



Agenda

Board of Commissioners Regular Meeting

7:00 PM December 11, 2023

Board Meeting Room, Town Hall Annex, 105 E. Corbin St.

This meeting will be live streamed on the [Town of Hillsborough YouTube channel](#)

1. Public charge

The Hillsborough Board of Commissioners pledges to the community of Hillsborough its respect. The board asks community members to conduct themselves in a respectful, courteous manner with the board and with fellow community members. At any time should any member of the board or attendee fail to observe this public charge, the mayor or the mayor's designee will ask the offending person to leave the meeting until that individual regains personal control. Should decorum fail to be restored, the mayor or mayor's designee will recess the meeting until such time that a genuine commitment to the public charge is observed.

2. Opening – Mayor Jenn Weaver

3. Oaths and affirmations of office

- A. Commissioner Matt Hughes
- B. Commissioner Evelyn Lloyd
- C. Commissioner Meaghun Darab
- D. Mayor Mark Bell

4. Recognition and comments

5. Brief recess for reception and photos of board members

6. Reconvene meeting – Mayor Bell

7. Audience comments not related to the printed agenda

8. Agenda changes and approval

9. Appointments

- [A.](#) Selection of Mayor Pro Tempore and Committee Appointments – Mayor and Commissioners

10. Presentations

- [A.](#) Fiscal Year 2022-23 Audit Presentation

11. Items for decision – consent agenda

- [A.](#) Minutes
 - Regular meeting Nov. 13, 2023
 - Regular meeting closed session Nov. 13, 2023

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- Work session Nov. 27, 2023
- Work session closed session Nov. 27, 2023

- [B.](#) Miscellaneous budget amendments and transfers
- [C.](#) 2024 Board of Commissioners Meeting Schedule amendment

12. Items for decision - regular agenda

- [A.](#) Modifications to Town Code Section 14-56 – Cross Connection Control
- [B.](#) Recommendations on reimbursing certain residential swimming pool owners for backflow device installation
- [C.](#) Fiscal Year 2025 Budget Retreat Follow-up Discussion

13. Updates

- A. Board members
- B. Town manager
- [C.](#) Staff (written reports in agenda packet)

14. Adjournment

Interpreter services or special sound equipment for compliance with the Americans with Disabilities Act is available on request. If you are disabled and need assistance with reasonable accommodations, call the Town Clerk's Office at 919-296-9443 a minimum of one business day in advance of the meeting.



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: Dec. 11, 2023
Department: Governing Board
Agenda Section: Appointments
Public hearing: No
Date of public hearing: N/A

PRESENTER/INFORMATION CONTACT

Town Clerk Sarah Kimrey

ITEM TO BE CONSIDERED

Subject: Selection of Mayor Pro Tempore and Committee Appointments – Mayor and Commissioners

Attachments:

1. Committee Seat Appointments 2022-2023
2. Committee Appointments 2024-2025 Template

Summary:

The board will select a mayor pro tem and consider committee seats and alternate appointments for 2024-2025.

Financial impacts:

N/A

Staff recommendation and comments:

N/A

Action requested:

Select mayor pro tem and committee appointments.

Committee Appointments

BOARD OF COMMISSIONERS

Calendar Years 2022 and 2023



Commissioner Mark Bell

Community Home Trust
Durham-Chapel Hill-Carrboro Metropolitan Planning Organization Board (alternate)
Hillsborough Water and Sewer Advisory Committee (rotation)
Intergovernmental Collaboration Work Group (alternate)
Orange County Transit Plan Policy Steering Committee
Orange County Visitors Bureau
Orange County Food Council

Commissioner Robb English

Hillsborough Parks and Recreation Board
Hillsborough Water and Sewer Advisory Committee (rotation)
Orange County Intergovernmental Parks Work Group
Orange County Climate Committee
Solid Waste Advisory Group (SWAG)

Commissioner Kathleen Ferguson

Hillsborough Water and Sewer Advisory Group (rotation)
Orange County Housing Collaborative
Orange County Partnership to End Homelessness (OCPEH)
Triangle J Council of Governments (TJCOG) Board of Delegates

Mayor Pro Tem Matt Hughes

Family Success Alliance Advisory Council
Hillsborough Tourism Board
Hillsborough Water and Sewer Advisory Committee
Solid Waste Advisory Group (SWAG)
Hillsborough Tourism Development Authority (TDA)
Triangle J Council of Governments (TJCOG) Board of Delegates (alternate)

Commissioner Evelyn Lloyd

Fire Department Relief Fund
Hillsborough Water and Sewer Advisory Committee (rotation)
Orange Rural Fire Department

Mayor Jenn Weaver

Durham-Chapel Hill-Carrboro Metropolitan Planning Organization Board
Hillsborough Water and Sewer Advisory Committee (rotation)
Intergovernmental Collaboration Work Group
Upper Neuse River Basin Association (UNRBA)

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**Town of Hillsborough
Board of Commissioners
Committee Appointments
2024-2025**

Mayor Pro Tem -

Committee Appointment	Frequency	Day of Week		Time	Meetings/ Year	Board Representative
Central Pines Council of Governments Board of Delegates	Bimonthly	4th	Wed	5:30 p.m.	6	
Chapel Hill/Orange County Visitors Bureau	Monthly	3rd	Wed	8 a.m.	10	
Community Home Trust Elected Officials Committee	Monthly	2nd	Thurs	6 p.m.	8	
Durham-Chapel Hill-Carrboro Metropolitan Planning Organization Board	Monthly	4th	Tues.	9 a.m.	10	
Hillsborough Parks and Recreation Board	Monthly	3rd	Tues	7 p.m.	12	
Hillsborough Tourism Board	Monthly	1st	Mon	5:30 p.m.	12	
Hillsborough Tourism Development Authority (TDA)	Quarterly	TBA			4	
Hillsborough Water and Sewer Advisory Committee	Bimonthly	1st	Thurs	7 p.m.	6	
Orange County Family Success Alliance Advisory Council	Bimonthly	3rd	Mon	2 p.m.	6	
Orange County Housing Collaborative			Thurs	5:30 p.m.		
Orange County Intergovernmental Climate Council		TBD				
Orange County Intergovernmental Parks Work Group	Quarterly	2nd	Wed	5:30 p.m.	3	
Orange County Partnership to End Homelessness (OCPEH)	Monthly	1st	Wed	5:30 p.m.	11	
Orange County Solid Waste Advisory Group (SWAG)	Monthly	TBA				
Orange Rural Fire Department	Monthly	3rd	Thurs		12	
Orange Rural Fire Department Relief Fund		Quarterly as needed				
Upper Neuse River Basin Association (UNRBA)	Quarterly	3rd	Wed	9:30 a.m.	4	
<i>Inactive committees</i>		<i>OC Food Council, OC Intergovernmental Collaboration Work Group, OC Transit Plan Policy Steering Committee</i>				<i>If reactivated, mayor will attend or appoint representative</i>



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: Dec. 11, 2023
Department: Financial Services
Agenda Section: Regular
Public hearing: No
Date of public hearing: N/A

PRESENTER/INFORMATION CONTACT

Finance Director Dave McCole
Robert Bittner, Partner at PB Mares

ITEM TO BE CONSIDERED

Subject: Fiscal Year 2022-23 Audit Presentation

Attachments:

Fiscal Year 2022-23 Audit Report

Summary:

The FY2022-23 audit for the Town of Hillsborough, Hillsborough Tourism Development Authority and Hillsborough Tourism Board has been completed by PB Mares on Nov. 29, 2023.

Financial impacts:

None

Staff recommendation and comments:

None

Action requested:

Accept the FY2022-23 audit for Town of Hillsborough, Hillsborough Tourism Development Authority and Hillsborough Tourism Board.



TOWN OF
HILLSBOROUGH
NORTH CAROLINA



Annual Financial Report
For Fiscal year ended June 30, 2023

Presented by the Financial Services Department

Dave McCole, Finance Director

Financial Team - Richard Duke, Debra Strutz,

Brianna Penny, & Heather Mays

TOWN OF HILLSBOROUGH, NORTH CAROLINA

Annual Financial Report

Fiscal Year Ended June 30, 2023



Prepared by the Financial Services Department



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The seal of Hillsborough County, North Carolina, is centered in the background. It features a shield with a yellow lion on the left and three red shells on the right. The shield is set within a circular border containing the text "HILLSBOROUGH COUNTY" at the top and "NORTH CAROLINA" at the bottom.

INTRODUCTORY SECTION

This section of the Town of Hillsborough's (the "Town") annual financial report presents general information on the Town's organization and the environment in which it operates. This section goes beyond the minimum reporting requirements of accounting principles generally accepted in the United States of America. As such, the information contained in this section is unaudited.



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November 29, 2023

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

The Annual Financial Report of the Town of Hillsborough, North Carolina (the "Town") for the fiscal year ended June 30, 2023, 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. The Town has not met that threshold for the past two fiscal years due to significant turnover in the Financial Services Department from February 2021 through February 2023. At one point the accounting operation was down to 1.4 employees and no finance director. During this two-year period, the Town has had six acting/interim finance directors, with a finance director for one year, then back to an interim director before a full-time director was hired again in February 2023. This level of turnover and inadequate staffing created many gaps, challenges, and operational issues. The 2021 audit was about 15 months late and was completed in January 2023. The gap was reduced for the 2022 audit with it being eight months late with completion just a few months ago in July 2023.

Fortunately, by evidence of this transmittal letter and document, the 2023 audit has been completed on time. Operations have stabilized in the Financial Services Department thanks to several years of hard work from the staff, being able to retain these excellent employees, filling vacancies, the hiring of a finance director with decades of local government accounting experience, resources from the Greg W. Isley accounting firm to prepare the financial statements, as well as use of a financial consultant with significant local government experience. An operational analysis was completed in February 2023 by our financial consultant. The review identified potential improvements, such as building redundancy; streamlining inefficient processes; enhancing staff experience via training and cross-training as many are relatively new to government finance; replacing antiquated software, and assisting the new finance director, who started Feb. 6, with a plan to strengthen departmental operations. Noteworthy progress has been made in many of the areas identified in the analysis, along with plans to continue implementation moving forward to prevent a repeat of the challenges of the past two years, and make the Town's financial services operations more effective, efficient, and resilient during times of employee turnover.

The Town traditionally produces an Annual Comprehensive Financial Report ("ACFR"), but this will be the third year the audit results are shared as an Annual Financial Report ("AFR"). The difference is the ACFR includes a statistical section with a variety of historical information on tax levy, debt levels, population growth, employment levels, operational statistics, and much more. Due to the challenges mentioned with staffing the focus has been on getting the accounting and financial reporting components completed as quickly as possible. Including the statistical section would have further delayed the process. While the current 2023 audit also does not include this section, staff plans to complete that section within the next few months and submit an amended report. This means this helpful information will be available and it will be easy to include this in the 2024 audit, thus returning to the ACFR level of reporting.

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") as applicable to governments. 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 PBMares, LLP, a firm of licensed certified public accountants, was selected and awarded the contract for Fiscal Year 2023. 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. GAAP requires 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 and Analysis and should be read in conjunction with it. The Town's MD&A immediately follows the independent auditors' report.

Profile of the Town and Government

Founded in 1754, Hillsborough is the seat of Orange County. Located at the intersection of interstates 85 and 40, it is part of the region known as the Research Triangle and is close to several major cities, with Durham, Chapel Hill, Raleigh, and Greensboro nearby. Several universities are close to town — the University of North Carolina at Chapel Hill, Duke, Elon, North Carolina Central, and North Carolina State. Durham Technical Community College also has a Hillsborough campus. The Town's economy is centered on government, retail, service providers, manufacturing, and health care including the UNC Hospitals Hillsborough Campus. The Town's historical sites and its vibrant art, music, and food scenes attract many tourists and visitors.



The historic Ruffin-Roulhac House, circa 1821, serves as Town Hall.

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 parks, water, sewer, police, planning, public space management, street maintenance, solid waste collection, and stormwater. Fire protection is contracted through a partnership with the Orange Rural Fire Department. The Town provides financial support to certain boards, agencies, and commissions to assist their efforts in serving citizens. It has evaluated its relationship with each of these entities according to accounting and reporting standards established by the Governmental Accounting Standards Board ("GASB") and has determined that the Hillsborough Tourism Development Authority and Hillsborough Tourism Board are required to be reported as discretely presented component units in the Town's financial statements.

The Town operates its own water and sanitary sewer systems. Its water treatment plant has a capacity of 3 million gallons per day (MGD) and is currently treating an average daily flow of about 1.6 MGD. The water system serves about 6,500 customers, which includes residents and businesses within the corporate limits as well as out-of-town customers. The sanitary sewer system has a treatment capacity of 3 MGD, with a current average daily treated discharge of about 0.8 MGD.

The Town offers a seven-week course — Hillsborough University: Government 101 — aimed at helping community members increase their knowledge of town government, as well as their interest and ability in influencing and participating in town decisions. Many graduates have gone on to serve on appointed boards and committees, to volunteer in organizations throughout the community, and were elected to the Town’s governing board.

Strategic Plan

After using a balanced scorecard for strategic planning for 12 years, the Town shifted to a new model in Fiscal Year 2020 to better monitor, manage, and set direction for policy and operational goals. The COVID-19 pandemic slowed developing a new way to set goals and link them to actions and performance measures. The fiscal year (“FY”) 2024-2026 Strategic Plan was adopted by the Town’s governing board on June 26, 2023. The Town’s mission and vision statements remain unchanged. The following strategic focus areas were identified and developed into five subplans that will be updated and reported on annually in November:

TOWN OF HILLSBOROUGH

STRATEGIC PLAN



FY2024-26

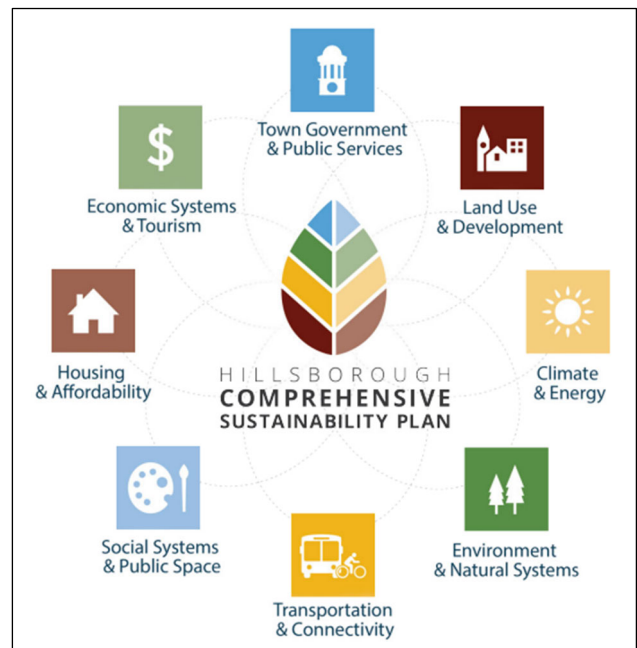
Adopted 06-26-2023



Environmental Initiatives

One of the five focus areas for the Hillsborough Strategic Plan is sustainability and resiliency. The Town’s 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 environmental initiatives of the Town.

- Updating and expanding the long-term visioning and planning document (Comprehensive Plan) and combining it with long-term sustainability and climate change initiatives. The Comprehensive Sustainability Plan was adopted June 12, 2023. Serving as an 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, nonprofit 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.
- When adopting the FY22 budget, the Town’s governing board directed that the equivalent revenue of approximately two cents on the property tax rate (\$300,000) be saved and/or used to address climate and sustainability priorities. The FY23 budget also includes the same level of funding to assist with priority implementation identified in the Comprehensive Sustainability Plan scheduled for completion in late 2022. The FY22 and FY23 funds combined will provide \$600,000 available for these efforts.



- Supporting the goal in an adopted town resolution of using 80% clean energy by 2030, then 100 percent clean energy by 2050 and fostering a resilient and sustainable community.
- Working as a designated Tree City USA to protect the Town’s trees and educate citizens about the importance of urban forestry through the Public Space and Sustainability Division and the Tree Board.
- Working as a Bee City USA to raise awareness of the role pollinators play in sustaining more than 75 percent of the world’s plant species and to help expand pollinator-friendly practices and environments in town. The Public Space and Sustainability Division and Tree Board partner with the Hillsborough Garden Club to develop the program and educational materials, including actions residents can take.
- Operating the Stormwater and Environmental Services Division to comply with many state and federal mandates for environmental stewardship.
- Partnering 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 Division employees when collecting trash and recyclables along Riverwalk. Additionally, the Town collects appliances and scrap metal for recycling.
- Preventing sanitary sewer overflows and the environmental damage they cause through the Water Distribution and Wastewater Collection Division. The division’s fats, oil, and grease program provide educational presentations at schools and public events about keeping these blockage-causing substances out of the Town’s sewer system.

Local Economy

The Town of Hillsborough, and the Research Triangle Park area are considered among the most desirable areas of the country to live and work, according to several national surveys. Hillsborough’s economy is diversified with government, education, health care, wholesale, and retail businesses, and many service providers. About 45% of Hillsborough’s tax base is commercial in nature — a strong indicator of a healthy and diverse property tax base.



While downtown is the historic hub of Hillsborough, the economy is highly diversified with a strong commercial tax base of approximately 45%.

The Town’s unemployment rate has been below state and national rates throughout recent history. Traditionally, Orange County has the lowest unemployment rate in North Carolina. This is in part due to a high percentage of residents working for area universities, hospitals, medical offices, and state and local governments that tend to not lose as many employees as private corporations during economic downturns. The issuance of building permits for residential and commercial developments, as well as frequent inquiries from developers, continued to be exceptionally strong through June 2023.

Government, Education, and Health Care

Orange County government (the “County”) is a major employer in Hillsborough. Many of the County’s administrative buildings are located within town limits. One of those buildings is the Historic Orange County Courthouse (c. 1844), 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 13 schools throughout the county. Three of the schools are within the town limits, and seven are served by Hillsborough’s water and sewer system.

Durham Tech has a 20-acre campus in Hillsborough. The community 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.



Duke University Hospital and UNC Hospitals have a variety of medical offices, urgent care, and other facilities in Hillsborough, as the town is about 20 minutes from their base locations in Durham and Chapel Hill. The largest medical presence is the UNC Hospitals Hillsborough Campus in the Waterstone development. The hospital is an extension of UNC Hospitals in Chapel Hill and includes a medical office building, outpatient surgery, inpatient services, as well as support services to provide integrated, convenient, and patient-centered care.

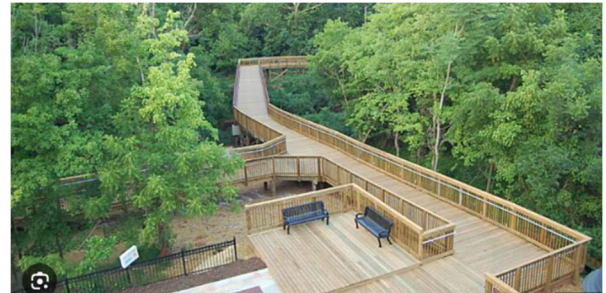
The campus is home to several UNC specialty programs, including family medicine, geriatrics, physical medicine, and rehabilitation, which is moving from Chapel Hill to Hillsborough. The hospital also has many elective surgical programs, including joint replacement, spine, ophthalmology, urology, benign gynecology, and general surgery. It is the first in North Carolina to receive the Geriatric Emergency Department Accreditation from the American College of Emergency Physicians and is one of about 20 hospitals accredited nationwide, certifying that its staff is specially trained to assess older patients more comprehensively. The campus also has earned the Joint Commission’s Gold Seal of Approval® for Total Hip and Knee Replacement Certification by demonstrating continuous compliance with performance standards. The hospital, which opened in 2015, added a 107,000-square-foot patient tower in May 2022. The tower includes 80 patient beds and 6 in-patient dialysis bays. The addition brings the total licensed beds at the campus to 163. The facility’s combined footprint now measures about 365,000 square feet, and the additional tower added 100 jobs. The Hillsborough Campus treats more than 25,000 patients a year and is the primary workplace for about 500 UNC Health employees.



A new patient tower opened in May 2022 at UNC Hospitals Hillsborough Campus.

Recreational, Visitor, and Cultural Events

The Town’s 3 percent hotel/motel and 1 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. While many events were canceled in 2020 and 2021 due to COVID, these activities have rebounded strongly with far more public events during 2022 and 2023 than previous years.



The Riverwalk greenway is a favorite destination.

The Hillsborough Tourism Development Authority promotes travel, tourism, and conventions; sponsors tourism-related events; and finances tourism-related capital projects. The Hillsborough Tourism Board (“Tourism Board”) drives economic development by promoting travel, tourism, and visitor services. It sponsors programs and activities designed to improve the Town’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 barbecue festival, Moorefields Bluegrass Festival, River Park Concert, Historic Hillsborough Half Marathon and 5K, Handmade Parade, Hillsborough Halloween Spirits Tours, Solstice Celebration Lantern Walk, Hillsborough Holiday Parade and Tree Lighting, and Candlelight Holiday Home Tour.

Well known museums and historical sites:

- Alexander Dickson House (late 18th century)
- Ayr Mount (1800s Federal-era plantation house)
- Burwell School Historic Site (1800s)
- 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)

- Occaneechee 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 (many activities):

- Cates Creek Park
- Gold Park
- Exchange Park
- Fairview Park
- Hillsborough Heights Park
- Mayo Park
- Murray Street Park
- Kings Highway Park
- River Park
- Turnip Patch Park
- Calvin Street and Riverwalk greenways
- Duke Forest
- Historic Occaneechee Speedway Trail
- Occaneechee Mountain State Natural Area
- Poet's Walk at Ayr Mount
- Hillsborough Youth Athletic Association baseball fields
- Occaneechee Golf Club
- Central Recreation Center
- Orange County Sportsplex

Residential Growth

Hillsborough's population will continue to increase significantly over the next few years. The Town continues to receive commercial inquiries and to experience expansion of existing businesses. The largest active residential development is Collins Ridge. The master plan includes 950 dwellings (houses, townhouses, and apartments) and 88 affordable rental units. The first homes went on the market in June 2021.

Long-Term Financial Planning

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. Hillsborough is one of the only local governments in the state that uses a multi-year format. It's used the three-year budget format that has been so



A utility mechanic inspects a mechanical arm on the Wastewater Treatment Plant's clarification tank, which sweeps the water surface of large organics and trash.

successful dating back to 1998. While only the first year of the budget is legally binding, the second and third years of the plan provide helpful planning assistance on managing the Town's finances, resources, as well as overall project management.

A level of uncertainty remained while the FY23 budget was being prepared in early to mid-June due to the economy and to not having prior and current year actual information because of the aforementioned delays in the audit process. Thus, a conservative approach was used in developing the budget. Fortunately, this conservative approach worked as the Town ended the budget year with a substantial boost to the General Fund's fund balance of \$2.4 million. Again, these funds will be needed to pay for high priority needs and to

ensure sufficient money is saved for emergency situations, especially with weather events becoming more frequent and severe. The Water and Sewer Fund ended the year with an increase in unrestricted net position (system fund balance) of \$2.9 million bringing the total amount to \$11.9 million. The surplus in the Water and Sewer Fund will be available to help pay for the tens of millions in immediate to near-term capital needs, maintain savings levels necessary to retain the AA bond rating and help improve it, meet bond covenant requirements from the Series 2018 and 2020 revenue bonds to pay for the reservoir expansion, and stay in line with industry standard metrics to keep the fund in a fiscally strong position.

Major Initiatives

The Town's future capital plans are established in a seven-year Capital Improvement Plan that 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 — Annual repaving and road maintenance is funded without debt and uses the Town's gas tax allocation from the State Street-Aid Program (aka "Powell Bill") and General Fund revenues to pay for the improvements. The Town targets repaving about 5 percent of its road miles annually to have a 20-year repaving cycle. This interval has been identified by some industry experts as the most cost effective in terms of lifecycle costing. Street repaving was greatly reduced in FY2021-2023 to help pay for an expensive repair project on Valley Forge Road, due to the road crossing being washed out during a storm.
- Valley Forge Stormwater Project — This \$1.3 million project replaced three 90-inch pipes crossing under Valley Forge Road and to rebuild the road. The road has washed out twice in recent years, and temporary repairs are being monitored weekly until the reconstruction project is complete. The Town is eligible for emergency funding assistance through the State of North Carolina to help pay for this project. The Town paid for the repairs and is now seeking reimbursement for \$1.0 million of the cost.
- Compensation & Classification Study Implemented. Many of our peer local governments regionally and across the state had either recently conducted a pay study or were in the process of completing one. The Town contracted with Piedmont Triangle Regional Council (PTRC) in late 2021 to conduct a pay study of all town positions. The market comparisons included local governments in the Triad and Triangle area, with the primary market being the Triangle since that is where the Town usually loses its employees. The last pay study conducted was in 2018, and although regular salary adjustments have been made the Town had still fallen behind the market in many positions. The Town approved a new compensation plan and salary grades in September 2022. This had a major impact on lowering employee turnover and helping to fill vacant positions.
- Public Works Facility Relocation. After being in the flood plain, in substandard facilities, with no equipment shelters, and little storage for about 50 years, funds are allocated in FY2023-2025 to move the public works division from their Dimmock's Mill Road location to the NC 86 North facility. Funds are included for design (\$100,000 in FY2023 to supplement existing money in the project fund) with annual debt payments of \$273,000 starting in FY2025. The total project estimate is \$3.5 million.

Water and Sewer Fund

- Wastewater Collection — Developing a detailed evaluation of the system's condition and capacity has started to allow utilities staff to prioritize the most important needs in future years and to determine how much development Hillsborough's system can safely accommodate. Funds are included to address other problem areas, such as inflow and infiltration, line capacity, and pump stations. About \$40 million is anticipated to be needed to address wastewater collection system needs over the next 18 years. The Town has applied for a grant to help pay for 70% of the approximately \$8 million required to replace River Pump Station, an aging station that is the largest of two that pump all sewage into the wastewater plant.
- Water & sewer minimum rates: Continue three-year plan to decrease monthly charge from 2,500 to 2,000 gallons. In FY2023 the minimum rate decreased from 2,375 to 2,250. The Town made this decision during the FY2022 budget process to provide relief and a more equitable way of charging low volume customers, who are often on fixed incomes, elderly, or living alone. This builds on the similar initiative recommended by the Water & Sewer Advisory Committee and approved by the Town that decreased the minimum rate from 3,000 to 2,500 gallons over the four-year period from FY2014-2017. In addition to providing an incentive for customers in this use category to conserve, the change provided substantial relief to lower volume users. The FY2022-2024 reductions take the prior FY2014-2017 efforts a step further. Of the 54% of water systems that use the volumetric charge, as opposed to a base rate, the most typical monthly minimum charges are in the 2,000 to 3,000 per month range. Thus, in FY2024 when the minimum rate drops to 2,000, Hillsborough will be at the most equitable end of the range when it comes to this rate method.

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 \$2,989 per capita. The largest part of the outstanding debt is for the Wastewater Treatment Plant and reservoir. Additional debt incurred over recent years will ensure the Town has sufficient water supply, especially during dry and drought conditions. Hillsborough suffered from severe water shortages for decades and has since been self-sufficient since Phase 1 of the reservoir was completed in 2000. Debt funding for water and sewer projects will also allow for projected growth and economic development. 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 29 fiscal years. The Town has avoided a heavy debt load in its General Fund, which has plagued many municipalities. Revenue bonds were issued for the first time to fund the expansion of the West Fork Eno Reservoir for \$11.1 million in FY2018. A second revenue bond of \$3.7 million was issued in FY2020. Debt payments account for 23 percent of Water and Sewer Fund expenditures. The debt payments are a significant expense for a relatively small utility system especially when coupled with very expensive projects like the Wastewater Treatment Plant upgrade in 2014 that accounts for about \$1 million per year of debt. Using debt financing is the most practical way to pay for expensive maintenance needs on the system.

Financial Policies

The Town has adopted a policy for its General Fund to maintain its available fund balance at a 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 portfolio by security type to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, or maturities. No more than 50% of the Town's total investment portfolio will be invested in a single security type, without exception.

Status Update — Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association ("GFOA") of the United States and Canada awards a Certificate of Achievement for Excellence in Financial Reporting to governmental units that publish an easily readable and efficiently organized annual comprehensive financial report ("ACFR") that conforms to the GFOA's standards. The report must satisfy GAAP and applicable legal requirements. 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. It is valid for a period of one year.

The Town had received a Certificate of Achievement for 26 consecutive years (fiscal years 1994 through 2020). Unfortunately, that long consecutive streak ended due to the audit submission being significantly late for FY2021 and the various staffing challenges discussed earlier. Currently, the Town does not anticipate submitting an ACFR for FY2023 due to limited staffing and resources. Management is optimistic that the Town will be in a position in the next year or two to prepare an ACFR meets the GFOA's standards for excellence in financial reporting.

Acknowledgments

The assistance and dedication of the Financial Services team has been stellar throughout the year, especially during the preparation of this report! During this short period, the staff has worked many with three full-time finance directors and six interims). They've worked exceptionally hard and been patient as we've gone through several challenging situations over the past 2 ½ years. We would like to thank all members of the department who contributed to the audit's preparation and the independent certified public accountants from PBMares, LLP for their assistance. A special thanks goes to Greg Isley and staff from his CPA firm who have provided tremendous assistance and frequently gone over and above to help during these challenging times, especially Brian Broom who prepared the financial statements. Major recognition and thanks go to Kai Nelson, the Town's financial consultant, who played a critical role over the last 18 months, working closely with our dedicated staff to complete three audits over the last 11 months! This was a major accomplishment for Hillsborough's financial services team! The audit was a lot of work for everyone to juggle in such a short period of time. 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,



Eric J. Peterson
Town Manager



David McCole
Finance Director



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Town of Hillsborough, North Carolina
Board of Commissioners
For the fiscal year ended June 30, 2023



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

Jenn Weaver – Mayor

Matt Hughes – Mayor Pro Tem

Evelyn Lloyd – Commissioner

Mark Bell – Commissioner

Kathleen Ferguson – Commissioner

Robb English – Commissioner

Town Officials

Eric J. Peterson, Town Manager

David McCole, Finance Director

Emily Bradford, Budget Director

Jen Della Valle, Administrative Services Director

Matt Efird, Assistant Town Manager

Marie Strandwitz, Utilities Director

Sarah Kimrey, Town Clerk

Duane Hampton, Police Chief

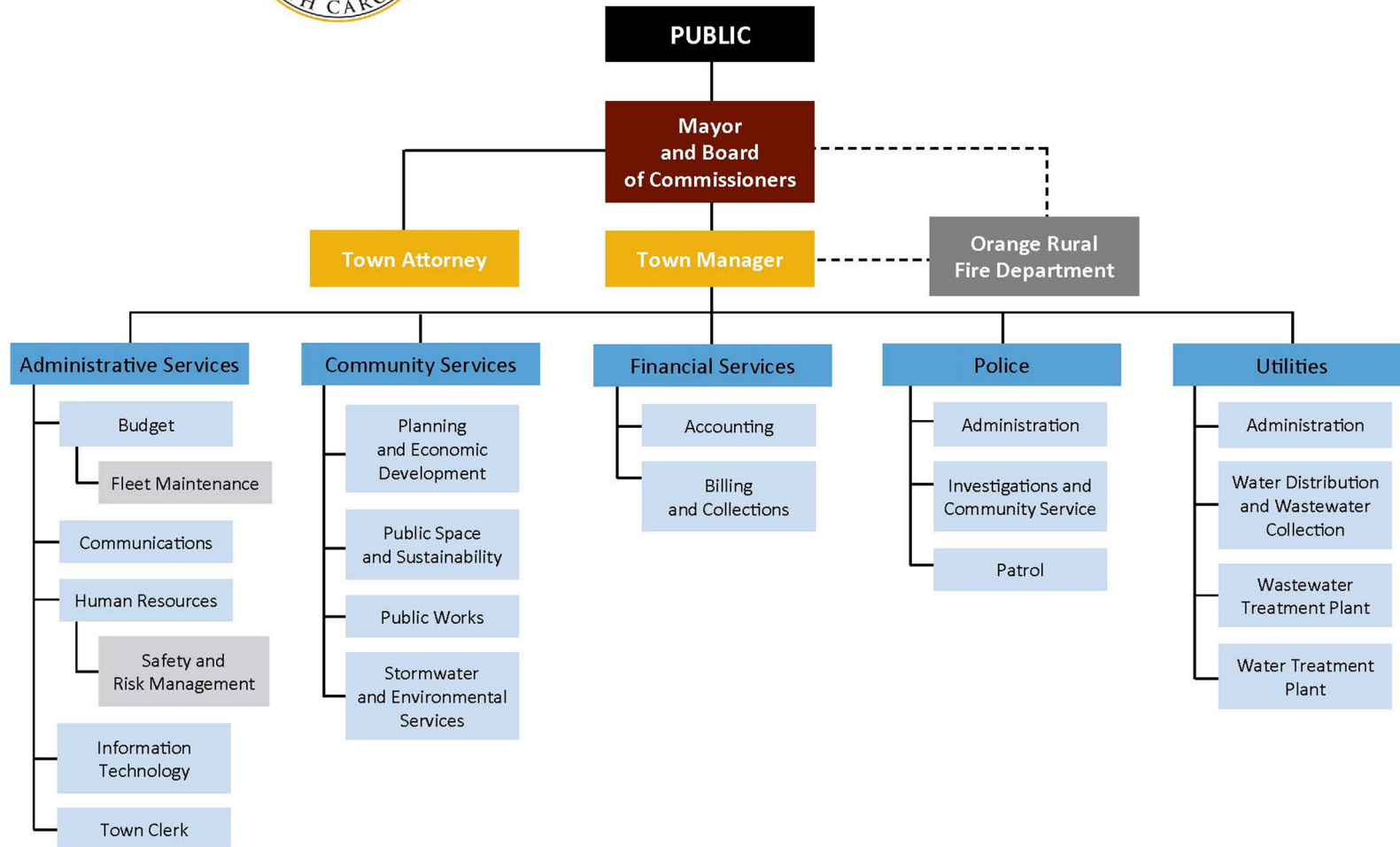
Robert Hornik, Town Attorney



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ORGANIZATION CHART





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The seal of Hillsborough, North Carolina, is a circular emblem. It features a central shield with a red and white design, topped by a crest. The shield is surrounded by a yellow border. The text "HILLSBOROUGH" is written in a semi-circle at the top, and "NORTH CAROLINA" is written at the bottom. The year "1754" is also visible within the seal.

FINANCIAL SECTION

This section of the Town of Hillsborough’s (the “Town”) annual financial report presents the basic financial statements and required supplementary information (including management’s discussion and analysis), as well as the independent auditors’ report. In addition, the financial section contains supplemental and other information including budget comparison schedules, required combining statements and other financial information.



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Commissioners
Town of Hillsborough, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the General Fund budget to actual comparison, and the aggregate remaining fund information of the Town of Hillsborough (the Town), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, the General Fund budget to actual comparison, and the aggregate remaining fund information of the Town, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Town of Hillsborough Tourism Board and the Hillsborough Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As described in Note 2(D).2, the net position of the Water and Sewer Fund in the Business-Type Activities as of June 30, 2022 has been restated due to an error. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Governmental Employees' Retirement System's Schedules of Proportionate Share of the Net Pension Liability and Contributions, the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, and the Schedules of Changes in the Total OPEB Liability be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Town of Hillsborough as of and for the year ended June 30, 2022 (not presented herein), and have issued our report thereon dated June 29, 2023, which contained unmodified opinions on the respective financial statements of the governmental and business-type activities, each major fund and the aggregate remaining fund information. The combining and individual fund statements, budgetary schedules, other financial information, the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, based on our audit and the procedures as described above, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2023 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Town's 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 Town's internal control over financial reporting and compliance.

PBMares, LLP

Morehead City, North Carolina
November 29, 2023

Town of Hillsborough, North Carolina Management's Discussion and Analysis (Unaudited)

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, 2023. 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 \$93,394,941 which consisted of \$34,876,084 from governmental activities and \$58,518,857 from business-type activities.
- The Town's total net position increased by \$4,755,538 which consisted of \$3,365,893 from governmental activities and \$1,389,645 from business-type activities.
- The Town restated opening net position in its business-type activities and its Water and Sewer Enterprise Fund. The balance as of July 1, 2022 was decreased by \$2,616,083. Enterprise capital projects previously capitalized as construction-in-progress were reclassified as expenditures resulting in the decrease. The restatement related to an agreement between the Town and the North Carolina Department of Transportation ("NCDOT"). The agreement states that the Town will make improvements around the Town's reservoir and the NCDOT will assume responsibility for the roads once the project is completed.
- As of the close of the current fiscal year, the Town's governmental funds reported ending fund balances of \$16,192,849 which consisted primarily of \$14,263,322 of fund balance in the General Fund.
- At the end of the current fiscal year, fund balance available for appropriation in the General Fund was \$11,212,091, or 91 percent of total expenditures in the General Fund.
- The Town's total debt decreased by \$1,970,605 during the current fiscal year. No new long-term debt was issued but the Town implemented the new software subscriptions standard which added an additional \$72,690 to long-term liabilities as of the close of the current fiscal year.
- The Town obtained an AA bond rating from S&P (Standard & Poors) on May 2, 2018, in connection with the issuance of its Combined Utility Systems Revenue Bonds, Series 2018.

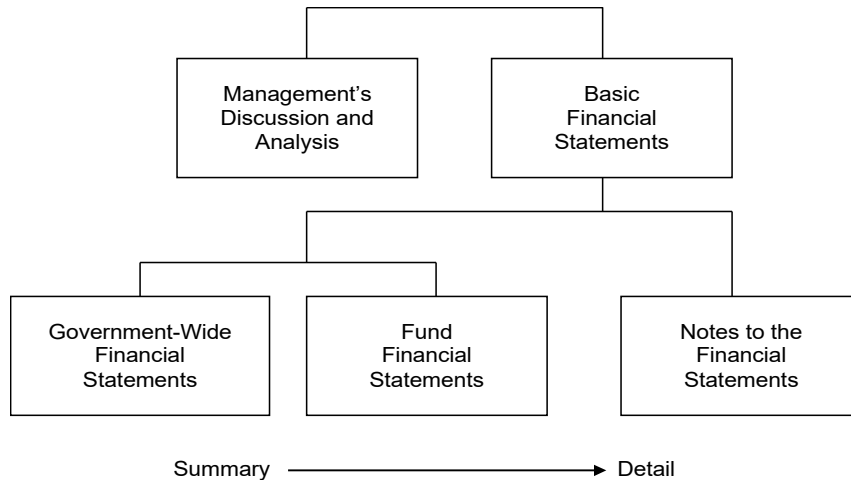
Overview of the Basic Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the Town'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's financial condition using government-wide statements presented on the full accrual basis of accounting and fund financial statements presented on the modified accrual basis of accounting. 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.

**Town of Hillsborough, North Carolina
Management’s Discussion and Analysis (Unaudited)**

Required Components of the Basic Financial Statements

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 10) 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 North Carolina General Statutes can also 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 15 through 17 of this report.

Town of Hillsborough, North Carolina Management's Discussion and Analysis (Unaudited)

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 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 adopts an annual budget for its General Fund, as required by North Carolina 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 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 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.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. The Town has one fiduciary fund, which is a custodial fund. This fund accounts for the Special Assessment Revenue Bonds used to finance the construction of public infrastructure in the Waterstone District.

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 29 through 64 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 65 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.

Town of Hillsborough, North Carolina
Management's Discussion and Analysis (Unaudited)

Government-wide financial analysis

Net position may serve over time as one useful indicator of a government's financial condition. Table 1 provides a summary of the Town's net position. The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$93,394,941 as of June 30, 2023. The Town's net position increased by \$4,755,538 for the fiscal year ended June 30, 2023.

The largest portion of net position (62%) 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's net position, \$12,530,012 (13%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$22,556,032 (24%) is unrestricted and may be used to meet the Town's ongoing obligation to citizens and creditors.

TOWN OF HILLSBOROUGH, NORTH CAROLINA
Condensed Statements of Net Position

Table 1

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022 (As restated)	2023	2022
ASSETS						
Current assets and other assets	\$ 17,676,610	\$ 14,917,559	\$ 28,230,601	\$ 25,480,089	\$ 45,907,211	\$ 40,397,648
Capital assets, net	24,517,031	23,921,068	59,973,621	61,549,867	84,490,652	85,470,935
Total assets	42,193,641	38,838,627	88,204,222	87,029,956	130,397,863	125,868,583
DEFERRED OUTFLOWS OF RESOURCES						
	2,817,057	1,917,401	1,219,533	737,520	4,036,590	2,654,921
LIABILITIES						
Long-term liabilities	8,047,640	6,177,094	27,237,442	27,423,493	35,285,082	33,600,587
Other liabilities	1,398,355	1,286,434	3,413,662	2,450,051	4,812,017	3,736,485
Total liabilities	9,445,995	7,463,528	30,651,104	29,873,544	40,097,099	37,337,072
DEFERRED INFLOWS OF RESOURCES						
	688,619	1,782,309	253,794	764,720	942,413	2,547,029
NET POSITION						
Net investment in capital assets	22,145,270	21,085,633	36,163,627	38,137,913	58,308,897	59,223,546
Restricted	3,046,589	3,185,893	9,483,423	9,019,827	12,530,012	12,205,720
Unrestricted	9,684,225	7,238,665	12,871,807	9,971,472	22,556,032	17,210,137
Total net position	\$ 34,876,084	\$ 31,510,191	\$ 58,518,857	\$ 57,129,212	\$ 93,394,941	\$ 88,639,403

**Town of Hillsborough, North Carolina
Management's Discussion and Analysis (Unaudited)**

Several aspects of the Town's financial operations contributed to the overall increase in unrestricted net position:

- Based on the projected property values, the Town elected to set this year's tax rate at 58.7 cents per \$100 of assessed value which is the same as FY 21/22.
- Many departments finished the year with expenditures under budget due to effective management oversight and adherence to statutory requirements contained in North Carolina General Statutes, chapter 159 "Local Government Finance".
- Sales tax grew year over year.
- Continued low cost of debt due to low interest rates.

**TOWN OF HILLSBOROUGH, NORTH CAROLINA
Condensed Statements of Net Activities**

Table 2

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022 (As restated)	2023	2022
REVENUES						
Program revenues:						
Charges for services	\$ 48,702	\$ 65,563	\$ 12,219,514	\$ 11,765,799	\$ 12,268,216	\$ 11,831,362
Operating grants and contributions	548,989	601,072	-	-	548,989	601,072
Capital grants and contributions	226,332	-	127,467	1,016,196	353,799	1,016,196
General revenues:						
Property taxes	9,611,596	9,099,819	-	-	9,611,596	9,099,819
Local option sales taxes	3,200,726	2,868,883	-	-	3,200,726	2,868,883
Unrestricted inter-governmental	1,446,051	1,294,435	-	-	1,446,051	1,294,435
Other revenues	725,810	74,400	835,719	15,841	1,561,529	90,241
Total revenues	15,808,206	14,004,172	13,182,700	12,797,836	28,990,906	26,802,008
EXPENSES						
Governmental:						
General government	3,276,267	2,258,786	-	-	3,276,267	2,258,786
Public safety	5,908,554	5,548,753	-	-	5,908,554	5,548,753
Transportation	879,110	762,381	-	-	879,110	762,381
Environmental protection	674,914	630,024	-	-	674,914	630,024
Economic and physical development	738,943	822,593	-	-	738,943	822,593
Community activities	334,454	324,697	-	-	334,454	324,697
Parks and recreation	551,073	528,308	-	-	551,073	528,308
Interest on long-term debt	78,998	91,385	-	-	78,998	91,385

**Town of Hillsborough, North Carolina
Management’s Discussion and Analysis (Unaudited)**

**TOWN OF HILLSBOROUGH, NORTH CAROLINA
Condensed Statements of Net Activities (Continued)**

Table 2

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022 (As restated)	2023	2022
EXPENSES						
Business-type:						
Water and Sewer	\$ -	\$ -	\$ 11,070,781	\$ 10,332,788	\$ 11,070,781	\$ 10,332,788
Stormwater	-	-	722,274	641,969	722,274	641,969
Total expenses	12,442,313	10,966,927	11,793,055	10,974,757	24,235,368	21,941,684
Change in net position	3,365,893	3,037,245	1,389,645	1,823,079	4,755,538	4,860,324
NET POSITION						
Beginning balances	31,510,191	28,472,946	57,129,212	55,306,133	88,639,403	83,779,079
Ending balances	\$ 34,876,084	\$ 31,510,191	\$ 58,518,857	\$ 57,129,212	\$ 93,394,941	\$ 88,639,403

Governmental activities. Governmental activities increased the Town’s net position by \$3,365,893 thereby accounting for 70% of the growth in the Town’s total net position.

Key elements of this increase are as follows:

- Property taxes revenue increased \$511,777, or 6%, due to an increase in property valuations over last year.
- Sales tax revenue increased over \$331,843, or 12%, due to increased economic activity.
- Expenses increased but were less than budgeted expectations as previously noted.

Business-type activities. Business-type activities increased the Town’s net position by \$1,389,645, accounting for 29% of the growth in the Town’s total net position.

Key elements of this increase are as follows:

- The Water and Sewer Fund experienced a slight increase in charges for services with the majority of the increase due to volumetric rate increases offset by decreases in system development fees and other miscellaneous operating revenue.
- Other revenues is up over last year due to interest on investments.
- The Town restated opening net position in its business-type activities and its Water and Sewer Enterprise Fund. The balance as of July 1, 2022 was decreased by \$2,616,083. Enterprise capital projects previously capitalized as construction-in-progress were reclassified as expenditures resulting in the decrease. The restatement related to an agreement between the Town and the North Carolina Department of Transportation (“NCDOT”). The agreement states that the Town will make improvements around the Town’s reservoir and the NCDOT will assume responsibility for the roads once the project is completed.

Town of Hillsborough, North Carolina Management's Discussion and Analysis (Unaudited)

Financial analysis of the Town of Hillsborough's funds

As noted earlier, the Town 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's combined assigned and unassigned fund balance available in the General Fund was \$11,212,091, while total fund balance was \$14,263,322. The governing body of the Town 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 91% of General Fund expenditures while total fund balance represents 116% of the same amount.

On June 30, 2023, the governmental funds of the Town reported a combined fund balance of \$16,192,849 with a net increase in fund balance of \$2,687,252. As previously noted, this increase is primarily related to increases in property and sales taxes coupled with management's control over operating and capital expenditures.

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 revenues for the General Fund (excluding the Restricted Revenues Fund) were more than the budgeted amount by \$2,283,698 as property and sales tax revenues exceeded expectations. Expenditures were \$2,055,936 less than budgeted, with favorable balances occurring in personnel (\$372,460), capital (\$796,589) and operating (\$1,242,033) and debt service (\$154,982).

Proprietary funds. The Town's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. The Town's major enterprise fund (Water and Sewer) decreased its net position by \$1,262,238, ending the year with total net position of \$55,671,846. The decrease can be attributed to a prior period adjustment of \$2,616,083. The Town restated opening net position in its business-type activities and its Water and Sewer Enterprise Fund. The balance as of July 1, 2022 was decreased by \$2,616,083. Enterprise capital projects previously capitalized as construction-in-progress were reclassified as expenditures resulting in the decrease. The restatement related to an agreement between the Town and the North Carolina Department of Transportation ("NCDOT"). The agreement states that the Town will make improvements around the Town's reservoir and the NCDOT will assume responsibility for the roads once the project is completed. There would have been a net increase in net position of \$1,353,845 if not for the prior period adjustment to net position. The largest portion of its net position is invested in capital assets (\$34,321,220) while \$9,483,423 is restricted for current and future water and sewer projects. The remaining \$11,867,203 is unrestricted which is an increase of \$2,866,453 from the prior year as revenues exceeded expectations.

Charges for services, in the Water and Sewer Fund, were slightly higher in fiscal year 2023 than 2022 by \$375,474. However, system development fees decreased by \$84,514 and other operating revenues increased by \$153,394. 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.

**Town of Hillsborough, North Carolina
Management’s Discussion and Analysis (Unaudited)**

The Town has received over \$2.2 million in ARPA funds. The Town has decided to take the standard allowance option and apply the majority of the funds to cover the salary cost of the Water/Sewer fund FY 23/24 budget. That will free up funds to be applied to various capital projects for water and sewer. Other capital reserves consist primarily of system development fees which are 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 Town’s nonmajor enterprise fund (Stormwater) increased its net position by \$35,800 ending the year with total net position of \$2,847,011. The largest portion of its net position is invested in capital assets (\$1,842,407) while unrestricted net position amounted to \$970,721, a 3% or \$33,883 increase from the previous year. The increase is largely attributed to expenses being less than expected.

Capital asset and debt administration

**TOWN OF HILLSBOROUGH, NORTH CAROLINA
Condensed Capital Assets, Net of Accumulated Depreciation and Amortization**

Table 3

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022 (As restated)	2023	2022
Nondepreciable:						
Land	\$ 4,879,989	\$ 4,879,989	\$ 6,133,088	\$ 6,133,088	\$ 11,013,077	\$ 11,013,077
Construction in progress	1,572,549	866,599	977,325	1,163,644	2,549,874	2,030,243
Depreciable, net:						
Buildings and improvements	5,494,258	5,714,565	25,387,698	26,501,932	30,881,956	32,216,497
Plant and distribution systems	-	-	23,950,719	24,684,757	23,950,719	24,684,757
Infrastructure	11,070,178	11,138,010	2,743,086	2,261,971	13,813,264	13,399,981
Equipment	409,040	397,049	474,468	415,909	883,508	812,958
Vehicles	947,332	821,829	307,237	388,566	1,254,569	1,210,395
Amortizable, net:						
Right to use assets	57,829	103,027	-	-	57,829	103,027
IT subscriptions	85,856	-	-	-	85,856	-
	<u>\$ 24,517,031</u>	<u>\$ 23,921,068</u>	<u>\$ 59,973,621</u>	<u>\$ 61,549,867</u>	<u>\$ 84,490,652</u>	<u>\$ 85,470,935</u>

Capital assets. The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2023, totals \$84,490,652 (net of accumulated depreciation and amortization). These assets include buildings, land, machinery and equipment, infrastructure, park facilities, vehicles and right to use leased assets.

Major capital asset transactions during the year include the following:

- Vehicles and equipment in the governmental funds (\$744,463)
- Implementation of GASB Statement No.96, *IT Subscriptions* (\$158,621)
- Transportation Improvement Project (\$244,075)
- Valley Forge Road Project (\$446,058)
- NC 86 Renovation Project (\$64,215)

**Town of Hillsborough, North Carolina
Management’s Discussion and Analysis (Unaudited)**

Major capital asset transactions (continued):

- Street paving (\$491,919)
- Mill Creek Construction Project (\$84,147)
- Adron Thompson Facility Renovation (\$29,108)
- Wastewater System Rehab (\$175,543)
- WWTP Clarifiers (\$176,200)

Additional information on the Town’s capital assets can be found in Note 2.A.6 of the basic financial statements.

**TOWN OF HILLSBOROUGH, NORTH CAROLINA
Condensed Long-Term Debt**

Table 4

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Long-term debt:						
Revolving loans	\$ -	\$ -	\$ 11,153,633	\$ 12,214,479	\$ 11,153,633	\$ 12,214,479
Special revenue bonds	-	-	12,437,000	12,777,000	12,437,000	12,777,000
Premium on bonds	-	-	751,389	807,701	751,389	807,701
Direct placement-installment purchases	2,239,251	2,726,070	324,403	351,031	2,563,654	3,077,101
Lease liabilities	59,820	109,365	-	-	59,820	109,365
IT subscriptions liability	72,690	-	-	-	72,690	-
	<u>\$ 2,371,761</u>	<u>\$ 2,835,435</u>	<u>\$ 24,666,425</u>	<u>\$ 26,150,211</u>	<u>\$ 27,038,186</u>	<u>\$ 28,985,646</u>

Long-term debt. As of June 30, 2023, the Town had outstanding bonded debt of \$12,437,000 which represents bonds secured solely by specified revenue sources (revenue bonds). The remainder of the Town’s debt represents revolving loans payable, installment purchases and leases secured solely by revenues of the project or specified purchases. The Town’s outstanding debt (excluding lease and IT subscription liabilities) decreased by \$1,970,605 during the current fiscal year as a result of making regularly scheduled debt service payments.

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 at June 30, 2023 was approximately \$130,671,000. Practically, this statutory limit exceeds the Town’s realistic debt capacity. The Town does not have any authorized and unissued bonds at June 30, 2023.

Additional information regarding the Town’s long-term debt can be found in Note 2.B.10 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:

- *Low unemployment. Orange County’s unemployment rate of 3.1% as of June 30, 2023, is below the state average of 3.6%.*
- *No additional debt was issued in 2023 nor expected to be issued in 2024.*
- *Maintain a property tax collection rate that exceeds 99%.*

Town of Hillsborough, North Carolina Management's Discussion and Analysis (Unaudited)

Budget highlights for the fiscal year ending June 30, 2024

Governmental Activities - The Town's largest source of revenue is property tax revenue. The 2024 budget maintains the Town's tax rate at 58.7 cents per \$100 of assessed property value. Other budget highlights in brief:

- Increase annual payments for fire service from Orange Rural Fire Department by 8% this year with an additional \$137,799 to implement market-rate compensation adjustments. Cost includes contract with Orange County for fire inspections. FY24 cost: \$1.98 million.
- Build funds for construction of a fire station at 604 and 618 N. Churton St. FY24 cost: \$225,000.
- Provide funds for moving staff and equipment to the N.C. 86 North facility and for constructing storage buildings. FY24 cost: \$4.52 million.
- Repave Waterstone Drive, which consists of four lanes, making it a large resurfacing project. Fund balance from the State Street-Aid Program (Powell Bill) would be used to cover about half the cost. FY24 cost: \$950,000.
- Continue general maintenance of the former police substation and assist Fairview Community Watch in making improvements for community use of the building. FY24 cost: \$40,000.
- Provide merit raises averaging 3.25% and \$1,000 cost of living adjustment.
- Add planner II, public works equipment operator and two police officers. FY24 General Fund cost: \$308,817.

Business-type Activities - The Town increased water and sewer rates by 6 percent for fiscal year ending 2024 with a decrease in the monthly minimum usage charged to utility customers by 125 gallons. The water and sewer rate increases are intended to provide funding for existing debt service requirements and partial self-funding of future capital improvements. Other budget highlights in brief:

- Pay debt service on past, major utilities projects and pay design and construction fees on new ones:
 - Hasell Water Tank engineering — FY24 cost: \$40,000
 - Water and sewer air release valves – FY24 cost: \$150,000
 - Fire hydrants and valves replacement – FY24 cost: \$200,000
 - Elizabeth Brady pump station design – FY24 cost: \$300,000
 - Exchange Club interceptor sewer pipes design – FY24 cost: \$190,000
 - River Pump Station replacement – FY24 cost: \$4.74 million.
 - U.S. Business Water Main Design – FY24 cost: \$275,000
- Add utility mechanic to wastewater collection crew to provide relief to existing staff and to attend to system maintenance. Includes vehicle purchase in first year. FY24 Water and Sewer Fund cost: \$119,515.

The Town did not adjust its stormwater rates for the fiscal year ending June 30, 2024. The Town is continuing work on improving water quality in the area as well as in the Upper Neuse River Basin. With increased frequency and severity of rain events, drainage is becoming an increasing concern throughout town, therefore funds are included for analysis, planning, engineering, as well as actual maintenance work.

- Add stormwater technician mid-year to keep up with workload. FY24 Stormwater Fund cost: \$39,961.

**Town of Hillsborough, North Carolina
Management's Discussion and Analysis (Unaudited)**

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.



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Basic Financial Statements

The basic financial statements include the government-wide financial statements and fund financial statements as required by GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.



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Town of Hillsborough, North Carolina
Statement of Net Position
June 30, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Hillsborough Tourism Development Authority	Hillsborough Tourism Board
ASSETS					
Cash and investments:					
Unrestricted	\$ 15,173,593	\$ 13,897,505	\$ 29,071,098	\$ 377,616	\$ 471,300
Restricted	801,640	12,364,578	13,166,218	-	-
Receivables:					
Taxes receivable, net	94,606	-	94,606	-	-
Accounts receivable, net	68,746	1,968,033	2,036,779	-	-
Due from other governments	1,508,183	-	1,508,183	88	16
Due from related governments	-	-	-	48,337	168,235
Accrued interest receivable	25,200	-	25,200	-	-
Prepays	4,642	485	5,127	-	-
Capital assets:					
Non-depreciable assets	6,452,538	7,110,413	13,562,951	-	-
Depreciable assets, net	17,920,808	52,863,208	70,784,016	-	-
Amortizable assets, net	143,685	-	143,685	-	-
Total assets	<u>42,193,641</u>	<u>88,204,222</u>	<u>130,397,863</u>	<u>426,041</u>	<u>639,551</u>
DEFERRED OUTFLOWS OF RESOURCES					
	<u>2,817,057</u>	<u>1,219,533</u>	<u>4,036,590</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Accounts payable and accrued liabilities	770,974	327,585	1,098,559	5,143	30,397
Payable from restricted assets	-	809,890	809,890	-	-
Other current liabilities	376,409	34,622	411,031	-	-
Unearned revenue	-	2,071,265	2,071,265	-	-
Accrued interest payable	34,400	170,300	204,700	-	-
Due to related governments	216,572	-	216,572	-	-
Long-term liabilities:					
Due within one year	695,078	1,705,244	2,400,322	-	-
Due in more than one year	7,352,562	25,532,198	32,884,760	-	-
Total liabilities	<u>9,445,995</u>	<u>30,651,104</u>	<u>40,097,099</u>	<u>5,143</u>	<u>30,397</u>
DEFERRED INFLOWS OF RESOURCES					
	<u>688,619</u>	<u>253,794</u>	<u>942,413</u>	<u>-</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	22,145,270	36,163,627	58,308,897	-	-
Restricted for:					
Stabilization by state statute	2,244,949	-	2,244,949	48,425	168,251
Streets	761,737	-	761,737	-	-
Restricted revenues	39,903	-	39,903	-	-
Capital projects	-	8,536,551	8,536,551	-	-
Perpetual maintenance	-	946,872	946,872	-	-
Unrestricted	9,684,225	12,871,807	22,556,032	372,473	440,903
Total net position	<u>\$ 34,876,084</u>	<u>\$ 58,518,857</u>	<u>\$ 93,394,941</u>	<u>\$ 420,898</u>	<u>\$ 609,154</u>

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, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 3,276,267	\$ 41,312	\$ -	\$ -
Public safety	5,908,554	-	4,742	-
Transportation	879,110	-	272,524	204,332
Environmental protection	674,914	840	7,740	-
Economic and physical development	738,943	-	-	-
Community activities and projects	334,454	-	263,983	-
Parks and recreation	551,073	6,550	-	22,000
Interest on long-term obligations	78,998	-	-	-
Total governmental activities	<u>12,442,313</u>	<u>48,702</u>	<u>548,989</u>	<u>226,332</u>
Business-type activities:				
Water and sewer	11,070,781	11,490,059	-	127,467
Stormwater	722,274	729,455	-	-
Total business-type activities	<u>11,793,055</u>	<u>12,219,514</u>	<u>-</u>	<u>127,467</u>
Total primary government	<u>\$ 24,235,368</u>	<u>\$ 12,268,216</u>	<u>\$ 548,989</u>	<u>\$ 353,799</u>
COMPONENT UNITS				
Hillsborough Tourism				
Development Authority	\$ 51,566	\$ -	\$ -	\$ -
Hillsborough Tourism Board	405,266	-	-	-
Total component units	<u>\$ 456,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GENERAL REVENUES

Taxes:

Property taxes, levied for general purposes

Local option sales taxes

Other Miscellaneous taxes

Gross receipts on short-term rental property

Unrestricted intergovernmental revenues

Investment earnings, unrestricted

Miscellaneous

Total general revenues

Change in net position

Net position, beginning of year, as previously reported

Prior period adjustment

Net position, beginning of year

Net position, end of year

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	Hillsborough Tourism Development Authority	Hillsborough Tourism Board
\$ (3,234,955)	\$ -	\$ (3,234,955)	\$ -	\$ -
(5,903,812)	-	(5,903,812)	-	-
(402,254)	-	(402,254)	-	-
(666,334)	-	(666,334)	-	-
(738,943)	-	(738,943)	-	-
(70,471)	-	(70,471)	-	-
(522,523)	-	(522,523)	-	-
(78,998)	-	(78,998)	-	-
<u>(11,618,290)</u>	<u>-</u>	<u>(11,618,290)</u>	<u>-</u>	<u>-</u>
-	546,745	546,745	-	-
-	7,181	7,181	-	-
-	553,926	553,926	-	-
<u>(11,618,290)</u>	<u>553,926</u>	<u>(11,064,364)</u>	<u>-</u>	<u>-</u>
-	-	-	(51,566)	-
-	-	-	-	(405,266)
-	-	-	(51,566)	(405,266)
9,611,596	-	9,611,596	-	-
3,200,726	-	3,200,726	-	-
-	-	-	120,852	502,195
1,902	-	1,902	-	-
1,446,051	-	1,446,051	-	-
418,762	835,719	1,254,481	-	-
305,146	-	305,146	-	-
<u>14,984,183</u>	<u>835,719</u>	<u>15,819,902</u>	<u>120,852</u>	<u>502,195</u>
<u>3,365,893</u>	<u>1,389,645</u>	<u>4,755,538</u>	<u>69,286</u>	<u>96,929</u>
31,510,191	59,745,295	91,255,486	351,612	512,225
-	(2,616,083)	(2,616,083)	-	-
<u>31,510,191</u>	<u>57,129,212</u>	<u>88,639,403</u>	<u>351,612</u>	<u>512,225</u>
<u>\$ 34,876,084</u>	<u>\$ 58,518,857</u>	<u>\$ 93,394,941</u>	<u>\$ 420,898</u>	<u>\$ 609,154</u>

Town of Hillsborough, North Carolina
Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 13,243,511	\$ 1,930,082	\$ 15,173,593
Receivables:			
Taxes receivable, net	94,606	-	94,606
Accounts receivable, net	68,746	-	68,746
Due from other governments	1,246,820	261,363	1,508,183
Due from other funds	39,051	-	39,051
Prepays	4,642	-	4,642
Restricted assets:			
Cash and investments	801,640	-	801,640
Total assets	\$ 15,499,016	\$ 2,191,445	\$ 17,690,461
LIABILITIES			
Accounts payable	\$ 236,838	\$ 222,867	\$ 459,705
Accrued liabilities	311,269	-	311,269
Due to other funds	-	39,051	39,051
Due to component units	216,572	-	216,572
Unearned revenue	58,469	-	58,469
Other liabilities	317,940	-	317,940
Total liabilities	1,141,088	261,918	1,403,006
DEFERRED INFLOWS OF RESOURCES			
Taxes receivable, net	94,606	-	94,606
FUND BALANCES			
Nonspendable:			
Prepays	4,642	-	4,642
Restricted for:			
Stabilization by state statute	2,244,949	-	2,244,949
Streets	761,737	-	761,737
Restricted revenues	39,903	-	39,903
Committed for:			
Capital projects	-	1,929,527	1,929,527
Assigned for:			
Subsequent year's expenditures	1,606,221	-	1,606,221
Unassigned	9,605,870	-	9,605,870
Total fund balances	14,263,322	1,929,527	16,192,849
Total liabilities, deferred inflows of resources and fund balances	\$ 15,499,016	\$ 2,191,445	\$ 17,690,461

**Town of Hillsborough, North Carolina
Balance Sheet
Governmental Funds
June 30, 2023**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS' BALANCE SHEET TO
THE STATEMENT OF NET POSITION**

Total fund balances, governmental funds		\$ 16,192,849
Reconciliation of amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Capital assets and right to use assets used in governmental activities are not financial resources and; therefore, not reported in the funds:		
Non-depreciable capital assets		6,452,538
Capital assets being depreciated:		
Cost	\$ 28,791,814	
Accumulated depreciation	<u>(10,871,006)</u>	17,920,808
Capital assets being amortized:		
Right to use assets	144,064	
IT subscription agreement	158,621	
Accumulated amortization	<u>(159,000)</u>	143,685
Deferred outflows of resources are not financial resources; therefore, the amounts are not reported in the funds:		
Local Government Employees' Retirement System ("LGERS")	2,205,359	
Law Enforcement Officers' Special Separation Allowance ("LEO")	430,759	
Other post employment benefits ("OPEB")	<u>180,939</u>	2,817,057
Certain assets are not available to pay for current period expenditures; therefore, the balances are deferred in the funds:		
Property taxes receivable		94,606
Certain assets are not considered financial resources; therefore, the balances are not recorded in the funds:		
Accrued interest receivable on unpaid property taxes		25,200
Deferred inflows of resources are not financial resources; therefore, the amounts are not reported in the funds:		
Local Government Employees' Retirement System ("LGERS")	(98,421)	
Law Enforcement Officers' Special Separation Allowance ("LEO")	(339,950)	
Other post employment benefits ("OPEB")	<u>(250,248)</u>	(688,619)
Long-term liabilities are not due and payable in the current period; therefore, the liabilities are not recognized or accrued in the funds:		
Installment purchase contracts	(2,239,251)	
Lease and IT subscription liabilities	(132,510)	
Net pension liability - LGERS	(3,170,031)	
Total pension liability - LEO	(1,195,633)	
Total OPEB liability	(741,299)	
Compensated absences payable	<u>(568,916)</u>	(8,047,640)
Other accrual adjustments that do not require the use of current financial resources; therefore, the liabilities are not recognized or accrued in the funds:		
Accrued interest payable		<u>(34,400)</u>
Net position of governmental activities		<u>\$ 34,876,084</u>

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

Town of Hillsborough, North Carolina
Statement of Revenues and Expenditures and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2023

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 9,656,519	\$ -	\$ 9,656,519
Other taxes and licenses	10,513	-	10,513
Unrestricted intergovernmental revenues	4,601,327	-	4,601,327
Restricted intergovernmental revenues	272,400	468,316	740,716
Use and rental fees	93,283	-	93,283
Contributions and donations	23,287	-	23,287
Investment earnings	418,762	-	418,762
Miscellaneous revenues	308,727	-	308,727
	<u>15,384,818</u>	<u>468,316</u>	<u>15,853,134</u>
EXPENDITURES			
Current:			
General government	3,077,983	-	3,077,983
Public safety	5,659,896	-	5,659,896
Transportation	985,985	-	985,985
Environmental protection	633,364	-	633,364
Economic and physical development	583,542	754,348	1,337,890
Community activities and projects	104,235	267,984	372,219
Parks and recreation	551,073	-	551,073
Debt service:			
Principal retirement	592,430	-	592,430
Interest and fiscal charges	83,798	-	83,798
	<u>12,272,306</u>	<u>1,022,332</u>	<u>13,294,638</u>
Revenues over (under) expenditures	<u>3,112,512</u>	<u>(554,016)</u>	<u>2,558,496</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	981,970	981,970
Transfers to other funds	(981,970)	-	(981,970)
IT subscription agreement	128,756	-	128,756
	<u>(853,214)</u>	<u>981,970</u>	<u>128,756</u>
Other financing sources (uses), net	<u>(853,214)</u>	<u>981,970</u>	<u>128,756</u>
Net change in fund balances	<u>2,259,298</u>	<u>427,954</u>	<u>2,687,252</u>
Fund balances, beginning of year	<u>12,004,024</u>	<u>1,501,573</u>	<u>13,505,597</u>
Fund balances, end of year	<u>\$ 14,263,322</u>	<u>\$ 1,929,527</u>	<u>\$ 16,192,849</u>

Town of Hillsborough, North Carolina
Statement of Revenues and Expenditures and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2023

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES**

Net change in fund balances - total governmental funds \$ 2,687,252

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 and amortization expense. In addition, the book value of assets disposed is not reported in the governmental funds; however this amount is netted against any proceeds from the disposal of assets in the Statement of Activities.

Capital outlay	1,608,254
IT subscription agreement	158,621
Depreciation expense	(1,052,949)
Amortization expense	(117,963)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Net change in property taxes receivable	(47,522)
Net change in accrued interest on property taxes	2,600

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal on long-term debt consumes current financial resources of governmental funds:

IT subscription agreement	(128,756)
Principal retirement	592,430

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 long-term debt	4,800
Change in accrued compensated absences	(120,290)
Pension expense - LGERS	(218,394)
Pension expense - LEOSSA	(107,951)
OPEB expense	105,767
Other expense	(6)

Changes in net position of governmental activities	<u>\$ 3,365,893</u>
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The notes to the financial statements are an integral part of this statement.

Town of Hillsborough, North Carolina
Statement of Revenues and Expenditures and Changes in
Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Ad valorem taxes	\$ 9,093,600	\$ 9,040,700	\$ 9,656,519	\$ 615,819
Other taxes and licenses	9,100	7,500	10,513	3,013
Unrestricted intergovernmental revenues	3,610,760	3,605,760	4,601,327	995,567
Restricted intergovernmental revenues	270,000	270,000	272,524	2,524
Use and rental fees	103,000	88,500	93,283	4,783
Investment earnings	1,000	1,000	418,762	417,762
Miscellaneous revenues	83,766	64,497	308,727	244,230
Total revenues	<u>13,171,226</u>	<u>13,077,957</u>	<u>15,361,655</u>	<u>2,283,698</u>
EXPENDITURES				
Current:				
General government	3,475,360	3,777,184	3,265,691	511,493
Public safety	5,669,115	6,002,219	5,774,569	227,650
Transportation	1,032,916	1,545,598	985,985	559,613
Environmental protection	781,589	1,084,113	695,981	388,132
Economic and physical development	495,000	675,902	583,542	92,360
Community activities and projects	604,652	228,890	196,703	32,187
Parks and recreation	836,076	880,089	635,588	244,501
Contingency	300,000	-	-	-
Total expenditures	<u>13,194,708</u>	<u>14,193,995</u>	<u>12,138,059</u>	<u>2,055,936</u>
Revenues over (under) expenditures	<u>(23,482)</u>	<u>(1,116,038)</u>	<u>3,223,596</u>	<u>4,339,634</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(720,000)	(981,970)	(981,970)	-
IT subscription agreement	-	-	128,756	128,756
Other financing sources (uses), net	<u>(720,000)</u>	<u>(981,970)</u>	<u>(853,214)</u>	<u>128,756</u>
APPROPRIATED FUND BALANCE				
	<u>743,482</u>	<u>2,098,008</u>	<u>-</u>	<u>(2,098,008)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>2,370,382</u>	<u>\$ 2,370,382</u>
Fund balance, beginning of year			<u>11,853,037</u>	
Fund balance, end of year			<u>14,223,419</u>	
LEGALLY BUDGETED FUNDS THAT ARE CONSOLIDATED INTO THE GENERAL FUND FOR REPORTING PURPOSES:				
Restricted Revenues Fund:				
Fund balance, beginning			150,987	
Total revenues			23,163	
Total expenditures			<u>(134,247)</u>	
Fund balance, ending (Exhibit 4)			<u>\$ 14,263,322</u>	

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, 2023

	<u>Water and Sewer Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments - Unrestricted	\$ 12,772,851	\$ 1,124,654	\$ 13,897,505
Cash and investments - Restricted	12,364,578	-	12,364,578
Accounts receivable, net	1,957,220	10,813	1,968,033
Prepays	485	-	485
Total current assets	<u>27,095,134</u>	<u>1,135,467</u>	<u>28,230,601</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable assets	6,976,600	133,813	7,110,413
Depreciable assets, net	<u>51,154,614</u>	<u>1,708,594</u>	<u>52,863,208</u>
Capital assets, net	<u>58,131,214</u>	<u>1,842,407</u>	<u>59,973,621</u>
Total assets	<u>85,226,348</u>	<u>2,977,874</u>	<u>88,204,222</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,106,897</u>	<u>112,636</u>	<u>1,219,533</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	306,519	21,066	327,585
Payable from restricted assets:			
Accounts payable - capital projects	180,728	-	180,728
Customer deposits	629,162	-	629,162
Other current liabilities	34,622	-	34,622
Unearned revenue	2,071,265	-	2,071,265
Accrued interest payable	170,300	-	170,300
Current portion of long-term liabilities	<u>1,693,544</u>	<u>11,700</u>	<u>1,705,244</u>
Total current liabilities	<u>5,086,140</u>	<u>32,766</u>	<u>5,118,906</u>
Long-term liabilities:			
Long-term debt	23,174,881	-	23,174,881
Other long-term liabilities	<u>2,165,127</u>	<u>192,190</u>	<u>2,357,317</u>
Total noncurrent liabilities	<u>25,340,008</u>	<u>192,190</u>	<u>25,532,198</u>
Total liabilities	<u>30,426,148</u>	<u>224,956</u>	<u>30,651,104</u>
DEFERRED INFLOWS OF RESOURCES	<u>235,251</u>	<u>18,543</u>	<u>253,794</u>
NET POSITION			
Net investment in capital assets	34,321,220	1,842,407	36,163,627
Restricted for water and sewer projects	8,536,551	-	8,536,551
Restricted for perpetual maintenance	946,872	-	946,872
Unrestricted	<u>11,867,203</u>	<u>1,004,604</u>	<u>12,871,807</u>
Total net position	<u>\$ 55,671,846</u>	<u>\$ 2,847,011</u>	<u>\$ 58,518,857</u>

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

Town of Hillsborough, North Carolina
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2023

Exhibit 7

	<u>Water and Sewer Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 10,920,544	\$ 729,455	\$ 11,649,999
System Development Fees	179,377	-	179,377
Other operating revenues	390,138	-	390,138
	<u>11,490,059</u>	<u>729,455</u>	<u>12,219,514</u>
OPERATING EXPENSES			
Personnel services	3,627,403	371,715	3,999,118
Operating expenses	4,533,068	292,491	4,825,559
Depreciation expense	2,087,715	58,068	2,145,783
	<u>10,248,186</u>	<u>722,274</u>	<u>10,970,460</u>
Operating income	<u>1,241,873</u>	<u>7,181</u>	<u>1,249,054</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	807,100	28,619	835,719
Amortization of premium on bonds payable	56,312	-	56,312
Loss on disposal of capital assets	(17,566)	-	(17,566)
Other non-operating expenses	(84,147)	-	(84,147)
Interest and fees	(777,194)	-	(777,194)
	<u>(15,495)</u>	<u>28,619</u>	<u>13,124</u>
Non-operating revenues (expenses), net	<u>(15,495)</u>	<u>28,619</u>	<u>13,124</u>
Income before capital contributions	<u>1,226,378</u>	<u>35,800</u>	<u>1,262,178</u>
CAPITAL CONTRIBUTIONS			
Capital contributions	<u>127,467</u>	<u>-</u>	<u>127,467</u>
Change in net position	<u>1,353,845</u>	<u>35,800</u>	<u>1,389,645</u>
Net position, beginning of year, as previously reported	56,934,084	2,811,211	59,745,295
Prior period adjustment	(2,616,083)	-	(2,616,083)
Net position, beginning of year, as restated	<u>54,318,001</u>	<u>2,811,211</u>	<u>57,129,212</u>
Net position, end of year	<u>\$ 55,671,846</u>	<u>\$ 2,847,011</u>	<u>\$ 58,518,857</u>

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, 2023**

	<u>Water and Sewer Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 11,339,905	\$ 748,774	\$ 12,088,679
Cash paid for goods and services	(4,883,404)	(286,279)	(5,169,683)
Cash paid to employees	(3,298,950)	(337,023)	(3,635,973)
Net cash provided by operating activities	<u>3,157,551</u>	<u>125,472</u>	<u>3,283,023</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(348,189)	(159,985)	(508,174)
Principal payments on long-term debt	(1,427,474)	-	(1,427,474)
Interest payments on long-term debt	(783,094)	-	(783,094)
Cash received from capital contributions	1,141,096	-	1,141,096
Net cash used for capital and related financing activities	<u>(1,417,661)</u>	<u>(159,985)</u>	<u>(1,577,646)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	807,100	28,619	835,719
Net change in cash and cash equivalents	2,546,990	(5,894)	2,541,096
Cash and cash equivalents, beginning of year	<u>22,590,439</u>	<u>1,130,548</u>	<u>23,720,987</u>
Cash and cash equivalents, end of year	<u>\$ 25,137,429</u>	<u>\$ 1,124,654</u>	<u>\$ 26,262,083</u>
CASH AND CASH EQUIVALENTS			
Unrestricted	\$ 12,772,851	\$ 1,124,654	\$ 13,897,505
Restricted	<u>12,364,578</u>	<u>-</u>	<u>12,364,578</u>
Total cash and cash equivalents	<u>\$ 25,137,429</u>	<u>\$ 1,124,654</u>	<u>\$ 26,262,083</u>

**Town of Hillsborough, North Carolina
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2023**

	<u>Water and Sewer Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 1,241,873	\$ 7,181	\$ 1,249,054
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	2,087,715	58,068	2,145,783
Other non-operating expenses	(84,147)	-	(84,147)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
Accounts receivable	(228,250)	19,319	(208,931)
Prepays	(485)	-	(485)
Deferred outflows of resources for pensions	(418,308)	(47,525)	(465,833)
Deferred outflows of resources for OPEB	(12,720)	(3,460)	(16,180)
Accounts payable and accrued liabilities	(210,572)	9,430	(201,142)
Deposits	74,183	-	74,183
Other current liabilities	3,913	-	3,913
Total OPEB liability	14,088	12,174	26,262
Net pension liability	1,044,996	112,716	1,157,712
Deferred inflows of resources for pensions	(506,803)	(50,463)	(557,266)
Deferred inflows of resources for OPEB	40,357	5,983	46,340
Compensated absences payable	111,711	2,049	113,760
	<u>\$ 3,157,551</u>	<u>\$ 125,472</u>	<u>\$ 3,283,023</u>
Net cash provided by operating activities			
Supplemental schedule of noncash investing and financing activities			
Capital asset additions included in accounts payable and accrued liabilities	<u>\$ 180,728</u>	<u>\$ -</u>	<u>\$ 180,728</u>
Net book value of assets disposed	<u>\$ 17,566</u>	<u>\$ -</u>	<u>\$ 17,566</u>

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

**Town of Hillsborough, North Carolina
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2023**

	<u>Custodial Fund</u>
ASSETS	
Cash and investments - restricted	\$ -
Receivables:	
Due from other governments	44,334
	<u>44,334</u>
Total assets	44,334
LIABILITIES	
Payable to third-party trustee	44,334
	<u>44,334</u>
NET POSITION	
Restricted for:	
Individuals, organizations and other governments	\$ -
	<u><u>-</u></u>

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

Town of Hillsborough, North Carolina
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended June 30, 2023

	<u>Custodial Fund</u>
ADDITIONS	
Special assessment revenue	\$ 445,461
DEDUCTIONS	
Payment to third party trustee	<u>445,461</u>
Change in fiduciary net position	-
Fiduciary net position, beginning of year	<u>-</u>
Fiduciary net position end of year	<u><u>\$ -</u></u>

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, collected and remitted by the Town net of administration fees. The members of the Authority are appointed by the Town's Board of Commissioners.

Hillsborough Tourism Board (the "Tourism Board")

The Tourism Board was created on November 8, 1993, by resolution of the Town, under the authority of the North Carolina General Assembly. The Tourism Board is responsible for promoting tourism within the Town of Hillsborough. The Tourism 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 Tourism 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.

Town of Hillsborough, North Carolina
Notes to Financial Statements

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 fund:

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 also uses a restricted revenue fund to account for certain revenues. It is not required to be reported as a special revenue fund and is therefore combined with the General Fund.

The Town reports the following nonmajor governmental funds:

Special Revenue Fund. This fund is used to account for the proceeds of the Community Development Block Grant which is legally restricted to specified purposes.

Consolidated General Capital Projects Fund. This fund is used to accumulate expenditures related to multiple capital projects over multiple years. The General Capital Reserve Fund is consolidated in the General Capital Projects Fund.

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, several water and sewer capital project funds including ARPA funded capital projects ("WS Capital Projects Funds") and three 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. For financial reporting purposes the Stormwater Capital Improvements Fund has been consolidated with the Stormwater Fund.

The Town reports the following fiduciary fund:

Custodial Fund. This fund is used to account for the proceeds and repayment of special assessment revenue bonds issued to finance the construction of public infrastructure in the Waterstone District as disclosed in Note 2.B.10(j).

C. Measurement focus and basis of accounting

In accordance with North Carolina General Statutes ("NCGS" or "G.S."), 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

Town of Hillsborough, North Carolina
Notes to Financial Statements

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 asset-backed financing 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 all multiyear governmental special revenue and capital project funds, the WS Capital Project Funds, the water and sewer capital reserve funds, and the Stormwater Capital Improvements Fund. The WS Capital Project Funds and capital reserve funds are consolidated with the Water and Sewer Fund for reporting purposes. The Stormwater Capital Improvements Fund is consolidated with the Stormwater Fund for reporting purposes.

Town of Hillsborough, North Carolina
Notes to Financial Statements

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 net position/fund balances

(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.

G.S. 159-30(c) authorizes the Town to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed by the United States; obligations of the state of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust ("NCCMT"), an SEC registered mutual fund dedicated to serving North Carolina public units. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, are measured at fair value.

(2) Cash and cash equivalents

The Town pools most money from all funds to facilitate disbursement and investment and maximize investment income. Exceptions of non-pooled funds may include, but are not limited to, unspent bond proceeds, certain capital project funds and escrowed or endowed funds restricted for specific purposes. For purposes of the Statement of Cash Flows, the Town's enterprise funds consider equity in pooled cash and investments to be cash equivalents as they are essentially demand deposit accounts and short-term investments. Investment income is allocated based on each fund's monthly balance in relation to the total pooled cash balance. Non-pooled investment income is allocated to the specific beneficiary fund holding those assets.

(3) Restricted assets

The Water and Sewer Fund has 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	\$ 761,737
Restricted revenues	39,903
	<hr/>
Total governmental activities	801,640
	<hr/>

Town of Hillsborough, North Carolina
Notes to Financial Statements

Town of Hillsborough Restricted Cash (Continued)

Business-type activities:	
Water and Sewer Fund:	
Unspent debt proceeds	\$ 1,037,159
Federal funds - ARPA	2,159,365
Customer deposits	629,162
Perpetual maintenance	946,872
Water and sewer capital needs	<u>7,592,020</u>
Total business-type activities	<u>12,364,578</u>
Total restricted cash	<u>\$ 13,166,218</u>

(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, 2022.

(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) Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as “Prepays” in both government-wide and fund statements. The amount will be expensed in the year that it is 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:

	<u>Cost</u>
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.

The Town’s capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the Town reports a lease (only applies when the Town is the lessee) or agreements where the Town reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

Town of Hillsborough, North Carolina
Notes to Financial Statements

The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets should be amortized on a straight-line basis over the subscription term.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
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 government-wide and/or fund statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position and/or fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then.

In addition to liabilities, the government-wide and/or fund statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

(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.

Town of Hillsborough, North Carolina
Notes to Financial Statements

(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. Any vacation leave accumulated over 240 hours at December 31st is converted to sick leave. 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. Compensated absences for governmental activities are liquidated in the General Fund and compensated absences for business-type activities are liquidated in the appropriate enterprise fund.

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:

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

Prepays - portion of fund balance that is not an available resource because it represents the year-end balance of prepaids which have already been used.

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.

Town of Hillsborough, North Carolina
Notes to Financial Statements

Restricted for revenues - Portion of fund balance representing unexpended grants and contributions from external sources restricted for specific 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 intends to use for specific purposes that are considered neither restricted nor committed.

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 in the budget ordinance which expires on June 30th of the following year.

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 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 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 purposes.

2. Detail Notes on All Funds

A. Assets

(1) Deposits and Investments

All of the deposits of the Town, the Authority, and the Tourism 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 Tourism 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

Town of Hillsborough, North Carolina
Notes to Financial Statements

acting in a fiduciary capacity for the Town, the Authority, and the Tourism 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 Tourism Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town, the Authority, or the Tourism 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 Tourism Board have no formal policy regarding custodial credit risk for deposits.

The Town's deposits had a carrying amount of \$7,694,415 and a bank balance of \$7,771,260 at June 30, 2023. Of the bank balance, \$328,593 was covered by federal depository insurance and \$7,442,667 in demand deposits were covered under the Pooling Method. The Town had \$3,050 in cash on hand at June 30, 2023.

The Authority's deposits had a carrying amount \$377,616 and bank balance of \$387,216 at June 30, 2023. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining \$137,216 was covered under the Pooling Method.

The Tourism Board's deposits had a carrying amount of \$471,300 and a bank balance of \$472,881 at June 30, 2023. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$222,881 of demand deposits were covered under the Pooling Method.

Investments

The following table summarizes the Town's investment balances at June 30, 2023:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2023</u>	<u>Maturity</u>	<u>Rating</u>
North Carolina Capital Management Trust - Governmental Portfolio	Level 1	<u>\$ 34,539,851</u>	N/A	AAAm

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 NCCMT - Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2023.

Town of Hillsborough, North Carolina
Notes to Financial Statements

(3) Due from other governments

Amounts due from other governments consist of the following:

	Governmental Activities
General Fund:	
Sales and use tax distribution	\$ 855,943
Utilities franchise and telecommunications tax	159,094
Sales tax refunds	154,544
Other government agencies	77,239
Total General Fund	<u>1,246,820</u>
Other governmental funds:	
Federal government - CDBG	204,515
Other government agencies - capital projects	56,848
Total due from other governments	<u>\$ 1,508,183</u>

(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, 2023 are net of the following allowances for doubtful accounts:

	Governmental Activities
General Fund:	
Property taxes receivable	<u>\$ 42,000</u>
Water and Sewer Fund:	
Accounts receivable	\$ 272,419
Stormwater Fund:	
Accounts receivable	<u>18,736</u>
Total allowance for doubtful accounts	<u>\$ 291,155</u>

(5) Due from related governments

The Authority - Amounts due from related governments consist of \$48,337 owed to the Authority from the Town for occupancy taxes collected by the Town and remitted to the Authority after year-end.

The Tourism Board - Amounts due from related governments consist of \$168,235 owed to the Tourism Board from the Town for food and beverage taxes collected by the Town and remitted to the Tourism Board after year-end.

(6) Capital assets

The following table summarizes capital asset activity for the Town's governmental activities during the year ended June 30, 2023.

Town of Hillsborough, North Carolina
Notes to Financial Statements

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions and Transfers</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 4,879,989	\$ -	\$ -	\$ 4,879,989
Construction-in-progress	866,599	758,348	(52,398)	1,572,549
	<u>5,746,588</u>	<u>758,348</u>	<u>(52,398)</u>	<u>6,452,538</u>
Capital assets being depreciated:				
Buildings and improvements	9,204,305	73,103	-	9,277,408
Infrastructure	13,200,694	213,098	52,398	13,466,190
Equipment	1,201,587	115,052	(62,616)	1,254,023
Vehicles	4,822,888	448,653	(477,348)	4,794,193
	<u>28,429,474</u>	<u>849,906</u>	<u>(487,566)</u>	<u>28,791,814</u>
Less accumulated depreciation for:				
Buildings and improvements	3,489,740	293,410	-	3,783,150
Infrastructure	2,062,684	333,328	-	2,396,012
Equipment	804,538	103,061	(62,616)	844,983
Vehicles	4,001,059	323,150	(477,348)	3,846,861
	<u>10,358,021</u>	<u>1,052,949</u>	<u>(539,964)</u>	<u>10,871,006</u>
Depreciable capital assets, net	<u>18,071,453</u>	<u>(203,043)</u>	<u>52,398</u>	<u>17,920,808</u>
Capital assets being amortized:				
Right to use assets:				
Land improvements	5,763	-	-	5,763
Buildings	103,215	-	-	103,215
Equipment	35,086	-	-	35,086
IT subscriptions	-	158,621	-	158,621
	<u>144,064</u>	<u>158,621</u>	<u>-</u>	<u>302,685</u>
Less accumulated amortization for:				
Right to use assets:				
Land improvements	1,235	1,235	-	2,470
Buildings	31,538	34,405	-	65,943
Equipment	8,264	9,558	-	17,822
IT subscriptions	-	72,765	-	72,765
	<u>41,037</u>	<u>117,963</u>	<u>-</u>	<u>159,000</u>
Amortizable capital assets, net	<u>103,027</u>	<u>40,658</u>	<u>-</u>	<u>143,685</u>
Capital assets, net	<u>\$ 23,921,068</u>	<u>\$ 595,963</u>	<u>\$ -</u>	<u>\$ 24,517,031</u>

Town of Hillsborough, North Carolina
Notes to Financial Statements

Depreciation and amortization expense were charged to the following functions:

	<u>Depreciation</u>	<u>Amortization</u>
General government	\$ 230,541	\$ 60,056
Public safety	229,309	56,672
Transportation	364,876	-
Economic and physical development	146,860	-
Environmental protection	81,363	-
Community activities and projects	-	1,235
	<u>\$ 1,052,949</u>	<u>\$ 117,963</u>

The following tables summarize capital asset activity for the Town's business-type activities during the year ended June 30, 2023.

	<u>Beginning Balances (As Restated)</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balances</u>
Business-type activities:				
<i>Water and sewer:</i>				
Capital assets not depreciated:				
Land	\$ 6,099,275	\$ -	\$ -	\$ 6,099,275
Construction-in-progress	1,063,644	380,851	(567,170)	877,325
	<u>7,162,919</u>	<u>380,851</u>	<u>(567,170)</u>	<u>6,976,600</u>
Capital assets being depreciated:				
Buildings and improvements	38,994,136	-	-	38,994,136
Plant and distribution systems	37,057,758	-	-	37,057,758
Infrastructure	753,434	-	567,170	1,320,604
Equipment	1,828,762	90,972	(38,045)	1,881,689
Vehicles	1,308,709	55,295	(115,968)	1,248,036
	<u>79,942,799</u>	<u>146,267</u>	<u>413,157</u>	<u>80,502,223</u>
Less accumulated depreciation for:				
Buildings and improvements	12,492,204	1,114,234	-	13,606,438
Plant and distribution systems	12,373,001	734,038	-	13,107,039
Infrastructure	176,293	32,725	-	209,018
Equipment	1,434,700	90,551	(40,936)	1,484,315
Vehicles	920,143	116,167	(95,511)	940,799
	<u>27,396,341</u>	<u>2,087,715</u>	<u>(136,447)</u>	<u>29,347,609</u>
Capital assets being depreciated, net	<u>52,546,458</u>	<u>(1,941,448)</u>	<u>549,604</u>	<u>51,154,614</u>
Capital assets, net	<u>\$ 59,709,377</u>	<u>\$ (1,560,597)</u>	<u>\$ (17,566)</u>	<u>\$ 58,131,214</u>

Town of Hillsborough, North Carolina
Notes to Financial Statements

	Beginning Balances	Additions	Deletions	Ending Balances
Business-type activities:				
<i>Stormwater:</i>				
Capital assets not depreciated:				
Land	\$ 33,813	\$ -	\$ -	\$ 33,813
Construction-in-progress	100,000	-	-	100,000
	<u>133,813</u>	<u>-</u>	<u>-</u>	<u>133,813</u>
Capital assets being depreciated:				
Infrastructure	2,133,177	-	-	2,133,177
Equipment	31,606	59,985	-	91,591
Vehicles	20,762	-	-	20,762
	<u>2,185,545</u>	<u>59,985</u>	<u>-</u>	<u>2,245,530</u>
Less accumulated depreciation for:				
Infrastructure	448,347	53,330	-	501,677
Equipment	9,759	4,738	-	14,497
Vehicles	20,762	-	-	20,762
	<u>478,868</u>	<u>58,068</u>	<u>-</u>	<u>536,936</u>
Capital assets being depreciated, net	<u>1,706,677</u>	<u>1,917</u>	<u>-</u>	<u>1,708,594</u>
Capital assets, net	<u>\$ 1,840,490</u>	<u>\$ 1,917</u>	<u>\$ -</u>	<u>\$ 1,842,407</u>

(7) Construction commitments

The Town has active construction projects as of June 30, 2023 with the following remaining commitments:

	Spent to Date	Estimated Remaining Commitment
Governmental Projects:		
Transportation Improvement Project ("TIP")	\$ 272,137	\$ 806,863
Valley Forge Road Project	1,222,197	28,720
NC 86 Renovation Project	74,215	2,251,767
Fire Station Project	-	225,000
Fiber Loop Project	-	350,000
Other projects	4,000	278,500
Business-type Projects:		
Mill Creek Road Project	3,055,400	222,396
Various water and sewer projects	1,442,495	6,175,804
	<u>\$ 6,070,444</u>	<u>\$ 10,339,050</u>

B. Liabilities

(1) Pension plans and postemployment obligations

(a) Local Governmental Employees' Retirement System

Plan description. The Town 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 Annual Comprehensive Financial Report ("ACFR") for the state of North Carolina. The State's ACFR 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 (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by G.S. 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, 2023 was 13.04% of compensation for law enforcement officers and 12.14% 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 \$961,854 for the year ended June 30, 2023.

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.

Town of Hillsborough, North Carolina
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Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

The Town reported a liability, at June 30, 2023, of \$4,708,900 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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. The Town's proportion, at June 30, 2022 (measurement date), was 0.08347%, which was an increase of 0.00358% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$1,314,861. The Town reported, at June 30, 2023, deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 202,902	\$ 19,893
Changes in assumptions and/or other inputs	469,843	-
Net difference between projected and actual earnings on pension plan investments	1,556,341	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	84,994	126,304
Contributions subsequent to the measurement date	<u>961,854</u>	<u>-</u>
Total deferrals	<u>\$ 3,275,934</u>	<u>\$ 146,197</u>

The \$961,854 reported as deferred outflows of resources related to the Town's contributions subsequent to the measurement date that will be recognized as a decrease of the net pension liability in the year ending June 30, 2024.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:

2024	\$ 663,916
2025	561,888
2026	200,608
2027	<u>741,471</u>
Total	<u>\$ 2,167,883</u>

Actuarial assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25 to 8.25%, including inflation and productivity factor
Investment rate of return	6.50%, 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 etc.) and health status (i.e., disabled and healthy). The current mortality rates are based on published tables

Town of Hillsborough, North Carolina
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and based on studies that cover significant portions of the U.S. population. The health mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2021 valuation, with the exception of the discount rate, were based on the results of an actuarial experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

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, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.1%
Global Equity	42.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	7.5%
Opportunistic Fixed Income	7.0%	5.0%
Inflation Securities	6.0%	2.7%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary as part of a study conducted in early 2022, and is part of the 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 2.50 percent. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50 percent. 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 6.50%, 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

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	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Town's proportionate share of the net pension liability	<u>\$ 8,498,958</u>	<u>\$ 4,708,900</u>	<u>\$ 1,585,672</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued ACFR for the state of North Carolina.

(b) Law Enforcement Officers' Special Separation Allowance

(i) Plan description.

The Town administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 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. The Separation Allowance's membership, at December 31, 2021 (valuation date), consisted of:

Inactive members currently receiving benefits	2
Active plan members	<u>27</u>
Total	<u><u>29</u></u>

(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, 2021 valuation. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent
Discount rate	4.31 percent

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

All mortality rates use Pub-2010 amount-weighted tables and are projected from 2010 using generational improvement with Scale MP-2019.

Town of Hillsborough, North Carolina
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(iv) *Change in actuarial assumptions:*

Based on the results of an experience study completed by the actuary for the LGERS for the five-year period ending December 31, 2019, several assumptions were updated including mortality rates, salary increase rates, real wage growth, etc.

The Municipal Bond Index Rate increased from 2.25 percent to 4.31 percent.

(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 \$47,045 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, 2023, the Town reported a total pension liability of \$1,195,633. The total pension liability was based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$155,434.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 202,932	\$ 130,198
Changes in assumptions and/or other inputs	197,060	209,752
Benefit payments and administrative costs made subsequent to the measurement date	<u>30,767</u>	<u>-</u>
Total deferrals	<u>\$ 430,759</u>	<u>\$ 339,950</u>

The \$30,767 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:

Years ending June 30:

2024	\$ 43,201
2025	35,203
2026	32,031
2027	(41,029)
2028	(8,364)
Thereafter	<u>(1,000)</u>
Total	<u>\$ 60,042</u>

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(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 4.31 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 (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

	<u>1% Decrease (3.31%)</u>	<u>Discount Rate (4.31%)</u>	<u>1% Increase (5.31%)</u>
Total pension liability	\$ 1,296,754	\$ 1,195,633	\$ 1,104,110

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

	<u>2023</u>
Beginning balance	\$ 1,172,974
Service cost	79,139
Interest on the total pension liability	26,039
Differences between expected and actual experience in the measurement of the total pension liability	168,460
Changes in assumptions and/or other inputs	(219,644)
Benefit payments	(31,335)
Ending balance	<u>\$ 1,195,633</u>

(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:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 1,314,861	\$ 155,002	\$ 1,469,863
Pension liabilities	4,708,900	1,195,633	5,904,533
Proportionate share of net pension liability	0.08347%	N/A	N/A

Deferred outflows of resources:

Differences between expected and actual experience	202,902	202,932	405,834
Changes in assumptions and/or other inputs	469,843	197,060	666,903
Net difference between projected and actual earnings on pension plan investments	1,556,341	-	1,556,341
Changes in proportion and differences between contributions and proportionate share of contributions	84,994	-	84,994
Contributions, benefit payments, and admini- strative costs paid subsequent to the measurement date	961,854	30,767	992,621

Town of Hillsborough, North Carolina
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	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Deferred inflows of resources:			
Differences between expected and actual experience	\$ 19,893	\$ 130,198	\$ 150,091
Changes in assumptions and/or other inputs	-	209,752	209,752
Changes in proportion and differences between contributions and proportionate share of contributions	126,304	-	126,304

(d) Supplemental Retirement Income Plan

Plan description. The Town 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 all permanent full-time employees, as well as 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. All employees begin participation at the date of employment. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the ACFR for the state of North Carolina. The State’s ACFR 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.

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 makes an equal contribution of 5 percent of monthly salary to all other permanent full-time employees. Also, the participants may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2023 were \$640,028, which consisted of \$399,320 from the Town and \$240,708 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 governing board may amend the benefit provisions. A separate report was not issued for the HC Plan.

<u>Retired Employees’ Years of Creditable Service</u>	<u>Law Enforcement</u>		<u>Non-Law Enforcement</u>	
	<u>Hired Before February 9, 2009</u>	<u>Hired On or After February 9, 2009</u>	<u>Hired Before February 9, 2009</u>	<u>Hired On or After February 9, 2009</u>
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

Town of Hillsborough, North Carolina
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Retired Employees' Years of Creditable Service	Law Enforcement		Non-Law Enforcement	
	Hired Before February 9, 2009	Hired On or After February 9, 2009	Hired Before February 9, 2009	Hired On or After February 9, 2009
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, 2021, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	3	1
Active plan members	67	26
Total	70	27

Total OPEB liability

The Town's total OPEB liability of \$1,351,578 was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2021.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation and wage inflation	2.50 percent and 3.25 percent, respectively
Real wage growth	0.75 percent
Salary increases	3.25 to 8.41 percent, including inflation and varying by position classes
Discount rate	3.54 percent
Healthcare cost trend rates	7.00 percent decreasing to an ultimate rate of 4.50 percent by 2031

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

Changes in the total OPEB liability

	2023
Beginning balance	\$ 1,460,043
Service cost	53,159
Interest on the total pension liability	31,809
Differences between expected and actual experience in the measurement of the total pension liability	31,233
Changes in assumptions and/or other inputs	(143,133)
Net benefit payments and implicit subsidy credit	(81,533)
Ending balance	\$ 1,351,578

Town of Hillsborough, North Carolina
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The net benefit payments shown above include the implicit subsidy (if any) for the year. Changes in assumptions and other inputs reflect a change in the discount rate from 2.16 percent to 3.54 percent.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, 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, 2021 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2021 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 (2.54 percent) or 1 percentage point higher (4.54 percent) than the current rate:

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	<u>\$ 1,453,734</u>	<u>\$ 1,351,578</u>	<u>\$ 1,257,383</u>

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	<u>\$ 1,226,593</u>	<u>\$ 1,351,578</u>	<u>\$ 1,493,806</u>

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

The Town recognized OPEB expense of \$44,800 for the year ended June 30, 2023. The Town reported, at June 30, 2023, 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	\$ 53,489	\$ 285,678
Changes in assumptions and/or other inputs	226,983	170,587
Benefit payments and administrative costs made subsequent to the measurement date	<u>49,424</u>	<u>-</u>
Total deferrals	<u>\$ 329,896</u>	<u>\$ 456,265</u>

The \$49,424 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 ending June 30, 2024.

Town of Hillsborough, North Carolina
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Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30:

2024	\$ (41,355)
2025	(41,355)
2026	(39,043)
2027	(31,054)
2028	(27,903)
Thereafter	4,917
Total	<u>\$ (175,793)</u>

(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, 2023 were as follows:

	<u>Governmental Activities</u>		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Accounts payable to vendors	\$ 236,838	\$ 222,867	\$ 459,705
Accrued payroll and related liabilities	311,269	-	311,269
	<u>\$ 548,107</u>	<u>\$ 222,867</u>	<u>\$ 770,974</u>

Town of Hillsborough, North Carolina
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Business-type Activities

	Water and Sewer Fund	Stormwater Fund	Total
Accounts payable to vendors	\$ 331,939	\$ 7,655	\$ 339,594
Accrued payroll and related liabilities	155,308	13,411	168,719
	\$ 487,247	\$ 21,066	\$ 508,313

Component Units

	The Authority	The Tourism Board	Total
Accounts payable to vendors	\$ 5,143	\$ 30,397	\$ 35,540
Accrued payroll and related liabilities	-	-	-
	\$ 5,143	\$ 30,397	\$ 35,540

(5) Due to related governments

The amounts due to related governments are the inverse of the corresponding receivables disclosed in Note 2.A.(5).

(6) Unearned revenue

Unearned revenue consists of unspent federal funds in the amount of \$2,071,265 received under the “American Rescue Plan Act of 2021” (“ARPA”). The federal funds have eligibility requirements that must be met before the revenue can be recognized.

(7) Deferred outflows and inflows of resources

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

Deferred Outflows of Resources:

	Modified Accrual	Full Accrual
Governmental activities:		
Pension - LGERS	\$ -	\$ 2,205,359
Pension - LEOSSA	-	430,759
OPEB	-	180,939
Total	\$ -	\$ 2,817,057
Business-type activities:		
Pension - LGERS		\$ 1,070,575
OPEB		148,958
Total		\$ 1,219,533

Town of Hillsborough, North Carolina
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Deferred inflows of resources at year-end is comprised of the following:

Deferred Inflows of Resources:

	<u>Modified Accrual</u>	<u>Full Accrual</u>
Governmental activities:		
Unavailable revenue:		
Property taxes receivable	\$ 94,606	\$ -
Pension - LGERS	-	98,421
Pension - LEOSSA	-	339,950
OPEB	-	250,248
Total governmental activities	<u>\$ 94,606</u>	<u>\$ 688,619</u>
Business-type activities:		
Pension - LGERS		\$ 47,777
OPEB		<u>206,017</u>
Total business-type activities		<u>\$ 253,794</u>

(8) 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 \$5 million per occurrence; auto liability coverage of \$5 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 limit based upon a percentage of the total insurance values.

The Town carries commercial insurance for all other risks of loss, including property (\$69,703,628); 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 (\$786,100); municipal equipment (\$1,089,860); 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. Flood coverage is provided only to those buildings and contents located entirely in flood zones B, C, and X.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time or the Town's funds are performance bonded through a commercial surety bond. The finance director is covered by an individual official bond for \$50,000.

The Authority and the Tourism Board carried commercial coverage for Public Officials Liability with coverage of \$5,000,000 for all claims. Both the Authority and the Tourism Board do not carry flood insurance nor have any employees.

Town of Hillsborough, North Carolina
Notes to Financial Statements

(9) 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. See also Note 2.A.(8) for contingent liabilities related to construction commitments.

(10) Long-term obligations

(a) Direct Placement Installment purchases

Governmental activities:

• 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%.	\$ 20,860
• 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%.	109,446
• 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.	266,659
• 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.	1,659,719
• Note payable to U.S. Bancorp, executed December 2020, in the amount of 300,000 to finance the purchase of a garbage truck. The note is payable in five annual payments of \$62,617 with interest payable at 1.44%, and is secured by the garbage truck.	<u>182,567</u>
	2,239,251
Less: current portion	<u>(335,922)</u>
	<u>\$ 1,903,329</u>

Town of Hillsborough, North Carolina
Notes to Financial Statements

The future minimum payments for direct placement installment purchases, at June 30, 2023, related to governmental activities are as follows:

<u>Years ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 335,922	\$ 71,556	\$ 407,478
2025	284,464	62,476	346,940
2026	254,062	54,772	308,834
2027	197,720	47,315	245,035
2028	203,299	40,555	243,854
2029-2033	963,784	100,378	1,064,162
	<u>\$ 2,239,251</u>	<u>\$ 377,052</u>	<u>\$ 2,616,303</u>

(a) Direct Placement Installment purchases

Business-type activities:

- 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 15 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.

\$	324,403
	<u>(27,576)</u>
	<u>\$ 296,827</u>

Less: current portion

The future minimum payments for direct placement installment purchases, at June 30, 2023, related to business-type activities are as follows:

<u>Years ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 27,576	\$ 11,549	\$ 39,125
2025	28,558	10,567	39,125
2026	29,574	9,550	39,124
2027	30,627	8,498	39,125
2028	31,717	7,407	39,124
2029-2033	176,351	19,274	195,625
	<u>\$ 324,403</u>	<u>\$ 66,845</u>	<u>\$ 391,248</u>

The provisions of the direct placement installment purchase agreements contain certain financial covenants related to the maintenance of fund balance. The Town was in compliance with these covenants at June 30, 2023.

Town of Hillsborough, North Carolina
Notes to Financial Statements

(b) Leases liabilities

Governmental activities:

<ul style="list-style-type: none"> • The Town is a lessee of a 56-month lease for the use of property used as a loading zone. An initial lease liability was recorded in the amount of \$5,763. The Town is required to make annual fixed payments of \$1,367. The lease has an interest rate of 0.3160%. The net book value of the right to use asset for the year ended June 30, 2023 was \$3,293 with accumulated amortization of \$2,470. 	\$ 3,000
<ul style="list-style-type: none"> • The Town is a lessee of a 36-month lease of a building used as a police training facility. An initial lease liability was recorded in the amount of \$103,215. The Town is required to make monthly payments of \$3,150. The lease has an interest rate of 0.6320%. The net book value of the right to use asset for the year ended June 30, 2023 was \$37,272 with accumulated amortization of \$65,943. 	39,868
<ul style="list-style-type: none"> • The Town is a lessee of a 60-month lease of multi-functional devices. An initial lease liability was recorded in the amount of \$24,111. The Town is required to make monthly payments of \$406. The lease has an interest rate of 0.4130%. There are variable payment components of the lease. The net book value of the right to use asset for the year ended June 30, 2023 was \$15,798 with accumulated amortization of \$8,313. 	15,726
<ul style="list-style-type: none"> • The Town is a lessee of a 27-month lease of multi-functional devices. An initial lease liability was recorded in the amount of \$10,975. The Town is required to make monthly payments of \$409. The lease has an interest rate of 0.5140%. There are variable payment components of the lease. The net book value of the right to use asset for the year ended June 30, 2023 was \$1,466 with accumulated amortization of \$9,509. 	<u>1,226</u>
	59,820
Less current portion	<u>(47,378)</u>
	<u>\$ 12,442</u>

The future minimum leases payments, at June 30, 2023, related to governmental activities are as follows:

<u>Years ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 47,378	\$ 203	\$ 47,581
2025	6,368	41	6,409
2026	4,856	16	4,872
2027	1,218	1	1,219
	<u>\$ 59,820</u>	<u>\$ 261</u>	<u>\$ 60,081</u>

Town of Hillsborough, North Carolina
Notes to Financial Statements

(c) IT subscriptions liability

Governmental activities:

<ul style="list-style-type: none"> On July 1, 2022, the GASB 96 implementation date, the Town entered into a 24-month subscription for the use of Axon Services. An initial subscription liability was recorded in the amount of \$29,228. As of June 30, 2023, the value of the subscription liability is \$14,479. The Town is required to make annual fixed payments of \$15,172. The subscription has an interest rate of 2.024%. The value of the right to use asset as of June 30, 2023 is \$14,893 with accumulated amortization of \$14,335. 	\$ 14,478
<ul style="list-style-type: none"> On July 7, 2022 the Town entered into a 36-month subscription for the use of Esri System Software. An initial subscription liability was recorded in the amount of \$68,249. As of June 30, 2023 the value of the subscription liability is \$53,249. The Town is required to make annual fixed payments of \$27,500. The subscription has an interest rate of 2.184%. The value of the right to use asset as of June 30, 2023 is \$47,143 with accumulated amortization of \$21,108. 	53,250
<ul style="list-style-type: none"> On July 1, 2022, the GASB 96 implementation date, the Town entered into a 19-month subscription for the use of OpenGov Software. An initial subscription liability was recorded in the amount of \$22,237. As of June 30, 2023 the value of the subscription liability is \$0. The Town of is required to make annual fixed payments of \$22,500. The subscription has an interest rate of 2.0240%. The value of the right to use asset as of June 30, 2023 is \$19,196 with accumulated amortization of \$32,907. 	-
<ul style="list-style-type: none"> On July 1, 2022, the GASB 96 implementation date, the Town entered into a 24-month subscription for the use of PowerDMS Software. An initial subscription liability was recorded in the amount of \$9,041. As of June 30, 2023 the value of the subscription liability is \$4,962. The Town is required to make a payment of \$5,063 in fiscal year 2024. The subscription has an interest rate of 2.0240%. The value of the right to use asset as of June 30, 2023 is \$4,625 with accumulated amortization of \$4,416. 	<u>4,962</u>
	72,690
Less current portion	<u>(45,778)</u>
	<u>\$ 29,912</u>

Town of Hillsborough, North Carolina
Notes to Financial Statements

The future minimum leases payments, at June 30, 2023, related to governmental activities are as follows:

<u>Years ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 45,778	\$ 1,556	\$ 47,334
2025	26,912	588	27,500
	<u>\$ 72,690</u>	<u>\$ 2,144</u>	<u>\$ 74,834</u>

(d) Revolving loans payable

Business-type activities:

- 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, 2023 was \$228,668.
- 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. In 2014, the Town was approved for a maximum loan in the amount of \$17,810,007 plus interest 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 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, 2023 was \$9,795,504.
- 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, 2023 was \$1,129,461.

Annual debt service requirements to maturity for the above revolving loans are as follows:

<u>Years ending June 30:</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,060,845	\$ 246,563	\$ 1,307,408
2025	1,060,845	222,672	1,283,517
2026	1,060,845	198,784	1,259,629
2027	984,622	174,894	1,159,516
2028	984,622	153,033	1,137,655
2029-2033	4,923,112	437,236	5,360,348
2034-2035	1,078,742	21,862	1,100,604
	<u>\$ 11,153,633</u>	<u>\$ 1,455,044</u>	<u>\$ 12,608,677</u>

(e) Special revenue bonds payable

Business-type activities:

- 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. \$10,075,000 remains outstanding at June 30, 2023.

Annual debt service requirements to maturity for the above special revenue bonds are as follows:

<u>Years ending June 30:</u>	Business-Type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 30,000	\$ 445,969	\$ 475,969
2025	30,000	444,469	474,469
2026	30,000	442,969	472,969
2027	35,000	441,344	476,344
2028	35,000	439,594	474,594
2029-2033	1,840,000	2,048,344	3,888,344
2034-2038	3,590,000	1,302,593	4,892,593
2039-2043	4,485,000	405,433	4,890,433
	<u>\$ 10,075,000</u>	<u>\$ 5,970,715</u>	<u>\$ 16,045,715</u>

(f) Combined Utility Systems Revenue Bonds (Series 2020)

Business-type activities:

- 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. \$2,362,000 remains outstanding at June 30, 2023.

Annual debt service requirements to maturity for the above revenue bonds are as follows:

<u>Years ending June 30:</u>	Business-Type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 317,000	\$ 46,768	\$ 363,768
2025	325,000	40,490	365,490
2026	333,000	34,056	367,056
2027	336,000	27,463	363,463
2028	345,000	20,810	365,810
2029-2030	706,000	21,047	727,047
	<u>\$ 2,362,000</u>	<u>\$ 190,634</u>	<u>\$ 2,552,634</u>

Town of Hillsborough, North Carolina
Notes to Financial Statements

(g) Debt Covenants

Business-type activities:

The Town is in compliance with the debt covenants related 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 percent of the system fund balance to be no less than 120 percent 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:

	<u>2023</u>
Operating revenues	\$ 11,490,059
Operating expenses (excluding depreciation)	<u>(8,160,471)</u>
Operating income	3,329,588
Nonoperating revenues (expenses)	<u>705,387</u>
Income available for debt service - {A}	<u>\$ 4,034,975</u>
Unrestricted net position (system fund balance)	<u>\$ 11,867,203</u>
15% of Unrestricted Net Position - {B}	<u>\$ 1,780,080</u>
Total Balance for 120% Parity ({A}+{B})	<u>\$ 5,815,055</u>
Debt service, principal and interest (Revenue bond only)	<u>\$ 840,375</u>
Debt service coverage ratio on first-lien debt	<u>6.92</u>
Debt service all debt (total balance for 100%)	<u>\$ 2,210,796</u>
Debt service coverage ratio on all debt together	<u>1.83</u>

(h) Changes in long-term liabilities

The following table summarizes changes in the Town's long-term liabilities during the year ended June 30, 2023.

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Direct placement installment purchases	\$ 2,726,070	\$ -	\$ 486,819	\$ 2,239,251	\$ 335,922
Lease liabilities	109,365	-	49,545	59,820	47,378
IT subscriptions liability	-	128,756	56,066	72,690	45,778
Compensated absences	448,626	385,972	265,682	568,916	266,000
Total OPEB liability	876,026	-	134,727	741,299	-
Net pension liability - LGERS	844,033	2,325,998	-	3,170,031	-
Total pension liability - LEOSSA	<u>1,172,974</u>	<u>22,659</u>	<u>-</u>	<u>1,195,633</u>	<u>-</u>
Total Governmental activities	<u>\$ 6,177,094</u>	<u>\$ 2,863,385</u>	<u>\$ 992,839</u>	<u>\$ 8,047,640</u>	<u>\$ 695,078</u>

Town of Hillsborough, North Carolina
Notes to Financial Statements

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Business-type activities:					
<i>Water and sewer:</i>					
Direct placement installment purchases	\$ 351,031	\$ -	\$ 26,628	\$ 324,403	\$ 27,576
Revolving loans payable	12,214,479	-	1,060,846	11,153,633	1,060,845
Revenue bonds payable	12,777,000	-	340,000	12,437,000	347,000
Premium on bonds payable	807,701	-	56,312	751,389	56,123
Compensated absences	295,032	313,673	201,962	406,743	202,000
Total OPEB liability	554,816	14,088	-	568,904	-
Net pension liability - LGERS	346,484	1,044,996	-	1,391,480	-
Total - water and sewer	27,346,543	1,372,757	1,685,748	27,033,552	1,693,544
<i>Stormwater:</i>					
Compensated absences	13,077	13,767	11,718	15,126	11,700
Total OPEB liability	29,201	12,174	-	41,375	-
Net pension liability - LGERS	34,673	112,716	-	147,389	-
Total - stormwater	76,951	138,657	11,718	203,890	11,700
Total business-type activities	\$ 27,423,494	\$ 1,511,414	\$ 1,697,466	\$ 27,237,442	\$ 1,705,244

(i) Legal debt limit and debt margin

The Town is subject to the Local Government Bond Act of North Carolina which limits the amount of debt it can issue to 8 percent of the appraised value of property subject to taxation. The Town's statutory debt limit at June 30, 2023 was approximately \$130,671,000 and a legal debt margin of approximately \$128,431,000 after deducting certain outstanding debt balances.

(j) Special assessment debt

Town issued \$4,630,000 of Special Assessment Revenue Bonds (in October, 2013) 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 a custodial for the property owners by remitting collections of special assessments to the Trustee. The outstanding balance of special assessment debt at June 30, 2023 was \$335,000.

C. Interfund balances and activity

(1) Transfers to/from other funds

<u>Transfer to other funds</u>	<u>Transfers from other funds</u>		
	<u>General Capital Projects Fund</u>	<u>General Capital Reserve Fund</u>	<u>Total</u>
General Fund	\$ 387,000	\$ 594,970	\$ 981,970
	\$ 387,000	\$ 594,970	\$ 981,970

The transfers from the General Fund were for various capital projects including connectivity, facility additions/improvements and rolling stock.

Town of Hillsborough, North Carolina
Notes to Financial Statements

<u>Transfer to other funds</u>	<u>Transfer from other funds</u>			<u>Total</u>
	<u>Utilities Capital Improvements Fund</u>	<u>Sewer System Development Fee Reserve</u>	<u>Water System Development Fee Reserve</u>	
Water and Sewer Operating Fund	\$ 170,592	\$ 78,913	\$ 100,464	\$ 349,969
Water and Sewer Capital Reserve Fund	1,830,000	-	-	1,830,000
Water System Development Fee Reserve Fund	119,408	-	-	119,408
	<u>\$ 2,120,000</u>	<u>\$ 78,913</u>	<u>\$ 100,464</u>	<u>\$ 2,299,377</u>

The transfers from the Water and Sewer fund were for utilities capital improvements as well as a transfer to Water & Sewer Developmental Reserve Funds. The transfers from Water & Sewer Development Fee Reserves were for utilities capital improvements.

D. Net Position/Fund Balances

(1) Net Investment in capital assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
		<u>Water and Sewer</u>	<u>Stormwater</u>
Capital assets, net	\$ 24,517,031	\$ 58,131,214	\$ 1,842,407
Less:			
Capital related debt	(2,371,761)	(23,915,036)	-
Unamortized premium on capital related debt	-	(751,389)	-
Accounts payable from restricted assets	-	(180,728)	-
Add:			
Unspent debt proceeds	-	1,037,159	-
Net investment in capital assets	<u>\$ 22,145,270</u>	<u>\$ 34,321,220</u>	<u>\$ 1,842,407</u>

(2) Prior Period Adjustment

Effective July 1, 2022, the Town restated opening net position in its business-type activities and its Water and Sewer Enterprise Fund. The balance as of July 1, 2022 was decreased by \$2,616,083. Enterprise capital projects previously capitalized as construction-in-progress were reclassified as expenditures resulting in the decrease. The restatement related to an agreement between the Town and the North Carolina Department of Transportation (“NCDOT”). The agreement states that the Town will make improvements around the Town’s reservoir and the NCDOT will assume responsibility for the roads once the project is completed.

Town of Hillsborough, North Carolina
Notes to Financial Statements

(3) Fund Balance

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

General Fund:	
Total fund balance	\$ 14,263,322
Less:	
Nonspendable - prepaids	4,642
Stabilization by state statute	2,244,949
Restricted for streets	761,737
Restricted revenues	39,903
Appropriated in next year's budget	1,606,221
Fund balance policy - 33% of operating expenditures	<u>4,049,861</u>
Available fund balance	<u>\$ 5,556,009</u>

The outstanding encumbrances, reflected in stabilization by state statute, are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Outstanding encumbrances in the General Fund at June 30, 2023 were \$890,332.

3. 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.

4. Contingencies

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

5. Subsequent Events

The Town evaluates subsequent events up to the date this report is made available. The TDA and Tourism Board evaluated subsequent events through November 29, 2023. The Town has extended consideration of additional subsequent events that could potentially affect the TDA's and Tourism Board's financial statements. While no additional disclosures were noted for the TDA and Tourism Board, the following significant events relate to the Town:

- a. The federal government's American Rescue Plan Act of 2021 included \$2,282,192 of funding allocated to the Town. The Town received the first half of this funding during the year ended June 30, 2022 and received the final installment on July 22, 2022. At June 30, 2023, the Town recorded \$2,071,265 of the ARPA funds as unearned revenue. The Town intends on identifying qualifying expenditures in the Revenue Replacement Category in the fiscal year ending June 30, 2024 and to appropriate the unrestricted revenues to various water and sewer capital projects.
- b. The Town increased water and sewer rates effective July 1, 2023 by six percent in each service category. The additional revenue will partially address a growing operational gap and provide additional resources for the capital financing plan.

6. Change in Accounting Principle

The Town implemented GASB Statement No. 96, *Subscription Based Information Technology Arrangements* (effective July 1, 2022). This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITA”). The Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. As such, there was no effect on beginning net position.

Required Supplementary Financial Data (Unaudited)

Required Supplementary Information (“RSI”) is supplemental information that is not a required part of the basic financial statements but is information required by Accounting Principles Generally Accepted in the United States of America. This section includes the following schedules:

- 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.

Management’s Discussion and Analysis (pages 4 through 14) is also RSI. It is presented immediately before the basic financial statements. All RSI is subject to limited audit procedures but, is not included in the scope of the auditors’ opinion. As such, it is identified as unaudited.



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Town of Hillsborough, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 1,172,974	\$ 1,316,618	\$ 783,583	\$ 727,333	\$ 641,574
Service cost	79,139	73,164	54,522	46,881	49,048
Interest on the total pension liability	26,039	25,142	25,173	26,226	19,749
Difference between expected and actual experience in the measurement of the total pension liability	168,460	(182,736)	96,611	(28,494)	80,147
Changes of assumptions or other inputs	(219,644)	(31,409)	379,515	25,289	(29,947)
Benefit payments	<u>(31,335)</u>	<u>(27,805)</u>	<u>(22,786)</u>	<u>(13,652)</u>	<u>(33,238)</u>
Ending balance	<u>\$ 1,195,633</u>	<u>\$ 1,172,974</u>	<u>\$ 1,316,618</u>	<u>\$ 783,583</u>	<u>\$ 727,333</u>

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 566,336	\$ 556,718	N/A	N/A	N/A
Service cost	37,358	36,956	N/A	N/A	N/A
Interest on the total pension liability	21,303	19,286	N/A	N/A	N/A
Difference between expected and actual experience in the measurement of the total pension liability	(520)	-	N/A	N/A	N/A
Changes of assumptions or other inputs	45,993	(13,621)	N/A	N/A	N/A
Benefit payments	<u>(28,896)</u>	<u>(33,003)</u>	N/A	N/A	N/A
Ending balance	<u>\$ 641,574</u>	<u>\$ 566,336</u>	N/A	N/A	N/A

Notes to the Schedule:

N/A - Information prior to the implementation of GASB Statement No. 73 does not exist. This schedule is building to be a ten year schedule as information becomes available.

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

Town of Hillsborough, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total pension liability	\$ 1,195,633	\$ 1,172,974	\$ 1,316,618	\$ 783,583	\$ 727,333
Covered payroll	<u>1,892,468</u>	<u>1,658,837</u>	<u>1,914,214</u>	<u>1,831,895</u>	<u>1,830,296</u>
Total pension liability as a percentage of covered payroll	<u>63.18%</u>	<u>70.71%</u>	<u>68.78%</u>	<u>42.77%</u>	<u>39.74%</u>
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 641,574	\$ 566,336	N/A	N/A	N/A
Covered payroll	<u>1,670,805</u>	<u>1,650,937</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total pension liability as a percentage of covered payroll	<u>38.40%</u>	<u>34.30%</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Notes to the Schedule:

N/A - Information prior to the implementation of GASB Statement No. 73 does not exist. This schedule is building to be a ten year schedule as information becomes available.

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

Town of Hillsborough, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
OPEB Retirement Plan
Required Supplementary Information
Last Ten Fiscal Years

	2023	2022	2021	2020	2019
Total OPEB Liability					
Service cost	\$ 53,159	\$ 48,010	\$ 35,773	\$ 55,105	\$ 56,731
Interest	31,809	29,433	40,828	60,865	56,550
Difference between expected and actual experience	31,233	(34,606)	33,091	(461,361)	8,747
Changes of assumptions or other inputs	(143,133)	168,641	123,590	27,076	(45,522)
Net benefit payments and implicit subsidy credit (1)	(81,533)	(70,108)	(89,899)	(140,756)	(60,738)
Net change in total OPEB liability	(108,465)	141,370	143,383	(459,071)	15,768
Beginning balance	1,460,043	1,318,673	1,175,290	1,634,361	1,618,593
Ending balance	<u>\$ 1,351,578</u>	<u>\$ 1,460,043</u>	<u>\$ 1,318,673</u>	<u>\$ 1,175,290</u>	<u>\$ 1,634,361</u>
Covered-employee payroll (2)	<u>\$ 5,323,777</u>	<u>\$ 5,323,777</u>	<u>\$ 5,736,330</u>	<u>\$ 5,736,330</u>	<u>\$ 5,180,570</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>25.39%</u>	<u>27.42%</u>	<u>22.99%</u>	<u>20.49%</u>	<u>31.55%</u>
Discount Rate (3)	<u>3.54%</u>	<u>2.16%</u>	<u>2.21%</u>	<u>3.50%</u>	<u>3.89%</u>
	2018	2017	2016	2015	2014
Total OPEB Liability					
Service cost	\$ 60,886	N/A	N/A	N/A	N/A
Interest	48,567	N/A	N/A	N/A	N/A
Difference between expected and actual experience	(2,066)	N/A	N/A	N/A	N/A
Changes of assumptions or other inputs	(78,864)	N/A	N/A	N/A	N/A
Net benefit payments and implicit subsidy credit (1)	(46,470)	N/A	N/A	N/A	N/A
Net change in total OPEB liability	(17,947)	N/A	N/A	N/A	N/A
Beginning balance	1,636,540	N/A	N/A	N/A	N/A
Ending balance	<u>\$ 1,618,593</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Covered-employee payroll (2)	<u>\$ 5,180,570</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>31.24%</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Discount Rate (3)	<u>3.56%</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Notes to the Schedule:

N/A - Information prior to the implementation of GASB Statement No. 75 does not exist. This schedule is building to be a ten year schedule as information becomes available.

(1) - Net benefit payments shown above include the implicit subsidy (if any) for the year. The subsidy was \$19,700 for the 2021 fiscal year.

(2) - For years following the valuation date (when no new valuation is performed), covered-employee payroll has been set equal to the covered-employee payroll from the most recent valuation.

(3) - Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period.

Town of Hillsborough, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
Local Government Employees' Retirement System
Required Supplementary Information
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Hillsborough's proportion of the net pension liability (asset) (%)	<u>0.0835%</u>	<u>0.0799%</u>	<u>0.0922%</u>	<u>0.0906%</u>	<u>0.0931%</u>
Hillsborough's proportion of the net pension liability (asset) (\$)	<u>\$ 4,708,900</u>	<u>\$ 1,225,190</u>	<u>\$ 3,292,912</u>	<u>\$ 2,472,850</u>	<u>\$ 2,209,362</u>
Hillsborough's covered payroll	<u>\$ 6,532,666</u>	<u>\$ 6,495,627</u>	<u>\$ 6,389,923</u>	<u>\$ 5,936,460</u>	<u>\$ 5,695,125</u>
Hillsborough's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>72.08%</u>	<u>18.86%</u>	<u>51.53%</u>	<u>41.66%</u>	<u>38.79%</u>
Plan fiduciary net position as a percentage of the total pension liability (1)	<u>84.14%</u>	<u>95.51%</u>	<u>88.61%</u>	<u>90.86%</u>	<u>91.63%</u>
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Hillsborough's proportion of the net pension liability (asset) (%)	<u>0.0919%</u>	<u>0.0924%</u>	<u>0.0838%</u>	<u>0.0809%</u>	<u>0.0797%</u>
Hillsborough's proportion of the net pension liability (asset) (\$)	<u>\$ 1,404,436</u>	<u>\$ 1,961,038</u>	<u>\$ 376,224</u>	<u>\$ (477,164)</u>	<u>\$ 960,691</u>
Hillsborough's covered payroll	<u>\$ 5,750,308</u>	<u>\$ 5,235,777</u>	<u>\$ 4,861,624</u>	<u>\$ 4,672,868</u>	<u>\$ 4,428,097</u>
Hillsborough's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>24.42%</u>	<u>37.45%</u>	<u>7.74%</u>	<u>-10.21%</u>	<u>21.70%</u>
Plan fiduciary net position as a percentage of the total pension liability (1)	<u>94.18%</u>	<u>91.47%</u>	<u>98.09%</u>	<u>102.47%</u>	<u>94.35%</u>

Notes to the Schedule:

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

(1) - This information was obtained from the State of North Carolina's Annual Comprehensive Financial Report.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 961,854	\$ 766,857	\$ 632,182	\$ 587,827	\$ 478,756
Contributions in relation to the contractually required contribution	<u>961,854</u>	<u>766,857</u>	<u>632,182</u>	<u>587,827</u>	<u>478,756</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hillsborough's covered payroll	<u>\$ 7,640,505</u>	<u>\$ 6,532,666</u>	<u>\$ 6,495,627</u>	<u>\$ 6,389,923</u>	<u>\$ 5,936,460</u>
Contributions as a percentage of covered payroll	<u>12.59%</u>	<u>11.74%</u>	<u>9.73%</u>	<u>9.20%</u>	<u>8.06%</u>
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 440,572	\$ 429,432	\$ 356,396	\$ 357,402	\$ 333,343
Contributions in relation to the contractually required contribution	<u>440,572</u>	<u>429,432</u>	<u>356,396</u>	<u>357,402</u>	<u>333,343</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hillsborough's covered payroll	<u>\$ 5,695,125</u>	<u>\$ 5,750,308</u>	<u>\$ 5,235,777</u>	<u>\$ 4,861,624</u>	<u>\$ 4,672,868</u>
Contributions as a percentage of covered payroll	<u>7.74%</u>	<u>7.47%</u>	<u>6.81%</u>	<u>7.35%</u>	<u>7.13%</u>



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Supplementary Information

Supplementary information supplements the basic financial statements and is compiled from the same underlying accounting records used to prepare the basic financial statements. It also provides additional information to demonstrate legal compliance with budgetary requirements contained in various sections of NCGS 159, *The Local Government Budget and Fiscal Control Act*.

This section contains the following information:

Combining statements and individual fund schedules

- Major and nonmajor governmental funds
- Major and nonmajor enterprise funds

Other schedules

- Ad valorem (“property”) tax schedules



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Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2023 (with Comparative Actual Amounts for 2022)

	<u>2023</u>		Variance Positive (Negative)	<u>2022</u>
	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES				
Ad valorem taxes:				
Current	\$ 9,022,700	\$ 9,625,278	\$ 602,578	\$ 9,070,713
Penalties and interest	18,000	31,241	13,241	29,147
	<u>9,040,700</u>	<u>9,656,519</u>	<u>615,819</u>	<u>9,099,860</u>
Other taxes and licenses:				
Gross receipts on short-term rental property	1,500	1,903	403	3,773
Privilege licenses	500	870	370	840
Motor vehicle license fees	-	-	-	1,259
Solid waste disposal	5,500	7,740	2,240	7,299
	<u>7,500</u>	<u>10,513</u>	<u>3,013</u>	<u>13,171</u>
Unrestricted intergovernmental revenues:				
Local option sales tax	2,474,060	3,200,727	726,667	2,868,883
Franchise tax	585,000	699,440	114,440	612,720
Beer and wine tax	30,000	43,515	13,515	38,422
Food and beverage tax	424,000	532,327	108,327	472,244
Occupancy tax	92,700	124,478	31,778	108,989
Other	-	840	840	780
	<u>3,605,760</u>	<u>4,601,327</u>	<u>995,567</u>	<u>4,102,038</u>
Restricted intergovernmental revenues:				
Powell Bill	270,000	272,524	2,524	273,767
Other	-	-	-	12,884
	<u>270,000</u>	<u>272,524</u>	<u>2,524</u>	<u>286,651</u>
Use and rental fees:				
Planning fees	35,500	40,792	5,292	58,658
Cable franchise	50,000	45,421	(4,579)	61,219
Street fees	-	520	520	-
Fire inspection fees and permits	-	-	-	65
Park usage fees	3,000	6,550	3,550	6,060
	<u>88,500</u>	<u>93,283</u>	<u>4,783</u>	<u>126,002</u>
Investment earnings	1,000	418,762	417,762	33,284
Miscellaneous revenues	64,497	308,727	244,230	39,718
Total revenues	<u>13,077,957</u>	<u>15,361,655</u>	<u>2,283,698</u>	<u>13,700,724</u>

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2023 (with Comparative Actual Amounts for 2022)

	2023		Variance Positive (Negative)	2022
	Final Budget	Actual		Actual
EXPENDITURES				
General government:				
Governing body:				
Personnel services		\$ 47,897		\$ 48,256
Other services and charges		202,973		176,788
Reimbursement from enterprise funds		(130,452)		(142,538)
	\$ 203,915	120,418	\$ 83,497	82,506
Facility Management:				
Personnel services		105,416		45,708
Other services and charges		234,202		74,871
Capital outlay		34,610		-
Debt service payments		205,078		205,078
Reimbursement from enterprise funds		(202,757)		(96,844)
	417,328	376,549	40,779	228,813
Administration:				
Personnel services		1,295,377		1,086,697
Other services and charges		531,712		462,624
Capital outlay		22,238		10,975
Debt service payments		22,500		-
Reimbursement from enterprise funds		(961,558)		(798,534)
	955,694	910,269	45,425	761,762
Finance:				
Personnel services		367,265		325,072
Other services and charges		394,936		158,505
Reimbursement from enterprise funds		(396,345)		(289,201)
	450,331	365,856	84,475	194,376
Information Services:				
Personnel services		162,050		142,865
Other services and charges		495,307		521,163
Capital outlay		93,739		-
Debt service payments		15,000		-
Reimbursement from enterprise funds		(362,880)		(469,887)
	402,825	403,216	(391)	194,141
Planning:				
Personnel services		630,001		407,575
Other services and charges		142,125		75,120
	872,060	772,126	99,934	482,695

Town of Hillsborough, North Carolina
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual - General Fund
 Year Ended June 30, 2023 (with Comparative Actual Amounts for 2022)

	2023		Variance Positive (Negative)	2022
	Final Budget	Actual		Actual
EXPENDITURES (CONTINUED)				
General government:				
Fleet Maintenance:				
Personnel services		\$ 341,665		\$ 312,731
Other services and charges		127,214		187,617
Capital outlay		-		15,478
Debt service payments		76,970		78,750
Reimbursement from enterprise funds		(228,592)		(211,464)
	<u>\$ 475,031</u>	<u>317,257</u>	<u>\$ 157,774</u>	<u>383,112</u>
Total general government	<u>3,777,184</u>	<u>3,265,691</u>	<u>511,493</u>	<u>2,327,405</u>
Public safety:				
Police department:				
Personnel services		3,326,965		3,086,573
Other services and charges		345,102		420,498
Capital outlay		248,488		243,643
Debt service payments		117,080		138,064
	<u>4,191,976</u>	<u>4,037,635</u>	<u>154,341</u>	<u>3,888,778</u>
Fire inspections/code enforcement:				
Personnel services		-		370
	<u>-</u>	<u>-</u>	<u>-</u>	<u>370</u>
Safety:				
Personnel services		131,070		118,799
Other services and charges		81,339		70,254
Reimbursement from enterprise funds		(110,452)		(120,417)
	<u>146,005</u>	<u>101,957</u>	<u>44,048</u>	<u>68,636</u>
Fire protection:				
Other services and charges		1,634,977		1,349,175
	<u>1,664,238</u>	<u>1,634,977</u>	<u>29,261</u>	<u>1,349,175</u>
Total public safety	<u>6,002,219</u>	<u>5,774,569</u>	<u>227,650</u>	<u>5,306,959</u>
Transportation:				
Street department/Powell Bill:				
Personnel services		270,709		194,839
Other services and charges		223,357		193,674
Capital outlay		491,919		223,300
Debt service payments		-		15,727
	<u>1,545,598</u>	<u>985,985</u>	<u>559,613</u>	<u>627,540</u>
Total transportation	<u>1,545,598</u>	<u>985,985</u>	<u>559,613</u>	<u>627,540</u>

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2023 (with Comparative Actual Amounts for 2022)

	2023		Variance Positive (Negative)	2022
	Final Budget	Actual		Actual
EXPENDITURES (CONTINUED)				
Environmental protection:				
Sanitation department:				
Personnel services		\$ 370,542		\$ 343,469
Other services and charges		203,584		191,486
Capital outlay		55,869		675,878
Debt service payments		62,617		74,983
	<u>\$ 1,078,763</u>	<u>692,612</u>	<u>\$ 386,151</u>	<u>1,285,816</u>
Cemetery:				
Other services and charges		3,369		9,277
	<u>5,350</u>	<u>3,369</u>	<u>1,981</u>	<u>9,277</u>
Total environmental protection	<u>1,084,113</u>	<u>695,981</u>	<u>388,132</u>	<u>1,295,093</u>
Economic and physical development:				
Tourism:				
Personnel services		(39,442)		54,724
Other services and charges		622,984		552,992
	<u>675,902</u>	<u>583,542</u>	<u>92,360</u>	<u>607,716</u>
Total economic and physical development	<u>675,902</u>	<u>583,542</u>	<u>92,360</u>	<u>607,716</u>
Community activities and projects:				
Other services and charges		69,235		131,701
Capital outlay		35,000		-
Debt service payments		92,468		94,576
Total community activities and projects	<u>228,890</u>	<u>196,703</u>	<u>32,187</u>	<u>226,277</u>
Parks and recreation:				
Personnel services		223,467		186,138
Other services and charges		341,370		353,189
Capital outlay		-		5,763
Debt service payments		84,515		156,898
Reimbursement from enterprise funds		(13,764)		(12,254)
Total parks and recreation	<u>880,089</u>	<u>635,588</u>	<u>244,501</u>	<u>689,734</u>
Contingency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>14,193,995</u>	<u>12,138,059</u>	<u>2,055,936</u>	<u>11,080,724</u>
Revenues over (under) expenditures	<u>(1,116,038)</u>	<u>3,223,596</u>	<u>4,339,634</u>	<u>2,620,000</u>

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2023 (with Comparative Actual Amounts for 2022)

	2023		Variance Positive (Negative)	2022
	Final Budget	Actual		Actual
OTHER FINANCING SOURCES (USES)				
Transfer to other funds:				
General Capital Improvements Fund	\$ (147,000)	\$ (147,000)	\$ -	\$ (764,270)
General Capital Improvements Fund	(150,000)	(150,000)	-	(75,000)
General Capital Improvements Fund	(40,000)	(40,000)	-	(20,000)
General Capital Improvements Fund	(50,000)	(50,000)	-	(150,000)
General Capital Reserve Fund	(320,000)	(320,000)	-	(300,000)
General Capital Reserve Fund	(50,000)	(50,000)	-	-
General Capital Reserve Fund	(80,148)	(80,148)	-	-
General Capital Reserve Fund	(144,822)	(144,822)	-	-
IT subscription agreement	-	128,756	128,756	144,064
Other financing sources (uses), net	<u>(981,970)</u>	<u>(853,214)</u>	<u>128,756</u>	<u>(1,165,206)</u>
APPROPRIATED FUND BALANCE	<u>2,098,008</u>	<u>-</u>	<u>(2,098,008)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>2,370,382</u>	<u>\$ 2,370,382</u>	<u>1,454,794</u>
Fund balance, beginning		<u>11,853,037</u>		<u>10,398,243</u>
Fund balance, ending		<u>\$ 14,223,419</u>		<u>\$ 11,853,037</u>

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Restricted Revenue Fund
From inception and for the year ended June 30, 2023

	Project Authorization	Actual		Total To Date	Variance Positive (Negative)
		Prior Years	Current Year		
REVENUES					
Restricted intergovernmental revenues	\$ 693,100	\$ 315,128	\$ (124)	\$ 315,004	\$ (378,096)
Contributions and donations	80,622	79,847	23,287	103,134	22,512
Total revenues	<u>773,722</u>	<u>394,975</u>	<u>23,163</u>	<u>418,138</u>	<u>(355,584)</u>
EXPENDITURES					
Current:					
General government:					
Administration	4,610	-	-	-	4,610
Planning	694,931	181,600	131,840	313,440	381,491
Public safety:					
Police	28,745	17,418	2,407	19,825	8,920
Community Activity and Projects:					
Affordable housing projects	64,970	64,970	-	64,970	-
Parks and recreation	466	-	-	-	466
Total expenditures	<u>793,722</u>	<u>263,988</u>	<u>134,247</u>	<u>398,235</u>	<u>395,487</u>
Revenues over (under) expenditures	<u>(20,000)</u>	<u>130,987</u>	<u>(111,084)</u>	<u>19,903</u>	<u>39,903</u>
OTHER FINANCING SOURCES					
Transfer from other funds:					
Transfer from General Fund	20,000	20,000	-	20,000	-
Total other financing sources	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 150,987</u>	<u>(111,084)</u>	<u>\$ 39,903</u>	<u>\$ 39,903</u>
Fund balance, beginning			150,987		
Fund balance, ending			<u>\$ 39,903</u>		

Town of Hillsborough, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	
	<u>CDBG Fund</u>	<u>Consolidated General Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and investments	\$ -	\$ 1,930,082	\$ 1,930,082
Due from other governments	204,515	56,848	261,363
Total assets	<u>\$ 204,515</u>	<u>\$ 1,986,930</u>	<u>\$ 2,191,445</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 165,464	\$ 57,403	\$ 222,867
Due to other funds	39,051	-	39,051
Total liabilities	<u>204,515</u>	<u>57,403</u>	<u>261,918</u>
FUND BALANCES			
Committed for:			
Capital projects	-	1,929,527	1,929,527
Total fund balances	<u>-</u>	<u>1,929,527</u>	<u>1,929,527</u>
Total liabilities and fund balances	<u>\$ 204,515</u>	<u>\$ 1,986,930</u>	<u>\$ 2,191,445</u>

Town of Hillsborough, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2023

	Special Revenue Fund	Capital Projects Fund	
	CDBG Fund	Consolidated General Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Restricted intergovernmental revenues	\$ 263,984	\$ 204,332	\$ 468,316
Total revenues	263,984	204,332	468,316
EXPENDITURES			
Current:			
Economic and physical development	-	754,348	754,348
Community activities and projects	263,984	4,000	267,984
Total expenditures	263,984	758,348	1,022,332
Revenues under expenditures	-	(554,016)	(554,016)
OTHER FINANCING SOURCES			
Transfer from other funds	-	981,970	981,970
Total other financing sources	-	981,970	981,970
Net change in fund balances	-	427,954	427,954
Fund balances, beginning	-	1,501,573	1,501,573
Fund balances, ending	\$ -	\$ 1,929,527	\$ 1,929,527

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - CDBG Fund
From inception and for the year ended June 30, 2023

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES					
Restricted intergovernmental revenues:					
Community Development Block Grant ("CDBG")	\$ 600,000	\$ 192,996	\$ 263,984	\$ 456,980	\$ (143,020)
Total revenues	<u>600,000</u>	<u>192,996</u>	<u>263,984</u>	<u>456,980</u>	<u>(143,020)</u>
EXPENDITURES					
Community activities and projects:					
Administration	60,000	17,545	23,999	41,544	18,456
Public services	540,000	175,451	239,985	415,436	124,564
Total expenditures	<u>600,000</u>	<u>192,996</u>	<u>263,984</u>	<u>456,980</u>	<u>143,020</u>
Revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES					
Transfer from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Capital Projects
From inception and for the year ended June 30, 2023

	Project Authorization	Actual			Total To Date	Variance Positive (Negative)
		Prior Years	Current Year	Closed Out Projects		
REVENUES						
Restricted intergovernmental revenue:						
Transportation improvement Project (TIP):						
Transit tax	\$ 116,000	\$ -	\$ 204,332	\$ -	\$ 204,332	\$ 88,332
NCDOT grant	870,000	-	-	-	-	(870,000)
State TIP	-	51,180	-	-	51,180	51,180
Exchange Club Rd Bridge Project	126,447	-	-	-	-	(126,447)
Contributions and donations:						
Connectivity projects	8,000	8,000	-	(8,000)	-	(8,000)
Total revenues	<u>1,120,447</u>	<u>59,180</u>	<u>204,332</u>	<u>(8,000)</u>	<u>255,512</u>	<u>(864,935)</u>
EXPENDITURES						
General government:						
Connectivity projects	92,500	52,397	-	(52,397)	-	92,500
Fiber Loop Project	350,000	-	-	-	-	350,000
Public Safety:						
Fire Station Project	225,000	-	-	-	-	225,000
Economic and physical development:						
Transportation improvement Project (TIP)	1,079,000	28,062	244,075	-	272,137	806,863
Valley Forge Road Project	1,250,917	776,139	446,058	-	1,222,197	28,720
NC 86 Renovation Project	2,325,982	10,000	64,215	-	74,215	2,251,767
Exchange Club Rd Bridge Project	170,000	-	-	-	-	170,000
Community activities and projects:						
Skate Park Project	20,000	-	4,000	-	4,000	16,000
Total expenditures	<u>5,513,399</u>	<u>866,598</u>	<u>758,348</u>	<u>(52,397)</u>	<u>1,572,549</u>	<u>3,940,850</u>
Revenues under expenditures	<u>(4,392,952)</u>	<u>(807,418)</u>	<u>(554,016)</u>	<u>44,397</u>	<u>(1,317,037)</u>	<u>3,075,915</u>
OTHER FINANCING SOURCES						
Transfer from General Fund:						
Connectivity Projects	84,500	64,500	20,000	(44,397)	40,103	(44,397)
Fiber Loop Project	350,000	300,000	50,000	-	350,000	-
Fire Station Project	225,000	75,000	150,000	-	225,000	-
Valley Forge Road Project	1,250,917	1,203,917	47,000	-	1,250,917	-
NC 86 Renovation Project	325,982	71,800	100,000	-	171,800	(154,182)
Exchange Club Rd Bridge Project	43,553	43,553	-	-	43,553	-
TIP	93,000	34,000	-	-	34,000	(59,000)
Skate Park	20,000	-	20,000	-	20,000	-

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Capital Projects
From inception and for the year ended June 30, 2023

	Project Authorization	Actual			Total To Date	Variance Positive (Negative)
		Prior Years	Current Year	Closed Out Projects		
OTHER FINANCING SOURCES						
(CONTINUED)						
Transfers from other funds:						
Rail Station Project - TIP	\$ -	\$ 19,290	\$ -	\$ -	\$ 19,290	\$ 19,290
Public Safety Building Project- to be reappropriated	-	61,613	-	-	61,613	61,613
Public Works Building Project- to be reappropriated	-	128,200	-	-	128,200	128,200
Proceeds from Installment						
Financing:						
NC 86 Renovation Project	2,000,000	-	-	-	-	(2,000,000)
Total other financing sources	4,392,952	2,001,873	387,000	(44,397)	2,344,476	(2,048,476)
Net change in fund balance	\$ -	\$ 1,194,455	(167,016)	\$ -	\$ 1,027,439	\$ 1,027,439

FUND BALANCE

Fund balance, beginning (General Capital Projects Fund)	\$ 1,194,455
Fund balance, ending	1,027,439

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

Fund balance, beginning (General Capital Reserve Fund)	307,118
Transfers from other funds	594,970
Fund balance, ending (Consolidated General Capital Projects Fund)	\$ 1,929,527

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Capital Reserve Fund
From inception and for the year ended June 30, 2023

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES					
Investment earnings	\$ 7,118	\$ -	\$ -	\$ -	\$ (7,118)
Total revenues	<u>7,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,118)</u>
EXPENDITURES					
General Government:					
Sustainability	627,118	-	-	-	627,118
Public Safety:					
Police station	50,000	-	-	-	50,000
Waterstone Police	-	108,010	-	108,010	(108,010)
Transportation:					
Streets - vehicle	80,148	-	-	-	80,148
Environmental Protection:					
Solid Waste - vehicle	144,822	-	-	-	144,822
Total expenditures	<u>902,088</u>	<u>108,010</u>	<u>-</u>	<u>108,010</u>	<u>794,078</u>
Revenues under expenditures	<u>(894,970)</u>	<u>(108,010)</u>	<u>-</u>	<u>(108,010)</u>	<u>786,960</u>
OTHER FINANCING SOURCES					
Transfer from other funds:					
General fund - General	-	115,128	-	115,128	115,128
General fund - Sustainability	620,000	300,000	320,000	620,000	-
General fund - Police	50,000	-	50,000	50,000	-
General fund - Streets	80,148	-	80,148	80,148	-
General fund - Solid Waste	144,822	-	144,822	144,822	-
Total other financing sources	<u>894,970</u>	<u>415,128</u>	<u>594,970</u>	<u>1,010,098</u>	<u>115,128</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 307,118</u>	594,970	<u>\$ 902,088</u>	<u>\$ 902,088</u>
Fund balance, beginning			<u>307,118</u>		
Fund balance, ending			<u>\$ 902,088</u>		

**Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Other Financing Sources
Budget and Actual (Non-GAAP) - Water and Sewer Fund
Year Ended June 30, 2023 (with Comparative Actual Amounts for 2022)**

	2023		Variance Favorable (Unfavorable)	2022
	Budget	Actual		Actual
REVENUES				
Operating revenues:				
Water charges	\$ 5,323,000	\$ 5,481,086	\$ 158,086	\$ 5,247,699
Sewer charges	5,311,000	5,439,458	128,458	5,297,371
System development fees	168,406	179,377	10,971	263,891
Other receipts	204,500	390,138	185,638	236,744
Total operating revenues	11,006,906	11,490,059	483,153	11,045,705
Non-operating revenues:				
Investment earnings	-	387,355	387,355	1,341
Total revenues	11,006,906	11,877,414	870,508	11,047,046
EXPENDITURES				
Engineering:				
Personnel services	582,440	553,931	28,509	348,249
Other services and charges	3,324,552	2,437,581	886,971	2,201,572
Total engineering	3,906,992	2,991,512	915,480	2,549,821
Billing and collection:				
Personnel services	417,915	340,773	77,142	326,543
Other services and charges	416,143	384,913	31,230	302,853
Capital outlay	56,000	55,294	706	-
Debt service payments	39,125	39,125	-	39,125
Total billing and collection	929,183	820,105	109,078	668,521
Water treatment plant:				
Personnel services	648,399	617,133	31,266	509,732
Other services and charges	413,590	358,238	55,352	421,838
Repairs and maintenance	102,829	91,626	11,203	252,169
Capital outlay	52,200	-	52,200	-
Debt service payments	84,333	84,332	1	86,360
Total water treatment plant	1,301,351	1,151,329	150,022	1,270,099
Water distribution:				
Personnel services	700,145	666,174	33,971	544,750
Other services and charges	296,680	273,928	22,752	242,575
Repairs and maintenance	79,925	73,838	6,087	52,276
Capital outlay	96,555	35,248	61,307	94,007
Debt service payments	101,470	94,123	7,347	94,122
Total water distribution	1,274,775	1,143,311	131,464	1,027,730

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Other Financing Sources
Budget and Actual (Non-GAAP) - Water and Sewer Fund
Year Ended June 30, 2023 (with Comparative Actual Amounts for 2022)

	<u>2023</u>		Variance Favorable (Unfavorable)	<u>2022</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
EXPENDITURES (Continued)				
Wastewater collection:				
Personnel services	\$ 608,807	\$ 546,578	\$ 62,229	\$ 472,258
Other services and charges	389,725	299,280	90,445	187,665
Repairs and maintenance	292,593	82,860	209,733	109,386
Capital outlay	<u>391,905</u>	<u>55,723</u>	<u>336,182</u>	<u>347,701</u>
Total wastewater collection	<u>1,683,030</u>	<u>984,441</u>	<u>698,589</u>	<u>1,117,010</u>
Wastewater treatment plant:				
Personnel services	658,192	629,493	28,699	553,011
Other services and charges	374,094	341,934	32,160	322,808
Repairs and maintenance	189,793	124,366	65,427	184,886
Debt service payments	<u>1,152,842</u>	<u>1,152,842</u>	<u>-</u>	<u>1,174,704</u>
Total wastewater treatment plant	<u>2,374,921</u>	<u>2,248,635</u>	<u>126,286</u>	<u>2,235,409</u>
Reservoir:				
Other services and charges	55,402	32,965	22,437	25,212
Repairs and maintenance	47,374	31,539	15,835	13,688
Debt service payments	<u>840,375</u>	<u>840,146</u>	<u>229</u>	<u>839,821</u>
Total reservoir	<u>943,151</u>	<u>904,650</u>	<u>38,501</u>	<u>878,721</u>
Total expenditures	<u>12,413,403</u>	<u>10,243,983</u>	<u>2,169,420</u>	<u>9,747,311</u>
Revenues over (under) expenditures	<u>(1,406,497)</u>	<u>1,633,431</u>	<u>3,039,928</u>	<u>1,299,735</u>
OTHER FINANCING (USES)				
Transfer to Utilities Capital Improvements Fund	(170,592)	(170,592)	-	(429,200)
Transfer to Water System Development Reserve Fund	(92,736)	(100,464)	(7,728)	(149,408)
Transfer to Sewer System Development Reserve Fund	<u>(75,670)</u>	<u>(78,913)</u>	<u>(3,243)</u>	<u>(112,424)</u>
Total other financing uses	<u>(338,998)</u>	<u>(349,969)</u>	<u>(10,971)</u>	<u>(691,032)</u>
Revenues over (under) expenditures and other financing uses	<u>(1,745,495)</u>	<u>1,283,462</u>	<u>3,028,957</u>	<u>608,703</u>
APPROPRIATED FUND BALANCE	<u>1,745,495</u>	<u>-</u>	<u>(1,745,495)</u>	<u>-</u>
Revenues and appropriated fund balance over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,283,462</u>	<u>\$ 1,283,462</u>	<u>\$ 608,703</u>

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Other Financing Sources
Budget and Actual (Non-GAAP) - Water and Sewer Fund
Year Ended June 30, 2023 (with Comparative Actual Amounts for 2022)

	2023		Variance Favorable (Unfavorable)	2022
	Budget	Actual		Actual
Reconciliation from budgetary basis (modified accrual)				
to the full accrual basis of accounting:				
Revenues and appropriated fund balance over expenditures and other financing uses		\$ 1,283,462		\$ 608,703
Reconciling items:				
Revenue activity:				
Investment earnings - enterprise capital projects		131,911		2,212
Investment earnings - enterprise capital reserves		287,834		12,288
Capital contributions - ARPA Fund		127,467		83,460
Personnel activity:				
Pension expense - LGERS		(119,885)		131,397
OPEB expense		(41,725)		5,550
Payroll accrual - compensated absences		(111,711)		(1,749)
Capital outlay activity:				
Capital outlay		146,265		441,708
Depreciation		(2,087,715)		(1,819,090)
Loss on disposal of capital assets		(17,566)		(15,700)
Contributed capital		-		932,736
Noncapitalized expenditures - enterprise capital projects		(84,147)		(5,000)
Long-term debt activity:				
Payment of principal on notes, bonds and installment purchases		1,427,474		1,418,557
Interest expense accrual adjustment		5,900		6,700
Amortization of premium on bonds payable		56,312		56,485
Internal transfer activity:				
Transfer to water and sewer capital project and reserve funds		349,969		691,032
Change in net position		<u>\$ 1,353,845</u>		<u>\$ 2,549,289</u>

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP) - Utilities Capital Improvements Fund
From inception and for the year ended June 30, 2023

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Restricted intergovernmental	\$ 30,000	\$ -	\$ -	\$ -	\$ (30,000)
Miscellaneous	1,935,000	-	-	-	(1,935,000)
Total revenues	1,965,000	-	-	-	(1,965,000)
EXPENDITURES					
Capital outlay:					
EDD water line extension	509,404	27,437	-	27,437	481,967
Churton Street main replacement	430,000	-	-	-	430,000
16" Water connection under Interstate 40	565,000	504,139	(1)	504,138	60,862
Booster pump station	180,000	35,594	-	35,594	144,406
Adron Thompson Facility renovation	290,000	26,595	29,108	55,703	234,297
Churton Street sewer replacement	500,000	283,495	-	283,495	216,505
River pump station	3,448,800	33,800	-	33,800	3,415,000
Wastewater system rehab	415,895	152,585	175,543	328,128	87,767
Gov Burke Rd water main replacement	230,000	-	-	-	230,000
WTP filters repairs 2 and 3	179,200	174,200	-	174,200	5,000
Eno River interceptors	750,000	-	-	-	750,000
OWASA booster pump station	90,000	-	-	-	90,000
US-70 water improvements	30,000	-	-	-	30,000
Total expenditures	7,618,299	1,237,845	204,650	1,442,495	6,175,804
Revenues under expenditures	(5,653,299)	(1,237,845)	(204,650)	(1,442,495)	4,210,804
OTHER FINANCING SOURCES					
Transfer from other funds:					
Water and Sewer Operating Fund	2,369,487	2,198,895	170,592	2,369,487	-
Water and Sewer Capital Reserve Fund	1,830,000	-	1,830,000	1,830,000	-
Water System Development Reserve Fund	873,812	754,404	119,408	873,812	-
Sewer System Development Reserve Fund	580,000	580,000	-	580,000	-
Total other financing sources	5,653,299	3,533,299	2,120,000	5,653,299	-
Revenues and other financing sources over expenditures	\$ -	\$ 2,295,454	\$ 1,915,350	\$ 4,210,804	\$ 4,210,804

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP) - West Fork ENO Reservoir Project Fund
From inception and for the year ended June 30, 2023

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Investment earnings	\$ -	\$ 213,747	\$ 22,926	\$ 236,673	\$ 236,673
EXPENDITURES					
West Fork Eno Reservoir:					
Design	-	-	-	-	-
Construction	-	-	-	-	-
Total expenditures	-	-	-	-	-
Revenues over expenditures	-	213,747	22,926	236,673	236,673
OTHER FINANCING SOURCES					
Transfer from other funds	-	521,941	-	521,941	521,941
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 735,688</u>	<u>\$ 22,926</u>	<u>\$ 758,614</u>	<u>\$ 758,614</u>

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP) - Mill Creek Road Project Fund
From inception and for the year ended June 30, 2023

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES					
Investment earnings	\$ 6,796	\$ 8,314	\$ 60,252	\$ 68,566	\$ 61,770
EXPENDITURES					
Design	132,468	120,690	-	120,690	11,778
Land Aquisition	5,500	5,202	-	5,202	298
Construction Administration	310,000	295,330	-	295,330	14,670
Construction	2,458,323	2,433,606	-	2,433,606	24,717
Miscellaneous	371,505	116,425	84,147	200,572	170,933
Total expenditures	3,277,796	2,971,253	84,147	3,055,400	222,396
Revenues under expenditures	(3,271,000)	(2,962,939)	(23,895)	(2,986,834)	284,166
OTHER FINANCING SOURCES					
Issuance of installment purchase agreement	3,271,000	3,271,000	-	3,271,000	-
Total other financing sources	3,271,000	3,271,000	-	3,271,000	-
Revenues and other other financing sources over (under) expenditures	\$ -	\$ 308,061	\$ (23,895)	\$ 284,166	\$ 284,166

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP) - Water and Sewer Capital Reserve Fund
From inception and for the year ended June 30, 2023

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES					
Capital contributions	\$ -	\$ 1,066,190	\$ -	\$ 1,066,190	\$ 1,066,190
Investment earnings	100,889	401,759	287,834	689,593	588,704
Total revenues	<u>100,889</u>	<u>1,467,949</u>	<u>287,834</u>	<u>1,755,783</u>	<u>1,654,894</u>
EXPENDITURES					
Capital improvements - water	191,477	-	-	-	191,477
Capital improvements - sewer	823,674	-	-	-	823,674
Total expenditures	<u>1,015,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,015,151</u>
Revenues over (under) expenditures	<u>(914,262)</u>	<u>1,467,949</u>	<u>287,834</u>	<u>1,755,783</u>	<u>2,670,045</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds:					
Water and Sewer Operating Fund	2,744,262	12,664,360	-	12,664,360	9,920,098
Transfers to other funds:					
Water and Sewer Operating Fund	-	(7,866,980)	-	(7,866,980)	(7,866,980)
Utility Capital Improvements Fund	(1,830,000)	(1,299,553)	(1,830,000)	(3,129,553)	(1,299,553)
Water System Development Reserve Fund	-	(1,106,017)	-	(1,106,017)	(1,106,017)
Sewer System Development Reserve Fund	-	(1,014,608)	-	(1,014,608)	(1,014,608)
Other financing sources (uses), net	<u>914,262</u>	<u>1,377,202</u>	<u>(1,830,000)</u>	<u>(452,798)</u>	<u>(1,367,060)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 2,845,151</u>	<u>\$ (1,542,166)</u>	<u>\$ 1,302,985</u>	<u>\$ 1,302,985</u>

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP) - Water System Development Reserve Fund
From inception and for the year ended June 30, 2023

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES					
Capital contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-	-
Total revenues	-	-	-	-	-
EXPENDITURES					
Capital improvements - water	-	-	-	-	-
Total expenditures	-	-	-	-	-
Revenues over expenditures	-	-	-	-	-
OTHER FINANCING SOURCES (USES)					
Transfers from other funds:					
Water and Sewer Capital Reserve Fund	345,000	1,106,017	-	1,106,017	761,017
Water and Sewer Operating Fund	577,204	745,591	100,464	846,055	268,851
Transfers to other funds:					
Utility Capital Improvements Fund-					
EDD water line	-	(259,404)	-	(259,404)	(259,404)
16" water connection	-	(465,000)	-	(465,000)	(465,000)
U.S. 70 Design	(345,000)	-	-	-	345,000
U.S. 70 Phase 1	(282,796)	-	-	-	282,796
Gov Burke Wtr Main	(119,408)	(30,000)	(119,408)	(149,408)	(30,000)
Water and Sewer Operating Fund-debt service	(175,000)	(175,000)	-	(175,000)	-
Other financing sources (uses), net	-	922,204	(18,944)	903,260	903,260
Revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 922,204	\$ (18,944)	\$ 903,260	\$ 903,260

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP) - Sewer System Development Reserve Fund
From inception and for the year ended June 30, 2023

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES					
Capital outlay:					
Future capital improvements	-	-	-	-	-
Revenues over expenditures	-	-	-	-	-
OTHER FINANCING SOURCES (USES)					
Transfers from other funds:					
Utility Capital Improvements Fund	1,249,170	1,265,385	-	1,265,385	16,215
Water and Sewer Operating Fund	512,424	312,424	78,913	391,337	(121,087)
Transfers to other funds:					
Utility Capital Improvements Fund-					
River pump upgrade project	(512,424)	(400,000)	-	(400,000)	112,424
Collection sysytem rehab project	(1,249,170)	(180,000)	-	(180,000)	1,069,170
Other financing sources (uses), net	-	997,809	78,913	1,076,722	1,076,722
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 997,809	\$ 78,913	\$ 1,076,722	\$ 1,076,722

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP) - ARPA Fund
From inception and for the year ended June 30, 2023

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total To Date	
REVENUES					
Capital contributions:					
Federal funds-ARPA	\$ 1,958,460	\$ 83,460	\$ 127,467	\$ 210,927	\$(1,747,533)
Investment earnings	-	-	48,733	48,733	48,733
Total revenues	<u>1,958,460</u>	<u>83,460</u>	<u>176,200</u>	<u>259,660</u>	<u>(1,698,800)</u>
EXPENDITURES					
Capital improvement Projects:					
WTP Filters	83,460	83,460	-	83,460	-
WTP Paving	90,000	-	-	-	90,000
WTP SCADA Update	50,000	-	-	-	50,000
Galvanized Water Main Replacement	60,000	-	-	-	60,000
Hydrants and Values Replacement	200,000	-	-	-	200,000
McAdams Road Main Replacement	350,000	-	-	-	350,000
Lawndale PS and Basin Rehabilitation	935,000	-	-	-	935,000
WWTP Clarifiers	190,000	-	176,200	176,200	13,800
Total expenditures	<u>1,958,460</u>	<u>83,460</u>	<u>176,200</u>	<u>259,660</u>	<u>1,698,800</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Other Financing Uses
Budget and Actual (Non-GAAP) - Stormwater Fund
Year Ended June 30, 2023 (with Comparative Actual Amounts for 2022)

	2023		2022	
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES				
Operating revenues:				
Stormwater charges	\$ 671,000	\$ 729,455	\$ 58,455	\$ 718,994
Other operating revenues	500	-	(500)	1,100
Non-operating revenues:				
Investment earnings	-	28,619	28,619	-
Total revenues	671,500	758,074	86,574	720,094
EXPENDITURES				
Operating expenditures:				
Personnel services	346,886	340,241	6,645	265,355
Other services and charges	285,427	232,091	53,336	241,651
Repairs and maintenance	95,800	60,400	35,400	87,317
Capital outlay	59,985	59,985	-	-
Total expenditures	788,098	692,717	95,381	594,323
Revenues over (under) expenditures	(116,598)	65,357	181,955	125,771
APPROPRIATED FUND BALANCE	116,598	-	(116,598)	-
	<u>\$ -</u>	<u>65,357</u>	<u>\$ 65,357</u>	<u>125,771</u>
Reconciliation from budgetary basis (modified accrual)				
to the full accrual basis of accounting:				
Capital outlay		59,985		-
Depreciation expense		(58,068)		(56,490)
Payroll accrual - compensated absences		(2,049)		(3,227)
Pension expense - LGERS		(14,728)		11,780
OPEB expense		(14,697)		291
Change in net position		<u>\$ 35,800</u>		<u>\$ 78,125</u>

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP) - Stormwater Capital Improvements Fund
From inception and for the year ended June 30, 2023

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES					
Capital outlay:					
Valley Forge Road infrastructure	100,000	100,000	-	100,000	-
Revenues under expenditures	(100,000)	(100,000)	-	(100,000)	-
OTHER FINANCING SOURCES					
Transfer from other funds:					
Stormwater operating fund	100,000	100,000	-	100,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year			-		
Fund balance, end of year			<u>\$ -</u>		

Town of Hillsborough, North Carolina
Schedule of Ad Valorem Taxes Receivable
Year ended June 30, 2023

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Ending Balance</u>
2022-2023	\$ -	\$ 9,587,952	\$ 9,538,860	\$ 49,092
2021-2022	69,076	-	46,572	22,504
2020-2021	42,402	-	26,069	16,333
2019-2020	17,126	-	5,042	12,084
2018-2019	14,763	-	4,531	10,232
2017-2018	8,971	-	2,339	6,632
2016-2017	5,979	-	1,782	4,197
2015-2016	4,277	-	397	3,880
2014-2015	4,700	-	210	4,490
2013-2014	7,769	-	607	7,162
2012-2013	7,065	-	7,065	-
	<u>\$ 182,128</u>	<u>\$ 9,587,952</u>	<u>\$ 9,633,474</u>	136,606
				(42,000)
				<u>\$ 94,606</u>

Less: allowance for uncollectible accounts

Ad valorem taxes receivable, net

**RECONCILIATION OF COLLECTIONS AND CREDITS TO
RECORDED REVENUE**

Ad valorem taxes - General Fund	\$ 9,656,519
Penalties and interest	(31,241)
Statutory write-off after 10 years	(7,065)
Other adjustments	15,261
	<u>\$ 9,633,474</u>

Town of Hillsborough, North Carolina
Analysis of Current Tax Levy
Year Ended June 30, 2023

	Town-Wide		Total Levy		
	(1) Property Valuation	Rate	(2) Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
ORIGINAL LEVY					
Property taxed at current year's rate	\$ 1,482,689,438	\$ 0.587	\$ 8,703,387	\$ 8,703,387	\$ -
Motor vehicle license fees, tax and tag together	<u>150,692,504</u>		<u>884,565</u>	<u>-</u>	<u>884,565</u>
Total property valuation	<u><u>\$ 1,633,381,942</u></u>				
Net levy			9,587,952	8,703,387	884,565
Uncollected taxes at year-end			<u>49,092</u>	<u>49,092</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 9,538,860</u></u>	<u><u>\$ 8,654,295</u></u>	<u><u>\$ 884,565</u></u>
Collection percentage			<u><u>99.49%</u></u>	<u><u>99.44%</u></u>	<u><u>100.00%</u></u>

Notes to Schedule:

- (1) - Total adjusted levy includes discoveries and abatements.
- (2) - Property tax valuation prior to the discoveries and abatements.

COMPLIANCE SECTION

This section of the Town of Hillsborough's (the "Town") annual financial report presents various schedules in accordance with applicable sections of Title 2 *U.S. Code of Federal Regulations* Part 200, *Information Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the *State Single Audit Implementation Act*.

Based on the amounts of federal and state expenditures, the Town is only required to comply with the *State Single Audit Implementation Act* which incorporates many of the federal Uniform Guidance requirements. As such, this section contains the independent auditors' reports on compliance and controls as required by the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the independent auditors' reports on compliance and controls as required by the *State Single Audit Implementation Act*.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Board of Commissioners
Town of 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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the general fund budget to actual comparison, and the aggregate remaining fund information of the Town of Hillsborough (the Town) as of and for the year ended June 30, 2023, 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 29, 2023.

The financial statements of the Hillsborough Tourism Board and the Hillsborough Tourism Development Authority were not audited in accordance with *Government Auditing Standards*

Report on 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 opinions 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001 that we consider to be a material weaknesses.

Report on Compliance and Other Matters

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

Town's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the finding identified in our audit and described in the Schedule of Findings and Questioned Costs. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

PBMares, LLP

Morehead Town, North Carolina
November 29, 2023



**REPORT ON COMPLIANCE
FOR THE MAJOR STATE PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

Independent Auditor's Report

Honorable Mayor and Board of Commissioners
Town of Hillsborough, North Carolina

Report on Compliance for the Major State Program

Opinion on the Major State Program

We have audited Town of Hillsborough, North Carolina's (the Town) compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on the Town's major state program for the year ended June 30, 2023. The Town's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Hillsborough complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2023.

Basis for Opinion on the Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major State program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town's State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of the major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

PBMares, LLP

Morehead City, North Carolina

November 29, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2023

Section I. Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted yes X no

State Awards

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

Type of auditor’s report issued on compliance for the major State program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with State Single Audit Implementation Act yes X no

Identification of the major State program:

State ID No.	Names of Federal Program or Cluster
N/A	Emergency Management Disaster Relief and Mitigation Grant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2023

Section II. Financial Statement Findings

Finding 2023-001 Material Weakness in Internal Control – Capital Assets

Criteria: Capital assets should be removed from the subsidiary and general ledger when the ownership of the asset has been transferred to another entity.

Condition & Context: In March of 2022, the Town transferred ownership of \$2,616,083 worth of roads and road improvements capitalized through construction in process. The construction in process was not appropriately removed from the subsidiary or general ledger as of June 30, 2022.

Effect: The balance of capital assets and net position as of June 30, 2022 were overstated by \$2,616,083, requiring a restatement of capital assets and net position as of June 30, 2022 of the same amount.

Cause: The restatement related to an agreement between the Town and North Carolina Department of Transportation whereby the Town would improve several roads near the Town’s reservoir and the state would then take over maintenance upon completion. Lack of communication between the Water department and the Finance department on the nature of and timing of the agreement.

Recommendation: We recommend the Town enhance their communication across all departments with Finance to ensure contract terms and conditions are understood by Finance and appropriate journal entries can be made in the appropriate timeframe.

Management’s Response: The Town will enhance their communication across all departments to assure that Finance is aware of contracts that have financial impacts on the Town.

Section III. Findings and Questioned Costs for State Awards

None reported.

TOWN OF HILLSBOROUGH, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Fiscal Year Ended June 30, 2022

Finding 2022-001

Status: Corrected

Finding 2022-002

Status: Corrected

Finding 2022-003

Status: Corrected

Finding 2022-004

Status: Corrected



TOWN OF
HILLSBOROUGH
NORTH CAROLINA

Corrective Action Plan

Finding 2023-001: Material Weakness in Internal Controls – Capital Assets

Name of Contact Person: David McCole, Finance Director

Corrective Action: The Town will enhance communication across all departments to assure that the Finance Department is aware of contracts that have a financial impact on the Town.

Proposed Completion Date: January 2, 2024.

Respectfully submitted,

Eric J. Peterson
Town Manager

David McCole
Finance Director



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Town of Hillsborough, North Carolina
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2023

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Assistance Listing No.</u>	<u>Pass-through Grantor's No.</u>	<u>Federal (Direct and Pass-through) Expenditures</u>	<u>State Expenditures</u>
Federal awards:				
Cash programs				
<u>U.S. Department of Housing and Urban Development</u>				
Passed through N.C. Department of Commerce:				
Office of Rural Economic Development				
COVID 19 - Community Development Block Grant, State's Program				
	14.228	20-V-3528	\$ 263,984	\$ -
Total U.S. Department of Husing and Urban Development			263,984	-
<u>U.S. Department of Treasury</u>				
Passed through the Office of State Budget and Management - NC Pandemic Recovery Office: Coronavirus State and Local Fiscal Recovery Fund:				
WWTP Clarifiers				
	21.027	N/A	176,200	-
Total U.S. Department of Treasury			176,200	-
State awards:				
Cash programs:				
<u>N.C. Department of Public Safety ("NCDPS"):</u>				
Emergency Management Division:				
Long-Term Recovery Grant Program:				
Valley Forge Road Project				
	N/A	DRMF MOA# NCEM- DRMG 1040	-	446,058
Total NCDPS			-	446,058
<u>N.C. Department of Transportation ("NCDOT")</u>				
Powell Bill				
	N/A	32570	-	104,939
Total NCDOT			-	104,939
Total expenditures of federal and state awards			\$ 440,184	\$ 550,997

See accompanying notes to the SEFSA.

Town of Hillsborough, North Carolina
Notes to the Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2023

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards ("SEFSA") includes the federal and State grant activity of the Town under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Town has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Hillsborough Tourism Board

(A Component Unit of the Town of Hillsborough, North Carolina)

Financial Statements and Supplementary Information

As of and for the year ended June 30, 2023



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Basic Financial Statements

<u>Exhibit</u>	Government-Wide Financial Statements:	
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hillsborough Tourism Board

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the major fund and the general fund budget to actual comparison of Hillsborough Tourism Board (the Board), a component unit of the Town of Hillsborough, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the general fund budget to actual comparison of the Board as of June 30, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The individual fund statement and budgetary schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the individual fund statement and budgetary schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PBMares, LLP

Morehead City, North Carolina
November 29, 2023

Management’s Discussion and Analysis

As management of the Hillsborough Tourism Board (the “Board”), we offer readers of the Board’s financial statements this narrative overview and analysis of the financial activities of the Board for the fiscal year ended June 30, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Board’s financial statements, which follow this narrative.

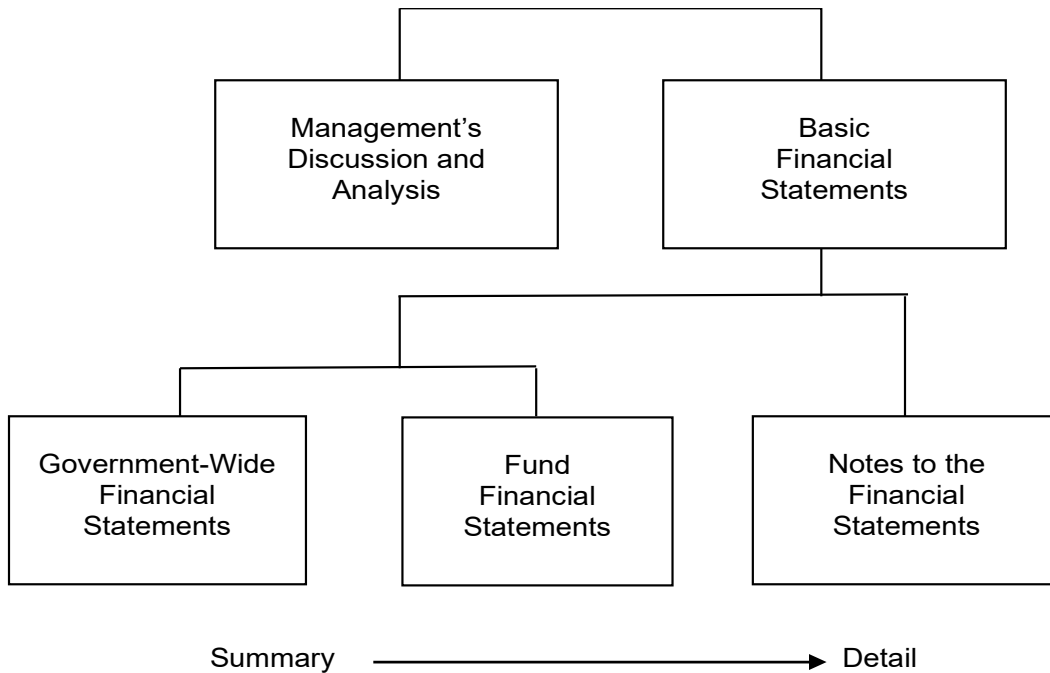
Financial Highlights

- The assets of the Board exceeded its liabilities at the close of the fiscal year by \$609,154 (net position). The cash balance at the close of the fiscal year was \$471,300.
- The Board’s total net position increased by \$96,929 as a result of increased revenue collection.
- As of the close of the current fiscal year, the Board’s governmental fund reported a fund balance of \$609,154. This amount is comprised of restricted fund balance of \$168,251, assigned fund balance of \$85,825 and unassigned fund balance of \$355,078.
- The Board’s total fund balance increased by \$96,929 due to an increase in revenues as noted above.

Overview of the Basic Financial Statements

Management’s Discussion and Analysis is intended to serve as an introduction to the Board’s basic financial statements. The Board’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 Board 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 Board.

**Required Components of the Basic Financial Statements
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 Board’s financial status.

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Board’s government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: (1) the governmental fund statements and (2) the budgetary comparison statements.

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

Government-wide financial statements

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

The two government-wide statements report the Board’s net position and how they have changed. Net position is the difference between the Board’s total assets and deferred outflows of resources (if any), and total liabilities and deferred inflows of resources (if any). Measuring net position is one way to gauge the Board’s financial condition.

The government-wide statements are comprised of governmental activities. The governmental activities include most of the Board’s basic services related to tourism. The primary revenue source for the Board is a one percent

**Hillsborough Tourism Board
Management’s Discussion and Analysis (Unaudited)**

sales tax on “prepared food and beverages” assessed and collected by the Town of Hillsborough (the “Town”) on behalf of the Board.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund financial statements

The fund financial statements (see Figure 1) provide a more detailed look at the Board’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 Board, 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 North Carolina General Statutes or the Board’s budget ordinance. The Board currently maintains one governmental fund which is the General Fund. Additional funds may be created if the need arises.

Governmental funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Board’s basic services are accounted for in a governmental fund as mentioned above. A governmental fund focuses 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. This is referred to as a “current available resources” measurement focus and the accounting method used is called the *modified accrual accounting*. 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 Board’s programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements. There were no reconciling differences to report this year.

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 13 through 17 of this report.

Government-wide financial analysis

**Hillsborough Tourism Board
Summarized Statements of Net Position**

Figure 2

	Governmental Activities	
	2023	2022
ASSETS		
Current assets	\$ 639,551	\$ 532,632
LIABILITIES		
Current liabilities	30,397	20,407
NET POSITION		
Restricted	168,251	95,084
Unrestricted	440,903	417,141
Total net position	\$ 609,154	\$ 512,225

**Hillsborough Tourism Board
Management’s Discussion and Analysis (Unaudited)**

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets of the Board exceeded liabilities by \$609,154 as of June 30, 2023 which is an increase of \$96,929. This increase will be explained in the next section related to the discussion of Figure 3. The restricted portion of the Board’s net position was \$168,251 as of June 30, 2023 which is a increase of \$73,167. This restriction is a function of year-end receivables as required under North Carolina General Statutes (“G.S.”). The remaining balance of \$440,903 is unrestricted as defined by the Government Accounting Standards Board; however, the unrestricted portion will be used to fulfill the Board’s mission.

**Hillsborough Tourism Board
Summarize Statements of Activities**

Figure 3

	Governmental Activities	
	2023	2022
GENERAL REVENUES		
Food and Beverage Taxes	\$ 502,195	\$ 445,428
EXPENSES		
Economic and physical development	405,266	364,245
Change in net position	96,929	81,183
NET POSITION		
Beginning of year	512,225	431,042
End of year	\$ 609,154	\$ 512,225

Governmental activities. Governmental activities increased the Board’s net position by \$96,929. The increase is primarily due to an increase in revenues which can be attributed to the end of the pandemic. Expenses increased 11 percent but total expenses were within budget.

Financial analysis of the Board’s funds

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

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

The General Fund is the chief operating fund of the Board. At the end of the current fiscal year, total fund balance reached \$609,154, of which \$168,251 was restricted by state statute, \$85,825 is assigned for expenditures in the FY24 budget and \$355,078 was unassigned.

**Hillsborough Tourism Board
Management’s Discussion and Analysis (Unaudited)**

Economic factors and next year’s budgets and rates

Funding for these services comes from the 1.0% sales tax levied by the Town on prepared food and beverages. Special legislation was passed by the North Carolina General Assembly allowing the Town to levy the Food and Beverage Tax and to fund tourism-related activities. The Town receives 6% of these funds for administering the financial management of these monies. The remaining funds are used to provide visitor services and facilities, programs and services designed to attract tourists to the Town. The Board decides each year which applicants’ projects or activities will be awarded grants, sponsorships and contracts for the tourism services. The amount of funding each year depends on the amount of the 1.0% tax receipts collected by the Town.

Effective July 1, 2022, the agreement for staff support services with the Town was revised. The revised agreement is renewable in three-year intervals, unless terminated sooner. The Board agrees to provide the Town the market rate salary equivalent to the dedication of fifteen (15) hours of “support” a week to the Board in carrying out its duties. This rate shall be determined annually during the Board and Town’s budget process and shall initially be set at \$33.33 per hour for fifteen (15) hours totaling \$25,997.

Budget highlights for the fiscal year ending June 30, 2024

The food and beverage tax revenue budget for FY 24 is expected to increase to \$425,000 which is greater than FY 23’s budget of \$400,000 and slightly less than FY 23 actual. Budgeted expenditures are also expected to increase to \$510,825. As a result, appropriated fund balance for FY24 is \$85,825 which is double that of the FY 23 final fund balance appropriation.

Requests for information

This report is designed to provide an overview of the Hillsborough Tourism Board’s finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, c/o Hillsborough Tourism Board, Hillsborough, North Carolina, or by telephone at (919) 296-9451.



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Basic Financial Statements



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**Hillsborough Tourism Board
Statement of Net Position
June 30, 2023**

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 471,300
Due from other governments:	
Food and beverage taxes	168,235
Sales taxes	16
	<u>639,551</u>
Total assets	
LIABILITIES	
Accounts payable	<u>30,397</u>
NET POSITION	
Restricted:	
Stabilization by State Statute	168,251
Unrestricted	<u>440,903</u>
Total net position	<u><u>\$ 609,154</u></u>

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

**Hillsborough Tourism Board
Statement of Activities
Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES					
Economic and physical development	\$ 405,266	\$ -	\$ -	\$ -	\$ (405,266)
Total governmental activities	<u>\$ 405,266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(405,266)</u>
GENERAL REVENUES					
Food and Beverage Taxes					<u>502,195</u>
Change in net position					<u>96,929</u>
NET POSITION					
Beginning of year					<u>512,225</u>
End of year					<u>\$ 609,154</u>

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

**Hillsborough Tourism Board
Balance Sheet - Governmental Fund
June 30, 2023**

	<u>General Fund</u>
ASSETS	
Cash	\$ 471,300
Due from other governments:	
Food and beverage taxes	168,235
Sales taxes	<u>16</u>
Total assets	<u><u>\$ 639,551</u></u>
 LIABILITIES	
Accounts payable	<u>\$ 30,397</u>
 FUND BALANCE	
Restricted:	
Stabilization by State Statute	168,251
Assigned:	
Subsequent year's expenditures	85,825
Unassigned	<u>355,078</u>
Total fund balance	<u>609,154</u>
Total liabilities and fund balance	<u><u>\$ 639,551</u></u>

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

**Hillsborough Tourism Board
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
Year Ended June 30, 2023**

	<u>General Fund</u>
REVENUES	
Unrestricted intergovernmental revenue:	
Food and beverage taxes	\$ 502,195
EXPENDITURES	
Economic and physical development:	
Tourism	405,266
Net change in fund balance	96,929
FUND BALANCE	
Beginning of year	512,225
End of year	\$ 609,154

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

Hillsborough Tourism Board
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Unrestricted intergovernmental revenue:				
Food and beverage taxes	\$ 400,000	\$ 400,000	\$ 502,195	\$ 102,195
EXPENDITURES				
Economic and physical development:				
Tourism	419,435	441,235	405,266	35,969
Revenues over (under) expenditures	<u>(19,435)</u>	<u>(41,235)</u>	<u>96,929</u>	<u>138,164</u>
OTHER FINANCING SOURCES				
Appropriated fund balance	19,435	41,235	-	(41,235)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	96,929	<u>\$ 96,929</u>
FUND BALANCE				
Beginning of year			<u>512,225</u>	
End of year			<u>\$ 609,154</u>	

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



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Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Hillsborough Tourism Board (the “Board”) 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 standards. The following is a summary of the more significant accounting policies:

A. Reporting entity

The Board was created on November 8, 1993, by resolution of the Town of Hillsborough, North Carolina (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, as of July 23, 1993. The Town remits the taxes collected to the Board, net of a six percent fee for administering the tax. The remaining funds are used to provide visitor services and facilities, programs and services designed to attract tourists to the Town. The Town’s Tourism Board decides each year which applicants’ projects or activities will be awarded grants, sponsorships and contracts for tourism services. The amount of funding each year depends on the amount of the 1.0% tax receipts collected by the Town.

The members of the Board are appointed by the Town. In addition, the Town levies and collects the food and beverage taxes on behalf of the Board. Therefore, the Board is determined to be a component unit of the Town included and is presented as a discretely presented component unit in the Town’s annual comprehensive financial report.

B. Government-wide and fund financial statements

Government-wide financial statements, the statement of net position and the statement of activities, display information about the government as a whole. These statements include the financial transactions for all activities of the Board.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Board’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 fees and charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues are presented as general revenues.

Fund financial statements provide information about a government’s funds. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented as applicable. The emphasis of fund financial statements is on major funds which are reported in separate columns with all remaining nonmajor funds combined in a single column. The Board maintains only one governmental fund which is always reported as a major fund. A description of this fund follows:

- The **General Fund** is the general operating fund of the Board. It accounts for all financial resources.

C. Measurement focus and basis of accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Hillsborough Tourism Board
Notes to Financial Statements

Governmental fund financial statements 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.

The Board recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized on the modified accrual basis of accounting when they are measurable and available. Non-exchange transactions occur when one government provides (or receives) value to (or from) another party without receiving (or giving) equal or nearly equal value in return. The Board considers all revenues available if they are collected within 90 days after year-end.

D. Budgetary data

Budgets are adopted as required by North Carolina State Statutes (“G.S.”). An annual budget ordinance is adopted for the General Fund. All annual appropriations lapse at fiscal year-end. 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. Any revisions that alter total expenditures of any fund must be approved by the governing board.

The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, liabilities, and net position/fund balances

(1) Deposits and investments

All deposits of the Board are made in board-designated official depositories and are secured as required by G.S. 159-31. The Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Board 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 Board 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 Board; obligations of certain nonguaranteed federal agencies; certain high-quality issues of commercial paper and bankers’ acceptances; and the North Carolina Capital Management Trust, an SEC-registered mutual fund. Investments are stated at fair value.

(2) Cash and cash equivalents

All bank deposits are essentially demand deposits and are considered cash and cash equivalents.

(3) Receivables

Receivables at the government – wide and fund levels at June 30, 2023 were as follows:

Food and beverage taxes receivable	\$ 168,235
Sales taxes receivable	16
	\$ 168,251

(4) Allowances for doubtful accounts

The receivables reported do not historically experience any uncollectible amounts and therefore do not include an amount for doubtful accounts.

Hillsborough Tourism Board
Notes to Financial Statements

(5) Net position/fund balance

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

Fund balances

In the governmental fund financial statements, fund balance may be composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The Board's fund balance consists of the following:

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.

Assigned fund balance - portion of unrestricted fund balance that the Board intends to use for specific purposes.

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.

The Board has a revenue-spending policy that provides policy for programs with multiple revenue sources. The Board will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-Board funds, and Board 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 Board has the authority to deviate from this policy if it is in the best interest of the Board.

The Board has adopted a policy of maintaining a minimum level of unassigned fund balance to ensure adequate working capital in case of interruption of meals tax revenue. This policy is adjusted on an annual basis for changes in anticipated budgeted amounts, as necessary. For fiscal year 2023, the minimum level of unassigned fund balance amounted to \$70,000.

2. Detail Notes on All Funds

A. Deposits

All the deposits of 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 Board’s agents in the unit’s name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer’s agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the Board’s agent in its name. 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 Board or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Board under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Board has no policy regarding custodial credit risks for deposits.

The Board’s deposits had a carrying amount of \$471,300 and bank balance of \$472,881 at June 30, 2023. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$222,881 of demand deposits were covered under the Pooling Method.

B. Risk management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. It carried commercial coverage for Non-profit Organization Directors and Officers Liability with a coverage of \$1,000,000 for all claims.

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

The Board does not carry flood insurance. In accordance with G.S. 159-29, the Board’s employees that have access to \$100 or more at any given time of the Board’s funds are performance bonded through a commercial surety bond. The Finance Officer is individually bonded for \$50,000.

C. Fund balance

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

General Fund:	
Total fund balance	\$ 609,154
Less:	
Stabilization by State Statute	168,251
Assigned for subsequent year's expenditures	<u>85,825</u>
Unassigned fund balance	355,078
Working capital/fund balance policy	<u>70,000</u>
Remaining fund balance	<u>\$ 285,078</u>

Hillsborough Tourism Board
Notes to Financial Statements

D. Related party transactions

Effective July 1, 2022, the agreement for staff support services with the Town was revised. The revised agreement is renewable in three-year intervals, unless terminated sooner. The Board agrees to provide the Town the market rate salary equivalent to the dedication of fifteen (15) hours of “support” a week to the Board in carrying out its duties. This rate shall be determined annually during the Board and Town’s budget process and shall initially be set at \$33.33 per hour for fifteen (15) hours totaling \$25,997.

E. Subsequent events

The Board has evaluated all subsequent events for potential recognition and disclosure through November 29, 2023, the date these financial statements will be available. No such events were identified.



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Supplementary Information



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Hillsborough Tourism Board
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Unrestricted intergovernmental revenue:			
Food and beverage taxes	\$ 400,000	\$ 502,195	\$ 102,195
Total revenues	<u>400,000</u>	<u>502,195</u>	<u>102,195</u>
EXPENDITURES			
Economic and physical development:			
Tourism:			
Contracted services - visitor services	200,000	200,000	-
Contracted services - support services	38,422	25,997	12,425
Contracted services - other	110,192	110,174	18
Occupancy tax holdback	39,000	30,132	8,868
Grants	14,500	14,500	-
Audit fees	11,700	16,700	(5,000)
Attorney fees	500	60	440
Advertising	275	-	275
Data processing services	4,500	2,478	2,022
Insurance	980	1,602	(622)
Miscellaneous	2,866	240	2,626
Training, conferences and conventions	4,800	3,383	1,417
Special projects and partnerships	13,500	-	13,500
Total expenditures	<u>441,235</u>	<u>405,266</u>	<u>35,969</u>
Revenues over (under) expenditures	<u>(41,235)</u>	<u>96,929</u>	<u>138,164</u>
OTHER FINANCING SOURCES			
Appropriated fund balance	41,235	-	(41,235)
Net change in fund balance	<u>\$ -</u>	<u>96,929</u>	<u>\$ 96,929</u>
FUND BALANCE			
Beginning of year		<u>512,225</u>	
End of year		<u>\$ 609,154</u>	

Hillsborough Tourism Development Authority

(A Component Unit of the Town of Hillsborough, North Carolina)

Financial Statements and Supplementary Information

As of and for the year ended June 30, 2023



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hillsborough Tourism Development Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the major fund and the general fund budget to actual comparison of Hillsborough Tourism Development Authority (the Authority), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the general fund budget to actual comparison of the Authority, as of June 30, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The individual fund statement and budgetary schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, the individual fund statement and budgetary schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

PBMares, LLP

Morehead City, North Carolina
November 29, 2023

Management’s Discussion and Analysis

As management of the Hillsborough Tourism Development Authority (the “Authority” or “TDA”), we offer readers of the Authority’s financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Authority’s financial statements, which follow this narrative.

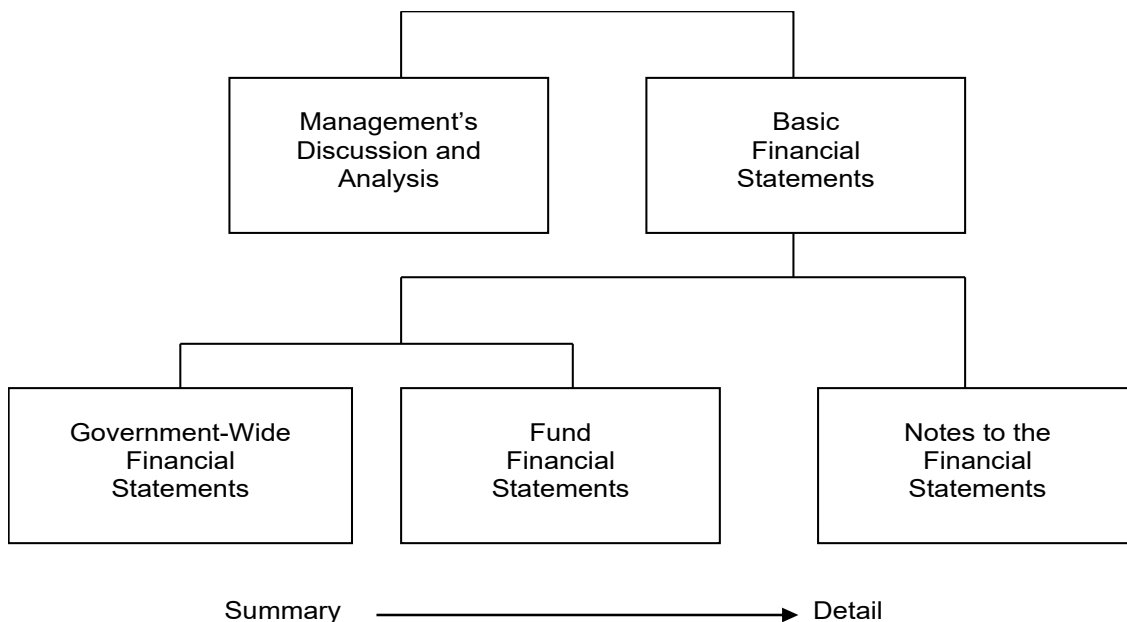
Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$420,898 (net position). The cash balance at the close of the fiscal year was \$377,616.
- The Authority’s total net position increased by \$69,286 as a result of increased revenue collection.
- As of the close of the current fiscal year, the Authority’s governmental fund reported a fund balance of \$420,898. This amount is comprised of restricted and unassigned fund balance of \$48,425 and \$372,473, respectively.

Overview of the Basic Financial Statements

Management’s Discussion and Analysis is intended to serve as an introduction to the Hillsborough Tourism Development Authority’s basic financial statements. The Authority’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 Authority 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 Authority.

Required Components of the Basic Financial Statements
Figure 1



Hillsborough Tourism Development Authority Management's Discussion and Analysis (Unaudited)

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 Authority's financial status.

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Authority's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: (1) the governmental fund statements and (2) the budgetary comparison statements.

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

Government-wide financial statements

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

The two government-wide statements report the Authority's net position and how they have changed. Net position is the difference between the Authority's total assets and deferred outflows of resources (if any), and its total liabilities and deferred inflows of resources (if any). Measuring net position is one way to gauge the Authority's financial condition.

The government-wide statements are comprised of governmental activities. The governmental activities include most of the Authority's basic services related to tourism. The primary revenue is a three percent occupancy tax assessed and collected by Town of Hillsborough (the "Town") on behalf of the Authority.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund financial statements

The fund financial statements (see Figure 1) provide a more detailed look at the Authority'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 Hillsborough Tourism Development Authority, 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 North Carolina General Statutes or the Authority's budget ordinance. The Authority currently maintains one governmental fund which is the General Fund. Additional funds may be created if the need arises.

Governmental funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Authority's basic services are accounted for in a governmental fund as mentioned above. A governmental fund focuses 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. This is referred to as a "current available resources" measurement focus and the accounting method used is called the *modified accrual basis of accounting*. 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 Authority's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements. There were no reconciling differences to report this year.

**Hillsborough Tourism Development Authority
Management’s Discussion and Analysis (Unaudited)**

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 13 through 16 of this report.

Government-wide financial analysis

**Hillsborough Tourism Development Authority
Summarized Statements of Net Position**

Figure 2

	Governmental Activities	
	2023	2022
ASSETS		
Current assets	\$ 426,041	\$ 414,761
Total assets	426,041	414,761
LIABILITIES		
Current liabilities	5,143	63,149
Total liabilities	5,143	63,149
NET POSITION		
Restricted	48,425	88
Unrestricted	372,473	351,524
Total net position	\$ 420,898	\$ 351,612

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets of the Authority exceeded liabilities by \$420,898 as of June 30, 2023 which is an increase of \$69,286 from the previous year. This increase will be explained in the next section related to the discussion of Figure 3. The restricted portion of the Authority’s net position was \$48,425 as of June 30, 2023 which is a increase of \$48,337. This restriction is a function of year-end receivables as required under North Carolina General Statutes (“G.S.”). The remaining balance of \$372,473 is unrestricted as defined by the Government Accounting Standards Board; however, the unrestricted portion will be used to fulfill the Authority’s mission.

**Hillsborough Tourism Development Authority
Summarized Statements of Activities**

Figure 3

	Governmental Activities	
	2023	2022
GENERAL REVENUES		
Occupancy taxes	\$ 120,852	\$ 105,815
EXPENSES		
Economic and physical development	51,566	39,277
Change in net position	69,286	66,538
NET POSITION		
Beginning of year	351,612	285,074
End of year	<u>\$ 420,898</u>	<u>\$ 351,612</u>

Governmental activities. The Authority’s net position for governmental activities increased by \$69,286 which accounts for all of the government-wide activities. The increase is due to increased revenue collection as a result of increased travel since the end of the pandemic. Total expenses increased \$12,289 primarily due to an increase in advertising and professional services.

Financial analysis of the Authority’s funds

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

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

The General Fund is the main operating fund of the Authority. At the end of the current fiscal year, total fund balance increased to \$420,898 of which \$48,425 was restricted by state statute and \$372,473 was unrestricted and unassigned.

Economic factors and next year’s budgets and rates

By authority of the General Assembly Session Law 2011-69, Senate Bill 269, the governing board for the Town implemented a 3% occupancy tax which has been in effect since July 1, 2012. The enabling legislation requires the tax to be paid on the gross receipts derived from the rental of any room, lodging or accommodation furnished by a hotel, motel, inn, tourist camp or similar place within the Town that is subject to sales tax imposed by the state under G.S. 105-164.4(a)(3). This tax is in addition to any state and local sales tax or the county’s occupancy tax.

**Hillsborough Tourism Development Authority
Management’s Discussion and Analysis (Unaudited)**

The Town implemented the tax for promotion of travel and tourism in Hillsborough and for other tourism-related expenditures. The responsibility for the distribution and expenditure of the tax is vested within the Hillsborough Tourism Development Authority, of which one-third of the membership must be persons affiliated with businesses that collect the tax within the Town limits.

Effective July 1, 2022 the agreement for staff support services with the Town was revised. The revised agreement is renewable in three-year intervals, unless terminated sooner. The Authority agrees to provide the Town the market rate salary equivalent to the dedication of ten (10) hours of “support” a week to the Authority in carrying out its duties. This rate shall be determined annually during the Authority and Town’s budget process and shall initially be set at \$25.00 per hour for ten (10) hours totaling \$13,000.

Budget highlights for the fiscal year ending June 30, 2024

Occupancy tax revenues are expected to increase as COVID-19 restrictions continue to decrease. As a result, the FY 2024 budget ordinance increased occupancy tax revenue to \$100,000. Budgeted expenditures increased accordingly but there are some expected reductions in expenditures as noted above. The Authority did not appropriate any fund balance in the FY 2024 budget.

Requests for information

This report is designed to provide an overview of the Hillsborough Tourism Development Authority’s finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, c/o Hillsborough Tourism Development Authority, Hillsborough, North Carolina, or by telephone at (919) 296-9451.



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Basic Financial Statements



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Hillsborough Tourism Development Authority
Statement of Net Position
June 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 377,616
Due from other governments:	
Occupancy taxes	48,337
Sales taxes	<u>88</u>
Total assets	<u>426,041</u>
LIABILITIES	
Accounts payable	<u>5,143</u>
Total liabilities	<u>5,143</u>
NET POSITION	
Restricted:	
Stabilization by State Statute	48,425
Unrestricted	<u>372,473</u>
Total net position	<u><u>\$ 420,898</u></u>

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

**Hillsborough Tourism Development Authority
Statement of Activities
Year Ended June 30, 2023**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue (Expense) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
					<u>Governmental Activities</u>
GOVERNMENTAL ACTIVITIES					
Economic and physical development	\$ 51,566	\$ -	\$ -	\$ -	\$ (51,566)
Total governmental activities	<u>\$ 51,566</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(51,566)</u>
GENERAL REVENUES					
Occupancy taxes					<u>120,852</u>
Change in net position					<u>69,286</u>
NET POSITION					
Beginning of year					<u>351,612</u>
End of year					<u>\$ 420,898</u>

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

**Hillsborough Tourism Development Authority
Balance Sheet
Governmental Fund
June 30, 2023**

	General Fund
ASSETS	
Cash	\$ 377,616
Due from other governments:	
Occupancy taxes	48,337
Sales taxes	88
	<u>426,041</u>
Total assets	<u>\$ 426,041</u>
LIABILITIES	
Accounts payable	\$ 5,143
	<u>5,143</u>
FUND BALANCE	
Restricted:	
Stabilization by State Statute	48,425
Unassigned	<u>372,473</u>
Total fund balance	<u>420,898</u>
	<u>\$ 426,041</u>
Total liabilities and fund balance	<u>\$ 426,041</u>

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

**Hillsborough Tourism Development Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
Year Ended June 30, 2023**

	<u>General Fund</u>
REVENUES	
Unrestricted intergovernmental revenue:	
Occupancy taxes	\$ 120,852
EXPENDITURES	
Economic and physical development:	
Tourism	<u>51,566</u>
Net change in fund balance	<u>69,286</u>
FUND BALANCE	
Beginning of year	<u>351,612</u>
End of year	<u>\$ 420,898</u>

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

Hillsborough Tourism Development Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Unrestricted intergovernmental revenue:				
Occupancy taxes	\$ 95,000	\$ 95,000	\$ 120,852	\$ 25,852
Total revenues	<u>95,000</u>	<u>95,000</u>	<u>120,852</u>	<u>25,852</u>
EXPENDITURES				
Economic and physical development:				
Tourism	95,000	100,840	51,566	49,274
Total expenditures	<u>95,000</u>	<u>100,840</u>	<u>51,566</u>	<u>49,274</u>
Revenues over (under) expenditures	<u>-</u>	<u>(5,840)</u>	<u>69,286</u>	<u>75,126</u>
OTHER FINANCING SOURCES				
Appropriated fund balance	-	5,840	-	(5,840)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	69,286	<u>\$ 69,286</u>
FUND BALANCE				
Beginning of year			<u>351,612</u>	
End of year			<u>\$ 420,898</u>	

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



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Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Hillsborough Tourism Development Authority (the "Authority") 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 standards. The following is a summary of the more significant accounting policies:

A. Reporting entity

The Authority was created on April 9, 2012 by resolution of the Town of Hillsborough, North Carolina (the "Town"), under the authority of the North Carolina General Assembly. The Authority is responsible for promoting travel and tourism in the Hillsborough area. A balanced budget is created for the Authority and adopted by its Board of Directors. The Authority receives revenue through a three percent occupancy tax, which is levied and collected by the Town. The occupancy tax became effective on July 1, 2012. The Town remits the taxes collected to the Authority, net of administration and collection costs not to exceed three percent of the first \$500,000 of gross proceeds and one percent of the remaining gross proceeds collected each year. At least two-thirds of the remaining proceeds must be used to promote travel and tourism in Hillsborough. The other third shall be used for tourism-related expenditures.

The members of the Authority are appointed by the Town. In addition, the Town levies and collects the occupancy taxes on behalf of the Authority. Therefore, the Authority is determined to be a component unit of the Town and is presented as a discretely presented component unit in the Town's annual comprehensive financial report.

B. Government-wide and fund financial statements

Government-wide financial statements, the statement of net position and the statement of activities, display information about the government as a whole. These statements include the financial transactions for all activities of the Authority.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Authority'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 fees and charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues are presented as general revenues. All tax revenue is classified as general revenue.

Fund Financial Statements provide information about a government's funds. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented as applicable. The emphasis of fund financial statements is on major funds which are reported in separate columns with all remaining nonmajor funds combined in a single column. The Authority maintains only one governmental fund which is always reported as a major fund. A description of this fund follows:

- The **General Fund** is the general operating fund of the Authority. It accounts for all financial resources.

C. Measurement focus and basis of accounting

Government-wide financial statements are reported using the economic resources measurement focus and 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 Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Hillsborough Tourism Development Authority
Notes to the Financial Statements

Governmental fund financial statements 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. Loan disbursements are reported as expenditures and loan proceeds are reported as revenues in governmental funds.

The Authority recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized on the modified accrual basis of accounting when they are measurable and available. Nonexchange transactions occur when one government provides (or receives) value to (or from) another party without receiving (or giving) equal or nearly equal value in return. The Authority considers all revenues available if they are collected within 90 days after year-end.

D. Budgetary data

Budgets are adopted as required by North Carolina State Statutes (“G.S.”). An annual budget ordinance is adopted for the General Fund. All annual appropriations lapse at fiscal year-end. 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. Any revisions that alter total expenditures of any fund must be approved by the governing board.

The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, liabilities, and net position/fund balance

(1) Deposits and investments

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

G.S. 159-30(c) authorizes the Authority 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 (the “State”); 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), an SEC-registered mutual fund. Investments are stated at fair value.

(2) Cash and cash equivalents

All bank deposits are essentially demand deposits and are considered cash and cash equivalents.

(3) Receivables

Receivables at the government – wide and fund levels at June 30, 2022 were as follows:

Occupancy taxes receivable	\$ 48,337
Sales taxes receivable	88
Total due from other governments	\$ 48,425

(4) Allowances for doubtful accounts

The receivables reported do not historically experience any uncollectible amounts and therefore do not include an amount for doubtful accounts.

Hillsborough Tourism Development Authority
Notes to the Financial Statements

(5) Net position/fund balance

Net position in government-wide financial statements is classified as restricted or unrestricted. Restricted net position represents constraints on resources that are imposed by North Carolina State Statute.

Fund balances

In the governmental fund financial statements, fund balance may consist of up to five possible classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The Authority's fund balance consists of the following:

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 – 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 authoritative 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.

Unassigned fund balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes.

2. Detail Notes on All Funds

A. Deposits

All of the deposits of the Authority 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 Authority's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by the Authority's agent in its name. 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 Authority or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Authority 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 Authority has no policy regarding custodial credit risks for deposits.

Hillsborough Tourism Development Authority
Notes to the Financial Statements

The Authority's deposits had a carrying amount of \$377,616 and bank balance of \$387,216 at June 30, 2023. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining \$137,216 was covered under the Pooling Method.

B. Risk management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. As a separate entity the Authority has purchased insurance to mitigate these risks.

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

The Authority does not carry flood insurance.

In accordance with G.S. 159-29, the Authority's employees that have access to \$100 or more at any given time of the Authority's funds are performance bonded through a commercial surety bond. The Finance Officer is individually bonded for \$50,000.

C. Fund balance

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

Total fund balance	\$ 420,898
Less:	
Stabilization by State Statute	<u>48,425</u>
Fund balance available for appropriation	<u>\$ 372,473</u>

The Authority has no formal fund balance policy.

D. Related party transactions

Effective July 1, 2022 the agreement for staff support services with the Town was revised. The revised agreement is renewable in three-year intervals, unless terminated sooner. The Authority agrees to provide the Town the market rate salary equivalent to the dedication of ten (10) hours of "support" a week to the Authority in carrying out its duties. This rate shall be determined annually during the Authority and Town's budget process and shall initially be set at \$25.00 per hour for ten (10) hours totaling \$13,000.

E. Subsequent Events

The Authority has evaluated all subsequent events for potential recognition and disclosure through November 29, 2023, the date these financial statements will be available. No such events were identified.

Supplementary Information



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Hillsborough Tourism Development Authority
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
REVENUES			
Unrestricted intergovernmental revenue:			
Occupancy taxes	\$ 95,000	\$ 120,852	\$ 25,852
Total revenues	<u>95,000</u>	<u>120,852</u>	<u>25,852</u>
EXPENDITURES			
Economic and physical development:			
Tourism:			
Advertising	24,236	12,024	12,212
Attorney fees	350	-	350
Audit fees	13,930	11,020	2,910
Contracted services	19,844	13,000	6,844
Data processing services	3,200	406	2,794
Dues and subscriptions	400	-	400
Insurance	980	810	170
Miscellaneous	2,850	665	2,185
Training, conferences and conventions	2,200	2,020	180
Occupancy tax holdback	2,850	3,626	(776)
Special projects and partnerships	30,000	7,995	22,005
Total expenditures	<u>100,840</u>	<u>51,566</u>	<u>49,274</u>
Revenues over (under) expenditures	<u>(5,840)</u>	<u>69,286</u>	<u>75,126</u>
OTHER FINANCING SOURCES			
Appropriated fund balance	<u>5,840</u>	<u>-</u>	<u>(5,840)</u>
Net change in fund balance	<u>\$ -</u>	<u>69,286</u>	<u>\$ 69,286</u>
FUND BALANCE			
Beginning of year		<u>351,612</u>	
End of year		<u>\$ 420,898</u>	



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: Dec. 11, 2023
Department: Town Clerk
Agenda Section: Consent
Public hearing: No
Date of public hearing: N/A

PRESENTER/INFORMATION CONTACT

Town Clerk Sarah Kimrey

ITEM TO BE CONSIDERED

Subject: Minutes

Attachments:

1. Regular meeting Nov. 11, 2023
2. Regular meeting closed session Nov. 11, 2023
3. Work session Nov. 27, 2023
4. Work session closed session Nov. 27, 2023

Summary:

None.

Financial impacts:

None.

Staff recommendation and comments:

Approve minutes as presented.

Action requested:

To approve minutes of the Board of Commissioners regular meeting Nov. 11, 2023, regular meeting closed session Nov. 11, 2023, work session Nov. 27, 2023 and work session closed session Nov. 27, 2023.



Minutes

Board of Commissioners Regular Meeting

7 p.m. Nov. 13, 2023

Board Meeting Room, Town Hall Annex, 105 E. Corbin St.

Present: Mayor Jenn Weaver and commissioners Mark Bell, Robb English, Kathleen Ferguson, Matt Hughes, and Evelyn Lloyd

Staff: Assistant Town Manager and Community Services Director Matt Efird, Environmental Engineering Supervisor Bryant Green, Stormwater and Environmental Services Manager Terry Hackett, Police Chief Duane Hampton, Town Attorney Bob Hornik, Town Clerk and Human Resources Technician Sarah Kimrey, Communications Specialist JC Leser, Town Manager Eric Peterson, Utilities Director Marie Strandwitz and Public Space and Sustainability Manager Stephanie Trueblood

Opening of the meeting

Mayor Jenn Weaver called the meeting to order at 7 p.m.

1. Public charge

Weaver did not read the public charge.

2. Audience comments not related to the printed agenda

There were none.

3. Agenda changes and approval

The following agenda changes were made:

- Change to Item 6B – Includes additional budget amendments to fund the purchase of new police vehicles
- Addition of Item 9A – Closed session as authorized by North Carolina General Statute Section 143-318.11(a)(3) to consult with attorney in order to preserve the attorney-client privilege
- Order of Item 4B – To present introduction of police officers and public reaffirmation of oaths of office before Item 4A

Motion: Commissioner Kathleen Ferguson moved to approve the agenda as amended. Commissioner Mark Bell seconded.

Vote: 5-0.

4. Presentations

A. FY23 Employee Innovation, Customer Service and Endurance Awards

Town Manager Eric Peterson presented the employee awards to the board. Peterson highlighted the ideas and actions of employees that go beyond the expectations of their jobs.

B. Introduction of police officers and public reaffirmation of oaths of office

Police Chief Duane Hampton introduced Officer Brandon Alvarez, a former U.S. Marine, and Officer Madison Soltys, a graduate of American University, to the board. The mayor administered the oath of office for both. Hampton affixed Alvarez's badge to his uniform, and Soltys' partner, Kizhan Clarke, affixed Soltys' badge to her uniform.

5. Appointments

- A. Planning Board – Resolution to Orange County requesting appointment of Jeanette Benjey to an extraterritorial jurisdiction seat for a three-year term

Motion: Commissioner Matt Hughes moved to approve the appointment. Ferguson seconded.
Vote: 5-0.

6. Items for decision – consent agenda

- ~~A. Planning Board – Resolution to Orange County requesting appointment of Jeanette Benjey to an extraterritorial jurisdiction alternate member seat for a three-year term~~

- A. Minutes
- Regular meeting Oct. 9, 2023
- Regular meeting closed session Oct. 9, 2023
- Work session Oct. 23, 2023
- B. Miscellaneous budget amendments and transfers
- C. Proclamation – Arbor Day 2023
- D. Special Event Permit: 2023 Hillsborough Holiday Parade and Tree Lighting
- E. 2024 Board of Commissioners meeting schedule amendment
- F. Amendment to Town Code Section 14-71: Payment of System Development and Capital Facilities Fees
- G. Amendment to Town Code Section 14-6: Application for Service – Meter Setting
- H. Water and Sewer extension contract for Tryon III Project
- I. Tourism Development Authority budget amendment

Motion: Ferguson moved to approve all items on the consent agenda with Item 6A as the approval of October 2023 Board of Commissioners minutes. Bell seconded.
Vote: 5-0. Nays: None

7. Items for decision - regular agenda

- A. Resolution for the adoption of a Vision Zero policy to eliminate traffic fatalities and serious injuries by 2040

Public Space and Sustainability Manager Stephanie Trueblood shared that the Vision Zero policy is a part of the Comprehensive Sustainability Plan and Strategic Plan. Vision Zero is a strategy to eliminate all traffic fatalities and severe injuries, while increasing safe, healthy, equitable mobility for all.

When asked by Bell, Trueblood said the implementation of the Vision Zero plan will require work to achieve the goal. She noted Orange County adopted Vision Zero and complete streets policies last fall. She said adoption of the policy will allow the town to compete for additional grant funding.

Weaver said financial impacts are likely later as the town works to fulfill the Vision Zero goals. She also shared that the regional metropolitan transit authority received a grant for a Vision Zero implementation.

Motion: Bell moved to approve the resolution for the adoption of a Vision Zero policy. Ferguson seconded.
Vote: 5-0.

- B. Hot topics for work session Nov. 27, 2023

The following topics have been identified as hot topics for the work session:

- Strategic Plan check-in
- Fiscal Year 2025 budget retreat planning
- Closed session to conduct town manager’s annual performance evaluation

8. Updates

A. Board members

Board members gave updates on the committees and boards on which they serve.

B. Town manager

The town manager recognized the Police Department's quarterly transparency report.

C. Staff (written reports in agenda packet)

There were no additional updates.

Motion: Ferguson moved to go into closed session at 8:02 p.m. Hughes seconded.

Vote: 5-0.

9. Closed session

A. Closed session as authorized by North Carolina General Statute Section 143-318.11(a)(3) to consult with attorney in order to preserve the attorney-client privilege

Motion: Hughes moved to return to open session at 8:27 p.m. Ferguson seconded.

Vote: 5-0.

Motion: Hughes moved to approve a settlement with Pelco Enterprises in the amount of \$35,000 and to direct staff to preemptively notify homeowners of Fiori Hills of the settlement and the homeowners association's responsibilities moving forward. The town will receive the benefit of a covenant to be recorded by Pelco Enterprises, allowing the town to maintain its utilities despite encroachments in the easements. Ferguson seconded.

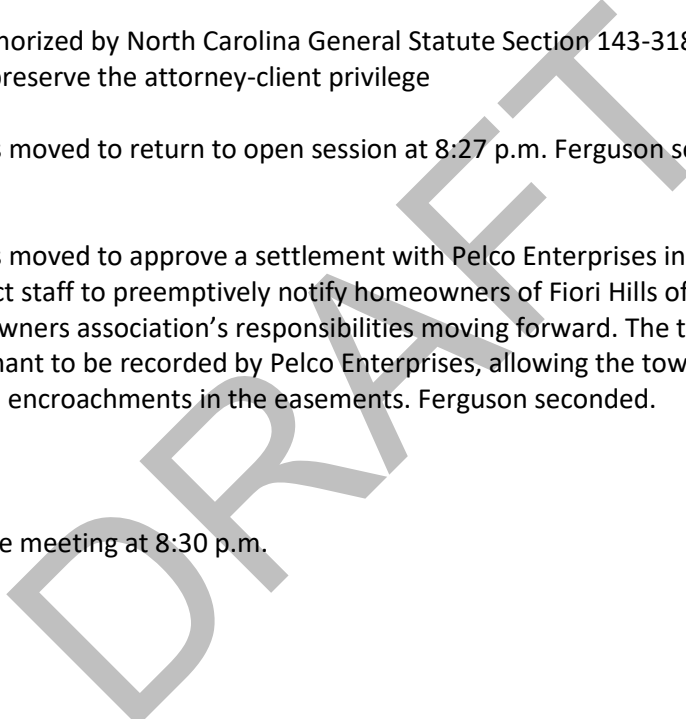
Vote: 5-0.

10. Adjournment

Weaver adjourned the meeting at 8:30 p.m.

Respectfully submitted,

Sarah Kimrey
Town Clerk
Staff support to the Board of Commissioners





RESOLUTION

Requesting an Appointment to an Extraterritorial Jurisdiction Seat on the Hillsborough Planning Board

WHEREAS, as a result of a vacancy, it is necessary to appoint a person to a seat reserved on the Hillsborough Planning Board for persons residing within the town's extraterritorial jurisdiction; and

WHEREAS, as of the date of this resolution, a qualified applicant living within the extraterritorial jurisdiction has applied to serve on the Hillsborough Planning Board; and

WHEREAS, by state statute and town ordinance, the Orange County Board of Commissioners initially has the authority and responsibility to appoint extraterritorial jurisdiction members to the Hillsborough Planning Board;

NOW, THEREFORE, be it resolved by the Hillsborough Board of Commissioners:

Section 1. The Orange County Board of Commissioners is respectfully requested to appoint the following individual to an extraterritorial jurisdiction seat on the Hillsborough Planning Board for a three-year term:

Jeanette Benjey
708 Cloverfield Drive
Hillsborough, NC 27278

Section 2. If the Orange County Board of Commissioners fails to appoint persons willing to serve in the capacity described above within 90 days of receiving this resolution, the Hillsborough Board of Commissioners may make this appointment.

Section 3. The town clerk shall send a copy of this resolution to the Orange County Manager.

Section 4. This resolution shall become effective upon adoption.

The foregoing resolution having been submitted to a vote, received the following votes, and was duly adopted this 13th day of November 2023.



Handwritten signature of Jenn Weaver.

Jenn Weaver, Mayor
Town of Hillsborough

FY 2023-2024

**TOWN OF HILLSBOROUGH
BUDGET CHANGES REPORT
DATES: 11/13/2023 TO 11/13/2023**

	<u>REFERENCE</u>	<u>CHANGE NUMBER</u>	<u>DATE</u>	<u>USER</u>	<u>ORIGINAL BUDGET</u>	<u>BUDGET CHANGE</u>	<u>AMENDED BUDGET</u>
Admin. Services	10-10-4200-5300-145 MAINTENANCE - BUILDINGS To cover building maintenance supplies	41344	11/13/2023	EBRADFORI	0.00	150.00	4,902.00
Admin. Services	10-10-4200-5300-570 MISCELLANEOUS To cover building maintenance supplies	41346	11/13/2023	EBRADFORI	57,553.00	-150.00	63,777.32
Safety & Risk	10-10-6600-5300-330 SUPPLIES - DEPARTMENTAL To est uniform budget	41342	11/13/2023	EBRADFORI	6,720.00	-500.00	19,221.80
Safety & Risk	10-10-6600-5300-350 UNIFORMS To est uniform budget	41343	11/13/2023	EBRADFORI	0.00	500.00	500.00
Police	10-20-5100-5300-110 TELEPHONE/INTERNET To cover cell phone costs for Social Work	41360	11/13/2023	JFernandez	15,120.00	50.00	15,170.00
Police	10-20-5100-5300-145 MAINTENANCE - BUILDINGS To move PO from capital account	41355	11/13/2023	EBRADFORI	15,000.00	4,550.00	23,270.00
Police	10-20-5100-5300-730 DRUG ENFORCEMENT OPERATIONS To cover cell phone costs for Social Work	41359	11/13/2023	JFernandez	5,000.00	-50.00	1,982.00
Police	10-20-5100-5700-735 CAPITAL - BUILDINGS & IMPROVEMENTS To move PO to operating account	41356	11/13/2023	EBRADFORI	0.00	-4,550.00	40,722.50
Utilities Admin.	30-80-7220-5300-570 MISCELLANEOUS To cover W&S Rate Model	41371	11/13/2023	EBRADFORI	3,600.00	45,000.00	68,600.00
W&S Contingency	30-80-9990-5300-000 CONTINGENCY To cover W&S Rate Model	41372	11/13/2023	EBRADFORI	400,000.00	-45,000.00	144,749.00
Gen. Cap Projects	60-03-3870-3701-005 BELLEVUE MILLS CONTRIBUTION To close out project	41350	11/13/2023	EBRADFORI	8,000.00	-8,000.00	0.00
Gen. Cap Projects	60-03-3870-3870-402 TRANSFER FROM GF-CONNECTIVITY To close out project	41351	11/13/2023	EBRADFORI	84,500.00	-44,397.04	40,102.96
Gen. Cap Projects	60-03-6300-5700-728 CONNECTIVITY INFRASTRUCTURE To close out project	41352	11/13/2023	EBRADFORI	92,500.00	-52,397.04	40,102.96
						-104,794.08	

APPROVED: 5/0

DATE: 11/13/23

VERIFIED: _____

Sam E. Kimrey

FY 2023-2024

TOWN OF HILLSBOROUGH
 BUDGET CHANGES REPORT

DATES: 11/14/2023 TO 11/14/2023

<u>REFERENCE</u>	<u>CHANGE NUMBER</u>	<u>DATE</u>	<u>USER</u>	<u>ORIGINAL BUDGET</u>	<u>BUDGET CHANGE</u>	<u>AMENDED BUDGET</u>
10-00-9990-5300-000 CONTINGENCY To cover PD vehicles	41382	11/14/2023	EBRADFORI	450,000.00	-117,000.00	125,326.00
10-20-5100-5300-161 MAINTENANCE - VEHICLES To cover decal removal	41384	11/14/2023	EBRADFORI	1,000.00	2,000.00	3,000.00
10-20-5100-5300-583 MISC.-AUTO TAGS/TAX To cover new PD vehicles	41385	11/14/2023	EBRADFORI	6,250.00	3,000.00	9,250.00
10-20-5100-5700-740 CAPITAL - VEHICLES To cover PD vehicles	41383	11/14/2023	EBRADFORI	190,000.00	112,000.00	302,000.00
					<u>0.00</u>	

DRAFT

APPROVED: 5/0
 DATE: 11/13/23
 VERIFIED: _____

Sam E. Kimrey



PROCLAMATION

Arbor Day

Nov. 15, 2023

WHEREAS, in 1872, J. Sterling Morton, who would become Secretary of Agriculture under President Grover Cleveland, proposed to the Nebraska Board of Agriculture that a special day be set aside for planting trees; and

WHEREAS, the resulting holiday – Arbor Day, was first observed in that State with the planting of more than one million trees and is now observed throughout the nation and the world; and

WHEREAS, trees are renewable resources that yield fruit and nuts for food and profit, wood for construction, fuel for warmth, paper products and a variety of other goods and materials; and

WHEREAS, trees intercept storm water, reduce runoff and erosion, clean air and water, produce oxygen, slow climate change by absorbing carbon dioxide, provide habitat for wildlife, and moderate air temperature; and

WHEREAS, when properly selected and tended appropriately, trees increase property values, enhance economic vitality and business districts, provide buffers from traffic and are a source of joy and spiritual renewal; and

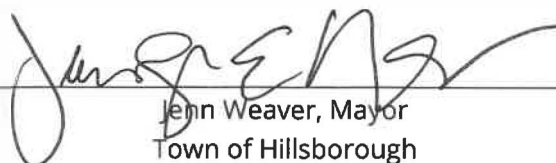
WHEREAS, the Town of Hillsborough achieved Tree City USA status in 1983 and has received the Outstanding Tree Board Urban Forestry Award by the N.C. Urban Forest Council while continuing to maintain and improve our urban forest by the planting of additional trees to enhance our community; and

WHEREAS, Arbor Day reminds us of the timeless observation by its founder, J. Sterling Morton, that "Each generation takes the Earth as trustees";

NOW, THEREFORE, I, Matt Hughes, on behalf of Jenn Weaver, mayor of the Town of Hillsborough, do hereby proclaim Nov. 15, 2023, as **Arbor Day** in the Town of Hillsborough and urge all residents to support efforts to protect our trees and woodlands and encourage the community to plant trees to promote the well-being of this and future generations because a healthy urban forest can bring a sense of vibrancy or respite, adventure or calm and escape or contentment, amidst asphalt and concrete.

IN WITNESS WHEREOF, I have hereunto set my hand and caused this seal of the Town of Hillsborough to be affixed this 13th day of November in the year 2023.





Jenn Weaver, Mayor
Town of Hillsborough



ORDINANCE

Amending Section 14-71 of the Town Code of Ordinances

The Hillsborough Board of Commissioners ordains:

Section 1. Section 14-71 Payment of system development and capital facilities fees is amended to add item (a)(4) as follows:

(a) System development fees or capital facilities fees set forth in the schedule of rates and charges referenced in section 14-9, and in appendix A to this chapter, shall be paid by the developer or owner of property being developed, or redeveloped.

- (1) The system development fee shall be applied to new development that connects to the utility system. New development shall be defined as any of the following: 1) the subdivision of land, 2) the construction, reconstruction, redevelopment, conversion, structural alteration, relocation, or enlargement of any structure which increases the number of meters or increases the meter size which began after July 1, 2017.
- (2) The capital facilities fee shall apply to existing development that connects to the system for the first time, or redevelopment of a parcel, vacant or otherwise, with a prior water or sewer connection that was in existence before February 12, 1990.
- (3) The collection of the fees shall be in accordance with G.S. 162A-213.
- (4) The basis of design the town utilizes for water or sewer system planning for water and wastewater projects is 120 gallons per day per bedroom pursuant to North Carolina General Statute 162A-205(9). This planning basis of design shall be used in the calculation of system development fees for Equivalent Residential Unit average daily consumption and shall be based upon a three-bedroom home (i.e., 360 gallon per day).

Section 2. All provisions of any town ordinance in conflict with this ordinance are repealed.

Section 3. This ordinance shall become effective upon adoption.

The foregoing ordinance having been submitted to a vote, received the following vote and was duly adopted this 13th day of November in the year 2023.

Ayes: 5

Noes: 0

Absent or excused: 0



Sarah E. Kimrey, Town Clerk



ORDINANCE

Amending Section 14-6 (c) of the Town Code of Ordinances

The Hillsborough Board of Commissioners ordains:

Section 1. Section 14-6. Application for Service

Section 14-6 (c), Application for Service is amended as follows:

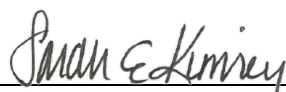
- (a) Application for water or sewer service shall be submitted to the billing and collections department during normal business hours. Application shall be made on the forms prescribed, shall be made in the name of the customer who will be responsible for payment of bills, and shall be signed by the customer or by his authorized agent.
- (b) An applicant must, in writing or in person, notify the water department at least three days in advance of the date requested for commencement of service.
- (c) Except as provided in subsection 14-46(c), an application for service shall be accompanied by payment of the service initiation fee specified in section 14-9. Service shall be refused, including meter setting, until this fee has been paid and all town requirements for extensions and connections are met.

Section 2. This ordinance shall become effective upon adoption.

The foregoing ordinance having been submitted to a vote, received the following vote, and was duly adopted this 13th day of November in the year 2023.

Ayes: 5
Noes: 0
Absent or excused: 0





Sarah E. Kimrey, Town Clerk

**TOWN OF HILLSBOROUGH
UPDATE BUDGET CHANGES**

FY 2023-2024
PRINT ONLY

2023-2024 BUDGET

<u>ACCOUNT</u>	<u>DATE</u>	<u>CHANGE NUMBER</u>	<u>CURRENT BUDGET</u>	<u>BUDGET CHANGE</u>	<u>AMENDED BUDGET</u>
Revenue					
73					
TDA 73-00-3900-3900-000 FUND BALANCE APPROPRIATED	11/13/2023	41367	3,500.00	8,000.00	11,500.00
Correction to mural project at Wooden Nickel.					
Total for 73			3,500.00	8,000.00	11,500.00
Total for Revenue			3,500.00	8,000.00	11,500.00
Expenditure					
73					
TDA 73-51-6250-5300-731 SPECIAL PROJ/PARTNERSHIPS	11/13/2023	41368	42,000.00	8,000.00	50,000.00
Correction to mural project at Wooden Nickel.					
Total for 73			42,000.00	8,000.00	50,000.00
Total for Expenditure			42,000.00	8,000.00	50,000.00
Grand Total			45,500.00	16,000.00	61,500.00

DRAFT

APPROVED: 5/0

DATE: 11/13/23

VERIFIED: *Sarah E. Kimrey*



RESOLUTION

Adopting a Vision Zero Policy to Eliminate Traffic Fatalities And Serious Injuries by 2040

WHEREAS, according to data from the National Highway Traffic Safety Administration, each year approximately 40,000 people are killed in traffic collisions in the United States from accidents that are largely preventable; and

WHEREAS, from 2012 to 2021, two people died, two suffered severe injuries, and 22 experienced minor injuries while walking or biking on streets in Hillsborough; and

WHEREAS, one death or serious injury on town streets is one too many; and

WHEREAS, seniors, children, people of color, people with disabilities, people in low-income communities, and vulnerable road users such as pedestrians and bicyclists face a disproportionate risk of traffic injuries and fatalities; and

WHEREAS, town leadership is dedicated to eliminating deaths and serious injuries on streets in Hillsborough; and

WHEREAS, town leadership, staff, and appointed boards conduct public outreach and engagement to develop and recommend transportation and connectivity plans and projects that incorporate safety measures and best practices; and

WHEREAS, town staff engage in safety trainings, participate in safety initiatives, conduct safety programs, and respond to safety concerns from the community; and

WHEREAS, the Hillsborough Comprehensive Sustainability Plan incorporates goals, strategies, and actions to advance safety for all modes of transportation; and

WHEREAS, Vision Zero is a public health-based traffic-safety strategy to reduce and eventually eliminate traffic deaths and serious injuries using a data-driven, multi-disciplinary and safe systems approach that also increases safe, healthy equitable mobility for all; and

WHEREAS, making streets safer for all people using all modes of transportation will encourage people to travel on foot, by bicycle, and by public transit, which supports a healthier, more active lifestyle and reduces environmental pollution; and

WHEREAS, Vision Zero is a tool to unite stakeholders such as government entities, police and emergency personnel, public health and planning professionals, transportation and transit officials, developers, and community members in a coordinated approach to achieving safe streets for all; and

WHEREAS, the Durham-Chapel Hill-Carrboro Metropolitan Planning Organization, of which the town is a member, is developing a Vision Zero Action Plan using funding from the Safe Streets for All Grant program; and

WHEREAS, Vision Zero resolutions have been adopted by numerous jurisdictions in North Carolina and across the United States;

NOW, THEREFORE, BE IT RESOLVED; by the Hillsborough Board of Commissioners, that the Town of Hillsborough pledges its intention of eliminating traffic deaths and serious injuries by 2040 and adopts this Vision Zero policy as a guiding principle for planning and implementing transportation projects, safety initiatives, maintenance of public rights-of-way, and traffic enforcement practices to achieve this goal; and

BE IT FURTHER RESOLVED, that the safety of all road users shall take priority over vehicular level of service and safety of vulnerable road users shall be given top priority in transportation decisions; and

BE IT FURTHER RESOLVED, that the Hillsborough Strategic Plan shall incorporate Vision Zero initiatives so that progress toward meeting the pledge can be measured, tracked, and reported.

Approved this 13th day of November of the year 2023.



Jenn Weaver

Jenn Weaver, Mayor
Town of Hillsborough

Attestation:

Sarah Kimrey

Sarah Kimrey, Town Clerk

DRAFT



Minutes

Board of Commissioners Work Session

7 p.m. Nov. 27, 2023

Board Meeting Room, Town Hall Annex, 105 E. Corbin St.

Present: Mayor Jenn Weaver and commissioners Mark Bell, Robb English, Kathleen Ferguson, Matt Hughes, and Evelyn Lloyd

Staff: Administrative Services Director Jen Della Valle, Assistant Town Manager and Community Services Director Matt Efird, Budget and Management Analyst Josh Fernandez, Town Clerk and Human Resources Technician Sarah Kimrey, Communications Specialist JC Leser and Town Manager Eric Peterson

1. Opening of the work session

Mayor Jenn Weaver called the meeting to order at 7 p.m.

2. Agenda changes and approval

There were none.

Motion: Commissioner Kathleen Ferguson moved to approve the agenda as presented. Commissioner Robb English seconded.

Vote: 4-0. Absent: Commissioner Evelyn Lloyd

3. Items for decision - consent agenda

- A. Miscellaneous budget amendments and transfers
- B. Special Event Permit: 2023 Solstice Lantern Walk – Hillsborough Arts Council
- C. Special Event Permit: Kevin Dendy Memorial 5K Run/Walk – Generation Life Church
- D. Special Event Permit: 2024 Godiva Track Club New Year's Day 8K Run

Motion: Commissioner Mark Bell moved to approve all items on the consent agenda. Ferguson seconded.

Vote: 4-0. Absent: Lloyd.

Lloyd joined the meeting at 7:02 p.m.

4. In-depth discussion and topics

- A. Strategic Plan – Quarter 1 update

Administrative Services Director Jen Della Valle opened discussion on the implementation of the Strategic Plan for Quarter 1 of Fiscal Year 2024.

Discussion included:

- Reaching out to local councils of government for assistance when staff capacity is limited.
- Updating the town's emergency operations plan.
- Offering competitive benefits to town staff.
- Collaborating with other entities to highlight and promote women and minority owned businesses.
- Increasing public involvement in the budgetary process.
- Developing a code of ethics and firearms regulation.

- Implementing the current racial equity lens.

Staff was directed to:

- Investigate Inflation Reduction Act direct payments for sustainable energy options.
- Include on the quarterly update the staff responsible for Strategic Plan items.
- Provide an update on the Orange County Racial Equity Index dashboard.

B. Fiscal Year 2025 Budget Retreat discussion

Della Valle shared with the board the schedule and draft agenda for the FY2025 Budget Retreat. The board supported scheduling the retreat for 9 a.m. to 3:15 p.m. Feb. 17. Portions of the retreat will be covered at the January board work session due to staff availability.

Bell suggested reviewing the budgetary impacts of the discussion items as a group rather than individually. Weaver said providing options for reaction from board members helps guide the discussion at the retreat.

Ferguson suggested stress testing the items using a discussion facilitator at the retreat. Bell suggested that a facilitator would be more useful when the board is making decisions rather than receiving information.

The town manager will redevelop the agenda using the suggestions made.

5. Committee updates and reports

Board members gave updates on the committees and boards on which they serve.

Motion: Commissioner Matt Hughes moved to go into closed session at 8:32 p.m. Ferguson seconded.
Vote: 5-0.

6. Closed session

A. Closed session as authorized by North Carolina General Statute Section 143-318.11 (a)(6) regarding personnel matters (town manager's evaluation)

Motion: Bell moved to return to open session at 9:07 p.m. Ferguson seconded.
Vote: 5-0.

Motion: Ferguson moved to grant the town manager a 5% merit increase effective July 3, 2023. Bell seconded.
Vote: 5-0.

7. Adjournment

Weaver adjourned the meeting at 9:08 p.m.

Respectfully submitted,

Sarah Kimrey
Town Clerk
Staff support to the Board of Commissioners

FY 2023-2024

TOWN OF HILLSBOROUGH
 BUDGET CHANGES REPORT

DATES: 11/27/2023 TO 11/27/2023

	REFERENCE	CHANGE NUMBER	DATE	USER	ORIGINAL BUDGET	BUDGET CHANGE	AMENDED BUDGET
GF Contingency	10-00-9990-5300-000 CONTINGENCY						
	To cover swag	41381	11/27/2023	EBRADFORI	450,000.00	-13,000.00	112,326.00
	To cover IT postage	41389	11/27/2023	EBRADFORI	450,000.00	-50.00	112,276.00
	To cover SAD property satisfactions	41394	11/27/2023	EBRADFORI	450,000.00	-10,000.00	102,276.00
Gov. Body	10-10-4100-5300-042 ATTORNEY/SPECIAL ASSESSMENT DIST.						
	To cover SAD property satisfactions	41395	11/27/2023	EBRADFORI	0.00	10,000.00	10,000.00
Admin. Services	10-10-4200-5300-332 OFFICE FURNITURE						
	To cover Communications office furniture	41391	11/27/2023	JFernandez	0.00	272.00	272.00
	Office furniture for Communications inter	41397	11/27/2023	JFernandez	0.00	80.00	352.00
Admin. Services	10-10-4200-5300-338 SUPPLIES - DATA PROCESSING						
	To cover SD card reader for Communicati	41386	11/27/2023	JFernandez	0.00	65.00	93.00
Admin. Services	10-10-4200-5300-570 MISCELLANEOUS						
	To cover swag	41380	11/27/2023	EBRADFORI	57,553.00	13,000.00	76,777.32
	To cover SD card reader for Communicati	41387	11/27/2023	JFernandez	57,553.00	-65.00	76,712.32
	To cover Communications office furniture	41390	11/27/2023	JFernandez	57,553.00	-272.00	76,440.32
	Office furniture for Communications inter	41396	11/27/2023	JFernandez	57,553.00	-80.00	76,360.32
Public Space	10-10-6300-5300-570 MISCELLANEOUS						
	To cover Ridgewalk Feasibility Study	41379	11/27/2023	EBRADFORI	7,000.00	84,000.00	91,000.00
IT	10-10-6610-5300-112 POSTAGE						
	To cover postage	41388	11/27/2023	EBRADFORI	50.00	50.00	105.00
Police	10-20-5100-5300-145 MAINTENANCE - BUILDINGS						
	To correct expenditures for evidence room	41373	11/27/2023	JFernandez	15,000.00	-4,550.00	18,720.00
	To cover decal application	41399	11/27/2023	EBRADFORI	15,000.00	-1,000.00	17,720.00
Police	10-20-5100-5300-161 MAINTENANCE - VEHICLES						
	To cover decal application	41398	11/27/2023	EBRADFORI	1,000.00	1,000.00	4,000.00
Police	10-20-5100-5700-735 CAPITAL - BUILDINGS & IMPROVEMENTS						
	To correct expenditures for evidence room	41374	11/27/2023	JFernandez	0.00	4,550.00	45,272.50
Streets	10-30-5600-5700-729 CAPITAL - INFRASTRUCTURE						
	To cover snow plow replacement	41392	11/27/2023	EBRADFORI	239,000.00	-10,000.00	289,485.00
Streets	10-30-5600-5700-741 CAPITAL - EQUIPMENT						
	To cover snow plow replacement	41393	11/27/2023	EBRADFORI	0.00	10,000.00	10,000.00
GF Transfers	10-71-6300-5982-006 TRANSFER TO GEN CAP IMPROV FUND						
	To cover Ridgewalk Feasibility Study	41378	11/27/2023	EBRADFORI	529,003.00	-84,000.00	445,003.00
Water Dist.	30-80-8140-5300-113 LICENSE FEES						
	To cover Telog software renewal.	41401	11/27/2023	JFernandez	0.00	195.00	195.00
Water Dist.	30-80-8140-5300-330 SUPPLIES - DEPARTMENTAL						
	To cover Telog software renewal.	41400	11/27/2023	JFernandez	131,440.00	-195.00	136,272.64
WW Collect.	30-80-8200-5700-735 CAPITAL - BUILDING & IMPROVEMENTS						
	To cover Cemetery PS repairs	41376	11/27/2023	EBRADFORI	0.00	5,500.00	93,675.00
W&S Contingency	30-80-9990-5300-000 CONTINGENCY						
	To cover Cemetery PS repairs	41377	11/27/2023	EBRADFORI	400,000.00	-5,500.00	139,249.00
						<u>0.00</u>	

JFernandez
 fl142r03

11/21/2023 10:03:29AM

APPROVED: 4/0

Page 1 of 1

DATE: 11/27/23

VERIFIED: _____

Sam E. Kimrey

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Section 11, Item A.



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: Dec. 11, 2023
Department: Administration
Agenda Section: Consent
Public hearing: No
Date of public hearing: N/A

PRESENTER/INFORMATION CONTACT

Emily Bradford, Budget Director

ITEM TO BE CONSIDERED

Subject: Miscellaneous budget amendments and transfers

Attachments:

Budget Changes Report

Summary:

To adjust budget revenues and expenditures, where needed, due to changes that have occurred since budget adoption.

Financial impacts:

As indicated by each amendment.

Staff recommendation and comments:

To approve the attached list of budget amendments and transfers.

Action requested:

Consider approving budget amendments and transfers.

FY 2023-2024

TOWN OF HILLSBOROUGH
BUDGET CHANGES REPORT

DATES: 12/11/2023 TO 12/11/2023

REFERENCE	CHANGE NUMBER	DATE	USER	ORIGINAL BUDGET	BUDGET CHANGE	AMENDED BUDGET
Safety & Risk Mgmt. 10-10-6600-5300-080 TRAINING/CONF./CONV. To cover annual fire extinguisher audit.	41408	12/11/2023	JFernandez	16,800.00	-6,000.00	10,494.00
Safety & Risk Mgmt. 10-10-6600-5300-332 SUPPLIES - OSHA To cover annual fire extinguisher audit.	41409	12/11/2023	JFernandez	50,775.00	6,000.00	58,694.55
Police 10-20-5100-5300-161 MAINTENANCE - VEHICLES To cover cameras on '22 Chargers	41402	12/11/2023	EBRADFORI	1,000.00	6,560.00	10,560.00
To cover equipment for vehicles purchase	41404	12/11/2023	EBRADFORI	1,000.00	18,507.00	29,067.00
Police 10-20-5100-5700-740 CAPITAL - VEHICLES To cover cameras on '22 Chargers	41403	12/11/2023	EBRADFORI	190,000.00	-6,560.00	295,440.00
To cover equipment for vehicles purchase	41405	12/11/2023	EBRADFORI	190,000.00	-18,507.00	276,933.00
Restr. Revenue 72-00-5100-3301-033 RESTRICTED REV-SENIOR PROGRAM Restricted Revenue Closeout	41406	12/11/2023	EBRADFORI	221.59	-221.59	0.00
Restr. Revenue 72-20-5100-5300-024 SENIOR PROGRAM EXPENDITURES Restricted Revenue Closeout	41407	12/11/2023	EBRADFORI	221.59	-221.59	0.00
					<u>-443.18</u>	



Agenda Abstract BOARD OF COMMISSIONERS

Meeting Date: Dec. 11, 2023
Department: Administrative Services
Agenda Section: Consent
Public hearing: No
Date of public hearing: N/A

PRESENTER/INFORMATION CONTACT

Town Clerk Sarah Kimrey

ITEM TO BE CONSIDERED

Subject: 2024 Board of Commissioners Meeting Schedule amendment

Attachments:

2024 Board of Commissioners meeting schedule

Summary:

The 2024 Board of Commissioners meeting schedule amendment includes:

- Jan. 23 Assembly of Governments meeting: location changed to Southern Human Services Center at 2501 Homestead Rd., Chapel Hill
- Addition of the Budget Retreat on Feb. 17 from 9 a.m. to 3:15 p.m.

Financial impacts:

None.

Staff recommendation and comments:

None.

Action requested:

To amend meeting schedule as presented.

Meeting Schedule: 2024

BOARD OF COMMISSIONERS



Meetings start at 7 p.m. in the Board Meeting Room of the Town Hall Annex, 105 E. Corbin St., unless otherwise noted. Times, dates and locations are subject to change.

The public will be able to view and listen to regular meetings and work sessions via live streaming video on the [town's YouTube channel](#).

Regular meetings

Regular meetings typically occur the second Monday of the month.

Jan. 8		Aug. 12
Feb. 12		Sept. 9
March 11		Oct. 14
April 8		Nov. 12
May 13	With budget presentation	Dec. 9
June 10	Tentative budget adoption	

Work sessions

Work sessions typically occur the fourth Monday of the month. The board generally does not make decisions or receive public comment at work sessions.

Jan. 22		June 3	Budget workshop, if needed
Feb. 17	Budget retreat, 9 a.m. to 3:15 p.m.	June 24	Budget adoption, if needed
Feb. 26		Aug. 26	With joint WSAC meeting
March 25		Sept. 23	
April 22		Oct. 28	
May 28	Budget workshop, public hearing	Nov. 25	

Joint public hearings

Joint public hearings with the Planning Board typically occur the third Thursday of a month.

Jan. 18		Aug. 15
April 18		Oct. 17

Joint meetings

Meetings with the Water and Sewer Advisory Committee are planned biannually. The Orange County Assembly of Governments typically meets in January.

Jan. 23	Assembly of Governments	Feb. 1	Water and Sewer Advisory Committee
	Southern Human Services Center		
	2501 Homestead Rd., Chapel Hill		

101 E. Orange St., PO Box 429, Hillsborough, NC 27278 | 919-732-1270
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Amended: Dec. 11, 202



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: Dec. 11, 2023
Department: Utilities
Agenda Section: Regular
Public hearing: No
Date of public hearing: N/A

PRESENTER/INFORMATION CONTACT

Utilities Director K. Marie Strandwitz, PE

ITEM TO BE CONSIDERED

Subject: Modifications to Town Code Section 14-56 – Cross Connection Control

Attachments:

1. Redlined Section 14-56
2. Ordinance amending Section 14-56 per redlines

Summary:

Town staff, following established town code, sent letters in early 2023 to several customers having existing in-ground swimming pools and asked them to install a reduced pressure zone backflow assembly to meet such code, which has been in place since 2008. In town code and generally across the state and nation, the installation of backflow devices at the request of a water purveyor due to known or potential contamination is paid for by the customer. The customer privately owns and maintains such devices.

Customers receiving the compliance letter presented to the town manager and board their displeasure with the requirement and asked for relief. The town board motioned for the Water and Sewer Advisory Committee and staff to present a less invasive and costly option, and to recommend changing the code to the selected option, if favorable. After presentation of the advisory committee recommendation, the board signaled the desirability to allow an air gap as an alternate option for backflow protection for the subject customer group. The air gap is an allowable industry method and relies solely on the customer to follow and maintain a proper physical separation of the potable water system when filling a tank or vessel that could have harmful consequences if its contents backflow into the public water supply.

The air gap is a no-cost option. While other conditions were discussed amongst the impacted customers, advisory committee and the board at various times, staff has chosen to keep the requirement as simple as possible. Staff also does not have the resources or desire to obtain and maintain detailed records about homeowners having such potential backflow scenarios or perform routine inspections. This is why we presume the reduced pressure zone assembly was the code standard for all swimming pools (it is testable, accessible, and fully protective). Thus, there is NO signed and notarized air gap agreement, notifications to the town upon change of home ownership, no time restrictions on filling, or requirement for hose bibb vacuum breakers or routine observation or replacement of such (by the town – this could still be a requirement of plumbing code). *Reimbursement of those who complied with the code requiring an reduced pressure zone assembly before the matter was paused for evaluation is covered under a separate agenda item at this same meeting.*

These code modifications are intended to address the resident concerns and to update the code in other areas to reflect current references and policy.

Code highlights:

- Allowance of an air gap for swimming pools not directly connected to domestic plumbing.
 - This is effectively a cost-free solution of maintaining a physical separation between the potable water system and the pool (or any other vessel that could potentially backflow with contaminated contents) during filling.
 - Air gap agreements and other devices previously considered related to testing, monitoring, or inspections such as the hose bibb vacuum breaker will NOT be required by the town (plumbing code may still require devices or assemblies as ordered by the Orange County building inspector).
 - The code revisions also clarify an air gap option for other bodies of water that are filled using the town’s potable water supply such as spas, manmade ponds, and fountains.
- Defines a swimming pool, spa, small manmade pond, and fountains or any body of water as above or in-ground greater than 24-inches deep that is connected to or filled by the potable water system.
- Corrects older/outdated statutory and regulatory references and updates state regulatory authority department name.
- Adds to Degree of Hazard definition the terminology having the same meaning that is present in regulations and industry references (e.g., pollutinal = moderate = non-health and contamination=severe=health when referring to hazards).
- Adds that entering any structure or building includes a residence for clarification although intent is present.
- Clarifies that denial of right of entry leaves no choice but to assume a health (severe) hazard and adds that appointments will be made for entry unless an emergency exists (already refusal can result in disconnection of water service).
- Adds that test records be submitted to the town or its delegated third-party management company (not related to swimming pool issue but needs to be added).
- References that assemblies be installed per town specifications and detect meters be purchased from the town (not related to swimming pool issue but needs to be added).
- Minor editorial changes.

Staff will provide education to those utilizing an air gap as to how to effectively maintain the air gap. Educational outreach has already been posted in the annual water quality report and online.

Financial impacts:

None to the town unless a significant backflow event occurred from an improperly maintained air gap.

Staff recommendation and comments:

Nothing further

Action requested:

Consider whether to allow the town to pay certain customers for installation of backflow assemblies due to the code requiring such being modified for a less invasive and costly solution. If payment is voted upon, state the conditions and timeframe for payment.

Sec. 14-56. Cross-connection control.

(a) *General policy.*

- (1) *Introduction.* The purpose of this cross-connection control section is to define the town as the water purveyor in the prevention and elimination of all existing or potential cross-connections within its public potable water supply.

This section shall apply to all consumers connected to the town public potable water supply.

This section will comply with the Federal Safe Drinking Water Act (P.L. 93-523), the North Carolina State Administrative Code (Title 15A, Subchapter 18C), and the North Carolina State Building Code (~~Volume #~~currently adopted edition) as they pertain to cross-connections with the public water supply.

In accordance with General Statute ~~160A-174 and 160A-175~~2A-9-1, the town is authorized and empowered to adopt this section.

- (2) *Objective of this section.* The specific objectives of the cross-connection control section are as follows:

- a. To protect the public potable water supply of the town from the possibility of contamination or pollution by isolating within the consumer's water system such contaminants, waterborne health hazards and other significant pollutants which could backflow into the public water systems.
- b. To eliminate or control existing cross-connections, actual or potential, between the consumer's potable water system(s) and non-potable water system(s), plumbing fixtures and industrial piping systems.
- c. To provide a continuing inspection program of cross-connection control which will systematically and effectively control all actual or potential cross-connections which may be installed in the future.

- (3) *Designation of responsibility.*

- a. *Health agency's responsibility.* The North Carolina Department of Environmental Quality ~~and Natural Resources (division of environmental health)~~ has the responsibility for promulgating and enforcing laws, rules regulations, and policies applicable to all water purveyors in the State of North Carolina in carrying out an effective cross-connection control program.

The ~~division of environmental health~~Department of Environmental Quality also has the primary responsibility of ensuring that the water purveyor operates a public potable water system free of actual or potential sanitary hazards including unprotected cross-connections. The ~~division of environmental health~~Department of Environmental Quality also has the responsibility of ensuring that the water purveyor provides an approved water supply at the service connection to the consumer's water system and, further, that the purveyor requires the installation, testing, and maintenance of an approved backflow prevention assembly on the service connection when required.

- b. *Town's responsibility.* Except as otherwise provided herein, the town is the water purveyor and is responsible for ensuring a safe water supply begins at the source and includes all of the public water distribution system, including the service connection, and ends at the point of delivery to the consumer's water systems. In addition, the town shall exercise reasonable vigilance to ensure that the consumer has taken the proper steps to protect the public potable water system. The town will determine the degree of hazard or potential hazard to the public potable water system, the degree of protection required, and will ensure proper containment protection through an ongoing inspection program. The town will identify all facilities where approved backflow prevention assemblies are required to be installed.

When it is determined that a backflow prevention assembly is required for the protection of the public system, the town shall require the consumer, at the consumer's expense, to install an approved backflow prevention assembly at service connection, to test immediately upon installation and thereafter at frequency as determined by the town, to properly repair and maintain assembly or assemblies and to keep adequate records of each test and subsequent maintenance and repair, including materials and/or replacement parts.

- c. *Plumbing inspector's responsibility.* The plumbing inspection departments of the town and Orange County have the responsibility to not only review building plans and inspect plumbing as it is installed but, they have the explicit responsibility of preventing cross-connections from being designed and built into the plumbing system within its jurisdiction. Where the review of building plans suggests or detects the potential for cross-connections being made an integral part of the plumbing system, the plumbing inspector has the Responsibility, under the North Carolina Building Code, for requiring that such cross-connections be either eliminated or provided with backflow prevention equipment approved by the North Carolina State Building Code.

The plumbing inspector's responsibility begins at the point of delivery downstream of the first installed backflow prevention assembly and continues throughout the entire length of the consumer's water system. The inspector should inquire about the intended use of water at any point where it is suspected that a cross-connection might be made or where one is actually called for by the plans. When such is discovered, it shall be mandatory that a suitable, approved backflow prevention assembly approved by the North Carolina Building Code. North Carolina Department of Environment and Natural Resources and the town be required by the plans and be properly installed.

- d. *Consumer responsibility.* The consumer has the primary responsibility of preventing pollutants and contaminants from entering his/her potable water system or the public potable water system. The consumer's responsibility starts at the point of delivery from the public potable water system and includes all of his/her water system. It is the consumer's responsibility to install and maintain a continuous operable assembly to this end per subsections (e) through (g). The consumer, at his/her expense shall install, operate, test, and maintain approved backflow prevention assemblies as directed by the town. The consumer shall maintain accurate records of tests and repairs made to backflow prevention assemblies and shall maintain such records for a minimum period of three years. The records shall be on forms approved by the town and shall include the list of materials or replacement parts used. Following any repair, overhaul, repiping, or relocation of an assembly, the consumer shall have it tested to ensure that it is in good operating condition and will prevent backflow. Tests, maintenance, and repairs of backflow prevention assemblies shall be made by a town-approved certified backflow prevention assembly tester. Consumer shall follow the specifications of the town regarding configuration and placement of backflow prevention assemblies. Bypass detection meters shall be purchased from the town.

- e. *Certified backflow prevention assembly tester responsibility.* When employed by the consumer to test, repair, overhaul, or maintain backflow prevention assemblies, a certified backflow prevention assembly tester (tester) will have the following responsibilities:

The tester will be responsible for making competent inspections and for repairing, or overhauling backflow prevention assemblies and making reports of such repair to the consumer and town on forms approved by the town. The tester shall include the list of materials or replacement parts used. The tester shall be equipped with and be competent to use all the necessary tools, gauges, manometers, and other equipment necessary to properly test, repair, and maintain backflow prevention assemblies. It will be the tester's responsibility to ensure that original manufactured parts are used in the repair of or replacement of parts in a backflow prevention assembly. It will

be the tester's further responsibility not to change the design, material, or operational characteristics of an assembly during repair or maintenance without prior approval of the town. A tester shall perform the work and be responsible for the competency and accuracy of all tests and reports. The tester shall provide a copy of all test and repair reports to the consumer and to the town within ten business days of any completed test or repair work. A tester shall maintain such records for a minimum period of three years.

All certified backflow prevention assembly testers must obtain and employ backflow prevention assembly test equipment which has been evaluated and/or approved by the town. All test equipment shall be registered with the town. All test equipment shall be checked for accuracy annually (at a minimum), calibrated, if necessary, and certified to the town as to such calibration employing an accuracy/calibration method acceptable to the town.

(b) *Definitions.*

Air gap (AG). The term "air gap" shall mean a physical separation between the free-flowing discharge end of a potable water supply pipeline and an open or nonpressure receiving vessel. An "approved air gap" shall be at least double the diameter of the supply pipe measured vertically above the overflow rim of the vessel—in no case less than one inch (2.54 cm).

Approved check valve. The term "approved check valve" shall mean a check valve that is drip-tight in the normal direction of flow when the inlet pressure is at least one psi and the outlet pressure is zero. The check valve shall permit no leakage in a direction reversed to the normal flow. The closure element (e.g. clapper, poppet, or other design) shall be internally loaded to promote rapid and positive closure. An approved check valve is only one component of an approved backflow prevention assembly—i.e., pressure vacuum breaker, double-check valve assembly, double-check detector assembly, reduced pressure principle assembly, or reduced pressure detector assembly.

Atmospheric type vacuum breaker. The term "atmospheric type vacuum breaker" (also known as the "non-pressure type vacuum breaker") shall mean a device containing a float-check, a check seat, and an air inlet port. The flow of water into the body causes the float to close the air inlet port. When the flow of water stops the float falls and forms a check valve against back-siphonage and at the same time opens the air inlet port to allow air to enter and satisfy the vacuum. A shutoff valve immediately upstream may be an integral part of the device. An atmospheric vacuum breaker is designed to protect against a non-health hazard (isolation protection only) under a back-siphonage condition only.

Auxiliary water supply. Any water supply on or available to the premises other than the purveyor's approved public water supply will be considered as an auxiliary water supply. These waters may be contaminated or polluted, or they may be objectionable and constitute an unacceptable water source over which the water purveyor does not have sanitary control.

Backflow. The term "backflow" shall mean the undesirable reversal of flow of water or mixtures of water and other liquids, gases, or other substances into the distribution pipes of the potable supply of water from any source or sources. See terms backpressure and backsiphonage.

Backflow prevention assembly—type. A "backflow prevention assembly" shall mean an assembly used to prevent backflow into a consumer or public potable water system. The type of assembly used should be based on the degree of hazard either existing or potential (as defined herein). The types are:

-
- (1) Double-check valve assembly (DCVA).
 - (2) Double-check detector assembly (fire system) (DCDA).
 - (3) Pressure vacuum breaker (PVB).
 - (4) Reduced pressure principle assembly (RP).
 - (5) Reduced pressure principle-detector assembly (fire system) (RPDA).

Backpressure. The term "backpressure" shall mean any elevation of pressure in the downstream piping system (by pump, elevation of piping, or steam and/or air pressure) above the supply pressure at the point of consideration which would cause, or tend to cause, a reversal of the normal direction of flow.

Backsiphonage. The term "backsiphonage" shall mean a form of backflow due to a reduction in system pressure which causes a subatmospheric pressure to exist at a site in the water system.

Certified backflow prevention assembly tester. The term "certified backflow prevention assembly tester" (tester) shall mean a person who has proven their competency to the satisfaction of the town. Each person who is certified to make competent tests, or to repair, overhaul, and make reports on backflow prevention assemblies shall be knowledgeable of applicable laws, rules, and regulations, shall be a licensed plumber or have at least two years of experience under and be employed by a North Carolina licensed plumber or plumbing contractor, or have equivalent qualifications acceptable to the town, and must hold a certificate of completion from an approved training program in the testing and repair of backflow prevention assemblies.

Consumer. The term "consumer" shall mean any person, firm, or corporation using or receiving water from the town water system. A person includes residential water customers.

Consumer's potable water system. The term "consumer's potable water system" shall mean that portion of the privately owned potable water system lying between the point of delivery and point of use and/or isolation protection. This system will include all pipes, conduits, tanks, receptacles, fixtures, equipment, and appurtenances used to produce, convey, store, or use potable water.

Consumer's water system. The term "consumer's water system" shall include any water system commencing at the point of delivery and continuing throughout the consumer's plumbing system located on the consumer's premises, whether supplied by a public potable water or an auxiliary water supply. The systems may be either a potable water system or an industrial piping system.

Contamination. The term "contamination" shall mean an impairment of the quality of the water which creates a potential or actual health/severe hazard to the public health through the introduction of hazardous or toxic substances or waterborne health hazards in the form of physical or chemical contaminants or biological organisms and pathogens.

Containment. The term "containment" shall mean preventing the impairment of the public potable water supply by installing an approved backflow prevention assembly at the service connection.

Cross-connection. A "cross-connection" shall mean any unprotected actual or potential connection or structural arrangement between a public or a consumer's water system and any other source or system through which it is possible to introduce any contamination or pollution, other than the intended potable water with which the system is supplied. Bypass arrangements, jumper connections, removable sections, swivel or changeover devices, and other temporary or permanent devices through which or because of which "backflow" can or may occur are considered to be cross-connections.

Degree of hazard. The term "degree of hazard" shall be derived from the evaluation of conditions within a system which can be classified as either a "pollutional" (non-health or moderate) or a "contamination"s (health or severe) hazard.

Double-check-detector assembly. The term "double-check-detector assembly" shall mean a specially designed assembly composed of a line-size approved double-check valve assembly with a specific bypass water meter and a meter-sized approved double-check valve assembly. The meter shall register (in U.S. gallons) accurately for only very low rates of flow and shall show a registration for all rates of flow. This assembly shall only be used to protect against a non-health hazard (i.e., pollutant). Device must be approved by Foundation for Cross-connection Control and Hydraulic Research.

Double-check valve assembly. The term "double-check valve assembly" shall mean an assembly composed of two independently acting, approved check valves, including tightly closing shut-off valves attached at each end of the assembly and fitted with properly located test cocks. This assembly shall only be used to protect against a non-health hazard (i.e., pollutant). Device must be approved by Foundation for Cross-Connection Control and Hydraulic Research.

Health agency. The term "health agency" shall mean the North Carolina Department of ~~Environment and Natural Resources~~Environmental Quality.

Health hazard. The term "health hazard" shall mean an actual or potential threat of contamination of a physical, chemical, biological, pathogenic or toxic nature to the public or consumer's potable water system to such a degree or intensity that there would be a danger to health. Examples of waterborne health hazards include but are not limited to:

- (1) *Physical.* Radioisotopes/radionuclides;
- (2) *Chemical.* Lead, mercury and other heavy metals, organic compounds, other toxins and hazardous substances;
- (3) *Biological.* Microorganisms and pathogens like cryptosporidium, typhoid, cholera and E. Coli.

Industrial fluids. The term "industrial fluids" shall mean any fluid or solution which may be chemically, biologically, or otherwise contaminated or polluted in a form or concentration such as would constitute a health, or non-health hazard if introduced into a public or consumer potable water system. Such fluids may include, but are not limited to process waters, chemicals in fluid form; acids and alkalis; oils, gases; etc.

Industrial piping system. The term "industrial piping system" shall mean a system used by the consumer for transmission, conveyance, or storage of any fluid, solid or gaseous substance other than an approved water supply. Such a system would include all pipes, conduits, tanks, receptacles, fixtures, equipment, and appurtenances used to produce, convey, or store substances which are or may be polluted or contaminated.

Isolation. "Isolation" is the act of confining a localized hazard within a consumer's water system by installing approved backflow prevention assemblies. Disclaimer: The Town of Hillsborough may make recommendations, upon facility inspection, as to the usage of isolation devices/assemblies, but does not assume or have responsibility whatsoever for such installations.

Non-health hazard. The term "non-health hazard" shall mean an actual or potential threat to the quality of the public or the consumer's potable water system. A non-health hazard is one that, if introduced into the public water supply system could be a nuisance to water customers but would not adversely affect human health.

Point of delivery. "Point of delivery" shall generally be at the back side of the meter adjacent to the public street where the town water distribution mains are located. The consumer shall be responsible for all water piping and control devices located on the consumer's side of the point of delivery.

Pollution. The term "pollution" shall mean an impairment of the quality of the water to a degree which does not create an actual hazard to the public health but which does adversely and unreasonably affect the aesthetic qualities of such waters for domestic use.

Pollutional hazard. The term "pollutional hazard" shall mean an moderate actual or potential threat to the quality or the potability of the public or the consumer's potable water system but which would not constitute a

health or a severe system hazard, as defined. The maximum degree or intensity of pollution to which the potable water system could be degraded under this definition would cause a nuisance or be aesthetically objectionable or could cause minor damage to the system or its appurtenances.

Potable water. The term "potable water" shall mean water from any source which has been approved for human consumption by the North Carolina Department of Environment and Natural Resources (NCDENR).

Pressure type vacuum breaker. The term "pressure type vacuum breaker" shall mean an assembly containing an independently operating internally loaded check valve and an independently operating loaded air inlet valve located on the discharge side of the check valve. The assembly is to be equipped with properly located test cocks and tightly closing shutoff valves attached at each end of the assembly. This assembly is designed to protect against a health hazard (i.e., contaminant) under a back-siphonage condition only.

Public potable water system. The term "public potable water system" shall mean any publicly or privately owned water system operated as a public utility, under a current NCDENR permit, to supply water for public consumption or use. This system will include all sources, facilities, and appurtenances between the source and the point of delivery such as valves, pumps, pipes, conduits, tanks, receptacles, fixtures, equipment, and appurtenances used to produce, convey, treat, or store potable water for public consumption or use.

Reduced pressure principle backflow prevention assembly. The term "reduced pressure principle backflow prevention assembly" shall mean an assembly containing within its structure a minimum of two independently acting, approved check valves, together with a hydraulically operating, mechanically independent, pressure differential relief valve located between the check valves and at the same time below the first check valve. The first check valve reduces the supply pressure to a predetermined amount so that during normal flow and at cessation of normal flow, the pressure between the checks shall be less than the supply pressure. In case of leakage of either check valve, the pressure differential relief valve, by discharge to atmosphere, shall operate to maintain the pressure between the checks less than the supply pressure.

The unit shall include tightly closing shutoff valves located at each end of the assembly and each assembly shall be fitted with properly located test cocks. The assembly is designed to protect against a health hazard (i.e., contaminant). Device must be approved by Foundation for Cross-Connection Control and Hydraulic Research.

Reduced pressure principle-detector assembly. The term "reduced pressure principle-detector assembly" shall mean a specially designed assembly composed of a line-size approved reduced pressure principle backflow prevention assembly with a specific bypass water meter and a meter-sized approved reduced pressure principle backflow prevention assembly. The meter shall register (in U.S. gallons) accurately for only very low rates of flow and shall show a registration for all rates of flow. This assembly shall be used to protect against health hazard (i.e., contaminant). Device must be approved by Foundation for Cross-Connection Control and Hydraulic Research.

Service connections. The term "service connection" shall mean the terminal end of a service connection from the public potable water system, i.e., where the town loses jurisdiction and control over the water at its point of delivery to the consumer's water system.

Water purveyor. The term "water purveyor" shall mean the consumer or operator of a public potable water system providing an approved water supply to the public.

Unapproved water supply. The term "unapproved water supply" shall mean a water supply which has not been approved for human consumption by the NCDENR.

Used water. The term "used water" shall mean any water supplied by a water purveyor from a public water system to a consumer's water system after it has passed through the point of delivery and is no longer under the control of the water purveyor.

(c) *Right of entry.*

- (1) Upon presentation of proper credentials and identification, authorized representatives from the town shall have the right to enter any building, structure, residence, or premises during normal business

hours, or at any time during the event of an emergency to perform any duty imposed by this section. The town shall schedule in advance with the owner or authorized representative if no emergency is imminent. Those duties may include sampling and testing of water, or inspections and observations of all piping systems connected or suspected to be connected to the public water supply. Where a consumer has security measures in force which would require proper identification and clearance before entry into their premises, the consumer shall make necessary arrangements with the security guards so that upon presentation of suitable identification, the town personnel will be permitted to enter without delay for the purpose of performing their specific responsibilities. Refusal to allow entry for these purposes may result in discontinuance of water service and the assumption of a health hazard and requirement to install a reduce pressure principle backflow prevention assembly.

- (2) On request, the consumer shall furnish to the town any pertinent information regarding the water supply system on such property where cross-connections and backflow are deemed possible.

(d) *Elimination of cross-connections: degree of hazard.*

- (1) When cross-connections are found to exist, the owner, his/her agent, occupant, or tenant will be notified in writing to disconnect the same within the time limit established by the town. The degree of protection required, and maximum time allowed for compliance will be based upon the potential degree of hazard to the public water supply system. If, in the judgment of the town, an imminent health hazard exists water service to the building or premises where a cross-connection exists may be terminated unless an air gap is immediately provided, or the cross-connection is immediately eliminated. The maximum time limits are as follows:
 - (2) Cross-connections with private wells or other auxiliary water supplies require immediate disconnection.
 - (3) All facilities which pose a potential health hazard to the potable water system must have an approved air gap or reduced pressure principle backflow prevention assembly within 60 days of notification by the town.
 - (4) All industrial and commercial facilities not identified as a "health hazard" shall be considered non-health hazard facilities. All non-health hazard facilities must install a double-check valve assembly within 90 days of notification by the town.
 - (5) Water mains served by the town but not maintained by the town shall be considered cross-connections, with degree of hazard to be determined by the town. Degree of protection shall be based upon the degrees of hazard, as determined by the town.
 - (6) In the event that the town personnel do not have sufficient access to every portion of a non-residential private water system (i.e., classified research and development facilities; federal government property) to allow a complete evaluation of the degree of hazard associated with such private water systems, an approved reduced pressure principle backflow prevention assembly shall be required as a minimum of protection.
 - (7) No person shall fill special use tanks or tankers containing pesticides, fertilizers other toxic chemicals or their residues from the public water system except at a town-approved location equipped with an air gap or an approved reduced pressure principle backflow prevention assembly properly installed on the public water supply.

(e) *Installation of assemblies.*

- (1) All backflow prevention assemblies shall be installed in accordance with the specifications furnished by the town and/or in the latest edition of the North Carolina Building Code, whichever is most restrictive.

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- (2) All new construction plans and specifications, when required by the North Carolina Building Code and the North Carolina ~~Division-Department~~ of Environmental ~~Quality-Health~~, shall be made available to the town for review and approval and to determine the degree of hazard.
 - (3) Ownership, testing, and maintenance of the assembly shall be the responsibility of the consumer.
 - (4) All double-check valve assemblies must be installed in drainable pits wherever below ground installation is necessary, in accordance with detailed specifications provided by the town. Double-check valve assemblies may be installed in a vertical position with prior approval from the town, provided the flow of water is in an upward direction.
 - (5) Reduced pressure principle backflow prevention assemblies must be installed in a horizontal position and in a location in which no portion of the assembly can become submerged in any substance under any circumstance. Pit and/or below grade installations are prohibited.
 - (6) The installation of any backflow prevention assembly which is not approved by the town must be replaced by one which is approved by the town.
 - (7) The consumer is responsible to make sure a backflow prevention assembly is working properly upon installation and is required to furnish the following information to the town within 15 days after a reduced pressure principle backflow preventer (RP), double-check valve assembly (DCVA), pressure vacuum breaker (PVB), double-check-detector assembly (DCDA), or reduced pressure principle detector assembly (RPDA) is installed:
 - a. Service address where assembly is located.
 - b. Owner (and address, if different from service address).
 - c. Description of assembly's location.
 - d. Date of installation.
 - e. Installer (include name, plumbing company represented, plumber's license number).
 - f. Type of assembly and size of assembly.
 - g. Manufacturer, model number, serial number.
 - h. Test results/report.
 - (8) When it is not possible to interrupt water service, provisions shall be made for a "parallel installation" of backflow prevention assemblies. The town will not accept an unprotected bypass around a backflow preventer.
 - (9) Upon notification by the town, the consumer shall install the appropriate containment assembly not to exceed the following time frame:
 - a. Health hazard: 60 days.
 - b. Non-health hazard: 90 days.
 - (10) Following installation, all RP, DCVA, PVB, DCDA, and RPDA are required to be tested by a certified backflow prevention assembly tester within ten days.

(f) *Testing and repair of assemblies.*

- (1) Testing of backflow prevention assemblies shall be made by a certified backflow prevention assembly tester approved by the town. Such tests are to be conducted upon installation and annually thereafter or at a frequency established by the town. A record of all testing and repairs is to be retained by the

consumer. Copies of the records must be provided to the town, or its identified third-party manager, within ten business days after the completion of any testing, and/or repair work.

- (2) Any time that repairs to backflow prevention assemblies are deemed necessary, whether through annual or required testing, or routine inspection by the consumer or by the town, these repairs must be completed within a specified time in accordance with the degree of hazard. In no case shall this time period exceed:
 - a. Health hazard facilities: seven days.
 - b. Non-health hazard facilities: 21 days.
 - (3) All backflow prevention assemblies with test cocks are required to be tested annually or at a frequency established by the town.
 - (4) All certified backflow prevention assembly testers must obtain and employ backflow prevention assembly test equipment which has been evaluated and/or approved by the town. All test equipment shall be registered with the town and shall be checked for accuracy annually (at a minimum), calibrated if necessary, and certified to the town as to such accuracy/calibration, employing a calibration method acceptable to the town [See definitions, subsection (b).]
 - (5) It shall be unlawful for any consumer or certified backflow prevention assembly tester to submit any record to the town which is false or incomplete in any material respect. It shall be unlawful for any consumer or certified tester to fail to submit to the town any record which is required by this section. Such violations may result in any of the enforcement actions outlined in subsection (j).
- (g) *Facilities requiring protection.* Approved backflow prevention assemblies shall be installed on the service line to any facility that the town has identified as having a potential for backflow. All assemblies and installations shall be subject to inspection and approval by the town.

The following types of facilities or services have been identified by the town as having a potential for backflow of non-potable water into the public water supply system. Therefore, an approved backflow prevention assembly may-shall be required on all such services according to the degree of hazard present. Other types of facilities or services not listed below may also be required to install approved backflow prevention assemblies if determined necessary by the town. As a minimum requirement, all commercial-non-residential services will-shall be required to install a double-check valve assembly, unless otherwise listed below.

Abbreviations:

DCVA = double-check valve assembly

RP = reduced pressure principle assembly

DCDA = double-check detector assembly

RPDA = reduced pressure detector assembly

AG = air gap

PVB = pressure vacuum breaker

- (1) Automotive services stations. Dealerships, etc.
 - a. No health hazard: DCVA
 - b. Health hazard: RP
- (2) Auxiliary water systems:
 - a. Approved public/private water supply: DCVA

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- b. Unapproved public/private water supply: AG
 - c. Used water and industrial fluids: RP
 - (3) Bakeries
 - a. No health hazard: DCVA
 - b. Health hazard: RP
 - (4) Beauty shops/barber shops
 - a. No health hazard: DCVA
 - b. Health hazard: RP
 - (5) Beverage bottling plants: RP
 - (6) Breweries: RP
 - (7) Buildings—Hotels, apartment houses, public and private buildings, or other structures having unprotected cross-connections.
 - a. (Under five stories) no health hazard: DCVA
 - b. (Under five stories) health hazard: RP
 - c. (Over five stories) all: RP
 - (8) Canneries, packing houses, and rendering plants: RP
 - (9) Commercial carwash facilities: RP
 - (10) Commercial greenhouses: RP
 - (11) Commercial sales establishments (department stores, malls, etc.)
 - a. No health hazard: DCVA
 - b. Health hazard: RP
 - (12) Concrete/asphalt plants: RP
 - (13) Dairies and cold storage plants: RP
 - (14) Dye works: RP
 - (15) Film laboratories: RP
 - (16) Fire Systems $\frac{3}{4}$ " (inch) to 2" (inch)
 - a. No health hazard: DCDA
 - b. Health hazard: (Booster pumps, foam, antifreeze solution, etc.) RP
 - (17) Fire systems $2\frac{1}{2}$ " (inch) to 10" (inch) (or larger)
 - a. No health hazard: DCDA
 - b. Health hazard: (Booster pumps, foam, antifreeze solution, etc.): RPDA
 - (18) Fire trucks: RP
 - (19) Hospitals, medical buildings, sanitariums, morgues, mortuaries, autopsy facilities nursing and convalescent homes, medical clinics, and veterinary hospitals: RP
 - (20) Laundries:

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- a. No health hazard: DCVA
 - b. Health hazard: (i.e., dry cleaners): RP
- (21) Lawn irrigation systems (split taps)
- a. No health hazard: DCVA
 - b. Health hazard: (Booster pumps, chemical systems): RP
- (22) Metal manufacturing, cleaning, processing, and fabricating—plants: RP
- (23) Mobile home parks:
- a. No health hazard: DCVA
 - b. Health hazard: R-P
- (24) Oil and gas production, storage or transmission properties: RP
- (25) Pest control (exterminating and fumigating): RP
- (26) Power plants: RP
- (27) Restaurants:
- a. No health hazard: DCVA
 - b. Health hazard: RP
- (28) Restricted, classified, or other closed facilities: RP
- (29) Sand and gravel plants: RP
- (30) Schools and colleges: RP
- (31) Sewage and storm drain facilities: RP
- (32) Swimming pools, spas, small manmade ponds, and fountains or any body of water above or in-ground greater than 24-inches deep that is connected to or filled by the potable water system:
- a. Community or non-residential: RP
 - b. Residential without direct piping: AG
 - c. Residential with direct piping from potable supply: RP
- (33) Waterfront facilities and industries: RP
- (h) *Connections with unapproved sources of supply.*
- (1) No person shall connect or cause to be connected any supply of water not approved by ~~the~~ NCDENR any regulating authority to the water system supplied by the town. Any connections allowed by the town ~~must~~ shall be in conformance with the backflow prevention requirements of this section.
 - (2) In the event of contamination or pollution of a public or consumer potable water system, the consumer shall notify the town immediately in order that appropriate measures may be taken to overcome and eliminate the contamination or pollution.
- (i) *Fire protection systems.*
- (1) All connections for fire protection systems connected with the public water system two inches and smaller shall be protected with an approved double-check valve assembly as a minimum requirement. All fire systems using toxic additives or booster pumps, or with an FDC installed, shall be protected by an approved reduced pressure principle detector assembly at the main service connection.

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- (2) All connections for fire protection systems connected with the public water system greater than two inches shall be protected with an approved double-check detector assembly as a minimum requirement. All fire protection systems using toxic or hazardous additives or booster pumps, or with an FDC installed, shall be protected by an approved reduced pressure principle detector assembly at the main service connection.
 - (3) All existing backflow prevention assemblies 2½" and larger installed on fire protection systems that were initially approved by the town shall be allowed to remain on the premises, as long as they are being properly maintained, tested and repaired as required by this section. However, if the existing assembly must be replaced (once it can no longer be repaired), or in the event of proven water theft through an unmetered source, the consumer shall be required to install an approved double-check detector assembly or reduced pressure principle detector assembly as required by this provision.

(j) *Enforcement.*

- (1) The consumer or person in charge of any installation found not to be in compliance with the provisions of this section shall be notified in writing with regard to the corrective action(s) to be taken.
- (2) Such notice must explain the violation and give the time period within which the violation must be corrected. The time period set to correct a violation shall not exceed 30 days after receiving notice unless otherwise specified by subsection (4). If the violation has been determined by the town to be an imminent hazard the consumer shall be required to correct the violation immediately.
- (3) In the event a consumer is found in violation of this section and fails to correct the violation in a timely manner or to pay any civil penalty or expense assessed under this section, water service may be terminated, and shall be reestablished when the violation is corrected, and any applicable civil penalties are paid.
- (4) The violation of any provision of this section may be punished by a civil penalty listed as follows:
 - a. Unprotected cross-connection involving a private water system which creates an imminent hazard—\$1,000.00 per day not to exceed \$10,000.00.
 - b. Unprotected cross-connection involving a private water system which is of a moderate or high hazard—\$500.00 per day not to exceed \$5,000.00.
 - c. If in the judgment of the town, any consumer, manager, supervisor, or person in charge of any installation is found to be in noncompliance with the provisions of this section and/or neglects their responsibility to correct a violation water service may be discontinued until compliance is achieved.
 - d. Failure of a consumer or certified tester to submit any record required by this section, or the submission of falsified reports/records may result in a civil penalty of up to \$500.00 per violation. If a certified backflow prevention assembly tester submits falsified records to the town, the town shall permanently revoke that tester.
 - e. Failure to test or maintain backflow prevention assemblies as required—\$200.00 per day.
- (5) Enforcement of this program shall be administered by the utilities director of the town or his/her authorized representative.

(Ord. No. 20080512-9.0, § 1, 5-12-2008)



ORDINANCE

Modification to Town Code Section I4-56 (Cross Connection Control)

WHEREAS, Section 14-56 of the town code was established in May 2008 and has been without revision since that time; and,

WHEREAS, the town desires to update the code to correct outdated or incorrect regulatory citations and the state authority name, correct grammar, expound on certain definitions and policy, and add an air-gap protection option for swimming pools not directly connected to the potable water system with a potential contamination hazard.

NOW, THEREFORE, the Hillsborough Board of Commissioners ordains:

Section 1. The following sections of Section 14-56 of town code are edited as presented below:

(a) Section (a)(1) as redlined:

Introduction. The purpose of this cross-connection control section is to define the town as the water purveyor in the prevention and elimination of all existing or potential cross-connections within its public potable water supply.

This section shall apply to all consumers connected to the town public potable water supply.

This section will comply with the Federal Safe Drinking Water Act (P.L. 93-523), the North Carolina State Administrative Code (Title 15A, Subchapter 18C), and the North Carolina State Building Code (Volume II currently adopted edition) as they pertain to cross-connections with the public water supply.

In accordance with General Statute 160A-174 and 160A-1752A-9.1, the town is authorized and empowered to adopt this section.

(b) Section (a)(3)(a.) as redlined

Health agency's responsibility. The North Carolina Department of Environmental al Quality and Natural Resources (~~division of environmental health~~) has the responsibility for promulgating and enforcing laws, rules regulations, and policies applicable to all water purveyors in the State of North Carolina in carrying out an effective cross-connection control program.

The ~~division of environmental health~~ Department of Environmental Quality also has the primary responsibility of ensuring that the water purveyor operates a public potable water system free of actual or potential sanitary hazards including unprotected cross-connections. The ~~division of environmental health~~ Department of Environmental Quality also has the responsibility of ensuring that the water purveyor provides an approved water supply at the service connection to the consumer's water system and, further, that the purveyor requires the installation, testing, and maintenance of an approved backflow prevention assembly on the service connection when required.

(c) Section (a)(3(d.) as redlined

Consumer responsibility. The consumer has the primary responsibility of preventing pollutants and contaminants from entering his/her potable water system or the public potable water system. The consumer's responsibility starts at the point of delivery from the public potable water system and includes all of his/her water system. It is the consumer's responsibility to install and maintain a continuous operable assembly to this end per subsections (e) through (g). The consumer, at his/her expense shall install, operate, test, and maintain approved backflow prevention assemblies as directed by the town. The consumer shall maintain accurate records of tests and repairs made to backflow prevention assemblies and shall maintain such records for a minimum period of three years. The records shall be on forms approved by the town and shall include the list of materials or replacement parts used. Following any repair, overhaul, repiping, or relocation of an assembly, the consumer shall have it tested to ensure that it is in good operating condition and will prevent backflow. Tests, maintenance, and repairs of backflow prevention assemblies shall be made by a town-approved certified backflow prevention assembly tester. Consumer shall follow the specifications of the town regarding configuration and placement of backflow prevention assemblies. Bypass detection meters shall be purchased from the town.

(d) Section (b) Definitions

- (1) Add the acronym "(AG)" after *Air gap*.
- (2) Add a comma after the word "polluted" under *Auxiliary water supply*.
- (3) Add a comma after the word "gases" under *Backflow*.
- (4) Add the word "of" between years and experience under *Certified backflow prevention assembly tester*.
- (5) Add to end of *Consumer* the sentence, "A person includes residential water customers."
- (6) Add the words "health/severe" between the words "actual hazard" to read "actual health/severe hazard" under *Contamination*.
- (7) Under *Degree of Hazard*, add the words "or moderate" after the word non-health within parentheses and the words "or severe" after the word health within parentheses. Change contaminations to contamination and put in quotes.
- (8) Under *Health agency* change "Environment and Natural Resources" to "Environmental Quality".
- (9) Change the word "usage's" to "usage" under *Isolation*.
- (10) As redlined under *Pollutional hazard*, "The term "pollutional hazard" shall mean a moderate actual or potential threat to the quality or the potability of the public or the consumer's potable water system but which would not constitute a health or a severe system hazard, as defined. The maximum degree or intensity of pollution to which the potable water system could be degraded under this definition would cause a nuisance

or be aesthetically objectionable or could cause minor damage to the system or its appurtenances.”

(e) Section (c)(1) as redlined

Upon presentation of proper credentials and identification, authorized representatives from the town shall have the right to enter any building, structure, residence, or premises during normal business hours, or at any time during the event of an emergency to perform any duty imposed by this section. The town shall schedule in advance with the owner or authorized representative if no emergency is imminent. Those duties may include sampling and testing of water, or inspections and observations of all piping systems connected or suspected to be connected to the public water supply. Where a consumer has security measures in force which would require proper identification and clearance before entry into their premises, the consumer shall make necessary arrangements with the security guards so that upon presentation of suitable identification, the town personnel will be permitted to enter without delay for the purpose of performing their specific responsibilities. Refusal to allow entry for these purposes may result in discontinuance of water service and the assumption of a health hazard and requirement to install a reduce pressure principle backflow prevention assembly.

(f) Section (d)(3) as redlined

All facilities which pose a potential health hazard to the potable water system must have an approved air gap or reduced pressure principle backflow prevention assembly within 60 days of notification by the town.

(g) Section (d)(6) as redlined

In the event that the town personnel do not have sufficient access to every portion of a non-residential private water system (i.e., classified research and development facilities; federal government property) to allow a complete evaluation of the degree of hazard associated with such private water systems, an approved reduced pressure principle backflow prevention assembly shall be required as a minimum of protection.

(h) Section (e)(2) change “North Carolina Division of Environmental Health” to “North Carolina Department of Environmental Quality”.

(i) Section (f)(1) add “, or its identified third-party manager,” to the last sentence after “provided to the town...”

(j) Section (g) second paragraph as redlined

The following types of facilities or services have been identified by the town as having a potential for backflow of non-potable water into the public water supply system. Therefore, an approved backflow prevention assembly may-shall be required on all such services according to the degree of hazard present. Other types of facilities or services not listed below may also be required to install approved backflow prevention assemblies if determined necessary by the town. As a minimum requirement, all commercial-non-residential services will-shall be required to install a double-check valve assembly, unless otherwise listed below.

(k) Section (g)(32) as redlined

Swimming pools, spas, small manmade ponds, and fountains or any body of water above or in-ground greater than 24-inches deep that is connected to or filled by the potable water system:

- a. Community or non-residential: RP
- b. Residential without direct piping: AG
- c. Residential with direct piping from potable supply: RP

(l) Section (h)(1) as redlined

No person shall connect or cause to be connected any supply of water not approved by ~~the~~ NCDENRany regulating authority to the water system supplied by the town. Any connections allowed by the town must-shall be in conformance with the backflow prevention requirements of this section.

Section 2. All provisions of any town ordinance in conflict with this ordinance are repealed.

Section 3. This ordinance shall become effective upon adoption.

The foregoing ordinance having been submitted to a vote, received the following vote, and was duly adopted this 11th day of December in the year 2023.

Ayes:

Noes:

Absent or excused:

Sarah E. Kimrey, Town Clerk



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: Dec. 11, 2023
Department: Utilities
Agenda Section: Regular
Public hearing: No
Date of public hearing: N/A

PRESENTER/INFORMATION CONTACT

Utilities Director K. Marie Strandwitz, PE
Water and Sewer Advisory Committee

ITEM TO BE CONSIDERED

Subject: Recommendations on reimbursing certain residential swimming pool owners for backflow device installation

Attachments:

Water and Sewer Advisory Committee meeting minutes summary and supporting information on subject

Summary:

At its October 2023 meeting the Water and Sewer Advisory Committee discussed recommendations for reimbursement to customers who were asked to install a reduced pressure zone backflow assembly on their existing in-ground swimming pool. The history of this situation is well documented in the Water and Sewer Advisory Committee and the Board of Commissioners meeting minutes beginning in May 2023. Essentially, the town staff, following established town code, sent letters in early 2023 to several customers having existing in-ground swimming pools and asked them to install a reduced pressure zone backflow assembly to meet such code, which has been in place since 2008.

In town code and generally across the state and nation, the installation of backflow devices at the request of a water purveyor due to known or potential contamination is paid for by the customer. The customer privately owns and maintains such devices. Installation can be over \$2000, and the installation is organized between the customer and their selected plumber. A plumbing trade permit is required for the installation and a test by a certified backflow tester is performed after installation demonstrating proper operation. Town staff inspects the final installation for compliance with its requirements. The reduced pressure zone is entered into the town's management system and reminders are sent for customers to test the assembly annually, per code.

Customers receiving the compliance letter presented to the town manager and board their displeasure with the requirement and asked for relief. The town board motioned for the Water and Sewer Advisory Committee and staff to present a less invasive and costly option, and to recommend changing the code to the selected option, if favorable. The board has signaled the desirability to allow an air gap as an alternate option for backflow protection for the subject customer group. The air gap is an allowable industry method and relies solely on the customer to follow and maintain a proper physical separation of the potable water system when filling a tank or vessel that could have harmful consequences if its contents are back-flowed or back-siphoned into the public water supply.

Since 2008, the town has specified a reduced pressure zone assembly for certain types of facilities with known or potential severe contamination hazards as the reduced pressure zone assembly is a 1) certified assembly by

industry standards, 2) is easily accessible by town staff and testers, 3) can be tested by certified testers as operable, and 4) requires annual testing to ensure its proper operation to protect the water supply. Swimming pools, simply defined, require a reduced pressure zone assembly in current code.

Customer compliance prior to pausing enforcement:

- A few customers voluntarily complied with the requirement to install a reduced pressure zone assembly by obtaining a plumbing permit, having a plumbing company install the assemblies on their water services and submitting testing results to the town.
- One customer had her plumbing company apply for a permit after the board motioned to cease the effort while another solution was vetted, after the town sent physical letters noting this, and putting comments in the permit system on unissued permits to pause. Their plumber installed the assembly without an issued permit. The board motion and letters/notations to pause installations were in May 2023.
- Other customers had applied for permits and some were not issued. Some were issued, but never completed.

The town manager in several meetings suggested those that complied should be reimbursed by the town if the code was relaxed. Some board members agreed. The board subsequently requested that Water and Sewer Advisory Committee discuss their recommendation and terms for reimbursement, which they did in October 2023. Of the seven active members on the Water and Sewer Advisory Committee (one vacancy exists), the chair and one member were not present, leaving five members. The vice chair, as an impacted customer, was advised by town legal counsel to recuse herself during the discussion. This left four members to discuss this situation.

The Water and Sewer Advisory Committee was evenly split in support and opposition of reimbursement amongst the four present members. See the attached information for further detail. If the Board of Commissioners were to proceed with reimbursement, the advisory committee would recommend that reimbursement should be applicable only to:

- those with existing in-ground swimming pools not directly connected to the potable water supply for auto-filling who received the compliance letters of February and March 2023.
- those of the above who applied for and received a trade/building permit through the county.
- the installation and initial testing cost (not necessarily for maintenance testing, removal, restoration, or other ancillary costs).
- those that fully apply for the (check-issued) reimbursement within 60-days of notification of eligibility and requirements, and who produce detailed documentation of cost.

Financial impacts:

According to the county permit system whereby the permit application must state the cost of the work, the financial impact the town would reimburse owners, if the above recommendations are adopted, would be approximately \$17,000. The actual cost would be dependent on the applicants, their eligibility, and detailed receipts provided.

Staff recommendation and comments:

The code modifications are presented under separate cover. The code will allow an air gap, which is effectively a cost-free solution. To further simplify the process, air gap agreements and other devices previously considered related to testing, monitoring, or inspections such as the hose bibb vacuum breaker will NOT be required. Staff will provide educational outreach to customers using an air gap about how to properly maintain one. The code revisions also clarify an air gap option for other bodies of water that are filled using the town's potable water

supply such as spas, manmade ponds, and fountains. Staff should retain the right of entry as with any facility connected to our system to investigate under suspicion of an unprotected actual cross connection.

On a holistic basis, please consider that codes or policies are modified that may be more relaxed after someone has followed the current code or policy. In those situations, reimbursements are not provided or discussed (e.g., sidewalks, signage). Also consider that the installation of the devices is required based on the actual *or potential* of contamination. The town has evidence that backflow does occur through water meters under certain circumstances. Lastly, such reimbursement for this matter may set a precedent for others to come forward on other related matters of concern that could compromise desired town policy and programs and require much staff and board time.

Action requested:

Consider whether to allow the town to pay certain customers for installation of backflow assemblies due to the code requiring such being modified for a less invasive and costly solution. If payment is voted upon, state the conditions and timeframe for payment.

**Attachment for Agenda Abstract:
WSAC Recommendations on Reimbursing Certain Residential Swimming Pool
Owners for Backflow Device Installation**

**Water and Sewer Advisory Committee Meeting Minute Summary of October 2023
and Supporting Information Regarding Residential Customer Reimbursement
for Installation of a Reduced Pressure Zone Assembly**

A. Reimbursement recommendation for installed backflow devices.

Vice Chair Salvi recused herself from discussion as an impacted citizen. Member Rawlins assumed leadership of the discussion.

Director Strandwitz reported that the Board of Commissioners had requested a recommendation from the Water and Sewer Advisory Committee about which individuals could be eligible to receive reimbursement for their compliance with the code after receipt of the initial notification letter.

Strandwitz presented a categorized chart of homeowners who had received letters from the town in early 2023 notifying them of the requirement to install reduced pressure zone valves (RPZ) for their in-ground swimming pools and who had complied to some extent. The chart detailed the status of each residence's permit applications, installation, and inspection. There are seven homeowners who installed the assemblies.

She detailed the chart's groupings:

- Those who had applied for a permit, but the permit was never issued or was issued but never completed due to the pause (non-shaded).
- Those who had completed RPZ installation to town specifications and received a final permit inspection (green).
- Those who had completed installation, but perhaps not to town specifications and did not receive a final completion, including one where the County signed off without town approval (gold).
- Those who applied for a permit and installed an RPZ after receiving the letter on May 22, 2023, notifying them of the potential pause of the code requirement (and as noted in the permit system). This customer's plumbing company also did not receive an issued permit before the work was completed.

The committee reviewed the discussion points provided by staff based on staff's discussion with the town attorney which was generally to be very succinct about who is eligible and what costs would be covered. There was discussion of the type of reimbursement to be offered, whether by check or as a credit toward the homeowner's water bill. A check was the desired method as adding a bill credit could take several years and if the resident moved, a check would be issued anyway for the balance.

There was discussion of the appropriateness of reimbursing homeowners who complied with the current code after receiving the letters informing them of non-compliance as opposed to those who complied with the code from initial installation as staff had been practicing after they requested the county include the town on sign off for swimming pool permits or other permits

**Attachment for Agenda Abstract:
WSAC Recommendations on Reimbursing Certain Residential Swimming Pool
Owners for Backflow Device Installation**

that may necessitate a backflow device. While recused, Salvi interjected several times aloud and quietly to Rawlins during the conversations.

Rawlins spoke in favor of reimbursement, suggesting that if the homeowners had not received a letter they probably would not have taken on the expense. Member Rasheed expressed concern about setting a precedent. Member Weston noted that the code requirement existed all along, but that the letter simply made people aware that they were not in compliance. Member Robinson felt some type of reimbursement was warranted.

Rawlins called for an informal vote about whether reimbursement was appropriate for those who received the letter and complied with the request before the Board paused enforcement on May 8, 2023, directed a simpler compliance method, and staff notified them. Rawlins and Robinson were in favor of reimbursement. Rasheed and Weston opposed reimbursement. Rawlins summarized that because of the 2-2 vote, the committee did not have a clear recommendation for the Board of Commissioners. Despite disagreement on whether reimbursement ought to be provided, the committee proceeded with discussion assuming the hypothetical case that the Board of Commissioners will move forward with reimbursement.

There was discussion of whether reimbursement should be offered to those who had a RPZ installed after receiving the letter, but whose installation did not pass the inspection. The committee decided that homeowners should be eligible if they made a good faith effort to comply with the code prior to the Board of Commissioners decision on May 8, 2023, except for the one customer who applied for a permit on June 1, 2023, after letters were sent and the permit system noted to pause the action, and whose plumbing company installed the RPZ without an issued permit. They felt that was an issue between the plumbing company and the owner.

Therefore, the Water and Sewer Advisory Committee was evenly split in support and opposition of reimbursement. However, if the Board of Commissioners were to proceed with reimbursement, the advisory committee would recommend that reimbursement should be applicable only to:

- Those with existing in-ground swimming pools not directly connected by house plumbing for auto-filling, who received the compliance letters of February and March 2023.
- Those of the above who applied for and received a trade/building permit through the county.
- Only for the installation and initial testing cost (not necessarily for maintenance testing, removal, restoration, or other ancillary costs).
- Those that fully apply for the (check-issued) reimbursement within 60 days of notification of eligibility and requirements, and who produce a detailed documentation of cost.

Strandwitz will prepare an agenda abstract/memo on behalf of the WSAC for the Board of Commissioners.

**Attachment for Agenda Abstract:
WSAC Recommendations on Reimbursing Certain Residential Swimming Pool
Owners for Backflow Device Installation**

**Staff Prepared Information for Discussion with WSAC in October 2023
RPZ Installation Permit Status**

Letters were sent in early 2023 (20 on 2/22/2023 and 18 on 3/23/2023) to several in-ground swimming pool owners requiring the installation of a reduced principle backflow assembly (RPZ) in accordance with established town code section 14-56. On May 8, 2023, the Board of Commissioners voted to not enforce the requirement and to evaluate the code for lesser expensive options. On May 22, 2023, a letter was sent to the original recipients notifying that the requirement was paused until further notice. Below is the permit status to date.

Location	Applied	Status	Listed Value	Notes
Queen St	4/22/23	Never approved/issued	\$4250	
Lemontree Ln	4/25/23	Never approved/issued	\$1500	
Morelanda Dr 1	4/19/2023	Approved 4/24/2023 Issued 5/5/2023 Awaiting Final Insp.	\$2500	Has not installed to town specifications
Claytor Dr	3/30/2023	Approved 4/6/2023 Issued 4/14/2023 Awaiting final insp.	\$2500	Has not installed to town specifications
St. Marys Rd	6/1/2023	Never approved/issued	\$2500	Plumbing company installed this without permit approval – applied after notification of 5/22/2023 to hold off
Miller Rd	3/29/2023	Approved 3/29/2023 Issued 4/3/2023 Final Sign Off 4/18/2023	\$2000	Complete to town specifications
Orange HS Rd	3/29/2023	Approved 3/29/2023 Issued 3/30/2023 Final Sign Off 4/6/2023	\$4000	Complete to town specifications
Gwen Rd 1	4/4/2023	Approved 4/6/2023 Issued 4/12/2023	\$3375	
Silver Fox Ln	4/10/2023	Approved 4/12/2023 Issued 4/12/2023 Final Sign Off 4/24/2023	\$3300	Complete to town specifications
Dairy Farm Rd	2/28/2023	Approved 3/6/2023 Issued 3/8/2023	\$1785	
Morelanda Dr 2	3/29/2023	Approved 3/29/2023 Issued 4/14/2023 Final Sign Off ???	\$2500	Town not included for final sign off!
Gwen Rd 2	3/23/2023	Approved 3/28/2023 Never issued	\$3574.38	

**Attachment for Agenda Abstract:
WSAC Recommendations on Reimbursing Certain Residential Swimming Pool
Owners for Backflow Device Installation**

Reimbursement for Compliance Prepared Discussion Points

The Board of Commissioners also requested discussion and recommendation about reimbursement of funds for those that complied with current code if the code is to be modified for a less expensive option. The code will be modified to include an air gap option for those that do not have a direct piped connection to the pool for an auto-fill option. The air gap is an approved backflow prevention method which is based on education to not create a cross-connection by submergence of a hose into the pool (or any other body of water) by keeping a certain “air gap” separation between a hose end and body of water.

Staff recommendations after speaking with the town attorney are as follows to start the discussion are to apply very strict parameters. Reimbursement recommendations should be applicable only to:

- those receiving the compliance letters of February and March 2023
- those who applied for and received a trade/building permit through the county
- RPZs installed in accordance with town code and who received a certificate of compliance
- only for the installation cost (not necessarily for the testing, removal, restoration, or other ancillary costs)
- those that apply for the reimbursement (or option of bill credit?) by an established timeframe which is recommended to be set for only a few months and who produce documentation of cost

The advisory committee can discuss and recommend the above or modifications to the above. Staff will prepare a memorandum or abstract to the Board of Commissioners with the recommendations to present at a future meeting.



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: Dec. 11, 2023
Department: Administration
Agenda Section: Regular
Public hearing: No
Date of public hearing: N/A

PRESENTER/INFORMATION CONTACT

Eric Peterson, Town Manager

ITEM TO BE CONSIDERED

Subject: Fiscal Year 2025 Budget Retreat Follow-up Discussion

Attachments:

1. Affordable Housing: Ramp-up Plan Summary, Information, & Observations (Related to FY25 Budget Retreat)
2. Revised FY25 Budget Retreat Agenda

Summary:

Questions and suggestions were raised during the Nov. 27 workshop regarding the proposed agenda for the FY25 Budget Retreat. The manager reevaluated the agenda design for this item and others, solicited feedback from staff, and consulted with Mayor Weaver and Mayor-Elect Bell. The manager intended to send questions to the board to gain further insight as to each board member's interests, what they would like to discuss, and how to discuss affordable housing. There was not enough time to go through this step, so the agenda item now contains a recommendation, additional information, and opportunity for the board to further discuss and adjust the affordable housing topic. This is also an opportunity for the board to make further refinements to the proposed retreat agenda.

Financial impacts:

Not applicable at this time.

Staff recommendation and comments:

The proposed affordable housing agenda item includes the two items listed below. The rationale for narrowing the topics to the two listed is to keep the discussion at a high-level and manageable. The topic is complex and needs large blocks of time to focus and get into the details. Otherwise, there may be little time at the retreat to receive information and provide guidance on key budgetary/strategic matters.

- a. Review the Affordable Housing "Ramp-up" Plan adopted by the Town Board in June as part of the FY24-26 Budget, confirm, or consider refinements.
- b. Identify key points, how, and what to discuss at 2024 workshops that allows the Town Board to take a "deep dive" into affordable housing.

Action requested:

The board is encouraged to adjust the retreat agenda on all topics, to ensure sufficient opportunities for deliberation, direction, analysis, and requests for further information are provided.

Affordable Housing Ramp-up Plan Summary, Information, & Observations *FY25 Budget Retreat Agenda Discussion*

Please find below and attached the board adopted affordable housing budget (i.e., the “ramp up” plan where funding is increased each year until FY27 when the amount equals two cents on the tax rate). Thanks to Budget Director Emily Bradford for putting this summary together quickly and in an easy-to-follow format! This will be a helpful refresher to frame discussions on this topic. The FY24 budget includes the following:

- Ramp up for “affordable housing creation & preservation” (these funds are to be set aside for future use)
 - FY24 - \$32,884
 - FY25 - \$107,884
 - FY26 - \$182,884
- Partnership to End Homelessness – FY23 Request (Board allocated the FY23 budgeted but uncommitted affordable housing funds toward this request)
 - FY23 – \$43,292
 - FY24 and beyond - \$44,628
- The following requests remain unfunded (requests attached, note that the PEH request was sent as a PDF and as mentioned, is hard to read)
 - PEH – FY24 Expansion Request (\$51,475/yr)
 - IFC – FY23 request (\$43,518/yr)

Affordable Housing FY24-27 “Ramp-up” Plan:

Continuation Budget (included in FY24 budget)	FY22	FY23	FY24	FY25	FY26	FY27
Community Home Trust	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
HOME Funds Match	\$4,200	\$6,486	\$4,200	\$4,200	\$4,200	\$4,200
O.C. Partnership to End Homelessness (continuation)	\$15,788	\$15,788	\$15,788	\$15,788	\$15,788	\$15,788
O.C. Partnership to End Homelessness (FY23 Request)		\$43,292	\$44,628	\$44,628	\$44,628	\$44,628
Affordable Housing Creation & Preservation			\$32,884	\$107,884	\$182,884	\$258,884
Total Continuation	\$22,488	\$68,066	\$100,000	\$175,000	\$250,000	\$326,000

Information to Consider Relevant to Setting the Budget Retreat Agenda

- How the affordable housing discussion is structured for the retreat depends on the board’s feelings regarding the “ramp-up” plan. For instance, assuming the board is still comfortable with the timing and dollar amounts per category (OCPEH, New Unit Creation, etc.) with limited refinements likely, then funding for affordable housing could be a short and simple item at the retreat. *Thoughts from Mayor Bell:* Not sure we should save/fund per category, but as a whole in order to provide flexibility. Having categorized priorities is a good idea, but we need to be able to act on an opportunity when it presents.

If the board wants to scrap or make significant changes to the “ramp-up” plan then it would likely warrant an outside facilitator and/or using techniques such as Commissioner Ferguson suggested where the group works to identify gaps, opportunities, and creative approaches, then stress test them by looking for failure points to create a new plan with input from key stakeholders (i.e., Red Teaming). If the board would like to have a facilitator, then providing direction would be helpful (e.g., a subject matter expert in the affordable housing field or with other skillsets).

- Regarding the topic of how to pay for the plan, I believe it's premature to discuss it, so that's one less item needing discussion at the retreat. When, if, and how much to raise the tax rate to pay for the plan is an issue the budget team will evaluate while the recommended budget is being developed. The goal will be to find a way to defer raising the tax rate to fund it, at least until the next property revaluation cycle. Thus, the May/June budget discussions will be the time that decision will require board direction.
- Other affordable housing topics the board might want to consider discussing at the retreat or at future workshops:
 - High level overview from an affordable housing subject matter expert to help frame options (e.g., Habitat, CHT, CASA). This could include their insights regarding barriers, needs, potential projects and how the town board can influence new units.
 - Changes to the UDO that require, incent, and/or provide options for developers to increase the number of affordable units in future development (e.g., 15% of new units must be affordable).
 - This issue wouldn't have to be solved at the retreat, but rather directions provided to staff to bring back a report and options at a further date. This topic is important because it has the potential to have a significantly bigger impact on new affordable housing creation in town than the "ramp-up" plan.
 - *Observations from Mayor Weaver:* This will likely need to happen regardless during the UDO rewrite process. There's a variety of things/changes the board could consider such as incentives as mentioned in the bullet, changes that will make missing middle market rate housing less expensive to build, eliminating parking minimums and changing all to maximums.
 - Deep dive into Low Income Housing Tax Credit programs – provide board and staff a deeper understanding of how most affordable developments in NC are financed, which areas of town and projects are competitive, and how the town can assist partners in bringing forward competitive projects.
 - Other town-influenced affordable housing strategies and needs – demand side (credit repair, down payment assistance), supply side (land donation, infrastructure assistance, zoning, subsidies), preservation (code enforcement, repair programs), housing needs assessment. This could also discussions about the various affordable housing needs by level from 30% AHI to the "missing middle."
 - Options and priorities on how to use the funds being accrued from the "ramp-up" for housing creation. This could include small, medium, or larger projects. An example of a larger project may be saving to help create affordable units at the train station property since the land donation alone will likely not be sufficient to make a project viable.
- The board could decide to dedicate a major portion of the retreat to dive deeper into both the "ramp-up" plan and potential other topics. If so, then bringing in experts like Commissioner Ferguson suggested may be needed as that could be a big issue to tackle, especially considering it took a few years of discussion to agree on the ramp-up plan.

If board preference is to revamp the "ramp-up" plan and take a deep dive into even one of the areas listed above, we may want to consider cancelling all the other budgetary discussion items at the retreat, except for review of the community survey results, since our affordable housing discussions are usually time consuming, confusing, and hard to reach consensus. Part of the challenge of "moving the needle" is likely due to the complexity of the issue and how overwhelming it is when the country has a shortage of five to six million housing units. Affordable housing is an item we're all passionate about, it's frustrating to see the impact on our community, yet there are limited tools to effect noticeable change. Still, the "ramp-up" plan took 2+ years to arrive at and represents a huge commitment, likely one of the larger earmarks of property taxes in North Carolina relative to our size.

Looking to improve the effectiveness of policy tools is another example of how the town is taking this issue seriously. The board has spent more hours discussing affordable housing than just about any other issue. The point of these observations is to help us not lose perspective. Yes, there is a lot of work to be done, but maintaining balance so other issues don't get neglected is important, too. The board has the best vantage point to determine priorities and balance, thus the thoughts in this paragraph are intended to help the board reflect as you direct staff on how, where, and when to proceed.

Option to consider from Mayor Bell: *Schedule one or two work board sessions to deep-dive into affordable housing and reserve the board retreat discussion to the question of ramp up/funding levels as it could easily take up the entire retreat.*

Draft Agenda
FY2025-27 Budget Retreat
Town Hall Annex Board Meeting Room
February 17, 2024 – 9:00 a.m. to 3:15 p.m.

1. **8:30 – Doors open** (light breakfast & beverages available)
2. **9:00 – Welcome, introductions, icebreaker/team building** (facilitator or other?)
3. **9:45 – Community Survey Follow Up & Strategic Plan: updates, adjustments, possible additions, review of “parking lot” items**
4. **10:30 – Break**
5. **10:45 – Affordable Housing** (If additional time is needed Climate & Sustainability time may not be needed or it can be moved to the afternoon to create an additional 30 minutes for discussion)
 - a. Review the Affordable Housing “Ramp-up” Plan adopted by the Town Board in June as part of the FY24-26 Budget, confirm, or consider refinements.
 - b. Identify key points, how, and what to discuss at 2024 workshops that allows the Town Board to take a “deep dive” into affordable housing.
6. **11:30 – Climate & Sustainability** (continue discussion from Jan. 22 workshop update)
7. **12:00 – Lunch**
8. **12:45 – Major Decision Points (CIP, personnel, & programs).** Updates and Q&A regarding the requests, options, alternatives, timing, how to fund, rates, etc.
 - a. General Fund
 - b. Water/Sewer Fund
 - c. Stormwater Fund
9. **2:15 – Employee Benefits Study: Update and Q&A**
10. **3:00 – Review Key Directives, Debrief, and Closing Comments**
11. **3:15 – Adjourn**



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: Dec. 11, 2023
Department: All
Agenda Section: Regular
Public hearing: No
Date of public hearing: N/A

PRESENTER/INFORMATION CONTACT

Department Heads

ITEM TO BE CONSIDERED

Subject: Staff (written reports in agenda packet)

Attachments:

Monthly departmental reports

Summary:

N/A

Financial impacts:

N/A

Staff recommendation and comments:

None.

Action requested:

Accept reports.



Administrative Services Report November 2023

Budget

- Kicked off water and sewer rate study.
- Kicked off FY25 budget season. Capital Improvement Plan requests are due in December.

Communications

- Website — Worked with departments and divisions to update webpages and reorganize navigation. Completed a site map for the new website and approved a wireframe for the homepage (two-dimensional illustration focusing on space allocation, prioritization of content, functionalities available, and intended behaviors). Cataloged website documents and began reviewing for branding, style and updates.
- Utilities Outreach — Worked on revisions for utility bills. Communicated fiber work moving into neighborhoods and water main breaks, with communication over a weekend. Reviewed online forms for utilities tours, waivers and guidelines. Created flyer with translation on how to purchase bulk water.
- Other — Hired and prepared for intern starting in December to help during website transition. Attended NC3C regional conference on impacts of artificial intelligence on public communications. Implemented new phone number and use of shared email address for on-call, after-hours work. Communicated on Thanksgiving Day shooting. Renewed and completed emergency management training (manager): IS-100.C: Introduction to the Incident Command System and IS-800.D: National Response Framework, An Introduction.

Fleet Maintenance

- No updates.

Human Resources/Town Clerk

- Bi-weekly payroll
- FY23 Innovation, Customer Service and Endurance Awards

RECRUITMENT AND SELECTION	
Position	Status
Equipment Operator	Start date: 12/11
Planner II	Started 11/6.
Police Lieutenant	Closed 10/29.
Police Officer	Continuous recruitment.
Stormwater Technician	Closes 12/17.
Utility Maintenance Supervisor	Interviews scheduled.
Utility Maintenance Technician I	Started 11/6.
Utility Maintenance Technician I (Locator)	Open until filled.

Information Technology

- Continued work on Tyler Payment implementation for Financial Services. Implementation date is scheduled for Dec. 11.

- The equipment for the audio improvements for the Annex Board Meeting Room is scheduled to be installed the week of Dec. 18–22. The Board Meeting Room will be unavailable that week.
- Hosted vendor presentations/demos for the Building Access and Security Committee to review the final two centralized access and camera systems. Vendor and system selection should be completed by the end of the year.

Safety and Risk Management

- No updates.



Public Works Report: November 2023

Work Orders

6 completed within two days.

Public Spaces

62 staff hours

Stormwater Maintenance

168 linear feet, 12 staff hours.

Inspections

4 Driveway Permits, 2 Utility Cut Permits, 9 sidewalk inspections

Special Events

Last Fridays – 4 staff hours, Install Holiday Décor – 28 staff hours, Install and remove banners for Veteran’s Day – 12 staff hours.

Training

2 staff attended Asphalt Maintenance training through ITRE, and 1 staff attended Winter Maintenance Operator through APWA

Cemetery

1 grave marked.

Asphalt Repairs

2 Potholes

Leaf Collection

54 Loads



TOWN OF
HILLSBOROUGH

Utilities Department Status Report for Dec. 2023 (covering Nov. 2023)

PROJECT/CATEGORY	STATUS
WTP	The plant will have the automatic transfer switch to its main generator replaced on 12/11. The plant will be shut down for several hours. Staff has put plans in place to ensure no impacts to customers. Tanks will be topped off, timing will be at the best “down time” of the plant, and the Durham interconnect will be prepared for use in case of emergency.
WWTP	Nothing to report.
West Fork of the Eno Reservoir	The reservoir is now around 44.5 feet. Phase II normal pool is 53 feet.
Water Restrictions	We are on Stage 2 low flow water withdraw restrictions as of Sunday, September 21. Lake Orange is 40+ inches below normal. Withdraw from the Eno is limited to 1.36 mgd unless the town releases more to make up the difference. Our minimum release requirement is 1.0 cfs but we have been releasing between over 4.7 cfs due to additional demand and low flow in the Eno. Without rain, we may be to Stage 3 restrictions soon. Will monitor and make a recommendation however we likely need to issue a proclamation for voluntary water restrictions asking customers to conserve.
Developments	A settlement with Forest Ridge for sewer defects is being negotiated. We have invoiced Collins Ridge developer for two proffers in the amount of \$115,000. One is for flow monitoring. The other is a participatory share in our water main interconnects project which benefitted the development. That project was completed a few years ago. The developer has only paid \$15,000 and has not responded to inquiries about payment. A solution to a retaining wall built in our easement is being considered as well. A review is underway for Persimmon at Cates Creek – a multi-family project in Phase 1.
Fiber Installs	Brightspeed is the third fiber vendor to want to install in town. An agreement is in draft and review.
Staffing	Daniel Wilson started at a utility maintenance technician. An offer is being made for the locator. Second round interviews were conducted for mechanic supervisor.
Backflow Code	Modification is on the Dec. 11 agenda along with select reimbursement recommendations.
Funding	BRIC grant awards were signed. Kickoff forthcoming. An engineering report for the Lawndale SRF funding was submitted. Working on STAG submittal.
Water and Sewer Advisory Committee (WSAC) Activities	Two out of town vacancies are open.