public Space Division and Tree Board work to protect the town's trees and educate citizens about the importance of urban forestry.
- Hillsborough is a Bee City USA. The town works to raise awareness of the role pollinators play in sustaining more than 75 percent of the world's plant species and helps expand pollinator-friendly practices and environments in town. The town's Public Space Division and Tree Board are working in partnership with the Hillsborough Garden Club to develop the program and educational materials, including actions residents can take.
- The Town has adopted a resolution supporting the goal of using 100 percent clean energy by 2050 and fostering a resilient and sustainable community.
- The Town's Stormwater and Environmental Services Division was created to comply with many state and federal mandates for environmental stewardship.
- The town has partnered with Orange County for curbside collections of recyclables throughout the town and to provide collection bins for recyclables downtown and along the Riverwalk greenway. The town has invested in a battery-powered cart for use by Public Works Department employees when collecting trash and recyclables along Riverwalk. Additionally, the town collects appliances and scrap metal for recycling.
- The Water Distribution and Wastewater Collection Division works to prevent sanitary sewer overflows and environmental damage they cause. The division's fats, oil, and grease program included educational presentations at schools and public events about keeping these blockage-causing substances out of the Town's sewer system.

Gold Park Wetlands

- As part of its efforts to make Hillsborough a more walkable community, the town has improved sidewalks and pedestrian crossings in the downtown area. It also has created new sidewalks and connections to the Riverwalk greenway in West Hillsborough.
- The town has contributed to Eno River water quality by building a wetland area in Gold Park and a BioDock in Kings Highway Park.
- Cates Creek Park is now home to a pollinator rain garden, and other pollinator gardens have been built in Gold Park and at the West King Street parking lot.
- The Town's ground maintenance contract includes environmentally friendly requirements for pruning and mulching and for the limited use of chemicals.

Local Economy

The Town of Hillsborough, Orange County, and the Research Triangle Park area are considered to be among the most desirable areas of the country to live and work, according to several national surveys. The economy of Hillsborough is diversified with government, education, healthcare, wholesale and retail businesses, as well as numerous service providers. Approximately 40% of Hillsborough's tax base is commercial in nature - this is a strong indicator of a healthy and diverse property tax base.

The Town's unemployment rate has been below state and national rates throughout recent history. This trend continued during the current year in which the Town's unemployment rate as of June 2020 was 5.9% for Orange County, while the state and national rates were 7.6% and 11.1%, respectively. The Town's economy is uncertain due to COVID-19, but the issuance of building permits for residential and commercial developments continues to be exceptionally strong, even during the pandemic through June 2020.

Government, Education, and Healthcare

Orange County government is a major employer in Hillsborough. Many of the county's administrative buildings are located within town limits. One of those buildings is the Old Orange County Courthouse (c. 1844) is a Greek-revival

building designed and built by local builder John Berry. The courthouse is still in use for county judicial business and is open to the public for free visits. The courthouse lawn is home to many outdoor musical performances and festivals and acts as a "town square" in many respects.

The Orange County Board of Education is in Hillsborough and serves thirteen schools throughout the county. Three of the thirteen schools are within the town limits and seven more are served by Hillsborough's water and sewer system.

Durham Tech has a 20-acre campus in Hillsborough. The college occupies a 40,000 square-foot brick structure that holds 22 instructional spaces, including classrooms, computer and science labs, a library, flexible use space, instructional and student support services areas, and faculty and student lounges. The facility has many "green" buildings features that contribute to energy efficiency and cost savings.

University of North Carolina (UNC) Medical Center operates a UNC Health Care Hillsborough Campus, which is a 68-bed community hospital. The facility includes a Medical Office Building, Emergency Department, Outpatient Surgery, and Inpatient Services. The hospital is the first in North Carolina to receive the Geriatric Emergency Department Accreditation (GEDA) from the American College of Emergency Physicians (ACEP). This certifies that staff has been specially trained to assess older patients more comprehensively. UNC is one of about 20 hospitals accredited nationwide. Even though the hospital recently opened in 2015, expansion plans have been submitted and going through the development review process. The expansion will add an estimated 100 jobs, 30 rehabilitation beds, 50 acute care beds, and a dialysis unit.

Recreational, Visitor, and Cultural Events

The Town's three percent hotel/motel and one percent prepared food and beverage taxes have provided a dedicated resource for promoting Hillsborough as a destination for arts and culture, unique cuisine, outdoor recreation, and historical landmarks. Most events scheduled after March 2020 were canceled due to COVID-19.

The Tourism Development Authority (TDA), a component unit of the town, promotes travel, tourism, and conventions; sponsors tourism-related events, and finances tourism-related capital projects. The Tourism Board drives economic development by promoting travel, tourism, and visitor services. It sponsors programs and activities designed to improve Hillsborough's attractiveness to visitors. The Tourism Board has contracted with the Alliance for Historic Hillsborough to operate the Hillsborough Visitors Center. The center offers a gift shop, tours, exhibits, and gardens.

Hillsborough has many festivals and events throughout the year, such as:

- Art in the Heart of Hillsborough
- Last Fridays Concert Series
- Hillsborough Garden Tour
- Last Fridays Artwalk
- Carolina Tarwheels Bikefest
- Farm Fare Tasting Event
- Hillsborough Hog Day BBQ Festival
- Moorefields Bluegrass Festival
- River Park Concert
- Historic Hillsborough Half Marathon & 5K
- Handmade Parade
- Hillsborough Halloween Spirits Tours
- Solstice Celebration Lantern Walk
- Hillsborough Holiday Parade and Tree Lighting
- Candlelight Holiday Home Tour

Ayr Mount is a Federal-era plantation house built in 1815 in Hillsborough by William Kirkland.

Town of Hillsborough, North Carolina

Hillsborough is rich with museums and historical sites.

- Alexander Dickson House (late 18th-century)
- Ayr Mount (1800's Federal-era plantation house)
- Burwell School Historic Site (1800's)
- Dickerson's Chapel AME Church (1790)
- First Baptist Church (c.1860/1868)
- Hillsborough United Methodist Church (c.1860)
- Hillsborough Presbyterian Church (c.1816)
- Margaret Lane Cemetery (c.1885)
- Moorefields (c.1785)
- Occaneechi Village Replica Site
- Old Orange County Courthouse (c.1844)
- Old Town Cemetery (c.1757)
- Orange County Historical Museum
- Ruffin-Roulhac House (c.1821)
- St. Matthew's Episcopal Church (c. 1825/1826)

Recreation, sports, and leisure opportunities abound in Hillsborough.

- Cates Creek Park
- Mayo Park
- Murray Street Park
- Gold Park
- Hillsborough Heights Park
- Kings Highway Park
- Turnip Patch Park
- Exchange Park
- Fairview Park
- Hillsborough Youth Athletic Association baseball fields
- River Park
- Cates Creek Greenway

Riverwalk Picnic Table

Gold Park

- Calvin Street Greenway
- Riverwalk
- Historic Occoneechee Speedway Trail
- Occoneechee Mountain State Natural Area
- Kings Highway Park
- Duke Forest
- Ayr Mount
- Occoneechee Golf Club
- Central Recreation Center
- Triangle Area Polo Club & Arena
- Orange County Sporstplex

Residential Growth

Hillsborough's population will increase significantly over the next few years. The Town continues to receive commercial inquires and experience expansion of existing businesses. The following neighborhoods are under development or will be in the near future.

- Waterstone is comprised of single-family and townhome developments as well as apartment homes. Construction began in 2014 with the final permits being issued in FY2017. Construction is nearly complete in the residential sections of Waterstone. The development will add 750 residential units and more than 1,500 residents to Hillsborough.
- Forest Ridge is a 233 single-family unit project on U.S. 70 A. About 25 permits remain to be issued for this neighborhood.
- The Fiori Hill project plan proposes 46 single-family dwellings on 17.6 acres adjacent to Forest Ridge. About twelve permits remain to be issued for this neighborhood.
- The Collins Ridge master plan includes 950 dwellings (houses, townhouses, and apartments) and 88 affordable rental units. Construction is scheduled to start by the end of the calendar year 2020.

Long-Term Financial Planning

For quite a few years the town's approach to building its budget and a multi-year financial plan has been: 1) take care of what we've got, 2) invest for the future, and 3) minimize rate impacts on the community. COVID-19 is a health and economic crisis that needs no further explanation as everyone is acutely aware of its impacts. It's further complicated due to the difficulty in forecasting the length and severity of the financial impacts on global, national, and local economies, especially if there is a second or third wave of infections.

Revenue assumptions are critical as they are the primary factor in determining expenditure limits for the budget. Assumptions from local governments across North Carolina varied wildly as budgets were being developed for the fiscal year 2021, with far greater ranges than anyone on the budget team has ever seen. There were no common baselines when it came to projecting key revenue sources, such as property tax collection rates, sales taxes, Powell Bill (state gas tax), food and beverage, accommodations tax, water and sewer revenues, and many others.

The fiscal year 2021 budget was the first budget presented to Hillsborough's town board in the last 23 years that was not in a multi-year format. Hillsborough is one of the only local governments in the state that uses a multi-year format. During budget development while in the early stages of COVID-19, it was difficult to accurately project for three months, much less three years. To minimize wasted time and help everyone focus attention on the most pressing issues, the document was prepared in a traditional one-year format. Hopefully, the situation will stabilize going into the fiscal year 2022 and staff can resume with the multi-year format that's been so successful.

Due to the uncertainty, the following approaches were used in developing the FY21 budget: 1) simplify and prioritize, 2) increase options and 3) prepare for more tight budgets ahead.

1. Simplify and prioritize by focusing on the basics: core service delivery, asset maintenance, and retaining employees since skill, experience, and know-how are a service organization's most important resource. Most everything else will need to wait until the situation stabilizes, then financial condition and priorities can be reassessed.

2. Increase options to have the financial flexibility to deal with the unexpected issues that will arise, especially if it gets worse in FY21 and continues into FY22 or beyond. Increasing options are being done through conservative projections on the revenue side and trimming expenses to protect the town's financial reserves. Many requests, even those that have been planned for some time have been cut, delayed, or reduced. Most vacant positions are being frozen. Making tough decisions today gives us more options to weather unexpected challenges, especially if it's a prolonged event. Now is the easiest time to do this. Underestimating potential financial impacts creates significant risks for the organization and its ability to serve our community. Being overly optimistic with revenue estimates means potentially having to make significant mid-year cuts- this narrows options and unnecessarily makes the situation more complicated. If things turn out to be better than projected, then it's a relatively easy adjustment to add unfunded items back into the budget.

3. Prepare for more tight budgets ahead. While everyone hopes the recovery will be quick and robust it's important to remember that during recessions governments are often the last to feel the impact, compared to businesses, but also last to recover. After emerging from the recession there is usually a backlog of deferred

vehicle and equipment replacements, and other maintenance projects to address before high priority projects can be funded, thus further extending the length of the recovery.

Major Initiatives

The Town's future capital plans are established in a seven-year Capital Improvement Plan which is revised during the yearly budget preparation. During the year, the Town funded and managed many significant projects including the following:

General Government

- Street Repaving - This initiative is being funded without debt and uses the Town's Powell Bill (gas tax allocation- $165,000) and General Fund revenues ($185,000) to pay for the improvements. The plan addresses (1) the highest priority street repaving and repair needs and, (2) will identify the average annual cost and lane miles for repaving, while also decreasing the life cycle costs associated with maintaining the street system.

- Valley Forge Stormwater Project – The purpose of this $600,000 project is to replace three 90" pipes crossing under Valley Forge Road. The pipes have deteriorated due to age, current flow, and damage from debris. This project was monitored throughout FY2020 and will be completed in FY2021.

Water and Sewer Fund

- Reservoir Phase II -To address long-term water supply needs and accommodate the type of growth that matches the Town's vision, Phase 2 expansion of the West Fork Eno River Reservoir began construction in April 2018. Revenue bonds were sold on May 9, 2018, providing over $11.1 million in funding for the project. The remaining funds were raised through a bank placement in February 2020 to pay for the remaining road project required to finish the project. Debt payments for the project are $840,550 for FY21, $839,828 in FY22 and $840,374 in FY23. Phase 2 will yield an additional 1.2 million gallons per day of water capacity.

Debt Administration

Hillsborough's current debt burden is above the North Carolina state average and below the national average for municipalities, with net overall debt at $4,212 per capita. The largest part of the outstanding debt is for the wastewater treatment plant and the reservoir. Additional debt incurred over recent years will support robust projected growth, provide vital services to the Town's new citizens, and is not atypical of a growing community like Hillsborough. Responsible financial planning and revenues resulting from growth will ensure the Town maintains a stable financial position. There has been no new general bonded debt over the last 22 fiscal years, and no debt service expenditures on general obligation bonded debt have been incurred in the General Fund during the last 22 fiscal years. The Town has avoided a heavy debt load, which has plagued many municipalities, in its General Fund. Debt service costs make up 9.57% of General Fund expenditures. This includes short-term debt for equipment needs like garbage trucks, leaf collection equipment, police vehicles, as well as long-term debt for building renovations and park construction. Revenue bonds were issued for the first time to fund the expansion of the West Fork Eno Reservoir for $11.1 million in FY18. A second revenue bond issue for $3.7 million was issued in FY20. Debt payments account for 23.11% of Water and Sewer Fund expenditures, which was an increase over the previous fiscal year. The debt payments are a significant expense for a relatively small utility system, however, the primary reason for the higher percentage in the Water and Sewer Fund is continued emphasis on maintaining the water and sewer infrastructure of the Town.

Financial Policies

The Town of Hillsborough has adopted a policy to maintain a General Fund balance level between 20% and 60% of operating expenditures, with a target of 33% or the equivalent of four months of operating expenditures. The Town has diversified its investment by security type to avoid incurring unreasonable risks inherent in over-investing in specific instruments, or maturities. Without exception, no more than 50% of the Town's total investment portfolio will be invested in a single security type.

Town of Hillsborough, North Carolina

Other Information

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Hillsborough for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for the preparation of a state and local government financial report.

To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report that conforms to program standards. The annual report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. The Town of Hillsborough has received a Certificate of Achievement for the last 25 consecutive years (fiscal years ended 1994 through 2019). We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we will submit it to the GFOA.

Acknowledgments

We appreciate the assistance and dedication of the Finance Department staff throughout the year, especially during the preparation of this report. We would like to thank all members of the department who contributed to its preparation and the independent certified public accountants, Cherry Bekaert, LP, for their assistance. The cooperation of each Town department is appreciated, as we work together in conducting the Town's financial operations. We also express our appreciation to the mayor and the members of the Board of Commissioners for their continued support, guidance, and advice in planning and conducting the financial activities of the Town responsibly and progressively.

Respectfully submitted,

Daphna Schwartz

Eric J. Peterson
Town Manager

Daphna Schwartz, CPA
Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Hillsborough
North Carolina

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

Financial Section

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Honorable Mayor and Town Council
Town of Hillsborough
Hillsborough, North Carolina

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Hillsborough (the "Town"), as of and for the year ended June 30, 2020, 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. The financial statements of the Hillsborough Tourism Board and Hillsborough Tourism and Development Authority were not audited in accordance with *Government Auditing Standards*.

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 Town'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 Town'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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary financial data as listed in the table of contents 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements of the Town. The introductory section, combining and individual fund statements and schedules, other schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and the statistical sections have not been subjected to the auditing procedures applied in the audit of the 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 18, 2020 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Raleigh, North Carolina
November 18, 2020

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Management's Discussion and Analysis

As management of the Town of Hillsborough (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. Readers are encouraged to consider this information in conjunction with additional information furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

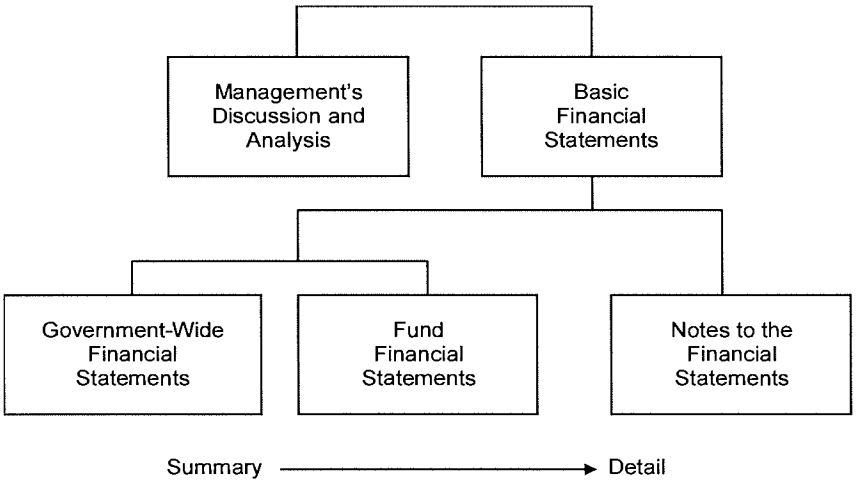
- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $81,371,842.
- The Town's total net position increased by $3,131,557 due to general fund and water and sewer fund revenues coming in over budget, expenditures and expenses were also less than budgeted due to projects, maintenance and repairs and other operating costs that were delayed due to the COVID-19 pandemic.
- As of the close of the current fiscal year, the Town's governmental funds reported ending fund balances of $9,042,047, a net increase of $1,576,629 from the prior year. This is the result of an increase in net position for the general fund and a positive increase in the capital project activity. Approximately 20.47% of this total amount or $1,851,081 is nonspendable, or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $6,438,825, or 59.96% of total General Fund expenditures, including other financing uses, for the fiscal year.
- The Town's total debt increased by $1,185,485 during the current fiscal year due to new bonds issued in the amount of $3,271,000 offset by the retirement of existing debt during the year in the amount of $2,085,515.
- The Town obtained an AA bond rating from S&P (Standard & Poors) on May 2, 2018.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Hillsborough'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 the Town of Hillsborough.

Required Components of Annual Financial Report

Figure 1



Basic financial statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short- and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 8) 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 four parts to the Fund Financial Statements: (1) the governmental funds statements; (2) the budgetary comparison statements; (3) the proprietary fund statements; and (4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes section.** 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 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 the financial statements 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 they have 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 evaluate the Town's financial condition.

The government-wide statements are divided into three categories: (1) governmental activities; (2) business-type activities; and (3) component units. The governmental activities include most of the Town's basic services such as public safety, fire, street maintenance, solid waste collection, planning, public spaces, parks, cemetery and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include stormwater as well as the water and sewer services offered by the Town. The final category is the component units. Although legally separate from the Town, the Tourism Development Authority and the Tourism Board are important to the Town. The Town exercises control over these entities by appointing its members and remits a percentage of taxes collected to each of these entities.

The government-wide financial statements are on pages 16 through 21 of this report.

Fund financial statements

The fund financial statements (see Figure 1) 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 Hillsborough, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary 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* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental 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 Hillsborough 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 statement 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds - The Town of Hillsborough has one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer activity and stormwater activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 33 through 65 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's progress in funding its obligation to provide pension benefits to its employees, as well as information related to the total OPEB liability and related ratios. Required supplementary information can be found beginning on page 67 of this report.

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

Government-wide financial analysis

The Town of Hillsborough's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current assets	$ 9,707,979	$ 9,071,171	$ 24,187,465	$ 20,377,576	$ 33,895,444	$ 29,448,747
Other assets	-	-	-	-	-	-
Capital assets, net	23,573,145	23,997,360	62,459,019	61,735,518	86,032,164	85,732,878
Total assets	33,281,124	33,068,531	86,646,484	82,113,094	119,927,608	115,181,625
Deferred outflows of resources	1,182,611	1,336,851	489,909	562,168	1,672,520	1,899,019
Long-term liabilities outstanding	7,303,538	8,228,935	30,574,754	28,647,755	37,878,292	36,876,690
Other liabilities	537,216	484,748	1,232,365	1,325,865	1,769,581	1,810,613
Total liabilities	7,840,754	8,713,683	31,807,119	29,973,620	39,647,873	38,687,303
Deferred inflows of resources	402,835	109,915	177,578	42,588	580,413	152,503
Net position:						
Net investment in capital assets	19,779,745	20,511,801	38,149,486	38,536,890	57,929,231	59,048,691
Restricted	1,851,081	3,757,005	-	2,677,877	1,851,081	6,434,882
Unrestricted	4,589,320	1,312,978	17,002,210	11,444,287	21,591,530	12,757,265
Total net position, ending	$ 26,220,146	$ 25,581,784	$ 55,151,696	$ 52,659,054	$ 81,371,842	$ 78,240,838

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 resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $81,371,842 as of June 30, 2020. The Town's net position increased by $3,131,557 for the fiscal year ended June 30, 2020. However, the largest portion (71.19%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, equipment, distribution and collection systems and infrastructure, less any related debt still outstanding that was issued to acquire those items). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Hillsborough's net position, $1,851,081 (2.28%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $21,591,530 (26.53%) is unrestricted and may be used to meet the Town's ongoing obligation to citizens and creditors.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage in excess of 99%.
- Many departments finishing the year with expenditures under budget.
- Continued low cost of debt due to low interest rates.

The Town of Hillsborough's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	$ 316,812	$ 210,734	$ 10,936,743	$ 12,549,822	$ 11,253,555	$ 12,760,556
Operating grants and contributions	267,790	221,637	-	32,361	267,790	253,998
Capital grants and contributions	236,211	3,379,916	996,128	-	1,232,339	3,379,916
General revenues:						
Property taxes	7,389,956	6,510,109	-	-	7,389,956	6,510,109
Local option sales taxes	1,719,865	1,708,025	-	-	1,719,865	1,708,025
Gross receipts on short-term rental property	11,517	13,593	-	-	11,517	13,593
Other Miscellaneous Taxes	30,986	6,347	-	-	30,986	6,347
Unrestricted inter-governmental revenues	1,055,076	1,135,259	-	-	1,055,076	1,135,259
Other	501,366	(1,825,646)	(105,484)	2,365,272	395,882	539,626
Total revenues	11,529,579	11,359,974	11,827,387	14,947,455	23,356,966	26,307,429

The Town of Hillsborough's Changes in Net Position
Figure 3 (Continued)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Expenses:						
General government	$ 2,391,829	$ 1,865,007	$ -	$ -	$ 2,391,829	$ 1,865,007
Public safety	5,559,342	4,705,989	-	-	5,559,342	4,705,989
Transportation	1,024,817	718,593	-	-	1,024,817	718,593
Environmental protection	558,337	468,057	-	-	558,337	468,057
Economic and physical development	557,378	488,592	-	-	557,378	488,592
Community activities and projects	166,373	34,311	-	-	166,373	34,311
Parks and recreation	511,512	493,868	-	-	511,512	493,868
Interest on long-term debt	121,076	140,004	-	-	121,076	140,004
Stormwater	-	-	527,372	566,231	527,372	566,231
Water and sewer	-	-	8,807,373	9,355,337	8,807,373	9,355,337
Total expenses	10,890,664	8,914,421	9,334,745	9,921,568	20,225,409	18,835,989
Increase in net position	638,915	2,445,553	2,492,642	5,025,887	3,131,557	7,471,440
Net position, beginning	25,581,231	23,136,231	52,659,054	47,633,167	78,240,285	70,769,398
Net position, ending	$ 26,220,146	$ 25,581,784	$ 55,151,696	$ 52,659,054	$ 81,371,842	$ 78,240,838

Governmental activities. Governmental activities increased the Town's net position by $638,915, thereby accounting for 20.40% of the total growth in the net position of the Town of Hillsborough. Key elements of this increase are as follows:

- Property taxes revenue increased over $879,000. The FY19 property taxes included a tax abatement that lowered the revenue by $446,940. This abatement was attributable to several years of payments, however it was absorbed in FY19. After taking the abatement into consideration, the increase is almost $433,000. This increase can be attributed to the Town's 7% growth rate. There were 203 new residential properties added to the tax base for FY20 collections.

Business-type activities. Business-type activities increased the Town's net position by $2,492,642, accounting for 79.60% of the total growth in the government's net position. Key elements of this increase are as follows:

- The Water and Sewer Fund experienced a decrease in charges for services due to COVID-19. The Town also delayed many expenses due to the outbreak that were still not fully expended as of the end of the year.

- The Water and Sewer fund received capital contributions for dedications and Water and Sewer development in the amount of $996,128.

Financial analysis of the Town of Hillsborough's funds

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

Governmental funds. The focus of the Town's governmental funds is on providing information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town of Hillsborough's fund balance available in the General Fund was $7,188,375, while total fund balance reached $8,471,021. The Governing Body of the Town of Hillsborough has determined that the Town should maintain a fund balance of 20% to 60% (with a targeted or preferred goal of 33%) of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has fund balance available for appropriation of 66.94% of general fund expenditures, while total fund balance represents 78.89% of the same amount.

At June 30, 2020, the governmental funds of the Town reported a combined fund balance of $9,042,047, with a net increase in fund balance of $1,576,629. This increase is primarily related to capital project revenues.

General fund budgetary highlights. During the fiscal year, the Town revised the budget at least once a month. 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.

Actual operating revenues for the General Fund were more than the budgeted amount by $722,722. Expenditures were $1,435,913 less than budgeted, primarily due to the impacts of COVID-19, delaying of purchases and multiple long-term vacancies.

Proprietary funds. The Town's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to $10,385,294, a 4.29% or $464,411 decrease from the previous year. Restricted net position increased $3,179,489 due to developer donations collected in the current and prior fiscal years, which primarily consist of system development fees accounted for in capital reserve funds. Charges for services were down over 1.6 million due to a drop in the collection of system development fees. System development fees are a charge assessed on new development to fund capital improvements necessitated by and attributable to that new development or to recoup the costs of existing facilities that serve the new development. The total growth in net position was $2,492,642.

Unrestricted net position of the Stormwater Fund at the end of the fiscal year amounted to $759,550, a 27.75% or $164,968 increase from the previous year. The increase is largely attributed to expenditures being less than expected.

Other factors concerning the fund's finances have been addressed in the discussion of the Town's business-type activities.

Capital asset and debt administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2020 totals $86,032,164 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, infrastructure, park facilities and vehicles.

Major capital asset transactions during the year include the following:

- Vehicles ($141,950)
- Street resurfacing ($210,150)

Major developer-dedicated capital asset transactions during the year include the following:

- Forest Ridge Booster Pump Station ($539,500)

The Town of Hillsborough's Capital Assets
(Net of Accumulated Depreciation)
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	**$ 4,657,781**	$ 4,634,594	**$ 6,133,088**	$ 6,132,444	**$ 10,790,869**	$ 10,767,038
Construction in progress	**145,692**	49,297	**11,067,121**	9,205,410	**11,212,813**	9,254,707
Buildings and improvements	**6,200,607**	6,286,045	**16,922,750**	17,915,526	**23,123,357**	24,201,571
Plant and distribution systems	**-**	-	**25,299,114**	25,417,324	**25,299,114**	25,417,324
Infrastructure	**11,653,414**	11,759,238	**2,395,631**	2,466,199	**14,049,045**	14,225,437
Equipment	**325,571**	389,865	**407,414**	279,668	**732,985**	669,533
Vehicles	**590,080**	878,321	**233,901**	318,947	**823,981**	1,197,268
Intangibles	**-**	-	**-**	-	**-**	-
Total	**$ 23,573,145**	$ 23,997,360	**$ 62,459,019**	$ 61,735,518	**$ 86,032,164**	$ 85,732,878

Additional information on the Town's capital assets can be found in Note 3.A.5. of the basic financial statements.

Long-term debt. As of June 30, 2020, the Town of Hillsborough had outstanding bonded debt of $13,426,000 which represents bonds secured solely by specified revenue sources (revenue bonds). The remainder of the Town's debt represents revolving loans payable and installment purchases secured solely by revenues of the project or specified purchases.

The Town of Hillsborough's Outstanding Debt
Revolving Loans Payable and Installment Purchases
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revolving loan payable	**$ -**	$ -	**$ 14,336,167**	$ 15,397,010	**$ 14,336,167**	$ 15,397,010
Special revenue bonds	**-**	-	**13,426,000**	10,155,000	**13,426,000**	10,155,000
Premium on bonds	**-**	-	**913,641**	970,330	**913,641**	970,330
Installment purchases	**3,793,400**	4,632,280	**423,833**	552,936	**4,217,233**	5,185,216
Total	**$ 3,793,400**	$ 4,632,280	**$ 29,099,641**	$ 27,075,276	**$ 32,893,041**	$ 31,707,556

The Town's total debt increased by $1,185,485 during the current fiscal year due to repayments of $2,085,515 offset by newly issued special revenue bonds of $3,271,000.

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 that government's boundaries. The legal debt margin for the Town of Hillsborough is $89,551,324. The Town does not have any bonds authorized but unissued at June 30, 2020.

Additional information regarding the Town's long-term debt can be found in Note 3.B.8 of the basic financial statements.

Economic factors and next year's budgets and rates

The following key economic indicators reflect the stability and prosperity of the Town of Hillsborough.

- *Low unemployment.* Orange County's unemployment rate of 5.9% as of June 30, 2020 is below the state average of 7.5%.
- *No increase in property tax rate.*
- *No general obligation debt in the General Fund.*

Budget highlights for the fiscal year ending June 30, 2021

Governmental activities: The property tax rate remains at 62 cents for FY21. This will be the eighth consecutive year without a property tax rate increase. Expenses increase by 3.4% in FY21.To address the novel coronavirus financial implications, no merit adjustments were given, and capital projects, as well as non-mission critical expenditures were delayed if possible.

Other budget highlights in brief:

- Connection Feasibility Study ($45,000)
- Fire Chief ($35,000)
- Valley Forge Road Project ($475,000)
- Garbage Truck ($310,000)
- Comprehensive Plan ($75,000)
- Rail Station ($34,000)

Business-type activities:

Water and Sewer Fund

In order to provide financial relief to customers during the novel coronavirus, the projected 5% rate increases to both water and sewer rates for FY21 were delayed.

Operational expenditures in the Water/Sewer Fund are expected to increase by 10.4% in FY21. It is important to note that this total reflects cuts and deferments made to FY20 year-end expenditures and that FY21 includes projects that are funded with one-time revenue sources of water and sewer system development fees.

Other budget highlights in brief

- 16-inch Water Main Interconnects ($465,000)
- Economic Development District Water Line Extension ($259,404)
- River Pump Station Design ($200,000)
- Infrastructure Rehabilitation ($150,000)

Stormwater Fund

Stormwater rates will not increase, and expenses will increase by 11%% in FY21.

Other budget highlight in brief:

- Valley Forge Road Project ($100,000)

Requests for information

This report is designed to provide an overview of the Town's finances. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Town of Hillsborough,105 East Corbin Street, Post Office Box 429, Hillsborough, North Carolina 27278 or Finance@hillsboroughnc.gov.

Basic Financial Statements

Town of Hillsborough, North Carolina
Statement of Net Position
June 30, 2020

Exhibit 1
(2 pages)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Hillsborough Tourism Development Authority	Hillsborough Tourism Board
ASSETS					
Current assets:					
Cash and investments	$ 7,977,124	$ 12,173,396	$ 20,150,520	$ 258,470	$ 359,586
Receivables:					
Taxes receivable, net	153,685	-	153,685	-	-
Accrued interest receivable, property taxes	25,257	-	25,257	-	-
Accounts receivable, net	60,953	1,681,287	1,742,240	87	16
Due from other governments	988,641	-	988,641	-	-
Due from primary government	-	-	-	8,248	53,748
Prepaid expenses	-	215	215	-	689
Restricted assets:					
Cash and investments	502,319	10,332,567	10,834,886	-	-
Total current assets	9,707,979	24,187,465	33,895,444	266,805	414,039
Noncurrent assets:					
Capital assets:					
Land and construction-in-progress	4,803,473	17,200,209	22,003,682	-	-
Other capital assets, net of depreciation	18,769,672	45,258,810	64,028,482	-	-
Total capital assets	23,573,145	62,459,019	86,032,164	-	-
Total noncurrent assets	23,573,145	62,459,019	86,032,164	-	-
Total assets	33,281,124	86,646,484	119,927,608	266,805	414,039
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferrals	1,127,025	462,797	1,589,822	-	-
OPEB deferrals	55,586	27,112	82,698	-	-
	1,182,611	489,909	1,672,520	-	-

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

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Hillsborough Tourism Development Authority	Hillsborough Tourism Board
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	$ 375,525	$ 458,628	$ 834,153	$ 230	$ 10,230
Payable from restricted assets - customer deposits	-	583,611	583,611	-	-
Accrued interest payable	50,226	190,126	240,352	-	-
Unearned revenue	49,469	-	49,469	-	-
Due to component units	61,996	-	61,996	-	-
Current portion of long-term liabilities	944,693	1,586,982	2,531,675	-	-
Total current liabilities	1,481,909	2,819,347	4,301,256	230	10,230
Long-term liabilities:					
Net pension liability	1,690,884	781,966	2,472,850	-	-
Total pension liability	783,583	-	783,583	-	-
Total OPEB liability	713,727	461,563	1,175,290	-	-
Due in more than one year	3,170,651	27,744,243	30,914,894	-	-
Total noncurrent liabilities	6,358,845	28,987,772	35,346,617	-	-
Total liabilities	7,840,754	31,807,119	39,647,873	230	10,230
DEFERRED INFLOWS OF RESOURCES					
Pension deferrals	71,080	10,418	81,498	-	-
OPEB deferrals	331,755	167,160	498,915	-	-
Total deferred inflows	402,835	177,578	580,413	-	-
NET POSITION					
Net investment in capital assets	19,779,745	38,149,486	57,929,231	-	-
Restricted for:					
Stabilization by state statute	1,473,671	-	1,473,671	8,335	53,764
Streets	200,490	-	200,490	-	-
Water and sewer projects	-	5,857,366	5,857,366	-	-
Capital projects	176,920	-	176,920	-	-
Unrestricted	4,589,320	11,144,844	15,734,164	258,240	350,045
Total net position	$ 26,220,146	$ 55,151,696	$ 81,371,842	$ 266,575	$ 403,809

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

Town of Hillsborough, North Carolina
Statement of Activities
Year Ended June 30, 2020

Exhibit 2
(4 pages)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	$ 2,391,829	296,255	$ 10,895	-
Public safety	5,559,342	17,667	20,500	-
Transportation	1,024,817	-	202,395	-
Environmental protection	558,337	-	-	-
Economic and physical development	557,378	-	34,000	-
Community activities and projects	166,373	-	-	-
Parks and recreation	511,512	2,890	-	236,211
Interest on long-term obligations	121,076	-	-	-
Total governmental activities	10,890,664	316,812	267,790	236,211
Business-type activities:				
Water and sewer	8,807,373	10,265,866	-	996,128
Stormwater	527,372	670,877	-	-
Total business-type activities	9,334,745	10,936,743	-	996,128
Total primary government	$ 20,225,409	$ 11,253,555	$ 267,790	$ 1,232,339
Component units				
Hillsborough Tourism Development Authority	$ 55,854	$ -	$ -	$ -
Hillsborough Tourism Board	361,935	-	-	-
Total component units	$ 417,789	$ -	$ -	$ -

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

Net Revenue (Expense) and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Tourism Development Authority	Tourism Board
$ (2,084,679)	-	$ (2,084,679)	-	-
(5,521,175)	-	(5,521,175)	-	-
(822,422)	-	(822,422)	-	-
(558,337)	-	(558,337)	-	-
(523,378)	-	(523,378)	-	-
(166,373)	-	(166,373)	-	-
(272,411)	-	(272,411)	-	-
(121,076)	-	(121,076)	-	-
(10,069,851)	-	(10,069,851)	-	-
-	2,454,621	2,454,621	-	-
-	143,505	143,505		
-	2,598,126	2,598,126	-	-
(10,069,851)	2,598,126	(7,471,725)	-	-
			(55,854)	-
			-	(361,935)
			(55,854)	(361,935)

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	General revenues:			
	Taxes:			
	Property taxes, levied for general purposes			
	Local option sales taxes			
	Gross receipts on short-term rental property			
	Other Miscellaneous taxes			
	Unrestricted intergovernmental revenues			
	Investment earnings, unrestricted			
	Payment from Town of Hillsborough			
	Gain (loss) on disposal of capital assets			
	Miscellaneous			
	Transfers			
	Total general revenues and transfers			
	Change in net position			
	Net position, beginning			
	Net position, ending			

Net Revenue (Expense) and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Tourism Development Authority	Tourism Board
7,389,956	$ -	$ 7,389,956	$ -	$ -
1,719,865	-	1,719,865	-	-
11,517	-	11,517	-	-
30,986	-	30,986	-	-
1,055,076	-	1,055,076	-	-
171,563	119,062	290,625	-	-
-	-	-	60,347	371,326
-	(83,384)	(83,384)	-	-
131,951	56,690	188,641	-	-
197,852	(197,852)	-	-	-
10,708,766	(105,484)	10,603,282	60,347	371,326
638,915	2,492,642	3,131,557	4,493	9,391
25,581,231	52,659,054	78,240,285	262,082	394,418
$ 26,220,146	$ 55,151,696	$ 81,371,842	$ 266,575	$ 403,809

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

Town of Hillsborough, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

Exhibit 3
(2 pages)

	Major Fund		
	General Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and investments	$ 7,698,625	$ 278,499	$ 7,977,124
Taxes receivable	153,685	-	153,685
Accounts receivable, net	60,953	-	60,953
Due from other governments	823,200	165,441	988,641
Due from other funds	160,038	-	160,038
Restricted assets			
Cash and investments	200,490	301,829	502,319
Total assets	$ 9,096,991	$ 745,769	$ 9,842,760
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	$ 360,820	$ 14,705	$ 375,525
Due to other funds	-	160,038	160,038
Unearned revenue	49,469	-	49,469
Due to component units	61,996	-	61,996
Total liabilities	472,285	174,743	647,028
DEFERRED INFLOWS OF RESOURCES	153,685	-	153,685
FUND BALANCES			
Restricted for:			
Stabilization by state statute	1,082,156	391,515	1,473,671
Streets	200,490	-	200,490
Capital projects	-	176,920	176,920
Committed for:			
Capital projects	-	189,441	189,441
Assigned for:			
Subsequent year's expenditures	749,550	-	749,550
Unassigned	6,438,825	(186,850)	6,251,975
Total fund balances	8,471,021	571,026	9,042,047
Total liabilities, deferred inflows of resources and fund balances	$ 9,096,991	$ 745,769	$ 9,842,760

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

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

Total fund balances, governmental funds	$ 9,042,047
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	23,573,145
Deferred outflows of resources related to pensions and OPEB are not reported in the funds	1,182,611
Other long-term assets (accrued interest receivable from property taxes) are not available to pay from current-period expenditures and therefore are inflows of resources in the funds	25,257
Liabilities for earned revenues considered deferred inflows of resources in the fund statements	153,685
Deferred inflows of resources related to pensions and OPEB are not reported in the funds	(402,835)
Some liabilities, including accrued interest, are not due and payable in the current period, and therefore are not reported in the funds.	(4,165,570)
Total pension liability	(783,583)
Net pension liability	(1,690,884)
Total OPEB liability	(713,727)
Net position of governmental activities	$ 26,220,146

Town of Hillsborough, North Carolina
Statement of Revenues and Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2020

Exhibit 4
(2 pages)

	Major Fund		
	General Fund	Total Nonmajor Funds	Total Governmental Funds
Revenues			
General revenues:			
Ad valorem taxes	$ 7,422,863	$ -	$ 7,422,863
Other taxes and licenses	1,738,597	-	1,738,597
Unrestricted intergovernmental revenues	1,081,038	-	1,081,038
Restricted intergovernmental revenues	317,212	1,022,499	1,339,711
Investment earnings	170,325	1,238	171,563
Contribution from property owners	-	11,147	11,147
Other general revenues	87,365	-	87,365
Total general revenues	10,817,400	1,034,884	11,852,284
Functionally related revenues:			
Use and rental fees	344,892	-	344,892
Total revenues	11,162,292	1,034,884	12,197,176
Expenditures			
General government	1,939,539	290,142	2,229,681
Public safety	5,006,500	-	5,006,500
Transportation	684,311	-	684,311
Environmental protection	462,129	-	462,129
Economic and physical development	473,494	16,395	489,889
Community activities and projects	250,962	-	250,962
Parks and recreation	511,512	7,378	518,890
Debt service:			
Principal retirement	846,287	-	846,287
Interest and fiscal charges	121,076	-	121,076
Total expenditures	10,295,810	313,915	10,609,725
Revenues over (under) expenditures	866,482	720,969	1,587,451
Other financing sources (uses)			
Transfer to Public Safety Facility Capital Project Fund	(312,000)	-	(312,000)
Transfer to Riverwalk CMAQ Capital Projects Fund	(50,343)	-	(50,343)
Transfer to General Capital Projects Fund	(80,000)	-	(80,000)
Transfer from Town Barn Improvements Capital Projects Fund	55,368	-	55,368
Transfer from Downtown Improvements Capital Projects Fund	36,487	-	36,487
Transfer to Water and Sewer Fund	-	(10,822)	(10,822)
Transfer from General Fund	-	350,488	350,488
Total other financing sources (uses)	(350,488)	339,666	(10,822)
Net change in fund balances	515,994	1,060,635	1,576,629
Fund balances, beginning	7,955,027	(489,609)	7,465,418
Fund balances, ending	$ 8,471,021	$ 571,026	$ 9,042,047

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

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

Net change in fund balances - total governmental funds	$	1,576,629
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation ($1,079,609) exceeded capital outlays ($416,149) in the current period.		(663,459)
The effect of transfers related to Capital Assets and Debt		208,674
Contributions to the pension plan in the current fiscal year are not included in the statement of activities		73,284
Benefit payments paid and adminstrative expense for the LEOSSA are not included in the statement of activities		13,652
Benefit payments paid and adminstrative expense for the OPEB are not included in the statement of activities		3,072
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for taxes		811
Change in deferred revenues related to grants receivable.		(976,793)
The repayment of the principal of long-term debt ($846,287) consumes the current financial resources of governmental funds. This transaction has no effect on net position.		846,287
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.		
Change in accrued interest on general long-term debt		7,408
Compensated absences		11,358
Pension expense		(519,729)
OPEB expense		57,721
Changes in net position of governmental activities	$	638,915

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

Town of Hillsborough, North Carolina **Exhibit 5**
Statement of Revenues and Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
General revenues				
Ad valorem taxes	$ 7,148,600	$ 7,146,469	$ 7,422,863	$ 276,394
Other taxes and licenses	1,528,555	1,493,929	1,738,597	244,668
Unrestricted intergovernmental revenues	1,034,900	755,615	1,081,038	325,423
Restricted intergovernmental revenues	190,000	292,644	317,212	24,568
Investment earnings	175,000	170,000	170,325	325
Other general revenues	30,500	236,021	87,365	(148,656)
Total general revenues	10,107,555	10,094,678	10,817,400	722,722
Functionally related revenues				
Use and rental fees	145,200	653,997	344,892	(309,105)
Total revenues	10,252,755	10,748,675	11,162,292	413,617
Expenditures				
General government	2,168,493	2,805,489	2,222,021	583,468
Public safety	4,934,416	5,592,917	5,234,108	358,809
Transportation	963,093	974,755	725,329	249,426
Environmental protection	561,861	571,240	538,452	32,788
Economic and physical development	490,396	550,870	473,494	77,376
Community activities and projects	464,655	405,699	349,753	55,946
Parks and recreation	766,574	830,753	752,653	78,100
Contingency	250,000	-	-	-
Total expenditures	10,599,488	11,731,723	10,295,810	1,435,913
Revenues under expenditures	(346,733)	(983,048)	866,482	1,849,530
Other financing sources (uses)				
Transfer from Downtown Improvements Capital Project Fund	-	-	36,487	36,487
Transfer from Town Barn Improvements Capital Project Fund	-	55,368	55,368	-
Transfer to Riverwalk - CMAQ Fund	-	(50,343)	(50,343)	-
Transfer to Public Safety Facility Capital Project Fund	-	(312,000)	(312,000)	-
Transfer to General Capital Projects Fund	-	(80,000)	(80,000)	-
Total other financing sources (uses)	-	(386,975)	(350,488)	36,487
Appropriated fund balance	346,733	1,370,023	-	(1,370,023)
Net change in fund balance	$ -	$ -	515,994	$ 515,994
Fund balance, beginning			7,955,027	
Fund balance, ending			$ 8,471,021	

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

Town of Hillsborough, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2020

Exhibit 6

	Major Water and Sewer Fund	Nonmajor Stormwater Fund	Total
ASSETS			
Current assets:			
Cash and investments	$ 11,369,532	$ 803,864	$ 12,173,396
Accounts receivable, net	1,649,368	31,919	1,681,287
Prepaid expenses	215	-	215
Restricted assets:			
Cash and investments	10,332,567	-	10,332,567
Total current assets	23,351,682	835,783	24,187,465
Noncurrent assets:			
Capital assets:			
Land and construction-in-progress	17,166,396	33,813	17,200,209
Other capital assets, net of depreciation	43,439,152	1,819,658	45,258,810
Total capital assets	60,605,548	1,853,471	62,459,019
Total noncurrent assets	60,605,548	1,853,471	62,459,019
Total assets	83,957,230	2,689,254	86,646,484
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	428,768	34,029	462,797
OPEB deferrals	24,657	2,455	27,112
Total deferred outflows of resources	453,425	36,484	489,909
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	448,470	10,158	458,628
Payable from restricted assets - customer deposits	583,611	-	583,611
Accrued interest payable	190,126	-	190,126
Current portion of long-term liabilities	1,586,982	-	1,586,982
Total current liabilities	2,809,189	10,158	2,819,347
Long-term liabilities:			
Net pension liability	721,261	60,705	781,966
Total OPEB liability	441,002	20,561	461,563
Due in more than one year	27,737,931	6,312	27,744,243
Total noncurrent liabilities	28,900,194	87,578	28,987,772
Total liabilities	31,709,383	97,736	31,807,119
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	9,632	786	10,418
OPEB deferrals	152,965	14,195	167,160
Total deferred inflows of resources	162,597	14,981	177,578
NET POSITION			
Net investment in capital assets	36,296,015	1,853,471	38,149,486
Restricted for:			
Water and sewer projects	5,857,366	-	5,857,366
Unrestricted	10,385,294	759,550	11,144,844
Total net position	$ 52,538,675	$ 2,613,021	$ 55,151,696

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

Town of Hillsborough, North Carolina **Exhibit 7**
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2020

	Major Water and Sewer Fund	Nonmajor Stormwater Fund	Total
Operating revenues			
Charges for services	$ 9,954,986	$ 666,355	$ 10,621,341
System Development Fees	456,628	-	456,628
Other operating revenues	310,880	4,522	315,402
Total operating revenues	10,722,494	670,877	11,393,371
Operating expenses			
Personnel services	2,914,587	278,959	3,193,546
Depreciation	1,695,988	56,645	1,752,633
Other current charges	3,372,024	191,768	3,563,792
Total operating expenses	7,982,599	527,372	8,509,971
Operating income	2,739,895	143,505	2,883,400
Nonoperating revenues (expenses)			
Investment earnings	119,062	-	119,062
Amortization of premium on bonds payable	56,690	-	56,690
Gain (loss) on disposal of capital assets	(83,384)	-	(83,384)
Interest and fees	(824,774)	-	(824,774)
Total nonoperating revenues (expenses)	(732,406)	-	(732,406)
Income before capital contributions and transfers	2,007,489	143,505	2,150,994
Capital contributions and transfers:			
Transfer to General Fund	(208,674)	-	(208,674)
Transfer from Town Barn Capital Improvements	10,822	-	10,822
Capital contributions - dedications	539,500	-	539,500
Total capital contributions and transfers	341,648	-	341,648
Change in net position	2,349,137	143,505	2,492,642
Net position, beginning of year	50,189,538	2,469,516	52,659,054
Net position end of year	$ 52,538,675	$ 2,613,021	$ 55,151,696

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

Town of Hillsborough, North Carolina
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2020

Exhibit 8
(2 pages)

	Major Water and Sewer Fund	Nonmajor Stormwater Fund	Total
Cash flows from operating activities			
Cash received from customers	$ 10,603,551	$ 674,102	$ 11,277,653
Cash paid for goods and services	(3,272,139)	(304,067)	(3,576,206)
Cash paid to or on behalf of employees for services	(2,762,718)	(176,437)	(2,939,155)
Net cash provided by operating activities	4,568,694	193,598	4,762,292
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(2,434,452)	(35,182)	(2,469,634)
Proceeds from issuance of long-term debt	3,271,000	-	3,271,000
Principal paid on bonds, notes and installment purchases	(1,189,949)	-	(1,189,949)
Interest paid on bonds and installment purchases	(809,460)	-	(809,460)
Other income	10,822	-	10,822
Net cash used by capital and related financing activities	(1,152,039)	(35,182)	(1,187,221)
Cash flows from investing activities			
Interest on investments	119,062	-	119,062
Net cash provided by investing activities	119,062	-	119,062
Net increase (decrease) in cash and cash equivalents	3,535,717	158,416	3,694,133
Cash and cash equivalents, beginning	18,166,382	645,448	18,811,830
Cash and cash equivalents, ending	$ 21,702,099	$ 803,864	$ 22,505,963
Cash and cash equivalents			
Unrestricted	$ 11,369,532	$ 803,864	$ 12,173,396
Restricted	10,332,567	-	10,332,567
Total cash and cash equivalents	$ 21,702,099	$ 803,864	$ 22,505,963

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

Town of Hillsborough, North Carolina
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2020

Exhibit 8
(2 pages)

	Major Water and Sewer Fund	Nonmajor Stormwater Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	$ 2,739,895	$ 143,505	$ 2,883,400
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,695,988	56,645	1,752,633
Provision for uncollectible accounts	24,174	-	24,174
Changes in assets and liabilities:			
Accounts receivable	(143,158)	3,225	(139,933)
Deferred outflows of resources for pensions	73,702	7,336	81,038
Deferred outflows of resources for OPEB	(7,996)	(788)	(8,784)
Accounts payable and accrued liabilities	124,543	(24,176)	100,367
Deposits	31,765	-	31,765
Total OPEB liability	(136,992)	(13,634)	(150,626)
Net pension liability	78,628	7,825	86,453
Deferred inflows of resources for pensions	4,538	451	4,989
Deferred inflows of resources for OPEB	118,234	11,767	130,001
Compensated absences payable	(34,627)	1,442	(33,185)
Net cash provided by operating activities	$ 4,568,694	$ 193,598	$ 4,762,292
Supplemental schedule of noncash investing and financing activities			
Capital asset additions included in accounts payable and accrued liabilities	$ 181,373	-	$ 181,373
Capital contribution from developer	$ 539,500	-	$ 539,500

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

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Hillsborough (the "Town") conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

A. Reporting entity

The Town of Hillsborough is a municipal corporation which is governed by an elected mayor and a five-member board. As required by GAAP, these financial statements present the Town and its component units, which are legally separate entities for which the Town is financially accountable. The discretely presented component units presented below are reported in separate columns in the Town's financial statements in order to emphasize that they are legally separate from the Town.

Hillsborough Tourism Development Authority (the "Authority")

The Authority was created on April 9, 2012 by resolution of the Town, under the authority of the North Carolina General Assembly. The Authority is responsible for promoting travel and tourism in the Hillsborough area. The Authority receives revenue from a three percent occupancy tax, which is levied and collected by the Town and remitted net of administration fees. The members of the Authority are appointed by the Town's Board of Commissioners.

Hillsborough Tourism Board ("the Board")

The Board was created on November 8, 1993, by resolution of the Town, under the authority of the North Carolina General Assembly. The Board is responsible for promoting tourism within the Town of Hillsborough. The Board receives revenues through a one percent prepared food and beverage tax, which is levied and collected by the Town and remitted net of administration fees. The Board is composed of nine members appointed by the Town's Board of Commissioners.

Requests for complete financial statements for each of the component units may be directed to the Finance Officer, c/o Hillsborough Tourism Development Authority or c/o Hillsborough Tourism Board, Hillsborough, North Carolina, or by telephone at (919) 296-9451.

B. Basis of presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. These statements distinguish between the *governmental* and *business-type* activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients 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, including the fiduciary fund. Separate statements for each fund category – *governmental, proprietary, and fiduciary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state grants, and various other taxes and licenses. The primary expenditures are for general government administration, public safety, street maintenance and construction, and sanitation services.

The Town reports the following nonmajor governmental funds:

Consolidated General Capital Projects Fund. This fund is used to accumulate expenditures related to multiple capital projects budgeted to be completed within one year. The General Capital Reserve Fund is consolidated in the General Capital Projects Fund.

Downtown Improvements Capital Project Fund. This fund is used to account for certain improvements to the downtown area of the Town.

Riverwalk CMAQ Capital Project Fund. Three important sidewalk components are grouped for funding purposes through the Congestion Mitigation and Air Quality program within the Department of Transportation. Riverwalk provides a viable alternative to driving by allowing many residents of Hillsborough to walk or bike into downtown, whether for work, shopping, or recreation. These sidewalk connections are along Eno Mountain Road and provide access into the Occoneechee State natural area (connecting to Gold Park); South Nash Street near the commercial area and the rail trestle, and Calvin Street, connecting to Gold Park and Riverwalk.

Town Barn Improvements Capital Project Fund. The fund is used to account for various renovations and upgrades to the Town Barn and North Campus, including certain data processing equipment. This project was completed and closed during the current fiscal year.

Rail Station Capital Project Fund. This fund will account for design, engineering, construction and construction oversight of the passenger rail station which is approximately 6,000 square foot building with about 100 parking spaces, utilities, and site access

Public Works Building Capital Project Fund. This fund will account for design, project management, construction, construction inspection, and water and sewer utilities for a new Public Works Building.

Public Safety Building Capital Project Fund. This fund will account for construction costs for the renovation of the Public Safety Building.

The Town reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. For financial reporting purposes, the Water and Sewer Capital Projects Fund ("WS Capital Projects Fund") and the Water and Sewer Capital Reserve Funds have been consolidated with the Water and Sewer Fund.

The Town reports the following nonmajor enterprise fund:

Stormwater Fund. This fund is used to account for the operations of the Town's stormwater management department.

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

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

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

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

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

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the state at year end on behalf of the Town, are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Orange 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. 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 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 by general revenues.

D. Budgetary data

The Town's budgets are adopted by the governing board as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Water and Sewer Fund, and the Stormwater Fund. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the General Capital Projects Fund, the Water and Sewer Capital Projects Fund, and the Water and Sewer Capital Reserve Fund. The water and sewer enterprise fund projects and capital reserve are consolidated with the Water and Sewer Fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multiyear funds. The Town Manager is authorized by the budget ordinance to transfer appropriations and may allow any amount of money to be transferred between functional areas within a fund. The Town Manager is also authorized to effect interdepartmental transfers within the same fund, not to exceed 10% of the appropriated monies for the department whose allocation is reduced. The Finance Director may make minor adjustments to the budget without obtaining prior governing board approval by formal budget amendment. Such changes must be within a fund and not between two or more funds. The Finance Director is required to inform the board at the next meeting after the budget adjustment is made. Budget amendments typically involve larger sums of money and require the governing board's approval. During the year, several amendments to the original budget were necessary.

E. Assets, liabilities, deferred outflows/inflows of resources and fund equity

(1) Deposits and investments

All deposits of the Town are made in board-designated official depositories and are 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 nonguaranteed 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. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

(2) Cash and cash equivalents

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

For purposes of the statement of cash flows, the Enterprise Fund considers all short-term and long-term fixed-income investments (including restricted assets) to be cash equivalents.

(3) Restricted assets

The Water and Sewer Fund, General Fund, and General Capital Projects Fund have unexpended debt proceeds that are classified as restricted assets because their use is completely restricted to the purpose for which the debt agreements were originally issued. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can only be expended for the purposes of maintaining, repairing, constructing, reconstruction or widening of local streets per G.S. 136-41.4. In addition, contributions from developers that are restricted by Town ordinance are restricted to the purpose of the donation.

Town of Hillsborough Restricted Cash

Governmental activities:	
General Fund	
Streets	$ 200,490
General Capital Projects Fund	186,700
General Capital Reserve Fund	
Developer donations - future capital projects	115,129
Total governmental activities	502,319
Business-type activities:	
Water and Sewer Fund	
Unspent debt proceeds	3,891,590
Customer deposits	583,611
Developer donations - perpetual maintenance	407,338
Developer donations - water and sewer needs	5,450,028
Total business-type activities	10,332,567
Total restricted cash	$ 10,834,886

(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 6. These taxes are based on the assessed values as of January 1, 2018. As allowed by state law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

(5) Allowances for doubtful accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables 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 statements, and expensed as items are used.

(7) Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years.

Minimum capitalization costs are as follows:

	Cost
Land and easements	$ 1
Buildings, improvements	10,000
Distribution system	15,000
Vehicles, furniture and equipment	5,000
Infrastructure	35,000

Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed assets are recorded at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Buildings and building improvements	30 years
Infrastructure	40 years
Plant and distribution systems	50 years
Furnishings, fixtures, equipment and computers	5 to 10 years
Vehicles	3 to 5 years

(8) Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion: pension deferrals for the 2020 fiscal year, and OPEB deferrals for the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category: taxes receivable, grants receivable, pension deferrals and OPEB deferrals.

(9) Long-term obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities, or proprietary fund-type statement of net position. Long-term debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method that approximates the effective interest method. Long-term debt is reported net of the applicable premiums or discounts. Debt issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

(10) Compensated absences

The vacation policy of the Town provides for the accumulation of up to 240 hours earned vacation leave, with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a

liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability and included in the long-term liabilities due within one year on 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 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 represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through state statute.

Fund balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Committed for capital projects - Portion of fund balance that can only be used for the construction of capital projects.

Assigned fund balance - Portion of fund balance the Town of Hillsborough intends to use for specific purposes that are considered neither restricted nor committed. Unassigned fund balances may be assigned by the Town Board, Town Manager, or Finance Director for specific purposes through the budget process or agenda items.

Assigned for subsequent year's expenditures - Portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned fund balance - Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. Unassigned fund balance is the residual classification for the General Fund. Other governmental funds cannot report positive unassigned fund balance but can report negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

The Town of Hillsborough has a revenue-spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond and installment financing proceeds, federal funds, state funds, local non-town funds, and 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, finally, unassigned fund balance. The Finance Officer has the authority to deviate from this policy, if it is in the best interest of the Town.
The Town of Hillsborough has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is between 20% and 60% of operating expenditures, with a target of 33%, or the equivalent of four months of operating expenditures.

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

2. Reconciliation of GAAP and Budgetary-Basis Expenditures

The accompanying schedule reconciles certain General Fund transactions, which are treated differently on Exhibit 4 (GAAP basis) and Exhibit 5 (budgetary basis). These differences relate to debt transactions and are summarized below:

	Exhibit 4	Increase (Decrease)	Exhibit 5
General government	$ 1,939,539	$ 282,482	$ 2,222,021
Public safety	5,006,500	227,608	5,234,108
Transportation	684,311	41,018	725,329
Environmental protection	462,129	76,323	538,452
Community activities and projects	250,962	98,791	349,753
Parks and recreation	511,512	241,141	752,653
Debt service:			
Principal retirement	846,287	(846,287) (1)	-
Interest and fiscal charges	121,076	(121,076) (1)	-

(1) Reclassification of debt service payments.

3. Detail Notes on All Funds

A. Assets

(1) Deposits and Investments

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

At June 30, 2020, the Town's deposits had a carrying amount of $5,801,773 and a bank balance of $6,253,903. Of the bank balance, $518,176 was covered by federal depository insurance and $5,735,727 in interest-bearing deposits were covered under the Pooling Method. The Town had $1,050 in petty cash on hand at June 30, 2020.

At June 30, 2020, the Authority's deposits had a carrying amount and bank balance of $258,470. All of the bank balance was covered by federal depository insurance.

At June 30, 2020, the Board's deposits had a carrying amount of $359,586 and a bank balance of $359,845. Of the bank balance, $250,000 was covered by federal depository insurance, and $109,845 of demand deposits were covered under the Pooling Method.

Investments

At June 30, 2020, the Town's investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2020	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	$ 16,710,902	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	1,024,419	0.15 years	Unrated
NC Capital Management Trust – Government Portfolio - Capital Reserve	Fair Value Level 1	6,630,069	N/A	AAAm
NC Capital Management Trust–Government Portfolio–Perpetual Maintenance	Fair Value Level 1	817,192	N/A	AAAm
Total		$ 25,182,582		

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

The Town does not have a formal investment policy.

Credit Risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2020. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments permitted under NC G.S. 159-30 as amended.

(3) Due from other governments

Amounts due from other governments consist of the following:

	Governmental Activities
General Fund:	
Sales and use tax distribution	$ 463,462
Utilities franchise and telecommunications tax	134,215
Other government agencies	96,518
Sales tax refunds	129,005
	823,200
Riverwalk CMAQ Capital Project Fund	
CMAQ grant funds	165,441
	$ 988,641

(4) Receivables - allowances for doubtful accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	$ 43,668
Water and Sewer Enterprise Fund	$ 67,101

(5) Capital assets

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

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 4,634,594	$ -	$ -	$ 23,187	$ 4,657,781
Construction-in-progress	49,297	96,395	-	-	145,692
Total capital assets not being depreciated	4,683,891	$ 96,395	$ -	$ 23,187	4,803,473
Capital assets being depreciated:					
Buildings and improvements	8,722,959	$ -	$ -	$ 208,674	8,931,633
Infrastructure	12,845,332	210,150	-	7,384	13,062,866
Equipment	951,474	19,890	-	-	971,364
Vehicles	4,278,378	89,714	-	-	4,368,092
Total capital assets being depreciated	26,798,143	$ 319,754	$ -	$ 216,058	27,333,955
Less accumulated depreciation for:					
Buildings and improvements	2,436,914	$ 294,112	$ -	$ -	2,731,026
Infrastructure	1,086,094	323,358	-	-	1,409,452
Equipment	561,609	84,184	-	-	645,793
Vehicles	3,400,057	377,955	-	-	3,778,012
Total accumulated depreciation	7,484,674	$ 1,079,609	$ -	$ -	8,564,283
Total capital assets being depreciated, net	19,313,469				18,769,672
Governmental activity capital assets, net	$ 23,997,360				$ 23,573,145

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

General government	$ 251,487
Public safety	338,257
Transportation	324,164
Economic and physical development	84,115
Environmental protection	81,586
	$ 1,079,609

Business-type capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Business-type activities:					
Capital assets not being amortized or depreciated:					
Land	$ 6,132,444	$ 39,015	$ 61,371	$ 23,000	$ 6,133,088
Construction-in-progress	9,205,410	1,861,711	-	-	11,067,121
Total capital assets not being amortized or depreciated	15,337,854	$ 2,248,198	$ 61,371	$ 23,000	17,200,209
Capital assets being amortized or depreciated:					
Buildings and improvements	28,110,010	$ 26,183	$ -	$ (208,674)	27,927,519
Plant and distribution systems	35,302,307	539,500	6,657	-	35,835,150
Infrastructure	2,873,050	-	-	-	2,873,050
Equipment	1,665,614	248,176	-	(20,538)	1,893,252
Vehicles	1,022,759	52,236	17,820	-	1,057,175
Total capital assets being amortized or depreciated	68,973,740	$ 866,095	$ 24,477	$ (229,212)	69,586,146
Less accumulated depreciation and amortization for:					
Buildings and improvements	10,194,484	$ 810,285	$ -	$ -	11,004,769
Plant and distribution systems	9,884,983	651,053	-	-	10,536,036
Infrastructure	406,851	70,568	-	-	477,419
Equipment	1,385,946	99,892	-	-	1,485,838
Vehicles	703,812	120,835	1,373	-	823,274
Total accumulated depreciation and amortization	22,576,076	$ 1,752,633	$ 1,371	$ -	24,327,336
Depreciable assets, net	46,397,664				45,258,810
Business-type activity capital assets, net	$ 61,735,518				$ 62,459,019

(6) Construction commitments

The Town has active construction projects as of June 30, 2020 with the following remaining commitments:

Project	Spent to Date	Remaining Commitment
Carr Mill St - Atkins	$ 120,154	$ 59,569
Orange Grove Churton Sewer	283,532	14,923
Total	$ 403,686	$ 74,492

B. Liabilities

(1) Pension plans and postemployment obligations

(a) Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town 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, 2020 was 9.70% of compensation for law enforcement officers and 8.95% 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 $587,827 for the year ended June 30, 2020.

Refunds of contributions. Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires 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, 2020, the Town reported a liability of $2,472,850 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the Town's proportion was 0.09055%, which was a decrease of 0.00258% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of $1,113,523. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 423,415	$ -
Changes of assumptions	403,034	-
Net difference between projected and actual earnings on pension plan investments	60,316	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,976	32,451
Town contributions subsequent to the measurement date	587,828	-
Total	$ 1,480,569	$ 32,451

$587,828 of the amount reported as deferred outflows of resources related to Town contributions subsequent to the measurement date that will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2021	$ 439,272
2022	128,279
2023	231,248
2024	61,491
2025	-
Thereafter	-
	$ 860,290

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

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

The plan currently uses mortality tables that vary by age, gender, employee group (i.e., general, law enforcement officer) and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and

based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	$ 5,655,860	$ 2,472,850	$ (172,876)

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

(b) Law Enforcement Officers' Special Separation Allowance

(i) Plan description.

The Town of Hillsborough 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 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At the December 31, 2018 valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	29
Total	31

(ii) 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 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 Statement 73.

(iii) Actuarial assumptions:

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

Mortality rates are based on the RP-2014 series mortality tables with adjustments for mortality improvements based on Scale AA.

(iv) Change in actuarial assumptions:

On the prior measurement date (December 31, 2018), the Municipal Bond Index Rate, on which the discount rate is based, was 3.64%. Since the Prior Measurement Date, the Municipal Bond Index Rate has increased to 3.26% as of the Measurement Date (December 31, 2019). This resulted in a $25,289 increase in the Total Pension Liability.

(v) Contributions:

The Town is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid $13,652 as benefits came due for the reporting period.

(vi) Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions:

At June 30, 2020, the Town reported a total pension liability of $783,583. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of $79,585.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 53,695	$ 23,983
Changes of assumptions	44,165	25,064
Town benefit payments and plan administrative expense made subsequent to the measurement date	11,393	-
Total	$ 109,253	$ 49,047

The $11,393 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2021	$ 13,133
2022	13,133
2023	14,597
2024	7,974
2025	(24)
Thereafter	-
Total	$ 48,813

(vii) Sensitivity of the Town's total pension liability to changes in the discount rate:

The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	$ 854,415	$ 783,583	$ 718,882

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

	2020
Beginning balance	$ 727,333
Service cost	46,881
Interest on the total pension liability	26,226
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(28,494)
Changes of assumptions or other inputs	25,289
Benefit payments	(13,652)
Ending balance of the total pension liability	$ 783,583

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, 2018 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 ending December 31, 2014.

(c) Total expense, liabilities and deferred outflows and inflows of resources related to pensions

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

	LGERS	LEOSSA	Total
Pension expense	$ 1,113,523	$ 79,585	$ 1,193,108
Pension liability	2,472,850	783,583	3,256,433
Proportionate share of net pension liability	0.09055%	N/A	N/A
Deferred outflows of resources			
Differences between expected and actual experience	$ 423,415	$ 53,695	$ 477,110
Changes of assumptions	403,034	44,165	447,199
Net difference between projected and actual earnings on plan investments	60,316	-	60,316
Changes in proportion and differences between contributions and proportionate share of contributions	5,976	-	5,976
Benefit payments and administrative costs paid subsequent to the measurement date	587,828	11,393	599,221

Deferred inflows of resources			
Differences between expected and actual experience	-	23,983	23,983
Changes in proportion and differences between employer contributions and proportionate share of contributions	32,451	-	32,451
Change of Assumptions	-	25,064	25,064

(d) Supplemental Retirement Income Plan

Plan description. The Town of Hillsborough contributes to the Supplemental Retirement Income Plan (the "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 CAFR for the state of North Carolina. The state's CAFR includes the pension trust fund financial statements for the Internal Revenue Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454. Additionally, the Town has elected to include all permanent, full-time employees under this plan.

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. The Town has elected to contribute each month an amount equal to 5.0% of each participating general employee's salary. Also, the participants may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2020 were $536,658, which consisted of $317,250 from the Town and $219,408 from employees.

(2) Other postemployment benefit

Healthcare Benefits

Plan description. According to a Town resolution, the Town administers a single-employer defined benefit Healthcare Plan (the "HC Plan"). The HC Plan provides post-retirement healthcare benefits until they become eligible for Medicare to retirees of the Town who were hired before February 9, 2009, who have at least 20 years of creditable service, and who attain age 55 for regular employees and age 52 for law enforcement employees. Employees hired on or after February 9, 2009, must complete 30 years of service and attain age 60 for regular employees and age 57 for law enforcement employees before becoming eligible for post-retirement benefits. The Town pays the full cost of coverage for these benefits. The Town's Board of Commissioners may amend the benefit provisions. A separate report was not issued for the HC Plan.

	Law Enforcement		Non-Law Enforcement	
Retired Employees' Years of Creditable Service	**Hired Before February 9, 2009**	**Hired On or After February 9, 2009**	**Hired Before February 9, 2009**	**Hired On or After February 9, 2009**
Less than 20 years' continuous service	Not eligible for coverage	Not eligible for coverage	Not eligible for coverage	Not eligible for coverage
20 or more years' continuous service:				
Before age 52	Not eligible for coverage	Not eligible for coverage	Not eligible for coverage	Not eligible for coverage
Age 52 to 55	Full coverage paid for by Town	Not eligible for coverage	Not eligible for coverage	Not eligible for coverage
Age 55 until eligible for Medicare	Full coverage paid for by Town	Not eligible for coverage	Full coverage paid for by Town	Not eligible for coverage
30 or more years' continuous service:				
Before age 57	Full coverage paid for by Town	Not eligible for coverage	Full coverage paid for by Town	Not eligible for coverage

Age 57 to 60	Full coverage paid for by Town	Full coverage paid for by Town	Full coverage paid for by Town	Not eligible for coverage
Age 60 until eligible for Medicare	Full coverage paid for by Town	Full coverage paid for by Town	Full coverage paid for by Town	Full coverage paid for by Town

Membership of the HC Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	3	2
Active plan members	74	31
Total	77	33

Total OPEB liability

The Town's total OPEB liability of $1,175,291 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019.

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

Inflation	2.50 percent, including real wage growth
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Discount rate	3.50 percent
Healthcare cost trend rates	7.00% decreasing to an ultimate rate of 4.50% by 2026

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the total OPEB liability

Beginning balance at July 1, 2019	$ 1,634,361
Service cost	55,104
Interest on the total OPEB liability	60,865
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total OPEB liability	(461,361)
Changes of assumptions or other inputs	27,076
Benefit payments	(140,755)
Ending balance of the total OPEB liability at June 30, 2020	$ 1,175,290

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	$ 1,271,219	$ 1,175,290	$ 1,087,104

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

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Total OPEB liability	$ 1,065,858	$ 1,175,190	$ 1,300,853

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2020, the Town recognized OPEB expense of $101,029. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,747	$ 412,019
Changes of assumptions	24,020	86,896
Benefit payments and administrative costs made subsequent to the measurement date	51,931	-
Total	$ 82,698	$ 498,915

$51,931 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	
2021	$ (61,176)
2022	(61,176)
2023	(61,176)
2024	(61,176)
2025	(61,176)
Thereafter	(162,268)
Total	$ (468,148)

(3) Other employment benefit

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

(4) Accounts payable and accrued liabilities

Accounts payable and accrued liabilities at June 30, 2020 were as follows:

	Governmental Activities	Business-Type Activities	Total
Payable to vendors and others	$ 152,924	$ 356,389	$ 509,313
Accrued claims and judgments	-	-	-
Accrued payroll and related liabilities	222,599	102,239	324,838
Total accounts payable and accrued liabilities	$ 375,523	$ 458,628	$ 834,151

(5) Deferred outflows and inflows of resources

Deferred outflows of resources at year end is comprised of the following:

	Deferred Outflows
Contributions to pension plan in current fiscal year	$ 587,828
Benefit payments and administrative expenses for LEOSSA made subsequent to measurement date	11,393
Benefit payments made for OPEB subsequent to measurement date	51,931
Differences between actual and expected experience	483,857
Changes in proportion and differences between contributions and proportionate share of contributions	5,976
Changes of assumptions	471,219
Net difference between projected and actual earnings on pension plan investments	60,316
Total	$ 1,672,520

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

	Statement of Net Position	Governmental Funds Balance Sheet
Taxes receivable, less penalties	$ -	$ 153,685
Capital grant funds receivable but unavailable	-	-
Changes in assumptions	111,960	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	32,451	-
Differences between expected and actual experience	436,002	-
Total	$ 580,413	$ 153,685

(6) Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability coverage of $3 million per occurrence; auto liability coverage of $2 million per occurrence; property coverage up to the total insurance values of the property policy; and workers' compensation coverage up to statutory limits. The property/liability and workers compensation pools are reinsured through commercial companies for single occurrence claims against general liability and auto liability in excess of $1 million, property in excess of $500,000, and $1 million up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries commercial insurance for all other risks of loss, including property ($55,875,094); general liability ($5 million per occurrence); law enforcement liability ($5 million per occurrence); public employees scheduled bond ($60,000 - includes $50,000 for the finance director and $10,000 for the deputy tax collector), public employees blanket bond/crime ($10,000); computer equipment ($447,500); municipal equipment ($985,307); fine arts ($500,000); and public officials' liability ($5 million per occurrence). There have been no significant reductions in insurance coverage in the prior year, and settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The old motor pool facility is in an area of the state that has been mapped and designated an "A" area (an area close to a river) by the Federal Emergency Management Agency. Flood coverage on the old, dilapidated facility has been discontinued since the building is now used for storage only. Other town structures are designated as "B, C and X" areas (low-risk areas) and are insured for flood damage through the Interlocal Risk Financing Fund of North Carolina pool for $5 million per occurrence and aggregate with a $50,000 deductible. There is no coverage through the Interlocal Fund for structures in any flood zone other than "B, C, and X."

The Authority and the Board carried commercial coverage for Public Officials Liability with coverage of $1,000,000 for all claims. Both the Board and the Authority do not carry flood insurance nor have any employees.

(7) Claims and contingent liabilities

The Town has elected to pay the direct cost of employment security benefits in lieu of paying unemployment taxes. A liability for such payments could accrue in the period following the discharge of an employee.

(8) Long-term obligations

(a) Installment purchases

Governmental activities:

Note payable to BB&T, executed April 2008, in the amount of $1,226,000 for the construction of a Town Park and Improvements. The note is payable in 30 semi-annual payments of $40,867 plus interest at 2.22%, and is secured by such assets.	$	245,200
Note payable to BB&T, executed in July 2013, in the amount of $438,057 for the refinance of a note payable for the purchase of land for municipal operations. The note is payable in 21 semi-annual payments of $20,860 plus interest at 2.22%, and is secured by land. The previous note payable on the land for municipal operations included interest at 3.92%.	$	146,018
Note payable to BB&T, executed in July 2013, in the amount of $839,086 for the refinance of a note payable for the purchase of real property and a building to be used as the fleet maintenance facility. The note is payable in 23 semi-annual payments of $36,482 plus interest at 2.44%, and is secured by real property and a building. The previous note payable on the fleet maintenance facility included interest at 3.79%.		328,338
Note payable to BB&T, executed August 2013, in the amount of $1,450,000 for the purchase of land for Riverwalk Phases II and III. The note is payable in 20 semi-annual payments of $72,500 plus interest and matures in August 2023. Interest is payable at 2.35% and the note payable is secured by land.		214,803
Note payable to BB&T, executed August 2014, in the amount of $615,368 for the purchase of land for municipal operations. The note is payable in 30 semi-annual payments of $20,512 plus interest and matures in August 2029. Interest is payable at 2.88% and the note payable is secured by the land.		389,733
Note payable to BB&T, executed August 2015, in the amount of $481,000 for the purchase of a fire truck. The note is payable in ten semi-annual payments of $50,201 with interest payable at 1.57%, and is secured by the truck.		49,810
Note payable to BB&T, executed December 2016, in the amount of $317,000 for the purchase of a dump truck and knuckle boom truck. The note is payable in nine semi-annual payments of $36,637 with interest payable at 1.57%, and is secured by the trucks.		99,861
Note payable to BB&T, executed September 2017, in the amount of $465,522 for the purchase of police vehicles. The note is payable in nine semi-annual payments of $54,509 with interest payable at 1.86%, and is secured by the vehicles.		265,102

Note payable to Capital One, executed April 2018, in the amount of $2,770,000 to finance renovations for the Town's North Campus location and the Town Barn. The note is payable in fifteen annual payments of $239,296 with interest payable at 3.56%, and is secured by the mortgaged property. This note is allocated 83.65% to governmental activities, and 16.35% to business-type activities, and accordingly, the annual payments made out of the general fund will be $200,171, which commenced on January 1, 2019.	2,054,535
	3,793,400
Less current portion	(735,839)
	$ 3,057,561

The future minimum payments on the notes payable as of June 30, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	$ 735,839	$ 109,958	$ 845,797
2022	573,197	92,943	666,140
2023	427,683	79,528	507,211
2024	275,932	68,927	344,859
2025	223,614	60,711	284,325
2026 - 2030	996,973	201,784	1,198,757
2031 - 2033	560,162	40,349	600,511
	$ 3,793,400	$ 654,200	$ 4,447,600

Business-type activities:

Enterprise fund - Water/Sewer Fund:

Note payable to BB&T, executed March 2012, in the amount of $1,051,273 for the construction of water tanks and lines. The note is payable in 20 semi-annual payments of $52,564 plus interest at 2.26%, and is secured by the water tanks and lines.	$ 22,260
Note payable to Capital One, executed April 2018, in the amount of $2,770,000 to finance renovations for the Town's North Campus location and the Town Barn. The note is payable in fifteen annual payments of $239,296 with interest payable at 3.56%, and is secured by the mortgaged property. This note is allocated 83.65% to governmental activities, and 16.35% to business-type activities, and accordingly, the annual payments made out of the general fund will be $200,171, which commenced on January 1, 2019.	401,573
	423,833
Less current portion	(47,089)
	$ 376,744

The long-term debt requirements to maturity as of June 30, 2020 for the Enterprise Fund are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	$ 47,089	$ 14,548	$ 61,637
2022	25,713	13,412	39,125
2023	26,628	12,497	39,125
2024	27,576	11,549	39,125
2025	28,558	10,567	39,125
2026 - 2030	158,782	36,842	195,624
2031 - 2033	109,487	7,886	117,373
	$ 423,833	$ 107,301	$ 531,134

a. The provisions of this loan agreement contain certain financial covenants related to the maintenance of fund balance. At June 30, 2020, the Town was in compliance with such covenants.

b. General obligation indebtedness

The Town's legal debt margin at June 30, 2020 was $89,551,324.

c. Revolving loans payable

On May 7, 2002, the Town was approved for a maximum loan amount of $1,802,952 from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the Drinking Water State Revolving Fund. The loan proceeds were used to upgrade the water plant. The loan is repayable in equal principal payments of $76,222 plus interest of 2.66% through fiscal year ending 2026. The total amount outstanding at June 30, 2020 was $457,335.

Annual debt service requirements to maturity for this Revolving Loan Payable as of June 30, 2020 are as follows:

	Business-Type Activities		
Year Ending June 30,	Principal	Interest	Total
2021	$ 76,222	$ 12,166	$ 88,388
2022	76,222	10,138	86,360
2023	76,222	8,110	84,332
2024	76,222	6,082	82,304
2025	76,222	4,056	80,280
2026	76,225	2,028	78,251
	$ 457,335	$ 42,580	$ 499,915

On October 6, 2011, the Town was approved for a maximum loan amount of $18,894,640 from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the Clean Water State Revolving Fund. The loan proceeds were used for a Wastewater Treatment Plant Upgrade and Expansion Project. The loan is repayable in equal principal payments of $890,500 plus interest of 2.455% through fiscal year ending 2034. The total amount outstanding at June 30, 2020 was $12,467,005.

Annual debt service requirements to maturity for this Revolving Loan Payable as of June 30, 2020 are as follows:

	Business-Type Activities		
Year Ending June 30,	**Principal**	**Interest**	**Total**
2021	$ 890,500	$ 306,064	$ 1,196,564
2022	890,500	284,204	1,174,704
2023	890,500	262,342	1,152,842
2024	890,500	240,480	1,130,980
2025	890,500	218,618	1,109,118
2026 - 2030	4,452,500	765,160	5,217,660
2031 - 2034	3,562,005	218,620	3,780,625
	$ 12,467,005	$ 2,295,488	$ 14,762,493

On October 6, 2014, the Town was approved for a maximum loan amount of $2,029,398 from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the Drinking Water State Revolving Fund. The loan proceeds are being used for the Waterstone Elevated Water Tank Project. The first payment was made on the note in April 2016. The loan is repayable in a principal payment of $72,078 due on May 1, 2019, followed by equal principal payments of $94,122 annually on May 1st, with no interest, through fiscal year ending 2035. The total amount outstanding at June 30, 2020 was $1,411,828.

Annual debt service requirements to maturity for this Revolving Loan Payable as of June 30, 2020 are as follows:

	Business-Type Activities		
Year Ending June 30,	**Principal**	**Interest**	**Total**
2021	$ 94,122	$ -	$ 94,122
2022	94,122	-	94,122
2023	94,122	-	94,122
2024	94,122	-	94,122
2025	94,122	-	94,122
2026 - 2030	470,610	-	470,610
2031 - 2034	470,608	-	470,608
	$ 1,411,828	$ -	$ 1,411,828

d. Special revenue bonds payable

On May 24, 2018, the City issued $10,155,000 of special revenue bonds secured by water and sewer utility revenues for improvements to the water and sewer system, including renovation and expansion of the Town's West Fork of the Eno Reservoir; $6,500,000 were issued as serial bonds and $3,655,000 were issued as term bonds. The purchase price of the bonds was $11,180,846, resulting in a premium upon issuance of $1,025,846. The serial bonds carry interest rates of 4.00% to 5.00% and mature between October 1, 2020, and October 1, 2038. The term bonds were divided into two lots with $1,765,000 paying 3.375% due between October 1, 2039 and October 1, 2040, and $1,890,000 paying 3.50% due between October 1, 2041 and October 1, 2042. All term bonds are subject to mandatory redemption in prescribed amounts before the maturity dates. $10,155,000 remains outstanding at June 30, 2020.

Annual debt service requirements to maturity for these special revenue bonds payable as of June 30, 2020 are as follows:

	Business-Type Activities		
Year Ending June 30,	Principal	Interest	Total
2021	$ 25,000	$ 449,969	$ 474,969
2022	25,000	448,844	473,844
2023	30,000	447,469	477,469
2024	30,000	445,969	475,969
2025	30,000	444,469	474,469
2026 - 2030	180,000	2,197,344	2,377,344
2031 - 2035	3,090,000	1,802,594	4,892,594
2036 - 2040	3,960,000	932,413	4,892,413
2041 - 2043	2,785,000	147,928	2,932,928
	$ 10,155,000	$ 7,316,999	$ 17,471,999

e. Combined Utility Systems Revenue Bond, Series 2020

On February 12, 2020, the City issued $3,271,000 of special revenue bonds secured by water and sewer utility revenues for road improvements near the Town's water reservoir, as part of the comprehensive plan to improve and expand the reservoir. The bonds carry an interest rate of 1.98% and mature April 1, 2030. $3,271,000 remains outstanding at June 30, 2020.

Annual debt service requirements to maturity for these special revenue bonds payable as of June 30, 2020 are as follows:

	Business-Type Activities		
Year Ending June 30,	Principal	Interest	Total
2021	$ 292,000	$ 73,581	$ 365,581
2022	307,000	58,984	365,984
2023	310,000	52,906	362,906
2024	317,000	46,768	363,768
2025	325,000	40,491	365,491
2026 - 2030	1,720,000	103,376	1,823,376
	$ 3,271,000	$ 376,106	$ 3,647,106

f. Debt Covenant

The Town is in compliance with the covenants as to rates, fees, rentals and charges in Section 4 of the Master Trust Agreement, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2018. Section 4.03 of the Master Trust Agreement requires the sum of the income available for debt service and 15% of the system fund balance to be no less than 120% of the long-term debt service requirement for parity indebtedness and the income available for debt service will be not less than the sum of the long-term debt service requirement for parity indebtedness and subordinate indebtedness and the debt service on all installment debt and system general obligation debt.

The debt service coverage ratio calculation is as follows:

Operating revenues	$	10,722,494
Operating expenses **		(6,286,611)
Operating income		4,435,883
Nonoperating revenues (expenses)		(732,406)
Income available for debt service		3,703,477
15% of Unrestricted Net Position*		1,557,794
Total Balance for 120% Parity	$	5,261,271
Debt service, principal and interest (Revenue bond only)	$	450,468
Debt service coverage ratio on first-lien debt		11.68
Debt service all debt (total balance for 100%)	$	1,999,969
Debt service coverage ratio on all debt together		1.85

* System Fund Balance

** Depreciation excluded from operating expenses

g. Changes in long-term debt

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion of Long-Term Liabilities
Governmental activities:					
Direct placement installment purchases	$ 4,632,280	$ -	$ 838,880	$ 3,793,400	$ 735,839
Compensated absences	333,301	202,670	214,005	321,966	208,854
Other postemployment benefits	1,022,172	-	308,467	713,705	-
Net pension liability (LGERS)	1,513,849	177,035	-	1,690,884	-
Total pension liability (LEOSSA)	727,333	56,250	-	783,583	-
	$ 8,228,935	$ 435,955	$ 1,361,352	$ 7,303,538	$ 944,693
Business-type activities:					
Direct placement installment purchases	$ 552,936	$ -	$ 129,103	$ 423,833	$ 47,089
Revolving loans payable	15,397,010	-	1,060,843	14,336,167	1,060,844
Special revenue bonds payable	10,155,000	3,271,000	-	13,426,000	317,000
Premium on bonds payable	970,330	-	56,689	913,641	56,627
Other postemployment benefits	612,189	-	150,627	461,562	-
Net pension liability (LGERS)	695,513	86,453	-	781,966	-
Compensated absences	264,777	72,230	105,422	231,585	105,422
	$ 28,647,755	$ 3,429,683	$ 1,502,684	$ 30,574,754	$ 1,586,982

Compensated absences, the total pension liability (LEOSSA), and net pension liability (LGERS) for governmental activities have typically been liquidated in the General Fund.

h. Special assessment debt

In October 2013, the Town issued $4,630,000 of Special Assessment Revenue Bonds to finance the construction of public infrastructure in the Waterstone District. The Town is in no manner obligated to repay this special assessment debt and functions only as an agent for the property owners by remitting collections of special assessments to the Trustee. At June 30, 2020, $1,946,000 of special assessment debt remained outstanding.

(9) Operating leases

The Town leases certain vehicles and office equipment under non-cancelable operating leases expiring at various times through 2022. Future minimum lease payments approximate the following:

Year Ending June 30,	
2021	71,284
2022	141,306

Rent expense under operating leases for the year ended June 30, 2020 was $72,484.

C. Interfund balances and activity

Transfers to/from other funds

Transfers to/from other governmental funds at June 30, 2020 consist of the following:

To the General Fund from the Town Barn Improvement Capital Project Fund	$ 55,368
To the General Fund from the Downtown Improvements Capital Project Fund	36,487
From the General Fund to the Riverwalk CMAQ Capital Projects Fund for grant matching funds	(50,343)
From the General Fund to the General Capital Projects Fund for future connectivity projects	(80,000)
From the General Fund to the Public Safety Facility Capital Project Fund	(312,000)
	$ (350,488)

Transfers to (from) the governmental fund to the proprietary funds at June 30, 2020 consist of the following:

From the Town Barn Improvements Capital Project Fund	$ (10,822)
From the Water and Sewer Fund	208,674
	$ 197,852

D. Net investment in capital assets

	Governmental	Business-Type
Capital assets	$ 23,573,145	$ 62,459,019
Less: related debt		
Installment purchases	(3,793,400)	(423,833)
Revolving loans payable	-	(14,336,167)
Special revenue bonds payable	-	(13,426,000)
Construction retainage payable	-	(14,923)
Add: unexpended debt proceeds	-	3,891,390
Net investment in capital assets	$ 19,779,745	$ 38,149,486

E. Fund balance

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

Total fund balance General Fund	$ 8,657,702
Less:	
Stabilization by state statute	1,081,435
Streets - Powell Bill	200,490
Appropriated fund balance in subsequent fiscal year's budget	749,550
Working capital/fund balance policy	6,626,227
Remaining fund balance General Fund	$ -

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year end.

	Encumbrances
General Fund	$ 37,965

4. Jointly Governed Organization

The Town, in conjunction with seven counties and 37 other municipalities, established the Triangle J Council of Governments (the "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 membership fees of $2,872 to the Council during the fiscal year ended June 30,2020.

5. Contingencies

During 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the Board's revenue and operations for an indeterminable period of time. Other financial impacts could occur that are unknown at this time.

6. Subsequent Events

The Town of Hillsborough has evaluated all subsequent events for potential recognition and disclosure through November 18, 2020, the date these financial statements will be available.

Required Supplementary Financial Data

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

- Schedule of Changes in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance.
- Schedules of Changes in the Total OPEB Liability and Related Ratios.
- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System

Town of Hillsborough, North Carolina **Exhibit A**
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedules of Changes in Total Pension Liability
Last Four Fiscal Years

	2020	2019	2018	2017
Beginning balance	$ 727,333	$ 641,574	$ 566,336	$ 556,718
Service cost	46,881	49,048	37,358	36,956
Interest on the total pension liability	26,226	19,749	21,303	19,286
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(28,494)	80,147	(520)	-
Changes of assumptions or other inputs	25,289	(29,947)	45,993	(13,621)
Benefit payments	(13,652)	(33,238)	(28,896)	(33,003)
Other changes	-	-	-	
Ending balance of the total pension liability	$ 783,583	$ 727,333	$ 641,574	$ 566,336

Notes to the Schedules:
The amounts presented for each fiscal year were determined as of the prior fiscal year ended December 31.

Town of Hillsborough, North Carolina **Exhibit B**
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedules of Total Pension Liability as a Percentage of Covered Payroll
Last Four Fiscal Years

	2020	2019	2018	2017
Total pension liability	$ 783,583	$ 727,333	$ 641,574	$ 566,336
Covered payroll	1,831,895	1,830,296	1,670,805	1,650,937
Total pension liability as a percentage of covered payroll	42.77%	39.74%	38.40%	34.30%

Notes to the Schedules:

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

Town of Hillsborough, North Carolina **Exhibit C**
Schedule of Changes in the Total OPEB Liability and Related Ratios
Required Supplementary Information
June 30, 2020
Last three fiscal years

Total OPEB Liability	**2020**	**2019**	**2018**
Service cost	$ 55,105	$ 56,731	$ 60,886
Interest	60,865	56,550	48,567
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(461,361)	8,747	(2,066)
Changes of assumptions or other inputs	27,076	(45,522)	(78,864)
Benefit payments	(140,756)	(60,738)	(46,470)
Net change in total OPEB liability	(459,071)	15,768	(17,947)
Total OPEB liability, beginning	1,634,361	1,618,593	1,636,540
Total OPEB liability, ending	$ 1,175,290	$ 1,634,361	$ 1,618,593
Covered-employee payroll	5,736,330	$ 5,180,570	$ 5,180,570
Total OPEB liability as a percentage of covered-employee payroll	20.49%	31.55%	31.24%

Notes to the Schedule:

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

Fiscal Year	**Rate**
2020	3.50%
2019	3.89%
2018	3.56%

Town of Hillsborough, North Carolina **Exhibit D-1**
Schedules of Proportionate Share of Net Pension Liability (Asset)
Local Government Employees' Retirement System
Required Supplementary Information
Last Seven Fiscal Years*

	2020	2019	2018	2017	2016
Hillsborough's proportion of the net pension liability (asset) (%)	**0.0906%**	0.0931%	0.0919%	0.0924%	0.0838%
Hillsborough's proportion of the net pension liability (asset) ($)	**$ 2,472,850**	$ 2,209,362	$ 1,404,436	$ 1,961,038	$ 376,224
Hillsborough's covered payroll	5,936,460	5,695,125	5,750,308	5,235,777	4,861,624
Hillsborough's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	**41.66%**	38.79%	24.42%	37.45%	7.74%
Plan fiduciary net position as a percentage of the total pension liability	**90.68%**	94.18%	91.47%	98.09%	99.07%

	2015	2014
Hillsborough's proportion of the net pension liability (asset) (%)	0.0809%	0.0797%
Hillsborough's proportion of the net pension liability (asset) ($)	$ (477,164)	$ 960,691
Hillsborough's covered payroll	4,672,868	4,428,097
Hillsborough's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-10.21%	21.70%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

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

Town of Hillsborough, North Carolina
Schedules of Contributions
Local Government Employees' Retirement System
Required Supplementary Information
Last Seven Fiscal Years

Exhibit D-2

	2020	2019	2018	2017	2016
Contractually required contribution	$ 587,827	$ 478,756	$ 440,572	$ 429,432	$ 356,396
Contributions in relation to the contractually required contribution	587,827	478,756	440,572	429,432	356,396
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Hillsborough's covered payroll	$ 6,389,923	$ 5,936,460	$ 5,695,125	$ 5,750,308	$ 5,235,777
Contributions as a percentage of covered payroll	9.20%	8.06%	7.74%	7.47%	6.81%

	2015	2014
Contractually required contribution	$ 357,402	$ 333,343
Contributions in relation to the contractually required contribution	357,402	333,343
Contribution deficiency (excess)	$ -	$ -
Hillsborough's covered payroll	$ 4,861,624	$ 4,672,868
Contributions as a percentage of covered payroll	7.35%	7.13%

Supplementary Information

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2020 with Comparative Actual Amounts for Year Ended June 30, 2019

Schedule 1
(5 pages)

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues				
General revenues:				
Ad valorem taxes:				
Current	$ 7,127,579	$ 7,402,989	$ 275,410	$ 6,472,975
Prior	-	-	-	86
Penalties and interest	18,890	19,874	984	18,796
	7,146,469	7,422,863	276,394	6,491,857
Other taxes and licenses:				
Local option sales tax	1,476,003	1,719,865	243,862	1,708,025
Gross receipts on short-term rental property	12,290	11,517	(773)	13,593
Privilege licenses	682	878	196	875
Motor vehicle license fees	644	674	30	892
Solid waste disposal	4,310	5,663	1,353	5,472
	1,493,929	1,738,597	244,668	1,728,857
Unrestricted intergovernmental revenues:				
Franchise tax	319,831	585,296	265,465	632,575
Beer and wine tax	32,184	32,185	1	31,819
Food and beverage tax	350,000	399,918	49,918	397,640
Occupancy tax	53,600	62,107	8,507	73,225
Alliance Contingency Reimb.	-	1,532	1,532	-
	755,615	1,081,038	325,423	1,135,259
Restricted intergovernmental revenues:				
Powell Bill	202,395	202,395	-	199,965
Federal grants	8,221	32,487	24,266	21,710
State grants	-	-	-	-
Covid Relief Funding	79,973	79,973	-	-
Other	2,055	2,357	302	3,165
	292,644	317,212	24,568	224,840
Investment earnings	170,000	170,325	325	248,824
Other general revenues	236,021	87,365	(148,656)	50,176
Total general revenues	10,094,678	10,817,400	722,722	9,879,813

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2020 with Comparative Actual Amounts for Year Ended June 30, 2019

Schedule 1
(5 pages)

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Functionally related revenues:				
Use and rental fees:				
Zoning permits	$ 212,815	$ 215,487	$ 2,672	$ 95,363
Cable franchise	40,000	52,742	12,742	41,926
Time Warner Cable PEG fees	-	27,353	27,353	20,270
Fire inspection fees	13,955	15,310	1,355	12,852
Affordable Housing	387,227	34,000	(353,227)	29,000
Total functionally related revenues	653,997	344,892	(309,105)	199,411
Total revenues	10,748,675	11,162,292	413,617	10,079,224
Expenditures				
General government:				
Governing body:				
Personnel services		48,549		48,205
Other services and charges		240,211		180,976
Reimbursement from enterprise funds		(118,289)		(151,040)
Capital outlay		-		-
	178,951	170,471	8,480	78,141
Ruffin-Roulhac:				
Other services and charges		53,551		95,627
Capital outlay		-		-
Debt Service Payments		200,171		200,171
Reimbursement from enterprise funds		(158,148)		(110,388)
	180,145	95,574	84,571	185,410
Administration:				
Personnel services		1,041,880		854,957
Other services and charges		456,965		471,122
Reimbursement from enterprise funds		(691,268)		(756,289)
	890,513	807,577	82,936	569,790
Finance:				
Personnel services		420,707		472,654
Other services and charges		82,064		81,797
Debt service payments		-		-
Reimbursement from enterprise funds		(236,069)		(314,641)
	319,090	266,702	52,388	239,810

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2020 with Comparative Actual Amounts for Year Ended June 30, 2019

Schedule 1
(5 pages)

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Planning:				
Personnel services		$ 386,393		$ 378,387
Other services and charges		141,094		44,410
	823,546	527,487	296,059	422,797
Motor pool:				
Personnel services		290,759		276,961
Other services and charges		122,417		149,084
Debt service payments		82,311		84,091
Reimbursement from enterprise funds		(141,277)		(232,819)
	413,244	354,210	59,034	277,317
Total general government	2,805,489	2,222,021	583,468	1,773,265
Public safety:				
Police department:				
Personnel services		2,828,278		2,616,169
Other services and charges		309,797		332,202
Capital outlay		56,956		67,651
Debt service payments		127,206		145,395
	3,488,163	3,322,237	165,926	3,161,417
Fire inspections/code enforcement:				
Personnel services		151,411		130,636
Other services and charges		20,389		10,965
Debt service payments		100,402		226,455
	337,693	272,202	65,491	368,056
Safety:				
Personnel services		164,626		105,904
Other services and charges		502,636		432,080
Capital outlay		-		-
Reimbursement from enterprise funds		(150,399)		(476,329)
	638,823	516,863	121,960	61,655
Fire protection				
Other services and charges		1,122,806		1,081,207
	1,128,238	1,122,806	5,432	1,081,207
Total public safety	5,592,917	5,234,108	358,809	4,672,335

Town of Hillsborough, North Carolina **Schedule 1**
Schedule of Revenues, Expenditures, and Changes in Fund Balance **(5 pages)**
Budget and Actual
General Fund
Year Ended June 30, 2020 with Comparative Actual Amounts for
Year Ended June 30, 2019

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Transportation:				
Street department/Powell Bill:				
Personnel services		$ 307,219		$ 277,642
Other services and charges		147,052		161,914
Capital outlay		230,040		476,541
Debt service payments		41,018		41,018
	974,755	725,329	249,426	957,115
Total transportation	974,755	725,329	249,426	957,115
Environmental protection:				
Sanitation department:				
Personnel services		276,391		197,024
Other services and charges		145,965		139,684
Capital outlay		32,758		-
Debt service payments		76,323		120,391
	557,246	531,437	25,809	457,099
Cemetery:				
Other services and charges		7,015		8,512
	13,994	7,015	6,979	8,512
Total environmental protection	571,240	538,452	32,788	465,611
Economic and physical development:				
Tourism:				
Personnel Services		38,550		33,911
Other services and charges		434,944		452,229
	550,870	473,494	77,376	486,140
Total economic and physical development	550,870	473,494	77,376	486,140
Community activities and projects:				
Contributions		-		-
Other services and charges		250,962		158,906
Debt service payments		98,791		100,899
Total community activities and projects	405,699	349,753	55,946	259,805

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2020 with Comparative Actual Amounts for Year Ended June 30, 2019

Schedule 1
(5 pages)

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Parks and recreation:				
Personnel services		$ 161,376		$ 148,258
Other services and charges		375,936		342,887
Debt service payments		241,141		246,363
Reimbursement from enterprise funds		(25,800)		(25,800)
Capital Outlay		-		23,897
Total parks and recreation	830,753	752,653	78,100	735,605
Contingency:				
Other services and charges		-		-
	-	-	-	-
Total expenditures	11,731,723	10,295,810	1,435,913	9,349,876
Revenues over (under) expenditures	(983,048)	866,482	1,849,530	729,348
Other financing sources (uses):				
Transfer to other funds:				
General Capital Projects Fund	(80,000)	(80,000)	-	(20,000)
Downtown Improvements Capital Project Fund	-	-	-	(76,814)
Public Safety Facility Capital Project Fund	(312,000)	(312,000)	-	-
Riverwalk - CMAQ Fund	(50,343)	(50,343)	-	(43,420)
Public Works Project Fund	-	-	-	(79,182)
Transfer from other funds:				
80 Capital Project Fund	55,368	55,368	-	-
Downtown Improvements Capital Project Fund	-	36,487	36,487	-
Installment purchase obligations issued	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	(386,975)	(350,488)	36,487	(219,416)
Appropriated fund balance	1,370,023	-	(1,370,023)	-
Net change in fund balance	-	515,994	$ 515,994	509,932
Fund balance, beginning		7,955,027		7,445,095
Fund balance, ending		$ 8,471,021		$ 7,955,027

Town of Hillsborough, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

Schedule 2
(2 pages)

	Consolidated General Capital Projects Fund	Downtown Improvements Capital Projects Fund	Riverwalk CMAQ Capital Project Fund
ASSETS			
Cash and investments	$ -	$ -	$ -
Accounts receivable	-	-	-
Prepaid items	-	-	-
Due from other governments	-	-	165,441
Restricted assets:			
Cash and investments	301,829	-	-
Total assets	$ 301,829	$ -	$ 165,441
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	2,656	-	-
Due to other funds	-	-	160,038
Total liabilities	2,656	-	160,038
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances:			
Nonspendable:			
Prepaid Items	-	-	-
Restricted for:			
Stabilization by state statute	122,253	-	192,253
Capital projects	176,920	-	-
Committed for:			
Capital projects	-	-	-
Unassigned	-	-	(186,850)
Total fund balances (deficit)	299,173	-	5,403
Total liabilities, deferred inflows of resources, and fund balances	$ 301,829	$ -	$ 165,441

Town Barn Improvements Capital Project Fund	Rail Station Capital Project Fund	Public Works Building Capital Project Fund	Public Safety Building Capital Project Fund	Total Nonmajor Governmental Funds
$ -	$ 19,290	$ 128,200	$ 131,009	$ 278,499
-	-	-	-	-
-	-	-	-	-
-	-	-	-	165,441
-	-	-	-	301,829
$ -	$ 19,290	$ 128,200	$ 131,009	$ 745,769
-	-	-	12,049	14,705
-	-	-	-	160,038
-	-	-	12,049	174,743
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	1,656	-	75,353	391,515
-	-	-	-	176,920
-	17,634	128,200	43,607	189,441
-	-	-	-	(186,850)
-	19,290	128,200	118,960	571,026
$ -	$ 19,290	$ 128,200	$ 131,009	$ 745,769

Town of Hillsborough, North Carolina
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Nonmajor Governmental Funds
Year Ended June 30, 2020

Schedule 3
(2 pages)

	Consolidated General Capital Projects Fund	Downtown Improvements Capital Project Fund	Riverwalk CMAQ Capital Project Fund
Revenues			
Restricted intergovernmental revenues:			
Federal grants	$ -	$ -	$ 786,705
State grants	-	235,794	-
Contributions from property owners	11,147	-	-
Investment earnings	1,207	-	-
Total revenues	12,354	235,794	786,705
Expenditures			
Current:			
General government	97,102	-	-
Economic and physical development	-	-	-
Parks and recreation	-	-	7,378
Total expenditures	97,102	-	7,378
Revenues over (under) expenditures	(84,748)	235,794	779,327
Other financing sources			
Transfer from General Fund	80,000	-	50,343
Transfer to General Fund	-	(36,487)	-
Transfer to Water & Sewer Fund	-	-	-
Total other financing sources	80,000	(36,487)	50,343
Net change in fund balances	(4,748)	199,307	829,670
Fund balances (deficit), beginning	303,921	(199,307)	(824,267)
Fund balances (deficit), ending	$ 299,173	$ -	$ 5,403

Town Barn Improvements Capital Project Fund	Rail Station Capital Project Fund	Public Works Building Capital Project Fund	Public Safety Building Capital Project Fund	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ 786,705
-	-	-	-	235,794
-	-	-	-	11,147
31	-	-	-	1,238
31	-	-	-	1,034,884
-	-	-	193,040	290,142
-	16,395	-	-	16,395
-	-	-	-	7,378
-	16,395	-	193,040	313,915
31	(16,395)	-	(193,040)	720,969
-	-	-	312,000	442,343
(55,368)	-	-	-	(91,855)
(10,822)	-	-	-	(10,822)
(66,190)	-	-	312,000	339,666
(66,159)	(16,395)	-	118,960	1,060,635
66,159	35,685	128,200	-	(489,609)
$ -	$ 19,290	$ 128,200	$ 118,960	$ 571,026

Town of Hillsborough, North Carolina **Schedule 4**
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Town Barn Improvements Capital Project Fund
Year Ended June 30, 2020

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total To Date	Variance Positive (Negative)
Revenues					
Investment earnings	$ 9,233	$ 9,827	$ **31**	$ 9,858	$ 625
Total revenues	9,233	9,827	**31**	9,858	625
Expenditures					
Design	144,510	144,182	-	144,182	328
Construction	1,596,709	1,596,709	-	1,596,709	-
Miscellaneous capital items	334,307	334,307	-	334,307	-
Total expenditures	2,075,526	2,075,198	-	2,075,198	328
Revenues under expenditures	(2,066,293)	(2,065,371)	**31**	(2,065,340)	953
Other financing sources (uses)					
Installment purchase obligations issued	1,997,329	1,997,329	-	1,997,329	-
Transfer from General Fund	134,201	134,201	-	134,201	-
Transfer to General Fund	(65,237)	-	**(55,368)**	(55,368)	9,869
Transfer to Water & Sewer Fund	-	-	**(10,822)**	(10,822)	(10,822)
Total other financing sources (uses)	2,066,293	2,131,530	**(66,190)**	2,065,340	(953)
Net change in fund balance	$ -	$ 66,159	**(66,159)**	$ -	$ -
Fund balance, beginning			**66,159**		
Fund balance, ending			$ -		

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Capital Projects Fund
Nonmajor Capital Project Fund
Year Ended June 30, 2020

Schedule 5

	Project Authorization	Actual: Prior Years	Actual: Current Year	Actual: Closed Out Projects	Actual: Total To Date	Variance Positive (Negative)
Revenues						
Contributions from property owners	$ -	$ 3,205,855	**$ 11,147**	$ (3,205,856)	$ 11,146	$ 11,146
Investment earnings	-	-	**-**	-	-	-
Total revenues	-	3,205,855	**11,147**	(3,205,856)	11,146	11,146
Expenditures						
Connectivity projects	40,000	-	**5,956**	-	5,956	34,044
Fiber loop	150,000	-	**-**	-	-	150,000
Construction	80,000	3,205,856	**91,146**	(3,205,856)	91,146	(11,146)
Total expenditures	270,000	3,205,856	**97,102**	(3,205,856)	97,102	172,898
Revenues under expenditures	(270,000)	(1)	**(85,955)**	-	(85,956)	184,044
Other financing sources (uses):						
Transfer from General Fund	277,070	197,071	**72,930**	-	270,001	(7,069)
Transfer to General Fund	(7,070)	(7,070)	**7,070**	-	-	7,070
Total other financing sources	270,000	190,001	**80,000**	-	270,001	1
Net change in fund balance	$ -	$ 190,000	**(5,955)**	$ -	$ 184,045	$ 184,045
Fund balance, beginning			**190,000**			
Fund balance, ending			**184,045**			

Amounts reported for Revenue, Expenditures and Changes in Fund Balance are different for the Budgeted/Actual Statement due to consolidation of the General Capital Reserve Fund

Interest on investments	**1,207**
Transfers out - Capital Reserve Fund	**-**
Fund balance, beginning (Capital Reserve Fund)	**113,921**
Fund balance, ending (Consolidated General Capital Projects Fund)	**$ 299,173**

Town of Hillsborough, North Carolina **Schedule 6**
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Capital Reserve Fund
Nonmajor Capital Project Fund
Year Ended June 30, 2020

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total To Date	Variance Positive (Negative)
Revenues					
Capital contributions	$ 1,105,000	$ 1,105,000	$ -	$ 1,105,000	$ -
Affordable Housing Revenue	91,000	-	-	-	(91,000)
Collins Ridge- Restricted	295,440	-	-	-	(295,440)
Interest on investments	15,065	20,975	**1,207**	22,182	7,117
Total revenues	1,506,505	1,125,975	**1,207**	1,127,182	(379,323)
Expenditures					
Affordable Housing Expenditures	91,000	-	-	-	(91,000)
Collins Ridge Public Safety	235,440	-	-	-	(235,440)
Collins Ridge Garbage Truck	60,000	-	-	-	(60,000)
Waterstone Police	108,010	-	-	-	(108,010)
Total expenditures	494,450	-	-	-	(494,450)
Revenues over expenditures	1,012,055	1,125,975	**1,207**	1,127,182	115,127
Other financing uses					
Transfer to General Fund	(609,024)	(609,023)	-	(609,023)	1
Transfer to Water Sewer Capital Reserve Fund	(403,031)	(403,031)	-	(403,031)	-
Total other financing uses	(1,012,055)	(1,012,054)	-	(1,012,054)	1
Net change in fund balance	$ -	$ 113,921	**1,207**	$ 115,128	$ 115,128
Fund balance, beginning			**113,921**		
Fund balance, ending			**$ 115,128**		

Town of Hillsborough, North Carolina **Schedule 7**
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Downtown Improvements Capital Project Fund
Nonmajor Capital Project Fund
Year Ended June 30, 2020

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total To Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental revenues					
State grants	$ 365,000	$ 365,000	**$ 235,794**	$ 600,794	$ 235,794
Federal grants	366,000	120,946	-	120,946	(245,054)
Total revenues	731,000	485,946	**235,794**	721,740	(9,260)
Expenditures					
Design	3,173	3,173	-	3,173	-
Construction	900,285	860,431	-	860,431	39,854
Administration	111,093	105,200	-	105,200	5,893
Total expenditures	1,014,551	968,804	-	968,804	45,747
Revenues under expenditures	(283,551)	(482,858)	**235,794**	(247,064)	36,487
Other financing sources					
Transfer from General Fund	283,551	283,551	-	283,551	-
Transfer to General Fund	-	-	**(36,487)**	(36,487)	(36,487)
Total other financing sources/(uses)	283,551	283,551	**(36,487)**	247,064	(36,487)
Net change in fund balance	$ -	$ (199,307)	**199,307**	$ -	$ -
Fund deficit, beginning			**(199,307)**		
Fund balance, ending			**$ -**		

Town of Hillsborough, North Carolina **Schedule 8**
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Riverwalk CMAQ Capital Project Fund
Nonmajor Capital Project Fund
Year Ended June 30, 2020

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total To Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental revenues:					
Federal grants	$ 1,006,850	$ 144,867	**$ 786,705**	$ 931,572	$ (75,278)
Total revenues	1,006,850	144,867	**786,705**	931,572	(75,278)
Expenditures					
Design	131,778	131,778	**-**	131,778	-
Construction	1,021,240	939,990	**4,702**	944,692	76,548
Administration	105,545	98,736	**2,676**	101,412	4,133
Total expenditures	1,258,563	1,170,504	**7,378**	1,177,882	80,681
Revenues under expenditures	(251,713)	(1,025,637)	**779,327**	(246,310)	5,403
Other financing sources					
Transfer from General Fund	251,713	201,370	**50,343**	251,713	-
Net change in fund balance	$ -	$ (824,267)	**829,670**	$ 5,403	$ 5,403
Fund balance, beginning			**(824,267)**		
Fund balance, ending			**$ 5,403**		

Town of Hillsborough, North Carolina **Schedule 9**
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Rail Station Capital Project Fund
Nonmajor Capital Project Fund
Year Ended June 30, 2020

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total To Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental revenues:					
State grants	$ 870,000	$ -	$ -	$ -	$ (870,000)
Transit taxes (Article 43)	116,000	-	-	-	(116,000)
Total revenues	986,000	-	-	-	(986,000)
Expenditures					
Design	891,000	13,865	-	13,865	877,135
Legal	27,500	9,450	**16,395**	25,845	1,655
Miscellaneous	126,500	-	-	-	126,500
Total expenditures	1,045,000	23,315	**16,395**	39,710	1,005,290
Revenues under expenditures	(59,000)	(23,315)	**(16,395)**	(39,710)	19,290
Other financing sources					
Transfer from General Fund	59,000	59,000	-	59,000	-
Net change in fund balance	$ -	$ 35,685	**(16,395)**	$ 19,290	$ 19,290
Fund balance, beginning			**35,685**		
Fund balance, ending			**$ 19,290**		

Town of Hillsborough, North Carolina **Schedule 10**
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Public Works Building Capital Project Fund
Nonmajor Capital Project Fund
Year Ended June 30, 2020

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total To Date	Variance Positive (Negative)
Expenditures					
Design	$ 75,000	$ 25,982	$ -	$ 25,982	$ 49,018
Construction	79,182	-	-	-	79,182
Total expenditures	154,182	25,982	-	25,982	128,200
Revenues under expenditures	(154,182)	(25,982)	-	(25,982)	128,200
Other financing sources					
Transfer from General Fund	154,182	154,182	-	154,182	-
	154,182	154,182	-	154,182	-
Net change in fund balance	$ -	$ 128,200	-	$ 128,200	$ 128,200
Fund balance, beginning			**128,200**		
Fund balance, ending			**$ 128,200**		

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Public Safety Building Capital Project Fund
Nonmajor Capital Project Fund
Year Ended June 30, 2020

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total To Date	Variance Positive (Negative)
Expenditures					
Construction	$ 222,855	$ -	**$ 180,991**	$ 180,991	$ 41,864
Miscellaneous	84,145	-	**12,049**	12,049	72,096
Contingency	5,000	-	**-**	-	5,000
Total expenditures	312,000	-	**193,040**	193,040	118,960
Revenues under expenditures	(312,000)	-	**(193,040)**	(193,040)	118,960
Other financing sources					
Transfer from General Fund Restricted Revenue	135,440	-	**135,440**	135,440	-
Transfer from General Fund	176,560	-	**176,560**	176,560	-
Total other financing sources/(uses)	312,000	-	**312,000**	312,000	-
Net change in fund balance	$ -	$ -	**118,960**	$ 118,960	$ 118,960
Fund deficit, beginning			**-**		
Fund balance, ending			**$ 118,960**		

Town of Hillsborough, North Carolina **Schedule 12**
Schedule of Revenues
Budget and Actual (Non-GAAP)
Water and Sewer Fund
Enterprise Fund
Year Ended June 30, 2020 with Comparative Actual Amounts
for Year Ended June 30, 2019

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues				
Operating revenues:				
Water charges	$ 4,780,000	$ 4,980,554	$ 200,554	$ 4,610,474
Sewer charges	4,760,000	4,974,432	214,432	4,773,747
System development fees	456,628	456,628	-	-
Other receipts	203,455	310,880	107,425	2,506,530
	10,200,083	10,722,494	522,411	11,890,751
Nonoperating revenues:				
Interest on investments	10,000	35,144	25,144	29,325
	10,000	35,144	25,144	29,325
Total revenues	$ 10,210,083	$ 10,757,638	$ 547,555	$ 11,920,076

Town of Hillsborough, North Carolina
Schedule of Expenditures
Budget and Actual (Non-GAAP)
Water and Sewer Fund
Enterprise Fund
Year Ended June 30, 2020 with Comparative Actual Amounts for Year Ended June 30, 2019

Schedule 13
(3 pages)

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures				
Engineering:				
Personnel services		$ 363,968		$ 298,807
Other services and charges		1,547,134		2,142,364
Capital outlay		-		6,725
Total engineering	$ 2,323,562	1,911,102	$ 412,460	2,447,896
Billing and collection:				
Personnel services		305,356		258,624
Other services and charges		282,098		516,029
Repairs and maintenance		-		-
Capital outlay		-		28,892
Debt service payments		39,125		39,125
Total billing and collection	703,507	626,579	76,928	842,670
Water plant:				
Personnel services		636,084		606,122
Other services and charges		366,440		298,150
Repairs and maintenance		58,209		67,650
Capital outlay		41,413		-
Debt service payments		104,378		106,715
Total water plant	1,395,048	1,206,524	188,524	1,078,637
Water distribution:				
Personnel services		495,595		471,883
Other services and charges		223,125		243,742
Repairs and maintenance		32,617		49,064
Capital outlay		11,647		83,465
Debt service payments		115,604		94,036
Total water distribution	1,202,890	878,588	324,302	942,190
Wastewater collection:				
Personnel services		485,206		462,248
Other services and charges		280,395		295,777
Repairs and maintenance		147,293		39,661
Capital outlay		198,983		94,490
Debt service payments		71,966		73,558
Total wastewater collection	1,437,143	1,183,843	253,300	965,734

Town of Hillsborough, North Carolina
Schedule of Expenditures
Budget and Actual (Non-GAAP)
Water and Sewer Fund
Enterprise Fund
Year Ended June 30, 2020 with Comparative Actual Amounts for Year Ended June 30, 2019

Schedule 13
(3 pages)

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Wastewater plant:				
Personnel services		494,701		476,767
Other services and charges		245,657		313,611
Repairs and maintenance		159,923		207,344
Capital outlay		86,200		18,766
Debt service payments		1,218,427		1,240,289
Total wastewater plant	2,417,521	2,204,908	212,613	2,256,777
Reservoir:				
Other services and charges		21,412		21,622
Repairs and maintenance		6,440		10,000
Debt service payments		449,908		384,150
Total reservoir	606,239	477,760	128,479	415,772
Total expenditures	10,085,910	8,489,304	1,596,606	8,949,676
Revenues over (under) expenditures	124,173	2,268,334	2,144,161	2,970,400
Other financing sources (uses)				
Transfer to Water and Sewer Capital Reserve Fund	-	-	-	(2,176,594)
Transfer to Water and Sewer Capital Projects Fund	(119,695)	(119,695)	-	(810,000)
Transfer to Water System Development Reserve Fund	(263,129)	(263,129)	-	-
Transfer to Sewer System Development Reserve Fund	(193,499)	(193,499)	-	-
Transfer from Water and Sewer Capital Projects Fund	349,643	349,643	-	-
Transfer from Water and Sewer Capital Reserve Fund	97,492	97,492	-	466,470
Transfer from North Campus Project	10,822	10,822	-	-
Insurance proceeds	-	-	-	37,279
Contingency	(226,458)	-	226,458	-
Total other financing sources (uses)	(344,824)	(118,366)	226,458	(2,482,845)
Excess of revenues and other financing sources (uses) over (under) expenditures and other uses	(220,651)	2,149,968	2,370,619	487,555
Appropriated fund balance	220,651	-	(220,651)	-

Town of Hillsborough, North Carolina
Schedule of Expenditures
Budget and Actual (Non-GAAP)
Water and Sewer Fund
Enterprise Fund
Year Ended June 30, 2020 with Comparative Actual Amounts
for Year Ended June 30, 2019

Schedule 13
(3 pages)

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Excess of revenues and other uses over expenditures and other uses	$ -	$ 2,149,968	$ 2,149,968	$ 487,555

Reconciliation of budgetary basis (modified accrual) to full accrual basis

Excess of revenues and other sources over expenditures and other uses	$ 2,149,968
Reconciling items:	
Interest income from Water and Sewer Capital Projects Fund	40,317
Interest income from Water and Sewer Capital Reserve Fund	37,481
Interest income from WFER Carrstore Rd Capital Project Fund	6,120
Payment of principal on notes, bonds and installment purchases	1,189,949
Increase in deferred outflows of resources - pensions	(73,707)
Decrease in net pension liability	(78,628)
Decrease in deferred inflows of resources - pensions	(4,538)
Increase in deferred outflows of resources - OPEB	7,996
Decrease in total OPEB liability	136,992
Increase in deferred inflows of resources - OPEB	(118,234)
Capital outlay	338,241
Depreciation	(1,695,988)
Loss on disposal of capital assets	(83,384)
Insurance Proceeds	-
Interest expense accrual adjustment	(15,314)
Vacation pay accrual adjustment	(4,838)
Amortization of premium on bonds payable	56,690
Contributed capital	539,500
Transfer to General Fund	(208,674)
Transfer to Water and Sewer Capital Projects	576,323
Transfer from Water and Sewer Capital Projects	(447,135)
Change in net position	$ 2,349,137

Town of Hillsborough, North Carolina **Schedule 14**
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP)
Water and Sewer Capital Projects Fund
Enterprise Fund
Year Ended June 30, 2020

	Project Authorization	Actual: Prior Years	Actual: Current Year	Actual: Closed Out Projects	Actual: Total to Date	Variance Positive (Negative)
Revenues						
Interest on investments	$ 210,731	$ 172,888	**$ 40,317**	$ -	$ 213,205	$ 2,474
Other receipts	-	12,160	(12,160)	-	-	-
Total revenues	210,731	185,048	**28,157**	-	213,205	2,474
Expenditures						
Capital improvements:						
EDD water line extension	250,000	-	**27,437**	-	27,437	222,563
Churton St Main Replacement	430,000	-	**-**	-	-	430,000
Orange Gr/Churton sewer proj	40,000	295	**26,300**	-	26,595	13,405
16" Water connection under I-40	100,000	27,367	**19,783**	-	47,150	52,850
Booster pump station	182,388	11,666	**19,910**	-	31,576	150,812
Waterstone water tank	-	-	**-**	-	-	-
Water meter replacement			**-**	-		-
Automatic meter reading project	-	-	**-**	-	-	-
Effluent aeration	-	-	**-**	-	-	-
Churton Street Sewer	500,000	58,583	**219,911**	-	278,494	221,506
River pump station	33,800	-	**6,760**	-	6,760	27,040
Wastewater system rehab	85,895	-	**25,385**	-	25,385	60,510
Other improvements	-	-	**-**	-	-	-
	1,622,083	97,911	**345,486**	-	443,397	1,178,686
West Fork Eno Reservoir:						
Design	1,811,063	1,792,764	**(121,412)**	-	1,671,352	139,711
Construction	9,577,874	7,642,595	**1,341,994**	-	8,984,589	593,285
Land acquisition	42,304	42,304	**-**	-	42,304	-
	11,431,241	9,477,663	**1,220,582**	-	10,698,245	732,996
Total expenditures	13,053,324	9,575,574	**1,566,068**	-	11,141,642	1,911,682
Revenues over (under) expenditures	(12,842,593)	(9,390,526)	**(1,537,911)**	-	(10,928,437)	1,914,156
Other financing sources (uses)						
Proceeds from installment purchases	10,155,000	10,155,000	**-**	-	10,155,000	-
Premium on bonds issuance	1,025,846	1,025,846	**-**	-	1,025,846	-
Transfer from Water and Sewer Capital Reserve Fund	-		**-**	-		-
Transfer from Water and Sewer Fund	3,870,200	4,140,021	**(135,873)**	-	3,870,200	-
Transfer to Water and Sewer Fund	(2,208,453)	(2,262,758)	**(79,643)**	-	(2,208,453)	-
Total other financing sources (uses)	12,842,593	13,058,109	**(215,516)**	-	12,842,593	-
Excess of revenues and other sources over expenditures and other financing uses	$ -	$ 3,667,583	**$ (1,753,427)**	$ -	$ 1,914,156	$ 1,914,156

Town of Hillsborough, North Carolina **Schedule 15**
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP)
Water and Sewer Capital Reserve Fund
Enterprise Fund
Year Ended June 30, 2020

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total To Date	Variance Positive (Negative)
Revenues					
Interest on investments	$ 300,868	$ 350,659	$ **37,481**	$ 388,140	$ 87,272
Expenditures					
Capital improvements- water	794,415	-	-	-	794,415
Capital improvements- sewer	1,949,845	-	-	-	1,949,845
Capital improvements- water tower	3,761	-	-	-	3,761
	2,748,021	-	-	-	2,748,021
Revenues over (under) expenditures	(2,447,153)	350,659	**37,481**	388,140	2,835,293
Other financing sources (uses)					
Transfers from Water and Sewer Fund	12,261,329	12,261,329	-	12,261,329	-
Transfers from General Capital Reserve Fund	403,031	403,031	-	403,031	-
Capital Contributions	1,066,190	1,066,190	-	1,066,190	-
Transfers to Water and Sewer Fund	(7,863,219)	(7,765,727)	**(97,492)**	(7,863,219)	-
Transfers to Water and Sewer Capital Projects Fund	(1,299,553)	(1,299,553)	-	(1,299,553)	-
Transfers to Water System Development Reserve Fund	(1,106,017)	-	**(1,106,017)**	(1,106,017)	-
Transfers to Sewer System Development Reserve Fund	(1,014,608)	-	**(1,014,608)**	(1,014,608)	-
Total other financing sources (uses)	2,447,153	4,665,270	**(2,218,117)**	2,447,153	-
Excess of revenues and other sources over (under) expenditures	$ -	$ 5,015,929	$ **(2,180,636)**	$ 2,835,293	$ 2,835,293

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP)
Water System Development Reserve Fund
Enterprise Fund
Year Ended June 30, 2020

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total To Date	Variance Positive (Negative)
Revenues					
Interest on investments	$ -	$ -	$ -	$ -	$ -
Expenditures					
Capital improvements- water	-	-	-	-	-
	-	-	-	-	-
Revenues over (under) expenditures	-	-	-	-	-
Other financing sources (uses)					
Transfers from Water and Sewer Capital Project Fund	1,106,017	-	**1,106,017**	1,106,017	-
Transfers from Water and Sewer Fund	263,129	-	**263,129**	263,129	-
Transfers to Utility Capital Project Fund for:					
Edd Wtr Line	(259,404)	-	-	-	259,404
16" Wtr Conn	(465,000)	-	-	-	465,000
US 70 Design	(345,000)	-	-	-	345,000
US 70 Phase 1	(299,742)	-	-	-	299,742
Total other financing sources (uses)	-	-	1,369,146	1,369,146	1,369,146
Excess of revenues and other sources over (under) expenditures	$ -	$ -	**$ 1,369,146**	$ 1,369,146	$ 1,369,146

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP)
Sewer System Development Reserve Fund
Enterprise Fund
Year Ended June 30, 2020

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total To Date	Variance Positive (Negative)
Revenues					
Interest on investments	$ -	$ -	$ -	$ -	$ -
Expenditures					
Capital improvements- water	-	-	-	-	-
	-	-	-	-	-
Revenues over (under) expenditures	-	-	-	-	-
Other financing sources (uses)					
Transfers from Water and Sewer Capital Project Fund	1,014,608	-	**1,014,608**	1,014,608	-
Transfers from Water and Sewer Fund	193,499	-	**193,499**	193,499	-
Transfers to Utility Capital Project Fund for:					
River Pum	(200,000)	-	-	-	200,000
Coll Sys	(1,008,107)	-	-	-	1,008,107
Total other financing sources (uses)	-	-	1,208,107	1,208,107	1,208,107
Excess of revenues and other sources over (under) expenditures	$ -	$ -	**$ 1,208,107**	$ 1,208,107	$ 1,208,107

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP)
WFER Carrstore Mill Creek Road Capital Project Fund
Enterprise Fund
Year Ended June 30, 2020

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total To Date	Variance Positive (Negative)
Revenues					
Interest on investments	$ 6,796	$ -	**$ 6,120**	$ 6,120	$ (676)
Expenditures					
Design	150,000	-	**120,690**	120,690	29,310
Land Aquisition	5,500	-	**5,202**	5,202	298
Construction Administration	310,000	-	**49,292**	49,292	260,708
Construction	2,440,791	-	**-**	-	2,440,791
Miscellaneous	371,505	-	**106,425**	106,425	265,080
	3,277,796	-	**281,609**	281,609	2,996,187
Revenues over (under) expenditures	(3,271,000)	-	**(275,489)**	(275,489)	2,995,511
Other financing sources (uses)					
Proceeds from installment purchases	3,271,000	-	**3,271,000**	3,271,000	-
Total other financing sources (uses)	3,271,000	-	**3,271,000**	3,271,000	-
Excess of revenues and other sources over (under) expenditures	$ -	$ -	**$ 2,995,511**	$ 2,995,511	$ 2,995,511

Town of Hillsborough, North Carolina **Schedule 19**
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP)
Stormwater Fund
Enterprise Fund
Year Ended June 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Operating revenues:			
Stormwater charges	$ 652,000	$ 666,355	$ 14,355
Other operating revenues	17,757	4,522	(13,235)
Total revenues	669,757	670,877	1,120
Expenditures			
Operating expenditures:			
Personnel services		265,927	
Other services and charges		167,175	
Repairs and maintenance		24,593	
Capital outlay		33,813	
Total expenditures	669,757	491,508	178,249
Revenues over expenditures	$ -	179,369	$ 179,369
Reconciliation of modified accrual basis to full accrual basis:			
Capital outlay		33,813	
Depreciation expense		(56,645)	
Gain on disposal of fixed assets		0	
Increase in accrued vacation pay		(75)	
Increase in net pension liability		(7,826)	
Increase in total OPEB liability		13,634	
Increase in deferred outflows of resources - pensions		(7,336)	
Increase in deferred outflows of resources - OPEB		789	
Decrease in deferred inflows of resources - pensions		(452)	
Increase in deferred inflows of resources - OPEB		(11,766)	
Transfer from General Fund		-	
Change in net position		$ 143,505	

Town of Hillsborough, North Carolina
Schedule of Changes in Assets and Liabilities
Special Assessment Debt Agency Fund
Fiduciary Fund
Year Ended June 30, 2020

Schedule 20

	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS	$ -	601,503	$ 601,503	$ -
LIABILITIES	$ -	$ 601,503	601,503	$ -

Additional Financial Data

This section contains additional information on property taxes.

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

Town of Hillsborough, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

Schedule 21

Fiscal Year	Uncollected Balance July 1, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	$ -	$ 7,435,586	$ 7,374,271	**$ 61,315**
2018-2019	53,058	-	17,940	**35,118**
2017-2018	37,072	-	7,627	**29,445**
2016-2017	18,189	-	3,293	**14,896**
2015-2016	14,785	-	5,301	**9,484**
2014-2015	11,344	-	3,445	**7,899**
2013-2014	14,129	-	3,109	**11,020**
2012-2013	14,056	-	1,974	**12,082**
2011-2012	8,263	-	574	**7,689**
2010-2011	10,497	-	2,092	**8,405**
2009-2010	6,017	-	6,017	**-**
	$ 187,410	$ 7,435,586	$ 7,425,643	**197,353**
Less allowance for uncollectible accounts:				
General Fund				**(43,668)**
				$ 153,685

Reconciliation of collections and credits with revenues:

Ad valorem taxes - General Fund	**$ 7,422,863**
Amount written off for tax year 2009-2010	**6,017**
Penalties and interest	**(19,874)**
Adjustments and refunds*	**16,637**
	$ 7,425,643

Town of Hillsborough, North Carolina
Analysis of Current Tax Levy
Year Ended June 30, 2020

Schedule 22

	Town-Wide			Total Levy	
	Property Valuation**	Rate	Total Levy*	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	$ 1,087,435,545	0.6200	$ 6,740,252	$ 6,740,252	$ -
Motor vehicle license fees, tax and tag	79,373,505		695,334	-	695,334
Total property valuation	$ 1,166,809,050		7,435,586	6,740,252	695,334
Releases and abatements			-	-	-
Net levy			7,435,586	6,740,252	695,334
Uncollected taxes at June 30, 2020			61,315	61,315	-
Current year's taxes collected			$ 7,374,271	$ 6,678,937	$ 695,334
Current levy collection percentage			99.18%	99.09%	100.00%

** Total adjusted levy includes discoveries and abatements.*
*** Property tax valuation prior to the discoveries and abatements.*

Statistical Section

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

	Page
Financial Trends Information These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	103
Revenue Capacity Information These schedules contain information to help the reader assess the Town's most significant local revenue sources, property taxes, and water and sewer charges.	115
Debt Capacity Information These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	127
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	134
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	139

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Town implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.*

Financial Trends Information

Town of Hillsborough, North Carolina
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2011	2012	2013	2014
Governmental activities:				
Net investment in capital assets	$ 5,338,508	$ 5,870,981	$ 6,723,808	$ 10,924,631
Restricted	2,121,546	1,570,832	1,831,742	1,700,808
Unrestricted	3,766,961	3,984,264	4,390,314	4,433,988
Total governmental activities net position	$ 11,227,015	$ 11,426,077	$ 12,945,864	$ 17,059,427
Business-type activities				
Net investment in capital assets	$ 24,316,110	$ 26,632,441	$ 26,017,050	$ 27,110,293
Restricted	1,721,067	1,974,677	2,590,989	2,591,211
Unrestricted	3,518,417	2,674,119	4,084,460	6,546,829
Total business-type activities net position	$ 29,555,594	$ 31,281,237	$ 32,692,499	$ 36,248,333
Primary government				
Net investment in capital assets	$ 29,654,618	$ 32,503,422	$ 32,740,858	$ 38,034,924
Restricted	3,842,613	3,545,509	4,422,731	4,292,019
Unrestricted	7,285,378	6,658,383	8,474,774	10,980,817
Total primary government net position	$ 40,782,609	$ 42,707,314	$ 45,638,363	$ 53,307,760

Table 1

2015	2016	2017	2018	2019	2020
$ 11,870,401	$ 14,242,464	$ 15,186,419	$ 18,580,077	$ 20,511,801	**$ 19,779,745**
1,558,393	1,753,856	2,518,696	3,089,866	3,757,005	**1,851,081**
4,797,140	4,030,053	2,977,656	1,466,288	1,312,978	**4,589,320**
$ 18,225,934	$ 20,026,373	$ 20,682,771	$ 23,136,231	$ 25,581,784	**$ 26,220,146**
$ 30,507,881	$ 32,483,743	$ 34,669,712	$ 36,693,299	$ 38,536,890	**$ 38,149,486**
2,591,600	2,596,324	2,605,482	2,631,171	2,677,877	**5,857,366**
6,190,061	8,522,788	9,096,374	8,308,697	11,444,287	**11,144,844**
$ 39,289,542	$ 43,602,855	$ 46,371,568	$ 47,633,167	$ 52,659,054	**$ 55,151,696**
$ 42,378,282	$ 46,726,207	$ 49,856,131	$ 55,273,376	$ 59,048,691	**$ 57,929,231**
4,149,993	4,350,180	5,124,178	5,721,037	6,434,882	**7,708,447**
10,987,201	12,552,841	12,074,030	9,774,985	12,757,265	**15,734,164**
$ 57,515,476	$ 63,629,228	$ 67,054,339	$ 70,769,398	$ 78,240,838	**$ 81,371,842**

Town of Hillsborough, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2011	2012	2013	2014
Expenses				
Governmental activities:				
General government	$ 1,353,757	$ 1,402,445	$ 1,301,963	$ 1,524,025
Public safety	3,379,456	2,597,911	3,395,465	3,619,529
Transportation	486,940	1,510,493	497,540	500,491
Environmental protection	595,447	546,612	580,312	833,623
Economic and physical development	256,092	243,163	485,977	367,389
Community activities and projects	49,505	40,996	64,878	119,251
Parks and recreation	36,844	51,500	36,267	55,849
Unallocated interest expense	108,598	104,518	105,022	126,250
Total governmental activities expenses	6,266,639	6,497,638	6,467,424	7,146,407
Business-type activities:				
Water and sewer	5,758,760	6,151,253	6,279,271	6,271,311
Stormwater	-	-	-	-
Total business-type activities expenses	5,758,760	6,151,253	6,279,271	6,271,311
Total primary government expenses	$ 12,025,399	$ 12,648,891	$ 12,746,695	$ 13,417,718
Program Revenues				
Governmental activities:				
Charges for services:				
General government	$ 149,790	$ 160,990	$ 326,565	$ 126,909
Public safety	10,273	15,593	11,426	13,893
Transportation	-	-	-	-
Economic and physical development	-	-	-	-
Parks and recreation	2,170	2,970	3,190	4,140
Operating grants and contributions	183,874	228,457	175,347	316,576
Capital grants and contributions	1,191,157	203,301	334,525	3,741,958
Total governmental activities program revenues	1,537,264	611,311	851,053	4,203,476

Table 2
(4 pages)

2015	2016	2017	2018	2019	2020
$ 1,416,316	$ 2,010,349	$ 1,860,970	1,865,408	1,865,007	**2,391,829**
3,929,568	3,982,055	4,289,900	4,666,798	4,705,989	**5,559,342**
130,485	615,849	666,523	684,226	718,593	**1,024,817**
963,296	708,367	590,798	478,122	468,057	**558,337**
387,801	402,800	466,791	498,150	488,592	**557,378**
220,890	93,236	57,673	42,038	34,311	**166,373**
74,137	97,891	398,802	429,664	493,868	**511,512**
					-
101,260	121,783	95,571	114,957	140,004	**121,076**
7,223,753	8,032,330	8,427,028	8,779,363	8,914,421	**10,890,664**
7,383,564	7,574,032	8,120,546	8,949,652	9,355,337	**8,807,373**
-	-	302,983	458,118	566,231	**527,372**
7,383,564	7,574,032	8,423,529	9,407,770	9,921,568	**9,334,745**
$ 14,607,317	$ 15,606,362	$ 16,850,557	$ 18,187,133	$ 18,835,989	**$ 20,225,409**
$ 182,109	$ 122,233	$ 214,056	$ 208,837	158,451	**296,255**
12,068	13,645	13,555	19,938	16,016	**17,667**
187,682	184,863	185,922	245	730	**-**
-	41,000	5,000	360,440	29,000	**-**
5,155	4,720	5,130	5,940	6,537	**2,890**
10,610	28,052	26,690	197,119	221,637	**267,790**
253,460	1,393,799	570,035	1,634,422	3,379,916	**236,211**
651,084	1,788,312	1,020,388	2,426,941	3,812,287	**820,813**

Town of Hillsborough, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2011	2012	2013	2014
Business-type activities:				
Charges for services:				
Water and sewer	$ 6,755,260	$ 7,366,996	$ 7,686,356	$ 9,025,607
Stormwater	-	-	-	-
Capital grants and contributions	658,828	100,000	-	1,028,171
Total business-type activities program revenues	7,414,088	7,466,996	7,686,356	10,053,778
Total primary government program revenues	$ 8,951,352	$ 8,078,307	$ 8,537,409	$ 14,257,254
Net (Expense) Revenue				
Governmental activities	$ (4,729,375)	$ (5,886,327)	$ (5,616,371)	$ (2,942,931)
Business-type activities	1,655,328	1,315,743	1,407,085	3,782,467
Total primary government net expense	$ (3,074,047)	$ (4,570,584)	$ (4,209,286)	$ 839,536
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes	$ 5,808,387	$ 5,816,041	$ 6,371,494	$ 6,603,311
Unrestricted inter-governemental revenues	635,907	651,381	734,401	809,190
Investment earnings, unrestricted	10,838	4,748	3,874	2,209
Miscellaneous	24,141	16,250	26,389	39,899
Transfers	-	-	-	-
Total governmental activities	6,479,273	6,488,420	7,136,158	7,454,609
Business-type activities:				
Investment earnings	14,568	6,869	4,177	2,601
Miscellaneous	-	-	-	-
Transfers	-	-	-	-
Total business-type activities	14,568	6,869	4,177	2,601
Total primary government	$ 6,493,841	$ 6,495,289	$ 7,140,335	$ 7,457,210
Change in Net Position				
Governmental activities	$ 1,749,898	$ 199,062	$ 1,519,787	$ 4,511,678
Business-type activities	1,669,896	1,725,643	1,411,262	3,785,068
Total primary government	$ 3,419,794	$ 1,924,705	$ 2,931,049	$ 8,296,746

2015	2016	2017	2018	2019	2020
$ 8,939,712	$ 10,713,397	$ 9,214,401	$ 10,249,270	11,890,751	**10,265,866**
-	-	632,738	638,441	659,071	**670,877**
1,484,316	1,161,830	1,325,206	363,598	32,361	**996,128**
10,424,028	11,875,227	11,172,345	11,251,309	12,582,183	**11,932,871**
$ 11,075,112	$ 13,663,539	$ 12,192,733	$ 13,678,250	$ 16,394,470	**$ 12,753,684**
$ (6,572,669)	$ (6,244,018)	$ (7,406,640)	$ (6,352,422)	(5,102,134)	**(10,069,851)**
3,040,464	4,301,195	2,748,816	1,843,539	2,660,615	**2,598,126**
$ (3,532,205)	$ (1,942,823)	$ (4,657,824)	$ (4,508,883)	$ (2,441,519)	**$ (7,471,725)**
$ 6,698,408	$ 6,949,754	$ 7,426,516	$ 8,187,327	$ 8,238,074	**$ 9,152,324**
998,629	1,034,811	1,010,393	1,080,184	1,135,259	**1,055,076**
1,177	16,771	37,562	120,273	261,029	**171,563**
40,962	43,121	58,811	88,047	(12,933)	**131,951**
-	-	-	-	(2,073,742)	**197,852**
7,739,176	8,044,457	8,533,282	9,475,831	7,547,687	**10,708,766**
745	12,118	19,897	44,935	243,186	**119,062**
-	-	-	(246,949)	48,344	**(26,694)**
-	-	-	-	2,073,742	**(197,852)**
745	12,118	19,897	(202,014)	2,365,272	**(105,484)**
$ 7,739,921	$ 8,056,575	$ 8,553,179	$ 9,273,817	$ 9,912,959	**$ 10,603,282**
$ 1,166,507	$ 1,800,439	$ 1,126,642	$ 3,123,409	$ 2,445,553	**$ 638,915**
3,041,209	4,313,313	2,768,713	1,641,525	5,025,887	**2,492,642**
$ 4,207,716	$ 6,113,752	$ 3,895,355	$ 4,764,934	$ 7,471,440	**$ 3,131,557**

Town of Hillsborough, North Carolina
Fund Balances
Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2011	2012	2013	2014
General fund:				
Reserved	$ -	$ -	$ -	$ -
Unreserved	-	-	-	-
Nonspendable	477	68,649	4,253	72,156
Restricted	1,047,758	955,064	1,115,688	1,110,734
Committed	-	-		-
Assigned	215,354	88,094	330,206	782,995
Unassigned	3,478,868	3,803,076	4,151,725	4,151,581
	4,742,457	4,914,883	5,601,872	6,117,466
All other governmental funds:				
Reserved	-	-	-	-
Unreserved	-	-	-	-
Nonspendable	-	-	52	-
Restricted	1,073,788	227,052	716,054	844,464
Committed	204,943	856,356	-	106,105
Assigned	-	-	131,490	7,070
Unassigned	(324,964)	(112,038)	(20,444)	-
	953,767	971,370	827,152	957,639
Total fund balance	$ 5,696,224	$ 5,886,253	$ 6,429,024	$ 7,075,105

Table 3

2015	2016	2017	2018	2019	2020
$ -	$ -	$ -	$ -	$ -	**$ -**
-	-	-	-	-	**-**
68,242	175,392	219,730	1,848	-	**-**
1,049,112	1,385,320	1,452,915	2,367,086	3,451,333	**1,282,646**
-	-	-	-	-	**-**
1,294,457	672,896	787,525	985,729	724,066	**749,550**
3,805,372	3,698,078	4,049,462	4,090,432	3,779,628	**6,438,825**
6,217,183	5,931,686	6,509,632	7,445,095	7,955,027	**8,471,021**
-	-	-	-	-	**-**
-	-	-	-	-	**-**
-	-	-	-	-	**-**
509,281	368,536	1,065,781	722,780	305,672	**568,435**
272,548	171,698	159,314	385,520	228,293	**189,441**
-	-	-	-	-	**-**
-	-	(808,382)	(242,109)	(1,023,574)	**(186,850)**
781,829	540,234	416,713	866,191	(489,609)	**571,026**
$ 6,999,012	$ 6,471,920	$ 6,926,345	$ 8,311,286	$ 7,465,418	**$ 9,042,047**

Town of Hillsborough, North Carolina
Changes in Fund Balance
Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2011	2012	2013	2014
Revenues				
Ad valorem taxes	$ 4,610,003	$ 4,716,460	$ 5,135,469	$ 5,429,114
Other taxes and licenses	1,163,501	1,124,696	1,229,425	1,199,185
Unrestricted intergovernmental	635,907	651,381	734,401	809,190
Restricted intergovernmental	1,234,870	453,755	308,007	768,716
Investment earnings	10,838	4,748	3,874	2,209
Contribution from property owners	-	-	-	1,445,207
Capital contributions	200,000	100,000	-	-
Use and rental	160,063	176,583	337,991	140,802
Other general revenues	67,071	69,669	34,079	48,337
Total revenues	8,082,253	7,297,292	7,783,246	9,842,760
Expenditures				
Current:				
General government	1,232,665	1,235,107	1,122,514	2,799,302
Public safety	3,347,597	3,164,361	3,134,327	3,455,438
Transportation	1,718,386	1,693,664	1,011,557	851,502
Environmental protection	583,919	476,415	471,880	806,262
Economic and physical development	256,092	243,163	485,977	367,389
Community activities and projects	54,946	325,666	64,878	119,251
Parks and recreation	791,184	239,105	430,831	1,675,156
Debt service:				
Principal retirement	303,074	283,126	407,246	474,458
Interest and fiscal charges	107,928	98,896	111,265	118,711
Total expenditures	8,395,791	7,759,503	7,240,475	10,667,469
Excess of revenues over (under) expenditures	(313,538)	(462,211)	542,771	(824,709)
Other financing sources (uses)				
Transfers in	717,582	440,409	369,627	169,054
Transfers out	(717,582)	(843,440)	(369,627)	(169,054)
Insurance recovery	-	16,250	-	-
Debt service - principal on refunding	-	-	-	(1,256,353)
Sale of capital assets	-	-	-	-
Proceeds from installment notes	107,000	1,039,021	-	2,727,143
Total other financing sources	107,000	652,240	-	1,470,790
Net change in fund balances	$ (206,538)	$ 190,029	$ 542,771	$ 646,081
Capital outlay included in functional expenditures above	$ 2,280,672	$ 1,501,851	$ 997,107	$ 2,246,332
Debt service as a percentage of noncapital expenditures	6.72%	6.10%	8.30%	7.04%

2015	2016	2017	2018	2019	2020
$ 5,437,266	$ 5,669,002	$ 6,064,137	$ 6,701,848	$ 6,491,857	**$ 7,422,863**
1,263,425	1,280,114	1,381,990	1,502,359	1,728,857	**1,738,597**
998,629	1,034,811	1,010,393	1,080,184	1,135,259	**1,081,038**
642,732	262,144	374,938	726,194	271,509	**1,339,711**
1,177	16,771	37,562	120,273	261,029	**171,563**
1,325,271	381,406	18,955	22,434	-	**11,147**
	-	-	-	12,582	**-**
194,177	176,878	232,611	583,186	199,411	**344,892**
56,727	118,323	79,734	53,804	50,176	**87,365**
9,919,404	8,939,449	9,200,320	10,790,282	10,150,680	**12,197,176**
2,779,807	2,207,284	1,627,479	3,026,060	2,042,811	**2,229,681**
3,845,174	4,317,978	4,084,416	4,811,024	4,300,485	**5,006,500**
1,194,204	878,233	865,285	1,014,932	916,097	**684,311**
1,008,615	564,148	454,355	516,910	345,220	**462,129**
388,611	397,828	676,147	1,104,113	596,145	**489,889**
836,258	821,677	57,673	42,038	158,906	**250,962**
423,813	147,350	428,452	478,585	1,472,101	**518,890**
632,155	1,037,623	790,345	1,296,056	1,033,807	**846,287**
101,228	120,355	100,353	105,063	130,976	**121,076**
11,209,865	10,492,476	9,084,505	12,394,781	10,996,548	**10,609,725**
(1,290,461)	(1,553,027)	115,815	(1,604,499)	(845,868)	**1,587,451**
160,482	465,037	394,991	344,808	219,416	**442,343**
(160,482)	(465,037)	(394,991)	(344,808)	(219,416)	**(453,165)**
-	-	-	-	-	**-**
-	-	-	-	-	**-**
-	-	21,610	43,670	-	**-**
1,214,368	1,025,935	317,000	2,945,770	-	**-**
1,214,368	1,025,935	338,610	2,989,440	-	**(10,822)**
$ (76,093)	$ (527,092)	$ 454,425	$ 1,384,941	$ (845,868)	**$ 1,576,629**
$ 2,619,910	$ 1,962,820	$ 893,524	$ 3,336,241	$ 2,202,180	**$ 1,079,609**
8.54%	13.58%	10.87%	15.47%	13.24%	**10.15%**

Revenue Capacity Information

Town of Hillsborough, North Carolina
Program Revenues by Function/Program
Last Ten Fiscal Years
(accrual basis of accounting)

	2011	2012	2013	2014
Function/program				
Governmental activities:				
General government	$ 382,843	$ 354,227	$ 361,590	$ 1,388,937
Public Safety	10,273	15,593	11,426	13,893
Transportation	848,978	228,521	185,847	312,282
Environmental protection	-	-	-	2,059,224
Economic and physical development	-	-	-	-
Community activities and projects	-	-	-	-
Parks and recreation	295,170	12,970	292,190	429,140
Subtotal governmental activities	1,537,264	611,311	851,053	4,203,476
Business-type activities:				
Water and sewer	7,414,088	7,466,996	7,686,356	10,053,778
Stormwater	-	-	-	-
Subtotal business-type activities	7,414,088	7,466,996	7,686,356	10,053,778
Total primary government	$ 8,951,352	$ 8,078,307	$ 8,537,409	$ 14,257,254

Table 5

2015	2016	2017	2018	2019	2020
$ 192,719	$ 1,430,962	$ 230,872	$ 258,394	$ 2,767,963	**$ 307,150**
12,068	13,645	13,555	125,557	21,804	**38,167**
187,682	264,863	396,200	414,083	200,695	**202,395**
653	4,680	9,874	-	-	**-**
-	41,000	340,134	855,135	29,000	**34,000**
-	-	-	-	-	**-**
257,962	33,162	29,753	773,772	792,825	**239,101**
651,084	1,788,312	1,020,388	2,426,941	3,812,287	**820,813**
10,424,028	11,875,227	10,539,607	10,612,868	11,890,751	**11,261,994**
-	-	632,738	638,441	691,432	**670,877**
10,424,028	11,875,227	11,172,345	11,251,309	12,582,183	**11,932,871**
$ 11,075,112	$ 13,663,539	$ 12,192,733	$ 13,678,250	$ 16,394,470	**$ 12,753,684**

Town of Hillsborough, North Carolina
Tax Revenues by Source
Governmental Funds [a]
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 6

Fiscal Year	Ad Valorem
2011	4,610,003
2012	4,716,460
2013	5,135,469
2014	5,429,114
2015	5,437,266
2016	5,669,002
2017	6,064,137
2018	6,701,848
2019	6,491,857
2020	**7,422,863**
Change 2011-2020	[b] 61.02%

[a] *This table presents the Town's most significant source of revenues. All other taxes and revenues are either comparatively insignificant or levied by a governmental entity other than the Town of Hillsborough.*

[b] *Ad Valorem tax revenue increased by 61.02 percent in the past ten years. This is primarily due to property values being re-evaluated every eight years. During the last ten years, there was one re-evaluation period in 2017. The revaluation periods along with increasing property values and steady growth has caused a significant increase in Ad Valorem Revenue from 2011 to 2020.*

Town of Hillsborough, North Carolina
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Table 7

Fiscal Year	Real Property *	Personal Property	Public-Service Companies	Total Assessed Value	Total Direct Tax Rate	Assessed Value as a Percent of Actual Value
2011	653,238,545	84,168,694	10,825,503	748,232,742	0.6200	100.00%
2012	661,688,578	85,866,250	11,371,703	758,926,531	0.6200	100.00%
2013	667,581,857	83,022,657	11,710,268	762,314,782	0.6800	100.00%
2014	674,676,352	99,378,379	11,710,269	785,765,000	0.6800	100.00%
2015	676,291,406	98,629,989	12,462,428	787,383,823	0.6800	100.00%
2016	676,946,203	130,843,708	14,137,738	821,927,649	0.6800	100.00%
2017	733,447,012	132,527,541	14,138,094	880,112,647	0.6800	100.00%
2018	862,808,952	174,898,060	14,779,117	1,052,486,129	0.6200	100.00%
2019	868,656,886	212,280,396	7,918,389	1,088,855,671	0.6200	100.00%
2020	**945,829,125**	**204,682,406**	**16,297,519**	**1,166,809,050**	**0.6200**	**100.00%**

Source: Annual County Report of Valuation and Property Tax Levies.

** Real property values exclude tax-exempt property.*

Note: *Property in the city is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per $100 of assessed value.*

Town of Hillsborough, North Carolina **Table 8**
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per $100 of assessed value)

	Municipality Rates		Overlapping Rates [a]	
Fiscal Year	Basic Rate	Total Direct	Fire District [b]	County
2011	0.620	0.620	-	0.8580
2012	0.620	0.620	-	0.8580
2013	0.680	0.680	-	0.8580
2014	0.680	0.680	-	0.8780
2015	0.680	0.680	-	0.8780
2016	0.680	0.680	-	0.8780
2017	0.680	0.680	-	0.8780
2018	0.620	0.620	-	0.8380
2019	0.620	0.620	-	0.8504
2020	**0.620**	**0.620**	**-**	**0.8679**

Source: *Orange County*

Note: *The Town's basic property tax rate may be increased only by a majority vote of the elected Town Board of Town Commissioners.*

[a] *Overlapping rates are those of local and county governments that apply to property owners within the Town of Hillsborough.*

[b] *The Fire District Tax applies to properties outside of the city limits.*

Town of Hillsborough, North Carolina
Property Tax Revenue and Collections
Last Ten Fiscal Years

Table 9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2011	4,690,863	4,557,501	97.16%	124,957	4,682,458	99.82%
2012	4,755,200	4,641,541	97.61%	105,970	4,747,511	99.84%
2013	5,225,057	5,085,225	98.82%	127,750	5,212,975	99.77%
2014	5,418,579	5,315,921	98.11%	91,638	5,407,559	99.80%
2015	5,413,151	5,343,909	98.72%	61,343	5,405,252	99.85%
2016	5,646,239	5,583,929	98.90%	52,826	5,636,755	99.83%
2017	6,044,907	5,995,089	99.18%	34,922	6,030,011	99.75%
2018	6,676,687	6,618,458	99.13%	28,784	6,647,242	99.56%
2019	6,952,134	6,899,076	99.24%	17,941	6,917,017	99.49%
2020	**7,435,586**	**7,374,271**	**99.18%**	**-**	**7,374,271**	**99.18%**

Sources: *Orange County Board of Equalization and Assessment, and Orange County Department of Finance.*

Town of Hillsborough, North Carolina
Principal Property Taxpayers
Current Year and Nine Years Ago

Table 10

Taxpayer	2020 Taxable Assessed Value	2020 Rank	2020 Percentage of Total City Taxable Assessed Value	2011 Taxable Assessed Value	2011 Rank	2011 Percentage of Total City Taxable Assessed Value
CATES CREEK APARTMENTS LLC	$ 25,189,600	1	2.86%			
LHNH PP APTS LLC (FORMERLY PATRIOTS	$ 21,340,000	2	2.42%			
LENNAR CAROLINAS LLC	$ 12,827,406	3	1.46%			
ALCURT HILLSBOROUGH LLC	$ 11,269,600	4	1.28%			
DANIEL BOONE LANDCO LLC	$ 10,537,700	5	1.20%	8,833,496	5	1.18%
WALMART REAL ESTATE BUSINESS TRUST	$ 10,509,400	6	1.19%	13,675,468	2	1.83%
PHE INC	$ 10,315,583	7	1.17%	9,506,109	4	1.27%
MDCO LLC	$ 10,214,600	8	1.16%			
DUKE ENERGY CAROLINAS LLC	$ 8,560,507	9	0.97%			
SPORTS ENDEAVORS INC	$ 8,325,260	10	0.95%	6,468,563	10	86.00%
PATRIOTS POINTE LLC				16,048,910	1	2.14%
HD DEVELOPMENT OF MARYLAND INC.				9,560,634	3	1.28%
SLF II NC WATERSTONE LLC				8,787,240	6	1.17%
HILLSBOROUGH COMMONS				8,497,192	7	1.14%
MEADOWLANDS DISTRIBUTION CO				7,219,316	8	1%
BROOKSHIRE INC				6,754,661	9	1%
Total	**$ 129,089,656**		**14.67%**	**$ 95,351,589**		**97.87%**

Source: *Orange County Property Assessment Division*

Town of Hillsborough, North Carolina
Water Sold by Type of Customer and In and Out of Town
Last Ten Fiscal Years

Type of Customer	2011	2012	2013	2014
Gallons billed:				
In-town residential	103,459,804	102,937,205	102,755,771	111,836,111
Out-of-town residential	112,868,479	120,107,805	130,921,523	111,241,276
In-town commercial	74,881,598	73,507,962	76,624,165	78,590,500
Out-of-town commercial	18,219,706	18,296,584	18,153,125	17,908,575
Total gallons billed	309,429,587	314,849,556	328,454,584	319,576,462
Total water and sewer charges (revenue)	$ 6,405,307	$ 6,928,835	$ 7,262,510	$ 7,499,183
Total average rate per 1,000 gallons	$ 20.70	$ 22.01	$ 22.11	$ 23.47

Source: *Town of Hillsborough, Water Billing Office.*
Revenue collected includes late payment penalties.

Due to an issue during a software system conversion in FY 2016, some of the gallons billed data was lost and is therefore, lower than expected.

2015	2016	2017	2018	2019	2020
98,914,635	100,064,880	131,412,141	131,845,575	134,946,195	**145,561,166**
124,805,789	100,445,055	120,756,780	111,132,741	111,898,328	**111,802,887**
81,985,440	75,012,631	85,946,109	79,996,750	83,253,819	**80,454,700**
29,452,224	18,028,437	20,781,379	19,695,072	21,276,361	**13,651,726**
335,158,088	293,551,003	358,896,409	342,670,138	351,374,703	**351,470,479**
$ 7,859,823	$ 7,988,498	$ 8,294,061	$ 8,706,345	$ 8,706,345	**$ 8,706,345**
$ 23.45	$ 27.21	$ 23.11	$ 25.41	$ 24.78	**$ 24.77**

Town of Hillsborough, North Carolina
Water and Sewer Rates
Last Ten Fiscal Years

Table 12

Fiscal Year	In-Town Water		In-Town Sewer		Out-of-Town Water		Out-of-Town Sewer	
	Rate per 0-2500 Gallons	Rate per 1,000 Gallons	Rate per 0-2500 Gallons	Rate per 1,000 Gallons	Rate per 0-2500 Gallons	Rate per 1,000 Gallons	Rate per 0-2500 Gallons	Rate per 1,000 Gallons
2011	21.75	7.25	23.88	7.96	42.42	14.14	46.56	15.52
2012	23.04	7.68	25.98	8.66	44.94	14.98	50.67	16.89
2013	24.21	8.07	28.26	9.42	47.22	15.74	55.11	18.37
2014	21.79	8.07	30.11	11.15	42.50	15.74	58.70	21.74
2015	21.79	8.07	30.75	10.25	47.22	15.74	59.97	27.68
2016	20.98	8.07	31.54	12.13	40.92	15.74	61.49	23.65
2017	20.18	8.07	30.33	12.13	39.35	15.74	59.13	23.65
2018	20.18	8.07	30.33	12.13	39.35	15.74	59.13	23.65
2019	22.05	8.82	32.60	13.04	43.00	17.20	63.55	25.42
2020	**23.15**	**9.26**	**34.23**	**13.69**	**45.15**	**18.06**	**66.73**	**26.69**

Rate changes are effective with July 1 water usage unless otherwise stated.

The construction of a reservoir in 1998 and renovations of an aging water and wastewater treatment plant have caused significant increases in water and sewer rates over the past ten years.

Prior to 7/1/15, a flat charge was billed for 0 to 2,700 gallons. Any usage over 2,700 gallons was billed per 1,000 gallons rate.

Beginning 7/1/15, a flat charge was billed for 0 to 2,600 gallons. Any usage over 2,600 gallons is billed per 1,000 gallons rate.

Beginning 7/1/16, a flat charge is billed for 0 to 2,500 gallons. Any usage over 2,500 gallons is billed per 1,000 gallons rate.

Debt Capacity Information

Town of Hillsborough, North Carolina
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Table 13

	Governmental Activities	Business-Type Activities						
Fiscal Year	Installment Loans	General Obligation Bonds	Special Revenue Bonds	Premium on Bonds	Revolving Loans	Installment Loans	Total Primary Government	Per Capita [a]
2011	2,736,142	50,000	-	-	1,143,336	5,741,602	9,671,080	1,582
2012	3,440,001	14,000	-	-	5,575,878	5,871,812	14,901,691	2,388
2013	3,084,791	-	-	-	16,247,369	4,914,368	24,246,528	3,850
2014	4,024,586	-	-	-	18,644,077	3,939,307	26,607,970	4,170
2015	4,606,799	-	-	-	18,605,655	2,970,088	26,182,542	4,161
2016	4,534,728	-	-	-	18,511,848	3,269,750	26,316,326	4,102
2017	4,025,201	-	-	-	17,443,655	2,513,821	23,982,677	3,651
2018	5,829,231	-	10,155,000	1,018,674	16,435,812	522,266	33,960,983	4,697
2019	4,632,280	-	10,155,000	970,330	15,397,010	552,936	31,707,556	4,380
2020	**3,793,400**	**-**	**13,426,000**	**913,641**	**14,336,167**	**423,833**	**32,893,041**	**4,212**

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

[a] *See Table 17 for population data. These ratios are calculated using population for the prior calendar year.*

Town of Hillsborough, North Carolina
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 14

Fiscal Year	General Bonded Debt Outstanding: General Obligation Bonds	General Bonded Debt Outstanding: Total	Percentage of Actual Taxable Value [a] of Property	Per Capita [b]
2011	50,000	50,000	0.00%	8
2012	14,000	14,000	0.00%	2
2013	-	-	0.00%	-
2014	-	-	0.00%	-
2015	-	-	0.00%	-
2016	-	-	0.00%	-
2017	-	-	0.00%	-
2018	-	-	0.00%	-
2019	-	-	0.00%	-
2020	**-**	**-**	**0.00%**	**-**

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

[a] *See Table 7 for property value data.*

[b] *Population data can be found in Table 17.*

Town of Hillsborough, North Carolina
Direct and Overlapping Governmental Activities Debt
June 30, 2020

Table 15

Governmental Unit	Orange Co. G.O. Bonds Outstanding Debt	Estimated Percentage Applicable	Town's Estimated Share of Overlapping Debt
Debt repaid with property taxes	$ 131,000,000	6.110%	$ 8,004,100
Town's overlapping debt			8,004,100
Town's direct debt			3,793,400
Total direct and overlapping debt			$ 11,797,500

Sources: *Assessed value data used to estimate applicable percentages provided by the Orange County Property Assessment Division. Debt outstanding data provided by each governmental unit.*

Town of Hillsborough, North Carolina
Legal Debt Margin Information
Last Ten Fiscal Years

	2011	2012	2013	2014
Debt limit	$ 59,858,619	$ 60,714,122	$ 60,985,183	$ 62,861,200
Total net debt applicable to limit	2,736,142	3,440,001	3,084,791	4,024,586
Legal debt margin	$ 57,122,477	$ 57,274,121	$ 57,900,392	$ 58,836,614
Total net debt applicable to the limit as a percentabe of debt limit	4.57%	5.67%	5.06%	6.40%

Note: *Under state finance law, the Town's outstanding general obligation debt should not exceed 8 percent of total assessed property value.*

Legal Debt Margin
Calculation for Fiscal Year 2020

Assessed value	$ 1,166,809,050
Debt limit (8% of assessed value)	93,344,724
Debt applicable to limit:	
Installment loans	(3,793,400)
Legal debt margin	$ 89,551,324

2015	2016	2017	2018	2019	2020
$ 62,990,706	$ 65,754,212	$ 70,409,012	$ 84,198,890	$ 87,108,454	**$ 93,344,724**
4,606,799	4,534,728	4,025,201	5,829,231	4,632,280	**3,793,400**
$ 58,383,907	$ 61,219,484	$ 66,383,811	$ 78,369,659	$ 82,476,174	**$ 89,551,324**
7.31%	6.90%	5.72%	6.92%	5.32%	**4.06%**

Demographic and Economic Information

Town of Hillsborough, North Carolina
Demographic and Economic Statistics
Last Ten Fiscal Years

Table 17

Year	Population	Personal Income *(thousands of dollars)*	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2011	6,113	*	*	33.42	1,305	7.3%
2012	6,239	*	*	33.62	1,420	7.1%
2013	6,298	*	*	33.99	1,433	5.3%
2014	6,381	4,905,216	34,949	33.10	1,370	4.8%
2015	6,292	5,287,926	37,658	33.50	1,393	3.9%
2016	6,415	*	27,575	35.70	1,408	4.6%
2017	6,568	*	24,567	35.90	1,325	3.7%
2018	7,231	*	30,830	35.70	1,302	3.0%
2019	7,239	*	25,780	36.60	1,319	3.3%
2020	**7,809**	*	**34,697**	**38.60**	**1,219**	**5.9%**

Note: *Personal income, per capita personal income, median age, and unemployment are not available at the town level and is reported at the county level. Unemployment is reported for the month of June of each year.*

* *Information not available per Orange County Economic Development*

Sources: *Population and median age information provided by the State Library of North Carolina. Personal income information provided by the Orange County Economic Development Office. Unemployment data provided by the Employment Security Commission. School enrollment data provided by the Orange County Board of Education.*

Note: *Population, median age, and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.*

Town of Hillsborough, North Carolina
Principal Employers
Current Year and Nine Years Ago

Table 18

	2020		2011	
Employer	**Employees**	**Percentage of Total Town Population**	**Employees**	**Percentage of Total Town Population**
Orange County Government	1,272	19.83%	818	13.38%
Orange County Schools	1,167	18.19%	1,249	20.43%
UNC Hospital	600	9.35%		
Summit Consulting-Engineering	342	5.33%		
Sports Endeavors, Inc. dba Eurosport		0.00%	550	9.00%
Wal-Mart Associates Inc	200	3.12%	300	4.91%
Brookshire Inc	184	2.87%	129	2.11%
Home Depot	150	2.34%	95	1.55%
Weaver Street Market, Inc	141	2.20%		
PHE	365		322	5.27%
OE Enterprises, Inc			139	2.27%
Warran-Hay			101	1.65%
Thalle			96	1.57%
Total	**3,149**	**43.40%**	**2,885**	**47.19%**

Source: *Town Economic Development Division and Employment Security Commission.*

Note: *Information regarding Town's total employment is not available.*

** Data not available*

Town of Hillsborough, North Carolina **Table 19**
Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government										
Administration	4	3	3	5	5	7	9	7.25	9.5	**9.25**
Finance	4	4	4	4	4	5	5	6	5.3	**3.40**
Information Services										**1.00**
Planning	3	3	3	4	4	5	5	5	5	**4.00**
Public space							1	2	2	**2.00**
Safety	1	1	1	1	1	1	1	1	1	**1.00**
Stormwater	-	-	-	1	1	1	2	3	3	**3.00**
Police										
Officers	26	25	27	24	28	26	28	29.33	27.75	**24.1**
Civilians	2	-	-	-		-	-	1	1	**2**
Public works										
Streets	4	3	3	3	4	4	4	4	4	**4**
Sanitation	4	4	4	4	4	4	3	4	4	**3**
Motor pool	3	3	3	3	3	3	3	3	3	**3**
Utilities										
Engineering	4	4	4	4	4	4	4	3	3	**4**
Billing and collection	5	5	5	5	6	6	6	4.50	4.5	**3.35**
Water	6	6	6	6	6	6	6	8	8	**7**
Wastewater	8	8	8	7	6	6	8	6	6	**5**
Water distribution/ wastewater collection	8	11	11	11	11	12	10	13	13	**12**
Fire inspections	1	1	1	1	1	1	1.5	1.40	1.4	**1.8**
Total	83	81	83	83	88	91	95.5	101.48	101.45	**92.90**

Source: *Town Finance Office. Positions reported at June 30th are positions filled.*

Operating Information

Town of Hillsborough, North Carolina
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2011	2012	2013	2014
Police				
Physical arrests	475	560	538	521
Calls for service	12,889	15,039	14,569	12,279
Traffic citations	1,182	1,134	1,651	1,212
Number of policeman positions	29	29	26	26.5
Fire				
Number of stations	1	1	1	1
Emergency responses (EMS and fire)	1,835	1,770	1,866	1,950
Fires extinguished	19	78	70	45
Number of paid firemen	24	25	24	24
Number of volunteers	12	14	19	15
Inspections	211	258	177	132
Refuse collection				
Refuse collected (tons per day)	5.95	-	6.34	5.90
Recyclables collected (tons per day)	*	*	*	0.02
Other public works				
Street resurfacing (miles)	-	-	2.25	2.13
Potholes repaired	41	36	30	36
Parks and recreation				
Number of parks	6	6	6	6
Library				
Volumes in collection	86,526	97,536	93,421	93,886
Total volumes borrowed	287,938	351,216	397,379	396,164
Water				
New connections	815	767	736	799
Water main breaks	10	30	20	15
Average daily consumption (millions of gallons per day)	1.129	1.048	0.913	1.103
Peak daily consumption (millions of gallons)	1.653	1.576	1.653	1.685
Wastewater				
Average daily sewage treatment (millions of gallons)	0.757	0.765	0.902	1.133
Education				
Number of schools [a]	3	3	3	3
Number of teachers	111	113	113	112
Number of students	1,305	1,420	1,433	1,370
Number of classrooms [b]	65	65	65	65

Sources: *Various city departments.*

[a] *Alternative school added for students who have not been successful in the traditional school setting in FY06*

[b] *Core classes only reported in FY11, FY12 and FY13*

[c] *Data used from previous year*

2015	2016	2017	2018	2019	2020
553	492	611	640	640	**658**
15,975	16,674	10,599	13,287	13,287	**16,233**
725	557	567	496	496	**603**
27	29	29	29	29	**29**
1	1	1	1	1	**1**
1,978	1,949	1,954	2,034	2,059	**1,880**
107	80	109	113	92	**66**
27	22	23	24	24	**26**
12	12	12	12	10	**8**
171	163	138	155	138	**168**
5.54	6	6	6.25	6.76	**6.76**
0.48	1	1	1.00	1.00	**1.00**
4.7	2	2	2.38	0.90	**2**
30	25	15	8.00	10.00	**15.00**
6	7	7	7	7	**7**
93,656	96,393	101,177	96,498	90,378	**98,331**
412,416	446,499	382,740	403,088	400,858	**285,212**
840	946	821	223		**988**
11	27	33	23	8	**25**
1.071	1.401	1.453	0.963	1.656	**1,464**
1.815	1.983	2.431	2.058	3.176	**2,501**
0.895	1.185	1.000	0.951	1.236	**1.011**
3	3	3	3	3	**3**
112	112	112	115	103	**126**
1,393	1,408	1,325	1,342	1,319	**1,219**
65	65	65	65 [c]	65 [c]	**70**

Town of Hillsborough, North Carolina
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2011	2012	2013	2014
Police				
Stations	2	2	2	2
Patrol units	28	27	26	27
Fire stations	1	1	1	1
Refuse collection				
Collection trucks >	6	7	7	8
Other public works				
Streets (miles) - paved	36.15	36.15	36.15	36.15
Streets (miles) - unpaved	0.73	0.73	0.73	0.91
Streetlights	633	633	633	678
Traffic signals (all state-owned)	-	-	-	-
Parks and recreation				
Acreage [b]	72.62	74.10	74.10	74.10
Playgrounds	4	4	4	4
Water				
Water mains (miles)	147.0	148.0	148.0	150.0
Fire hydrants	614	663	621	619
Storage capacity (thousands of gallons)	3,000	3,000	3,000	3,000
Wastewater				
Sanitary sewers (miles)	86.4	89.0	93.0	93
Treatment capacity (millions of gallons)	3.0	-	3.0	3
Stormwater				
Catch basins and inlets				
Storm sewers (miles) [a]	73.0	73.0	73.0	75
Area (square miles)	5.740	5.740	5.760	5.80

Sources: *Various city departments.*
Note: *No capital asset indicators are available for the general government or library function.*
[a] *Storm sewer data not available.*
[b] *Includes two parks owned by the Town but are located outside of the city limits.*
[c] *2012 figure included private hydrants - 2013 actual number of hydrants from GIS*
^ *Estimated*
> *Includes brush and leaf trucks 2009 forward*

2015	2016	2017	2018	2019	2020
2	2	2	2	2	**2**
27	25	24	34	34	**34**
1	1				
8	8	8	8	8	**8**
37.63	33.96	33.96	33.96	33.52	**33.52**
0.69	0.68	0.68	0.68	0.68	**0.68**
679	709	709	711	726	**726**
74.10	74.1	74.1	74.1	74.1	**74.1**
4	5	5	5	5	**5**
151.0	149.0	151.0	151.0	151.0	**151.0**
628	628	705	705	705	**705**
3,000	3,500	2,450	2,450	2,450	**2,450**
94.0	96.5	80.5	97	101.4	**98.8**
3.0	3.0	3.0	3.0	3.0	**3.0**
			491	491	**491**
75.0	75.0	75.0	43.6	43.6	**43.6**
5.800	6	6	6	6.07	**6.07**

Other Disclosures

Continuing disclosure information related to utility revenue bonds

The Town presents the information in this section in accordance with its continuing disclosure obligations related to its Combined Utility Systems Revenue Bonds, Series 2018.

The Water System

General – Capacity and consumption. The Town's water distribution system currently consists of approximately 157 miles of water lines, five water storage tanks and four water distribution booster pump stations. The Town's average daily water consumption for calendar year 2019 was approximately 1.584 million gallons per day ("MGD"). In addition, the Town owns and operates one water treatment plant (the "Water Treatment Plant"). The Water Treatment Plant currently has a 3 MGD treatment capacity with the ability to expand up to 6 MGD.

Water Rates. The Town provides water services to customers inside and outside the limits of the Town. Each utility account is charged (i) for usage of zero to 2,500 gallons, a fixed Block 1 Rate that is the same for all customers, regardless of meter size, and (ii) for usage over 2,500 gallons, a Block 2 Rate per 1,000 gallons used. It is expected that the Town's Board of Commissioners will consider proposed rate increases as part of the Town's normal budget-setting process in June 2021.

Current monthly water rates are set forth below:

All Customers (both non-irrigation and irrigation meters)

In Town Water Block 1	$23.15
In Town Water Block 2	$9.26/1,000 gallons
Outside Town Water Block 1	$45.15
Outside Town Water Block 2	$18.06/1,000 gallons

The Town charges a one-time $3,864.00 water residential capital facilities fee for new development. With respect to non-residential users, the Town charges a

water capital facilities fee based on water service tap size. The fees are set forth in the table below. See "System Development Fees" below.

Size	Fee
5/8" or 3/4"	$ 3,864
1"	6,440
1 1/2"	12,880
2"	20,608
3"	41,216
4"	64,400
6"	128,800
8"	206,080
10"	540,960

Other Fees and Charges. The Town charges other fees for various purposes, including, but not limited to, deposits for customers, late payment fees, delinquent fees, and reconnection fees.

Number of Active Customer Accounts. The following table shows the number of active water customer accounts as of June 30, 2020.

Number of Inside Town Accounts	Number of Outside Town Accounts	Total
3,652	2,747	6,399

As of June 30, 2020, the water system's customers were comprised of approximately 91% residential customers (including multi-family accounts) and 9% commercial customers.

Major Water Customer Accounts. The following table provides information on the top ten customer accounts of the water system (by annual revenues from water charges) for the fiscal year ended June 30, 2020, the water consumption for each such customer account, the annual revenue generated by each such account and the percentage of the total annual revenues for the water system generated by each such account.

Customer Account	Annual Water Revenues	Percentage of Total Water System Revenues
UNC Central Utility Building	$84,544	1.70%
LHNH - Patriots Pointe Partners, LLC	68,371	1.37
Horizon Acquisitions 3 LLC	66,728	1.34
Cates Creek Apartments	65,766	1.32
UNC Hospital	64,361	1.29
Orange County	64,152	1.29
State of North Carolina	62,876	1.26
Orange County High School	50,652	1.02
Al Curt Hillsborough, LLC	47,431	0.95
Orange County Finance Dept.	38,669	0.78
Total	$613,550	12.32%

Note: Totals may not foot due to rounding.

The Sanitary Sewer System

General – Capacity and usage. The Town's sanitary sewer system provides wastewater collection, treatment and disposal. The Town operates one wastewater treatment plant (the "Wastewater Treatment Plant"), 101 miles of wastewater lines and 24 wastewater pump stations. The Wastewater Treatment Plant was originally built in 1977 as a 3.0 MGD treatment facility which discharges to the Eno River. The Wastewater Treatment Plant was upgraded in 2014, and its current treatment capacity of 3.0 MGD is sufficient to meet future needs of the Town. The current average daily treated discharge of the Wastewater Treatment Plant is 0.75 MGD.

Sanitary Sewer Rates. The Town provides sanitary sewer services to residents inside and outside the limits of the Town. Each utility account is charged (i) for usage of zero to 2,500 gallons, a fixed Block 1 Rate that is the same for all customers regardless of meter size, and (ii) for usage over 2,500 gallons, a Block 2 Rate per one thousand gallons used, which is based on 100% of a customer's water consumption

as set forth in the table below. It is expected that the Town's Board of Commissioners will consider rate increases as part of the Town's normal budget-setting process in June 2021.

Current monthly sanitary sewer rates are set forth below:

All Customers

In Town Sewer Block 1	$34.23
In Town Sewer Block 2	$13.69/1,000 gallons
Outside Town Sewer Block 1	$66.73
Outside Town Sewer Block 2	$26.69/1,000 gallons

The Town charges a one-time $3,243 sewer residential unit capital facilities fee for new development. With respect to non-residential users, the Town charges a sanitary sewer capacity fee based on the water service tap size. The fees are set forth in the table below. See "System Development Fees" below.

Size	Fee
5/8" or 3/4"	$3,243
1"	5,405
1 1/2"	10,810
2"	17,296
3"	34,592
4"	54,050
6"	108,100
8"	172,960
10"	454,020

Other Fees and Charges. The Town charges other fees for various purposes, including, but not limited to, deposits for customers, late payment fees, delinquent fees, and reconnection fees.

Number of Active Customer Accounts. The following table shows the number of active sanitary sewer customer accounts as of June 30, 2020:

Number of Inside Town Accounts	Number of Outside Town Accounts	Total
3,464	1,244	4,708

As of June 30, 2020, the sanitary sewer system's customer account mix was approximately 91% residential (including multi-family accounts) and 9% commercial and industrial.

Major Sanitary Sewer Customer Accounts. The following table provides information on the top ten customer accounts of the sanitary sewer system (by annual revenues from sewer charges) for fiscal year 2020, and the percentage of total annual sanitary sewer revenues generated by each such customer account. Sewer usage is not metered. Water usage is applied to the sewer rates to calculate sewer charges.

Customer Account	Annual Sanitary Sewer Revenues	Percentage of Total Annual Sanitary Sewer Revenues
LHNH – Patriots Pointe Partners, LLC	$101,080	2.02%
Horizon Acquisitions 3, LLC	98,614	1.97
Cates Creek Apartments	97,228	1.95
UNC Hospital	95,152	1.90
Orange County	94,063	1.88
State of North Carolina	92,956	1.86
Orange High School	74,856	1.50
Al Curt Hillsborough, LLC	70,123	1.40
Orange County Finance Dept.	57,168	1.14
Weaver Street Market	51,714	1.04
Total	$832,954	16.66%

Note: Totals may not foot due to rounding.

Compliance Section

Cherry Bekaert LLP
CPAs & Advisors

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

To the Honorable Mayor and Town Council
Town of Hillsborough
Hillsborough, 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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hillsborough, North Carolina (the "Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 18, 2020. The financial statements of the Hillsborough Tourism Board and the Hillsborough Tourism and Development Authority were not audited in accordance with *Government Auditing Standards.*

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 result of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Raleigh, North Carolina
November 18, 2020