



Agenda

Board of Commissioners Regular Meeting

7:00 PM January 13, 2025

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. Audience comments not related to the printed agenda

3. Agenda changes and approval

4. Presentations

- [A.](#) Employee Service Milestone Awards
- [B.](#) Fiscal Year 2023-24 Audit Presentation

5. Items for decision – consent agenda

- [A.](#) Minutes
 - Regular meeting Dec. 9, 2024
 - Regular meeting closed session Dec. 9, 2024
- [B.](#) Miscellaneous budget amendments and transfers
- [C.](#) 2025 Board of Commissioners Meeting Schedule Amendment
- [D.](#) Acceptance of Water Mains at UNC Hospital in Waterstone/Adjustment of Prior Acceptance Action
- [E.](#) Acceptance of Land Donation from Classical American Homes Preservation Trust for Elizabeth Brady Pumping Station Site
- [F.](#) Special Event Permit: 2025 Oconeechee Mountain Challenge 10 Mile Run

6. Items for decision - regular agenda

- [A.](#) Turkey vulture problem on West Queen Street
- [B.](#) Water and Sewer Advisory Committee Conversion to Ad Hoc
- [C.](#) Select 2025-2026 Biennium Legislative Goals and Voting Delegate
- [D.](#) Discussion of possible topics for the Feb. 17 joint meeting with Orange County
- [E.](#) Hot topics for work session Jan. 27, 2025

7. Updates

- A. Board members
- B. Town manager

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C. Staff (written reports in agenda packet)

8. Closed session

A. Closed Session as authorized by North Carolina General Statute Section 143-318.11 (a)(6) regarding personnel matters

9. Adjournment

Interpreter services or special sound equipment for compliance with the American 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 two business days in advance of the meeting.



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: Jan. 13, 2025
Department: Administrative Services
Agenda Section: Presentations
Public hearing: No
Date of public hearing: N/A

PRESENTER/INFORMATION CONTACT

Town Manager Eric Peterson

ITEM TO BE CONSIDERED

Subject: Employee Service Milestone Awards

Attachments:

List of the 11 employees reaching a 5-year service milestone in 2024

Summary:

This is the twelfth year of the town's employee milestone program. Each January, employees who reached a five-year service milestone in the prior year are recognized for their dedication and tenure. Employees will receive a certificate, Town of Hillsborough coin signifying their years of service, and a \$75 bonus to celebrate their milestone, such as having dinner out.

Financial impacts:

None

Staff recommendation and comments:

None

Action requested:

Receive presentation.

**Town of Hillsborough
Service Milestone Recipients
January 2025**

Employee	Position	Department	Milestone
Robb English	Commissioner	Governing Body	5
Jacob Goode	Crew Leader	Public Works	5
Andrew Jones	Police Officer 1st Class	Police	5
Lynn Reagan	Water Plant Operator III	Water Treatment Plant	5
Lindsay Rhew	Senior Administrative Support Specialist	Public Space and Sustainability	5
Eli Valsing	Human Resources Analyst	Human Resources	5
Jen Della Valle	Administrative Services Director	Administrative Services	10
Andy Simmons	Police Major	Police	10
Candace Spragins	Police Sergeant	Police	10
Nick Chelenza	Police Lieutenant	Police	15
Sam Dunevant	Operator in Responsible Charge	Water Treatment Plant	15



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: Jan. 13, 2025
Department: Finance
Agenda Section: Presentations
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 2023-24 Audit Presentation

Attachments:

Audit Report

Summary:

The fiscal year 2023-24 audit for the Town of Hillsborough, Hillsborough Tourism Development Authority and Hillsborough Tourism Board was completed by PB Mares on Nov. 27, 2024.

Financial impacts:

None

Staff recommendation and comments:

None

Action requested:

Accept the fiscal year 2023-24 audit presentation for the Town of Hillsborough, Hillsborough Tourism Development Authority and Hillsborough Tourism Board.

TOWN OF HILLSBOROUGH

REPORT TO THE BOARD OF COMMISSIONERS

NOVEMBER 27, 2024



ASSURANCE, TAX & ADVISORY SERVICES



November 27, 2024

Board of Commissioners
Town of Hillsborough
Hillsborough, North Carolina

Attention: Mark Bell, Mayor

We are pleased to present this report related to our audit of the basic financial statements of Town of Hillsborough (the Town) as of and for the year ended June 30, 2024. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Town's financial reporting process.

This report is intended solely for the information and use of the Board of Commissioners and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Town.

PBMares, LLP

PBMares, LLP

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REQUIRED COMMUNICATIONS

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities With Regard to the Financial Statement and Compliance Audit

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our engagement letter dated April 30, 2024. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement and Compliance Audit

We have issued a separate communication dated April 30, 2024 regarding the planned scope and timing of our audit and identified significant risks.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Town. The Town did not adopt any new significant accounting policies that had a material effect on the financial statements.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions

We did not identify any significant unusual transactions.

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.

Audit Adjustments and Uncorrected Misstatements

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

Uncorrected misstatements are summarized in the attached list of Uncorrected Misstatements. Uncorrected misstatements or matters underlying these uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if we have concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

Observations About the Audit Process

Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations With Other Accountants

We are aware the Town engaged an outside professional CPA firm to assist in closing the books and drafting of the financial statements for the fiscal year ended June 30, 2024.

Significant Issues Discussed With Management

No significant issues arising from the audit were discussed or the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Difficult or Contentious Matters That Required Consultation

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

Shared Responsibilities for Independence

Independence is a joint responsibility and is managed most effectively when management, audit committees, and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) and *Government Accountability Office (GAO)* independence rules. For PBMAres, LLP to fulfill its professional responsibility to maintain and monitor independence, management, the audit committee, and PBMAres, LLP each play an important role.

Our Responsibilities

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. PBMAres, LLP is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

The Town's Responsibilities

- Timely inform PBMAres, LLP, before the effective date of transactions or other business changes, of the following:
 - New affiliates, directors, or officers.

- Changes in the reporting impacting affiliates such as subsidiaries, partnerships, related entities, investments, joint ventures, component units or joint governed organizations.
- Provide necessary affiliate information such as new or updated investment structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Town and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with PBMares, LLP.
- Not entering into relationships resulting in close family members of PBMares, LLP covered persons, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at the Town.

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the Town, including the representation letter provided to us by management, are attached as Exhibit A.

The North Carolina Local Government Commission (LGC) requires certain key performance indicators be communicated to those charged with governance and these indicators are attached as Exhibit B. In the event a performance indicator does not meet the LGC's minimum metrics, the Town will be required to provide a formal action plan in writing to the LGC within 60 days of the receipt of this document.

For the year ended June 30, 2024, the Town has no performance indicators that require communication to the LGC by the Board of Commissioners.

SIGNIFICANT ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following summarizes the significant accounting estimates reflected in the Town's June 30, 2024 financial statements.

Depreciation of Capital Assets

Accounting policy	Depreciation of capital assets is performed on a straight-line basis in accordance with US GAAP.
Management's estimation process	Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.
Basis for our conclusion on the reasonableness of the estimate	Estimation process is consistent with accounting policy and useful lives reviewed by PBMares, LLP are reasonable.

Leases & SBITA's

Accounting policy	The Town records a liability and an asset (expense leases & SBITAs) or a receivable and deferred inflow (revenue leases) as a result of GASBs 87 & 96.
Management's estimation process	The lease/subscription liability or receivable is measured at discount rates based on the Town's imputed borrowing rate. Assets recorded at the present value of the future minimum lease/subscription payments as of their inception date.
Basis for our conclusion on the reasonableness of the estimate	The Town's estimation process is consistent with GAAP based on our audit procedures performed in this area.

Unbilled Usage

Accounting policy	Receivables and revenue recognition includes as estimate for unbilled usage.
Management's estimation process	Metered sales in July are calculated using the number of days in the billing cycle in the appropriate fiscal year.
Basis for our conclusion on the reasonableness of the estimate	Estimation process is consistent with the accounting policy and in accordance with US GAAP. PBMares LLP calculated the unbilled usage and tested significant inputs.

Fair Value of Investments

Accounting policy	Investments are carried at their fair value which is the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Management's estimation process	All investments are measured using the market approach using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.
Basis for our conclusion on the reasonableness of the estimate	PBMares, LLP performed valuation testing and noted that management's process is consistent with the accounting policy and is in accordance with US GAAP.

Accrued Other Post Employment Benefits

Accounting policy	Accrued as a liability in the government-wide financial statements and proprietary fund financial statements.
Management's estimation process	Actuarial calculations from a third party actuary are used.
Basis for our conclusion on the reasonableness of the estimate	Estimation process is consistent with accounting policy and in accordance with GAAP based on auditor specialist's review of the actuary report.

LGERS Pension Asset (Liability) and Special Separation Allowance

Accounting policy	Recorded as an asset or liability in the government-wide financial statements
Management's estimation process	Actuarial calculations from a third party actuary are used.
Basis for our conclusion on the reasonableness of the estimate	Estimation process is consistent with accounting policy and in accordance with GAAP based on auditor specialist's review of the actuary report.

Accrued Compensated Absences

Accounting policy	Recorded as a liability in the government-wide financial statements
Management's estimation process	Year end balances of vacation as multiplied by the employee's current pay rate.
Basis for our conclusion on the reasonableness of the estimate	Estimation process is consistent with accounting policy and in accordance with GAAP.

UNCORRECTED MISSTATEMENTS

We identified the following uncorrected misstatements that management has concluded are not, individually or in the aggregate, material to the financial statements. We agree with management's conclusion in that regard.

Governmental Type Activities Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Equity	Revenue	Expense
Prior adjustment for error in OPEB Change in Allocation %	\$ -	\$ -	\$ (60,928)	\$ -	\$ 60,928
Total effect			(60,928)	\$ -	\$ 60,928
Balance sheet effect	\$ -	\$ -	\$ -		

Business Type Activities Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Equity	Revenue	Expense
Prior adjustment for error in LGERS and OPEB Change in Allocation %	\$ -	\$ -	\$ 76,972	\$ -	\$ 76,972
Total effect			(76,972)	\$ -	\$ 76,972
Balance sheet effect	\$ -	\$ -	\$ -		

Water and Sewer Fund Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Equity	Revenue	Expense
Prior year adjustment for error in LGERS and OPEB Change in Allocation %	\$ -	\$ -	\$ 64,424	\$ -	\$ 64,424
Total effect			(64,424)	\$ -	\$ 64,424
Balance sheet effect	\$ -	\$ -	\$ -		

Solid Waste Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Equity	Revenue	Expense
Prior year adjustment for error in OPEB Change in Allocation %	\$ -	\$ -	\$ 12,548	\$ -	\$ 12,548
Total effect			(12,548)	\$ -	\$ 12,548
Balance sheet effect	\$ -	\$ -	\$ -		

EXHIBIT A

Significant Written Communications Between Management and Our Firm

REPRESENTATION LETTER



November 27, 2024

PBMares, LLP
3621 John Platt Drive
Morehead City, North Carolina 28557

This representation letter is provided in connection with your audit of the basic financial statements of the Town of Hillsborough (the Town) as of and for the year ended June 30, 2024 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of November 27, 2024:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 30, 2024, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.
4. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. The methods, assumptions and data used in making accounting estimates, including those measured at fair value, are appropriate for financial statement measurement and disclosure purposes and have been consistently selected and applied in making the estimate: Significant judgments made in making the estimates have taken into account all relevant information of which we are aware. Any assumptions made properly reflect our intent and ability to carry out the specific courses of actions previously communicated to you on behalf of the Town. All disclosures related to estimates, including disclosures describing estimation uncertainty, are complete and reasonable in the context of U.S. GAAP.

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No subsequent events have occurred that would require adjustment to the estimates and related disclosures included in the financial statements.

6. Related-party transactions have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Types of related party transactions engaged in by the Town include:

- a. Those with component units for which the Town is accountable.
- b. Those with other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.
- c. Those with joint ventures in which the Town has an interest.
- d. Those with jointly governed organizations in which the Town participates.
- e. Interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees.

7. The financial statements properly classify all funds and activities in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as amended.

8. The Town followed either its established accounting policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available or followed paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes.

9. The financial statements include all fiduciary activities required by GASB Statement No. 84, Fiduciary Activities, as amended.

10. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.

11. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

12. Management has followed applicable laws and regulations in adopting, approving and amending budgets.

13. Risk disclosures associated with deposit and investment securities and derivative transactions are presented in accordance with GASB requirements.

14. Capital assets, including infrastructure, intangible assets, and right of use assets are properly capitalized, reported and, if applicable, depreciated.

15. The government properly separated information in debt disclosures related to direct borrowings and direct placements of debt from other debt and disclosed any unused lines of credit, collateral pledged to secure debt, terms in the debt agreements related to significant default or termination events with finance-related consequences and significant subjective acceleration clauses in accordance with GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.
16. Components of net position (net investment in capital assets, restricted, and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
17. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal, if applicable.
18. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
19. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
20. The Town's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and appropriately disclosed and that net position is properly recognized under the policy.
21. We agree with the findings of our actuary used in calculating and evaluating our benefit obligations in the Law Enforcement Officers' Special Separation Allowance, LGERS, and in the Other Post-Employment Benefit (OPEB) Plan and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to the actuary with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the actuary.
22. We have recorded all adjustments needed to implement GASB Statement No. 96.
23. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders, that is not disclosed in the financial statements.
24. We have disclosed all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements whose effects should be considered by management when preparing the financial statements.
25. We have informed you of all uncorrected misstatements.

As of and for the year ended June 30, 2024, we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are quantitatively and qualitatively immaterial, both individually and in the aggregate, to the opinion units of the basic financial statements.

For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

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Solid Waste Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Equity	Revenue	Expense
Prior year adjustment for error in OPEB Change in Allocation %	\$ -	\$ -	\$ 12,548	\$ -	\$ 12,548
Total effect			(12,548)	\$ -	\$ 12,548
Balance sheet effect	\$ -	\$ -	\$ -		

26. We have requested an unsecured electronic copy of the auditor's report and agree that the auditor's report and financial statements will not be modified in any manner.

Information Provided

27. We have provided you with:

- a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the basic financial statements such as records, documentation and other matters.
- b. Additional information that you have requested from us for the purpose of the audit.
- c. Unrestricted access to persons within the Town from whom you determined it necessary to obtain audit evidence.
- d. Minutes of the meetings of the Board of Commissioners, or summaries of actions of recent meetings for which minutes have not yet been prepared.

28. All transactions have been recorded in the accounting records and are reflected in the basic financial statements.

29. We have disclosed to you the results of our assessment of risk that the basic financial statements may be materially misstated as a result of fraud.

30. It is our responsibility to establish and maintain internal control over financial reporting. One of the components of an entity's system of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.

31. We have no knowledge of allegations of fraud or suspected fraud affecting the Town's basic financial statements involving:

- a. Management.
- b. Employees who have significant roles in internal control.
- c. Others where the fraud could have a material effect on the basic financial statements.

32. We have no knowledge of any allegations of fraud or suspected fraud affecting the Town's basic financial statements received in communications from employees, former employees, analysts, regulators, or others.

33. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.

34. We are not aware of any pending or threatened litigation, claims or assessments; unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Government Accounting Standards Board (GASB) Codification Section C50, Claims and

Judgments; or other matters, including gain or loss contingencies, whose effects should be considered when preparing the financial statements. Neither we nor the Town or others acting on behalf of the Town have consulted a lawyer concerning litigation, claims, assessments or other matters affecting the Town.

35. We have disclosed to you the identity of all of the Town's related parties and all the related-party relationships and transactions of which we are aware.

36. We have informed you of all deficiencies in internal control over financial reporting, including significant deficiencies or material weaknesses, in the design or operation of internal controls that could adversely affect the Town's ability to record, process, summarize and report financial data.

37. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

Supplementary Information

38. With respect to supplementary information presented in relation to the basic financial statements as a whole:

- a. We acknowledge our responsibility for the presentation of such information.
- b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. There are no underlying significant assumptions or interpretations regarding the measurement or presentation of such information.
- e. When supplementary information is not presented with the audited basic financial statements, we will make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

39. With respect to 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 presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:

- a. We acknowledge our responsibility for the presentation of such required supplementary information.

- b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. There are no underlying significant assumptions or interpretations regarding the measurement or presentation of such information.

Compliance Considerations

In connection with your audit conducted in accordance with Government Auditing Standards, we confirm that management:

- 40. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
- 41. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the Town.
- 42. Has identified and disclosed to the auditor all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements.
- 43. Is responsible 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.
- 44. Acknowledges its responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.
- 45. Has taken timely and appropriate steps to remedy identified or suspected fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements that the auditor reports.
- 46. Has a process to track the status of audit findings and recommendations.
- 47. Has identified for the auditor previous audits, attestation engagements and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 48. Is not aware of any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 49. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.

50. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

In connection with your audit of federal awards conducted in accordance with Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act we confirm:

51. Management is responsible for complying, and has complied, with the requirements of Uniform Guidance and the State Single Audit Implementation Act.

52. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal and State programs.

53. Management is responsible for the design, implementation, and maintenance, and has designed, implemented and maintained, effective internal control over compliance for federal and State programs that provides reasonable assurance that the auditee is managing federal awards in compliance with federal and State statutes, regulations, and the terms and conditions of the federal and State award that could have a material effect on its federal and State programs.

54. Management is responsible for the preparation of the schedule of expenditures of federal and state awards, acknowledges and understands its responsibility for the presentation of the schedule of expenditures of federal and state awards in accordance with the Uniform Guidance and State Single Audit Implementation Act; believes the schedule of expenditures of federal and state awards, including its form and content, is fairly presented in accordance with the Uniform Guidance and the State Single Audit Implementation Act; asserts that methods of measurement or presentation have not changed from those used in the prior period, or if the methods of measurement or presentation have changed, the reasons for such changes have been communicated; and is responsible for any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal and state awards.

55. Management will make the audited financial statements readily available to the intended users of the schedule no later than the issuance date by the entity of the schedule of expenditures of federal and state awards and the auditor's report thereon.

56. Management has identified and disclosed all of its government programs and related activities subject to the Uniform Guidance and State Single Audit Implementation Act compliance audit.

57. Management has identified and disclosed to the auditor the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards that are considered to have a direct and material effect on each major program.

58. Management has made available all federal and state awards (including amendments, if any) and any other correspondence relevant to federal and state programs and related activities that have taken place with federal and state agencies or pass-through entities.

59. Management has identified and disclosed to the auditor all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal and state awards or stated that there was no such noncompliance.

60. Management believes that the auditee has complied with the direct and material compliance requirement.

61. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.

62. Management is aware of no communications from federal and state awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

63. There are no findings and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

64. Management is responsible for taking corrective action on audit findings of the compliance audit meets the requirements of the Uniform Guidance and the State Single Audit Implementation Act.

65. There are no subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

66. Management has disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stated that there were no such known instances.

67. Management has disclosed whether any changes in internal control over compliance or other factors that might significantly affect the entity's system of internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.

68. Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.

69. The copies of federal and state program financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

70. Management has charged costs to federal and state awards in accordance with applicable cost principles.

71. The reporting package does not contain protected personally identifiable information.
72. Management has accurately completed the appropriate sections of the data collection form.
73. Management has disclosed to the auditor all communications from service organizations relating to noncompliance at those organizations.

Town of Hillsborough

Eric Peterson

Eric Peterson, Town Manager

David McCole

Dave McCole, Finance Director

EXHIBIT B

Performance Indicators

PERFORMANCE INDICATORS

The self-reported information from your unit's audit report was used to generate the following trends and performance indicators. We have created this Performance Indicator tab to make these indicators available to auditors and local governments when your audit is conducted. If any unit's results are shaded red, the unit must submit a "Response to the Auditor's Findings, Recommendations, and Fiscal Matters" within 60 days from the auditor's board presentation. The response must address all performance indicators shaded in red.

Unit Name:

Hillsborough

Fiscal Year 2024

Explanation of Performance Indicator

Unit Number:

50181

In the past, units of government have been grouped by population to evaluate ratios and benchmarking (including Fund Balance Available). Beginning with fiscal year 2020, we have grouped units by General Fund expenditures for purposes of evaluating the minimum amount of fund balance a unit needs to operate. A unit's General Fund expenditures proved to be a better correlation to the amount of funds balance needed to operate, especially for units with large higher education or tourism populations. Activity from Debt Service Funds (if applicable) is included in the calculation because these funds typically originate from the General Fund and are transferred to a Debt Service Fund.

The table below lists the thresholds that are used in the analysis of your unit's fiscal health. These thresholds were determined based on an analysis of previous years general fund activity. These thresholds will be monitored and updated as applicable.

Municipalities

	Median FBA as % of Expenditures without Powell Bill	Minimum Thresholds FBA as % of Expenditures	# of Months FBA using Annualized Expenditures
General Fund Expenditures below:			
\$100,000	260%	100%	12.00
\$100,000 to \$999,999	132%	71%	8.52
\$1,000,000 to \$9,999,999	63%	34%	4.08
Above \$10,000,000	46%	25%	3.00

Counties

	Median FBA as % of Expenditures without Powell Bill	Minimum Thresholds FBA as % of Expenditures	# of Months FBA using Annualized Expenditures
General Fund Expenditures below:			
Below \$100,000,000	39%	20%	2.40
\$100,000,000 and above	32%	16%	1.92

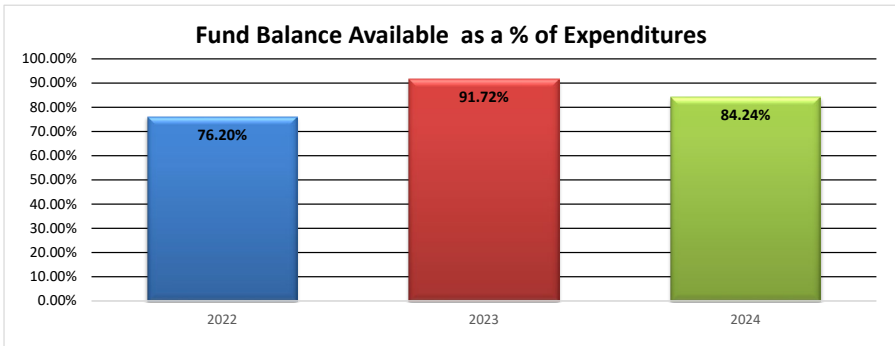
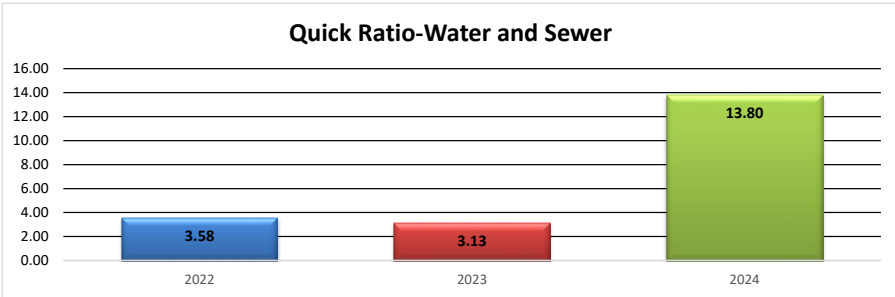
Units of government are grouped by general fund expenditures for purposes of evaluating available fund balance as a percentage of expenditures (GF FBA%). Each grouping category has its own minimum threshold. If you are in the lower quartile your GF FBA% might be considered a performance indicator of concern and you might be asked to communicate to us. To the left are the minimum thresholds for Municipalities and Counties.

GENERAL FUND:

As of the publication date of this workbook, prior year self-reported numbers may not been received by the LGC staff, please contact LGC staff at lgcaudit@nctreasurer.com to have the prior year's financial data populated on this worksheet. Please include in email subject "Prior Year Financial Data."

Minimum Threshold

Unit Results

	Unit Name:		Hillsborough		Fiscal Year 2024		Explanation of Performance Indicator	
	Unit Number:		50181					
1.	<div><div><div>Fund Balance Available as a % of Expenditures</div></div></div>				25% -- Average of similar units is 46%	84.24%	Fund balance available for appropriation is an important reserve for local governments to provide cash flow during periods of declining revenues and to be used for emergencies and unforeseen expenditures. The information to the left indicates the amount of available cash on hand. You will also see the average for units of your size. Note that 8.33% represents enough fund balance to cover only one month of expenditures. Normally, a unit has to either increase revenues or decrease expenditures to increase fund balance available. This calculation looks at fund balance available plus debt service fund balance (if applicable) less Powell Bill restricted fund balance. This number is then divided by the total of total expenditures plus transfers out less bond proceeds and less amount expended for Powell Bill Expenditures.	
	GENERAL FUND:				Minimum Threshold	Unit Results		
2.	There was appropriated fund balance for the General Fund in the 2023 budget <u>AND</u> your change in fund balance was negative. Please state if fund balance was used for operations or capital purposes in account 590 on the Unit Data from Audit Worksheet.				Positive Change in Fund Balance	N/A	If the General Fund has more expenditures than revenues because of operational issues and fund balance was appropriated to cover the loss, the continuation of this practice could result in deterioration of a unit's fund balance available.	
3.	The General Fund had total fund balance less than zero - Fund Deficit				Positive Fund Balance	\$14,367,619	The General Fund has a fund deficit which means that the unit's revenues and other receipts are inadequate to support its operations. G.S. 159 13(b)(2) requires that the board fund the full amount of a prior fiscal year's deficit in the current fiscal year's budget. Therefore, this deficit should have been funded immediately after the June 30, fiscal year-end. The law requires such action be taken to stop any further deterioration of the overall financial condition of the fund. Please let us know if the deficit was funded in the budget, and what actions the unit plans to take to bring the general fund balance up to an acceptable level.	
	WATER SEWER FUND: As of the publication date of this workbook, prior year self-reported numbers may not been received by the LGC staff, please contact LGC staff at lgcaudit@nctreasurer.com to have the prior year's financial data populated on this worksheet. Please include in email subject "Prior Year Financial Data."				Minimum Threshold	Unit Results	Note: If more than one performance indicator is identified, one proposed solution may solve all water and sewer performance indicators.	
4.	<div><div><div>Quick Ratio-Water and Sewer</div></div></div>				Equal or greater than 1	13.80	A Quick Ratio less than 1 indicates that the unit owes mores for its current bills than what it has on hand in unrestricted cash and investments plus what is owed from customers (accounts receivable). This could indicate that the fund may have difficulty paying its current bills. If this pattern continues, the water and/or sewer system may not be sustainable.	
	Cash Flow Indicators:		2022	2023	2024	Minimum Threshold	Unit Results	

	Unit Name:	Hillsborough			Fiscal Year 2024		Explanation of Performance Indicator
	Unit Number:	50181					
5.	Operating Net Income (Loss) excluding depreciation, including debt service principal and interest	\$1,877,000	\$2,552,394	\$2,031,029	Greater than zero	\$2,031,029	This calculation subtracts operating expenses from operating revenues. Depreciation expense is not included the calculation but debt principal and interest payments are included. A negative balance indicates that your rates are not covering your operating expenses and debt service payments.
6.	Unrestricted cash /total expenses excluding depreciation, including debt service principal	130.18%	141.30%	219.64%	Greater than 16% (2 months)	219.64%	This indicator calculates how many month's worth of expenses (including debt principal but not depreciation) a unit can pay based on the amount of unrestricted cash at year-end. The typical billing cycle is one month (8.33%) and one extra month usually gives a local government enough cash to handle unusual monthly expenses (16.66%). This 16% would be the bare minimum necessary to keep the fund from experiencing cash flow issues.
7.	It appears your Water Sewer Fund has transfers-in for the support of operations that are greater than 3% of the total of operating and non-operating expenses. Please discuss the purpose of such transfers-in and if you plan to continue these transfers-in.			No		No	The rate structure of the Water and Sewer Fund should support the operating expenses of the fund without operating subsidies or transfers from other funds.
8	Water and Sewer Capital Assets Condition Ratio	0.66	0.64	0.62	Remaining useful life of asset greater than or equal to 0.50	0.62	This capital assets condition ratio formula calculates the remaining useful life. A remaining useful asset value less than 0.50 may signal the need to replace the assets in the near future.

	ELECTRIC FUND: As of the publication date of this workbook, prior year self-reported numbers may not been received by the LGC staff, please contact LGC staff at lgcaudit@nctreasurer.com to have the prior year's financial data populated on this worksheet. Please include in email subject "Prior Year Financial Data."				Minimum Threshold	Unit Results	Note: If more than one performance indicator is identified, one proposed solution may solve all electric performance indicators.
9	<div> <div>Quick Ratio-Electric</div> </div>				Equal or greater than 1	#DIV/0!	A Quick Ratio less than 1 indicates that the unit owes mores for its current bills than what it has on hand in unrestricted cash and investments plus what is owed from customers (accounts receivable). This could indicate that the fund may have difficulty paying its current bills. If this pattern continues, the electric system may not be sustainable.
	Cash Flow Indicators:	2022	2023	2024	Minimum Threshold	Unit Results	
10	Operating Net Income (Loss) excluding depreciation, including debt service principal and interest	N/A	N/A	N/A	Greater than zero	N/A	This calculation subtracts operating expenses from operating revenues. Depreciation expense is not included the calculation but debt principal and interest payments are included. A negative balance indicates that your rates are not covering your operating expenses.

	Unit Name:		Hillsborough		Fiscal Year 2024		Explanation of Performance Indicator
	Unit Number:		50181				
	11	Unrestricted cash /total expenses excluding depreciation, including debt service principal	N/A	N/A	N/A	Greater than 16% (2 months)	
	GENERAL PERFORMANCE INDICATORS:			2024	Target		
12	What date was the audit report submitted to the LGC? (Note audit reports are due four months after fiscal year end regardless of the contract submission date.)			11/27/2024		Response Not Required	As stewards of the public’s resources, the governing body is responsible for ensuring that the audited financial statements are available to the public in a timely manner. External groups such as the North Carolina General Assembly, federal and State agencies that provide funding, and other public associations need current financial information about your local government as well.
				2024	Target		
13	The budgeted ad valorem tax (including motor vehicles) for the General Fund had more than 3% uncollected for the fiscal year audited. Decreases are shown by a negative percentage.			1.26%	Less than 3%	1.26%	This indicator shows that the local government did not collect 3% (or more) of its budgeted ad valorem taxes. This could be an indicator of negative economic events, inaccurate budgeting, and/or issues with the collection process. Uncollected revenues at the 3% level represent several pennies of the tax rate.
				2024	Target		
14	You indicated that you expect a decrease in property value for your next property revaluation. In your FPIC Response Letter please discuss the magnitude of the drop in valuation, the overall cause of the drop and how you plan to recover the lost revenues.			Increase	Any estimated decrease	Increase	You indicated that you expect a decrease in property value for your next property revaluation which could result in lost tax revenue.
				2024	Target		
15	Did your audit disclose any budget violations at the adopted ordinance level? (Yes or No)			No	No over-expenditures	No	The unit has expenditures that exceed the legal budget ordinance. This indicates that the unit's purchase order system, contract approval process and / or payment process is not in compliance with North Carolina General Statute 159.
				2024	Target		
16	The Unit had material weaknesses, significant deficiencies, statutory violations and/or items identified on the <i>TD Info Completed by Auditor</i> tab that should be addressed in the FPIC Response Letter.			No		No	This indicator identifies whether the unit has any material weaknesses, significant deficiencies, management letter comments or items identified on the <i>TD Info Completed by Audit tab</i> including 1055, 1056, 1058, 955 and 957, that require a response.
17	Did the unit have a board-appointed finance officer or board-appointed interim finance officer the entire fiscal year as required by G.S. 159-24 which provides that "each local government and public authority shall, at all times, have a finance officer appointed by the local government, public authority, or designated official to hold office at the pleasure of the appointing board or official?" (Yes or No)			Yes		Yes	The indicator is to determine if any time during the fiscal year, the unit was without a board-appointed finance officer.

	Unit Name:	Hillsborough	Fiscal Year 2024		Explanation of Performance Indicator
	Unit Number:	50181			
18	Was the finance officer or interim finance officer bonded pursuant to G.S. 159-29 which requires that the finance officer give a true accounting and faithful performance bond in an amount not less than the greater of (1) \$50,000 or (2) an amount equal to 10% of the unit's annually budgeted funds, up to \$1,000,000? (Yes or No)	Yes		Yes	The indicator is to determine if any time during the fiscal year, the unit was board-appointed finance officer was not bonded.
	GENERAL PERFORMANCE INDICATORS:	2024	Target		
19	The unit had problems with debt service payments being late and/or did not comply with the bond covenants.	No		No	This indicator advises whether or not the unit has issues with debt service payments or bond covenants.
		2024	Target		
20	Electric transfers-out have exceeded the amounts described in GS 159B-39. If your unit is a member of the North Carolina Eastern Municipal Power Agency it appears you have violated the GS. OR If you are not a member of the Eastern Municipal Power Agency it appears that you have violated your unit's transfer policy.	No		No	This indicator advises if there were electric transfers in violation of G.S. 159B-39 or in violation of the unit's transfer policy.
		2024	Target		
21	Are there additional issues the unit should address that affect the fiscal health or internal controls of the unit that were communicated to the unit during the audit presentation? <u>Please include details of the issue in cell J46 to the right and in your FPIC Response.</u>	No		No	<u>This indicator advises if any other issues that the unit should address in the FPIC response letter.</u>

HILLSBOROUGH TOURISM BOARD
REPORT TO THE BOARD OF DIRECTORS
NOVEMBER 26, 2024



ASSURANCE, TAX & ADVISORY SERVICES



November 26, 2024

Board of Directors
Hillsborough Tourism Board
Hillsborough, North Carolina

Attention: Victoria Pace, Chairman

We are pleased to present this report related to our audit of the financial statements 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, 2024. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Board's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to be of service to the Board.

PBMares, LLP

PBMares, LLP

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Exhibits

Exhibit A—Significant Written Communications Between Management and Our Firm

- Representation Letter

REQUIRED COMMUNICATIONS

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our engagement letter dated May 7, 2024. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated May 7, 2024, regarding the planned scope and timing of our audit and identified significant risks.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Board. The Board did not adopt any applicable significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions

We did not identify any significant unusual transactions.

Audit Adjustments and Uncorrected Misstatements

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Observations About the Audit Process

Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations With Other Accountants

We are aware the Town of Hillsborough, the contracted administrative and financial services for the Board, engaged an outside professional CPA firm to assist in closing the books for the fiscal year ended June 30, 2024.

Significant Issues Discussed With Management

No significant issues arising from the audit were discussed or the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Difficult or Contentious Matters That Required Consultation

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

Shared Responsibilities: AICPA Independence

The American Institute of Certified Public Accountants (AICPA) regularly emphasizes that auditor independence is a joint responsibility and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with AICPA independence rules. For PBMares, LLP to fulfill its professional responsibility to maintain and monitor independence, management, the audit committee, and PBMares, LLP each play an important role.

Our Responsibilities

- AICPA rules require independence both of mind and in appearance when providing audit and other attestation services. PBMares, LLP is to ensure that the AICPA's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

The Board's Responsibilities

- Timely inform PBMares, LLP, before the effective date of transactions or other business changes, of the following:
 - New affiliates, directors, or officers.
 - New beneficial owners of the Company's stock which have significant influence.
 - Change in corporate structure impacting affiliates such as add-on acquisitions or exits.
- Provide necessary affiliate information such as new or updated investment structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Board and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with PBMares, LLP.

- Not entering into arrangements of nonaudit services resulting in PBMares being involved in management decisions on behalf of the Board.
- Not entering into relationships resulting in close family members of PBMares, LLP covered persons, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at the Board.

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the Board, including the representation letter provided to us by management, are attached as Exhibit A.

EXHIBIT A

Significant Written Communications Between Management and our Firm



November 26, 2024

PBMares, LLP
3621 John Platt Drive
Morehead City, North Carolina 28557

This representation letter is provided in connection with your audit of the basic financial statements of Hillsborough Tourism Board (the Board) as of and for the year ended June 30, 2024, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of November 26, 2024:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 7, 2024, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.
4. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as amended.
7. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.

8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
9. Management has followed applicable laws and regulations in adopting, approving and amending budgets.
10. Components of net position and classifications of fund balance are properly classified and, if applicable, approved.
11. Risk disclosures associated with deposit and investment securities and derivative transactions are presented in accordance with GASB requirements.
12. We have no knowledge of any uncorrected misstatements in the financial statements.
13. We have requested an unsecured electronic copy of the auditor's report and agree that the auditor's report will not be modified in any manner.

Information Provided

14. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Board from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the governing board, or summaries of actions of recent meetings for which minutes have not yet been prepared.
15. All transactions have been recorded in the accounting records and are reflected in the financial statements.
16. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
17. We have no knowledge of allegations of fraud or suspected fraud affecting the Board's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
18. We have no knowledge of any allegations of fraud or suspected fraud affecting Board's financial statements received in communications from employees, former employees, analysts, regulators, or others.

19. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.
20. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
21. We have disclosed to you the identity of all of the Board's related parties and all the related-party relationships and transactions of which we are aware.
22. We are aware of no deficiencies in internal control over financial reporting, including significant deficiencies or material weaknesses, in the design or operation of internal controls that could adversely affect the Board's ability to record, process, summarize and report financial data.
23. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
24. We have:
 - a. Provided you with all information we are aware of with respect to current and potential affiliates, including ownership percentage and materiality assessments.
 - b. Made you aware, to the best of our knowledge and belief, of any nonaudit services that the Board or any of our affiliates has engaged PBMAres, LLP or any of its associated entities to perform.

Supplementary Information

25. With respect to supplementary information presented in relation to the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

26. With respect to Management's Discussion and Analysis presented as required by the Governmental Accounting Standards Board to supplement the financial statements:

- a. We acknowledge our responsibility for the presentation of such required supplementary information.
- b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. There are no underlying significant assumptions or interpretations regarding the measurement or presentation of such information.

Hillsborough Tourism Board



Victoria Pace, Chairperson



Dave McCole, Finance Director

HILLSBOROUGH TOURISM DEVELOPMENT AUTHORITY

REPORT TO THE BOARD OF DIRECTORS

NOVEMBER 26, 2024



ASSURANCE, TAX & ADVISORY SERVICES



November 26, 2024

Board of Directors
Hillsborough Tourism Development Authority
Hillsborough, North Carolina

Attention: Meaghan Darab, Chairman

We are pleased to present this report related to our audit of the financial statements of Hillsborough Tourism Development Authority (Authority), a component unit of the Town of Hillsborough, North Carolina, as of and for the year ended June 30, 2024. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Authority's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to be of service to the Authority.

PBMares, LLP

PBMares, LLP

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REQUIRED COMMUNICATIONS

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Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our engagement letter dated April 30, 2024. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated April 30, 2024 regarding the planned scope and timing of our audit and identified significant risks.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. The Authority did not adopt any applicable significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions

We did not identify any significant unusual transactions.

Audit Adjustments and Uncorrected Misstatements

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Observations About the Audit Process

Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Significant Issues Discussed With Management

No significant issues arising from the audit were discussed or the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Difficult or Contentious Matters That Required Consultation

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

Shared Responsibilities for Independence

Independence is a joint responsibility and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (“AICPA”) and *Government Accountability Office* (“GAO”) independence rules. For PBMares, LLP to fulfill its professional responsibility to maintain and monitor independence, management, the Board of Commissioners, and PBMares, LLP each play an important role.

Our Responsibilities

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. PBMares, LLP is to ensure that the AICPA and GAO’s General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

The Authority’s Responsibilities

- Timely inform PBMares, LLP, before the effective date of transactions or other business changes, of the following:
 - a. New affiliates, directors, or officers.
 - b. Changes in the organizational structure or reporting entity impacting affiliates such as subsidiaries, partnerships, related entities, investments, joint ventures, component units or jointly governed organizations.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Authority and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with PBMares, LLP.

- Not entering into arrangements of nonaudit services resulting in PBMAres being involved in management decisions on behalf of the Authority.
- Not entering into relationships resulting in close family members of PBMAres, LLP covered persons, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at the Authority.

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the Authority, including the representation letter provided to us by management, are attached as Exhibit A.

EXHIBIT A

Significant Written Communications Between Management and our Firm



November 26, 2024

PBMares, LLP
3621 John Platt Drive
Morehead City, North Carolina 28557

This representation letter is provided in connection with your audit of the basic financial statements of Hillsborough Tourism Development Authority (the Authority), a component unit of the Town of Hillsborough, North Carolina, as of and for the year ended June 30, 2024, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of November 26, 2024:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 30, 2024, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.
4. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. The financial statements properly classify all funds and activities in accordance with Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as amended.
7. The financial statements include all fiduciary activities required by GASB Statement No. 84, *Fiduciary Activities*, as amended.

8. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
10. Management has followed applicable laws and regulations in adopting, approving and amending budgets.
11. Components of net position and classifications of fund balance are properly classified and, if applicable, approved.
12. We have no knowledge of any uncorrected misstatements in the financial statements.
13. We have requested an unsecured electronic copy of the auditor's report and agree that the auditor's report will not be modified in any manner.

Information Provided

14. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
 - b. Additional information that you have requested from us for the purpose of the audits.
 - c. Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the governing board, or summaries of actions of recent meetings for which minutes have not yet been prepared were not available in the current year as there were no meetings and therefore no minutes.
15. All transactions have been recorded in the accounting records and are reflected in the financial statements.
16. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
17. We have no knowledge of allegations of fraud or suspected fraud affecting the Authority's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
18. We have no knowledge of any allegations of fraud or suspected fraud affecting Authority's financial statements received in communications from employees, former employees, analysts, regulators, or others.

19. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.
20. We are not aware of any pending or threatened litigation, claims or assessments, unasserted claims or assessments that are probable of assertion and must be disclosed in accordance with GASB Codification, Section C50, *Claims and Judgements*, or other matters, including gain or loss contingencies, whose effects should be considered when preparing the financial statements.
21. We have disclosed to you the identity of all of the Authority's related parties and all the related-party relationships and transactions of which we are aware.
22. We are aware of no deficiencies in internal control over financial reporting, including significant deficiencies or material weaknesses, in the design or operation of internal controls that could adversely affect the Authority's ability to record, process, summarize and report financial data.
23. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
24. It is our responsibility to inform you of all current and potential affiliates of the Authority as defined by the "State and Local Government Client Affiliates" interpretation (ET sec. 1.224.020). Financial interests in, and other relationships with, affiliates of the Authority may create threats to independence. We have:
 - a. Provided you with all information we are aware of with respect to current and potential affiliates, including degree of influence assessments and materiality assessments.
 - b. Notified you of all changes to relevant considerations that may impact our determination of the existence of current or potential affiliates involving (i) changes in the determination of the materiality of an entity to the Authority's financial statements as a whole, (ii) the level of influence the Authority has over an entity's financial reporting process or (iii) the level of control or influence the Authority or a potential or current affiliate has over an investee that is not trivial or clearly inconsequential, sufficiently in advance of their effective dates to enable the Authority and PBMares, LLP to identify and eliminate potential impermissible services and relationships between PBMares, LLP or its associated entities and those potential affiliates, prior to the effective dates.
 - c. Made you aware, to the best of our knowledge and belief, of any nonaudit services that the Authority or any of our affiliates has engaged PBMares, LLP or any of its associated entities to perform.

Supplementary Information

25. With respect to supplementary information presented in relation to the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.

- d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
26. With respect to Management's Discussion and Analysis presented as required by the Governmental Accounting Standards Board to supplement the financial statements:
- a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. There are no underlying significant assumptions or interpretations regarding the measurement or presentation of such information.

Hillsborough Tourism Development Authority

Victoria Pace

Victoria Pace, Vice Chairperson

David McCole

Dave McCole, Finance Director

**Town of Hillsborough
Hillsborough, North Carolina
Audited Financial Statements
Year Ended June 30, 2024**

Town of Hillsborough, North Carolina

Audited Financial Statements

For the Year Ended June 30, 2024

TOWN COUNCIL MEMBERS

Mark Bell, Mayor

Rob English, Mayor Pro-Tem

ADMINISTRATIVE AND FINANCIAL STAFF

Eric J. Peterson, Town Manager

David McCole, Finance Officer

Sarah Kimrey, Town Clerk

Robert Hornik, Town Attorney

Town of Hillsborough, North Carolina
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Introductory Section



November 21, 2024

Honorable Mayor Mark Bell,
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, 2024, 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 traditionally produces an Annual Comprehensive Financial Report ("ACFR"), but this will be the fourth 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.

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 2024. 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:

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 FY24 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 FY22-24 funds combined will provide over \$900,000 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 2024.

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, 2023, and 2024 than previous years.

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.



The Riverwalk greenway is a favorite destination.

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)
- Occaneechi Village Replica Site
- Old Orange County Courthouse (c.1844)
- Old Town Cemetery (c.1757)
- Orange County Historical Museum
- Ruffin-Roulhac House (c.1821)
- St. Matthew's Episcopal Church (c. 1825/1826)

Recreation, sports, and leisure (many activities):

- Cates Creek Park
- Gold Park
- Exchange Park
- Fairview Park

- Turnip Patch Park
- Calvin Street and Riverwalk greenways
- Duke Forest
- Historic Occoneechee Speedway Trail
- Occoneechee Mountain State Natural Area
- Poet's Walk at Ayr Mount
- Hillsborough Youth Athletic Association baseball fields
- Occoneechee 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.

The Town's revenues over expenditure was \$2.1 million. The Town transferred \$2.5 million to other funds. The Water and Sewer Fund ended the year with an increase in unrestricted net position (system fund balance) of \$1.7 million bringing the total amount to \$13.6 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

- Passenger Rail/Multi-Modal Station (\$10.4 million). Approximately \$8.2 million comes from the State Transportation Improvement Program (TIP), NCDOT Rail TIP, and Transit Tax. The town will be responsible for any costs over that amount and for the cost of the town offices. Construction is anticipated to start in approximately 2025 and to be completed by February 2028.
- Ridgewalk Greenway Phase I & II Design. FY25 includes \$325,000 to continue design for Phase 1 (downtown to train station) and Phase II (train station to Collins Ridge Greenway). Phase III would extend from the Collins Ridge Greenway over I-85 to Cates Creek Park in Waterstone.
- Ridgewalk Greenway Phase 1 – "Ramp-up" Savings Plan to Pay for the Project. This started by including \$50,000 in the FY24 budget, then increases by an additional \$50,000 annually over seven years to "ramp up" to reach the amount needed to make the estimated yearly debt service payments of \$582,771, over

10 years for this projected \$4.5 million project expected to be completed in FY30. The “ramp up” only generates \$350,000 of annual debt service capacity. The remaining amount will be offset by reserved parks debt capacity of \$232,355. Banked funds can be used to offset project costs (e.g., lower the amount that needs to be borrowed, pay for cost escalations, and/or cover debt payments until full coverage is met).

- **Affordable Housing.** Last year, the board agreed to the “ramp-up” plan where spending is increased in this area annually until meeting the equivalent of two cents on the property tax rate, or about \$326,000 in FY27. At this year’s budget retreat, the board discussed staying with the previously adopted ramp-up plan. That increases the FY25 set aside from \$100,000 to \$175,000, then \$250,000 in FY26 and finally \$326,000 in FY27. (Note that FY26 and FY27 equivalent amounts may change due to the countywide revaluation occurring next summer). The board and staff plan to complete a series of affordable housing workshops over the next year, building towards a comprehensive affordable housing plan. As such, the recommended budget does not include a use for the FY25 funding or accumulated FY24 funds.
- **Public Works facility and relocation (\$4.85 million).** After being in the flood plain, in substandard facilities, with no equipment shelters, and little storage for about 50 years, funds are allocated to move the Public Works Division from their Dimmock’s Mill Road location to the NC 86 North facility. If a 15-year loan was used to pay for the project, annual debt payments would be approximately \$434,000. Instead of borrowing money to construct this facility, a combination of savings from fund balance and operating revenue (\$3,821,000) and reallocation of the reimbursement from the Valley Forge Road bridge repair (\$1,029,000) are being used to pay for this project. Paying cash for the project has several big advantages: 1) avoid the annual impact of \$434,000 on future budgets, thus freeing up capacity to fund other needs or avoid/reduce future tax increases, and 2) save additional funds by avoiding a loan at a time when interest rates are high.
- **Additional Firefighters.** The fire protection contract with Orange Rural Fire Department (ORFD) increases by 6.75% to cover inflationary pressures and other operational needs. The contract increases an additional \$63,292 in FY25 to share the cost of adding four firefighters projected to be added five months into the fiscal year. The full impact of those additions will be \$113,925 in FY26. Additional firefighters are needed to help ORFD have sufficient staff on the firegrounds, as well as coverage when multiple calls occur simultaneously (e.g., first responder calls for EMS and rescues).
- **Downtown fire station:** 1) Continue “ramp-up” savings plan (\$300,000) and 2) Preliminary Design/Site Analysis (\$75,000). The town is responsible for building and paying for the new downtown station at 604/618 North Churton Street, the old furniture store site. The new downtown station is estimated to cost \$8 million. Funds were included for the first time in FY22 (\$75,000) and increased by \$75,000 annually to “ramp up” to the eventual annual debt service amount. FY23 included \$150,000, \$225,000 in the FY24 budget, \$300,000 in FY25, \$375,000 in FY26, \$450,000 in FY27, and \$525,000 in FY28, which should be close to the anticipated annual payments going forward. These funds are being placed in a capital project fund to help pay for design costs first, decrease the loan amount, and provide a funding source for the annual debt. “Ramping up” to the annual debt service amount prevents other items from crowding out the ability to pay for this top priority. Relocating the old fire station provides a modern facility for ORFD, improves overall coverage and allows the current station and downtown property to be redeveloped as part of a future economic development project. The FY25 budget includes \$75,000 to pay for preliminary design/site analysis. The cost of fire stations has grown rapidly in recent years. The analysis will help

provide a likely cost range to better refine budget projections and financing options, as well as confirming what sitework and adjustments may be needed to make the current site work for the station.

- Fairview Community Watch. \$45,000 for building improvements in FY25 and \$10,000 annually for operations.
- Transit Oriented Development Plan/Feasibility Study for Hillsborough Station (\$75,000).
- Code enforcement. Hire a contractor to increase monitoring and enforcement to manage nuisance properties and other issues throughout town: \$60,000 in FY25, then \$50,000 annually after that.
- Additional recycling amenities at parks (\$30,600).
- LED Streetlights (\$30,000). Transition the remaining non-LED fixtures to LED to meet the town standard and reduce overall energy consumption by an estimated 11,000 KWH/month. The new streetlights will also provide a more consistent light pattern at night, making town roads safer for the traveling public.
- Police Department
 - o Live-scan fingerprint machine (\$15,000)
 - o Radio replacements, required for compliance (\$82,000)
 - o Replace in-car cameras (FY26 - \$100,000; FY27 - \$100,000)
 - o Vehicle replacement fund, annual contribution to smooth purchases (\$225,000).
 - o FY25 includes replacement of four vehicles that will all be 16-20 years old.
- Public Works
 - o Street repaving: \$882,500
 - o Solid waste vehicle/equipment replacement fund (FY25 - \$190,000, FY26 - \$190,000, FY27 - \$135,000).
 - o FY25: leaf truck replacement (\$376,506)
 - o FY26: garbage truck replacement (\$362,006), knuckle boom truck replacement (\$227,006)
 - o Replace truck in the streets division (\$69,106)
 - o Replace mobile electric cart (\$23,000)
 - o Snowplow blade replacement (\$10,000)

Business-type Activities: The Town increased water and sewer rates by 7.5 percent for fiscal year ending 2025 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:

- Main console replacement at the water plant (\$100,000): FY25
- Sewer lift station abandonment analysis (\$95,000): FY25
- Water system rehabilitation for larger repairs that require contractor assistance (\$110,000 annually)
- Wastewater system rehabilitation for larger repairs that require contractor assistance (\$110,000 annually)
- Water plant generator replacement (\$350,000): FY26
- Adron Thompson operational facility (\$7,295,600): FY24 and FY25. Debt service begins in FY26 with a half payment of \$249,848, the starting full payments of \$499,696 in FY27.
- Lawndale sewer basin rehabilitation project (\$1.2 million): FY25
- Wastewater collection system rehabilitation projects (\$1.0 million): \$500,000 in FY25 and \$500,000 in FY27
- Eno River sewer interceptors (\$5.05 million): FY26
- Exchange Club sewer interceptors (\$1.29 million): FY26
- Elizabeth Brady Pump Station design (\$400,000): FY27
- Water system master plan annual improvements (\$400,000): FY27

The Town did adjust its stormwater rates for the fiscal year ending June 30, 2025, by \$15 to \$90. 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.

- **Program Updates.** During FY24, the town completed its first ever state stormwater program audit and received approval of an updated Stormwater Master Plan, and receipt of a new stormwater permit is expected early in FY25. Audit recommendations that were included in the updated Master Plan include updated written procedures, expanded public input processes and additional outreach and expanded efforts for illicit discharge control, construction site runoff and pollution prevention.
- **Infrastructure Maintenance.** Improved levels of service and updated permit requirements will require additional investments in personnel, equipment and a stormwater capital improvement plan (CIP) to plan for large projects, such as a culvert replacement on Elizabeth Brady Road. The FY25-27 recommended budget includes ramp-up funds for a stormwater CIP and an additional Public Works employee (FY26). The requested Jet-Vac truck is not able to be funded in the recommended budget.
- **Planning Ahead.** While the Stormwater Fund currently has a healthy fund balance, the approval of a new Stormwater Technician position in FY24, along with the recommended investments in the FY25-27 budget and overall operating cost increases will rapidly deplete that fund balance without fee adjustments. Additionally, just beyond the “visual horizon” of the FY25-27 budget, the Stormwater Fund may need to make a sizable contribution to the Ridgewalk Greenway project for drainage-related improvements.

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. Most long-term debt is for water and sewer project.

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. In fact, the long-term debt load in the General Fund is exceptionally small. 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 15 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 FY2024. Management is optimistic that the Town will be in a position in the next year to prepare an ACFR that 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.

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

Financial Section

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, 2024, 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, 2024, 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.

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. The combining and individual fund statements, budgetary schedules, and other financial information, 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 27, 2024 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 27, 2024

Management's Discussion and Analysis

**Town of Hillsborough, North Carolina
Management's Discussion and Analysis
June 30, 2024**

Management's Discussion and Analysis

As management of the Town of Hillsborough (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2024. 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 \$106,036,776 which consisted of \$40,820,954 from governmental activities and \$65,215,822 from business-type activities.
- The Town's total net position increased by \$12,641,835 which consisted of \$5,944,870 from governmental activities and \$6,696,965 from business-type activities.
- As of the close of the current fiscal year, the Town's governmental funds reported ending fund balances of \$20,843,644 which consisted primarily of \$14,367,619 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 \$8,782,176, or 64 percent of total expenditures in the General Fund.
- The Town's total debt decreased by \$1,710,492 during the current fiscal year. No new long-term debt was issued but the Town added a new lease liability which added an additional \$214,873 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.

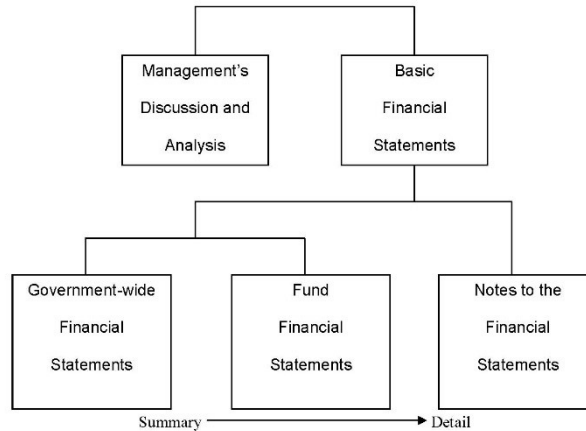
Overview of the Financial Statements

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

Town of Hillsborough, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2024

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements 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 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 to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show additional details about the Town's individual funds. Budgetary information required by the 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, in a manner similar to the private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

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

The government-wide statements are divided into 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, general administration, streets and highways, and sanitation. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include stormwater as well as the water and sewer services offered by the Town. The final category is the component units. Although legally separate from the Town, the Tourism Development Authority and the Tourism Board are important to the Town. The Town exercises control over these entities by appointing its members and remits a percentage of taxes collected to each of these entities. The government-wide financial statements are on pages 16 through 17 of this report.

Town of Hillsborough, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2024

Fund Financial Statements. The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Hillsborough, like all other state and local governments, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Hillsborough can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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 monies that are unexpended at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Hillsborough adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities.

The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds. Town of Hillsborough has one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Hillsborough uses enterprise funds to account for its water and sewer activity and stormwater activity. These funds are the same as those functions shown in 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 can be found on pages 27-68 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 69 of this report.

Town of Hillsborough, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2024

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

Government-Wide Financial Analysis

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 \$106,036,776 as of June 30, 2024. The Town's net position increased by \$12,641,835 for the fiscal year ended June 30, 2024.

The largest portion of net position (59%) 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, \$14,503,731 (14%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$29,487,873 (28%) is unrestricted and may be used to meet the Town's ongoing obligation to citizens and creditors.

The Town of Hillsborough's Net Position
Figure 2

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 21,792,233	\$ 17,676,610	\$ 30,519,463	\$ 28,230,601	\$ 52,311,696	\$ 45,907,211
Capital assets	25,920,013	24,517,031	61,054,195	59,973,621	86,974,208	84,490,652
Deferred outflows of resources	3,024,418	2,817,057	1,337,376	1,219,533	4,361,794	4,036,590
Total assets and deferred outflows of resources	50,736,664	45,010,698	92,911,034	89,423,755	143,647,698	134,434,453
Long-term liabilities outstanding	7,745,506	8,047,640	24,139,333	27,237,442	31,884,839	35,285,082
Other liabilities	1,518,905	1,398,355	3,229,727	3,413,662	4,748,632	4,812,017
Deferred inflows of resources	651,299	688,619	326,152	253,794	977,451	942,413
Total liabilities and deferred inflows of resources	9,915,710	10,134,614	27,695,212	30,904,898	37,610,922	41,039,512
Net position						
Net investment in capital assets	23,767,200	22,145,270	38,277,972	36,163,627	62,045,172	58,308,897
Restricted	2,133,127	3,046,589	12,370,604	9,483,423	14,503,731	12,530,012
Unrestricted	14,920,627	9,684,225	14,567,246	12,871,807	29,487,873	22,556,032
Total net position	\$ 40,820,954	\$ 34,876,084	\$ 65,215,822	\$ 58,518,857	\$ 106,036,776	\$ 93,394,941

Town of Hillsborough, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2024

Government-Wide Financial Analysis (continued)

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

- Based on the projected property values, the Town elected to set this year's tax rate at 70 cents per \$100 of assessed value which is an increase of 12 cents from FY 22/23.
- 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.

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

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 124,940	\$ 48,702	\$ 14,339,425	\$ 12,219,514	\$ 14,464,365	\$ 12,268,216
Operating grants and contributions	2,935,927	548,989	-	-	2,935,927	548,989
Capital grants and contributions	143,020	226,332	4,077,207	127,467	4,220,227	353,799
General revenues:						
Property taxes	9,949,865	9,611,596	-	-	9,949,865	9,611,596
Local option sales tax	3,355,972	3,200,720	-	-	3,355,972	-
Unrestricted intergovernmental	1,388,706	1,446,051	-	-	1,388,706	1,446,051
Other	1,023,253	725,810	1,162,942	835,719	2,186,195	1,561,529
Total revenues	18,921,683	15,808,206	19,579,574	13,182,700	38,501,257	25,790,180
Expenses:						
General government	3,036,694	3,276,267	-	-	3,036,694	3,276,267
Public safety	6,319,915	5,908,554	-	-	6,319,915	5,908,554
Transportation	955,467	879,110	-	-	955,467	879,110
Environmental protection	739,976	674,914	-	-	739,976	674,914
Economic and physical development	650,901	738,943	-	-	650,901	738,943
Community activities	561,269	334,454	-	-	561,269	334,454
Parks and recreation	643,125	551,073	-	-	643,125	551,073
Interest on long-term debt	69,466	78,998	-	-	69,466	78,998
Water and sewer	-	-	-	11,070,781	-	11,070,781
Stormwater	-	-	12,882,609	722,274	12,882,609	722,274
Total expenses	12,976,813	12,442,313	12,882,609	11,793,055	25,859,422	24,235,368
Increase (decrease) in net position before transfers	5,944,870	3,365,893	6,696,965	1,389,645	12,641,835	4,755,538
Transfers	-	-	-	-	-	-
Change in net position	5,944,870	3,365,893	6,696,965	1,389,645	12,641,835	4,755,538
Net position, beginning	34,876,084	31,510,191	58,518,857	57,129,212	93,394,941	52,325,875
Net position - ending	\$ 40,820,954	\$ 34,876,084	\$ 65,215,822	\$ 58,518,857	\$ 106,036,776	\$ 93,394,941

Town of Hillsborough, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2024

Government-Wide Financial Analysis (continued)

Governmental activities: Governmental activities increased the Town's net position by \$5,944,870 thereby accounting for 47% of the growth in the Town's total net position.

- The total property revenue increased \$338,269, or 4%, due to an increase in property valuations over last year.
- Sales tax revenues increased over \$155,252, or 5%, 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 \$6,696,965, accounting for 53% of the growth in the Town's total net position.

- 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.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as 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 Town. At the end of the current fiscal year, the Town's combined assigned and unassigned fund balance available in the General Fund was \$14,367,619, while total governmental fund balance was \$20,843,644. 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 104% of the same amount.

On June 30, 2024, the governmental funds of the Town reported a combined fund balance of \$20,843,644 with a net increase in fund balance of \$4,650,795. 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.

Town of Hillsborough, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2024

General Fund Budgetary Highlights

During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories:

1. Amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available;
2. Amendments made to recognize new funding from external sources, such as federal and State grants.
3. Increases in appropriations that become necessary to maintain services and obligations from prior years not completed.

Actual revenues for the General Fund (excluding the Restricted Revenues Fund) were more than the budgeted amount by \$1,042,942 as property and sales tax revenues exceeded expectations. Expenditures were \$2,762,480 less than budgeted, with favorable balances occurring in general government (\$935,785), transportation (\$559,409) and public safety (\$547,147).

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) increased its net position by \$6,739,734, ending the year with total net position of \$62,411,580. The largest portion of its net position is invested in capital assets (\$36,435,909) while \$12,370,604 is restricted for current and future water and sewer projects and perpetual maintenance. The remaining \$13,605,067 is unrestricted which is an increase of \$1,695,439 from the prior year as revenues exceeded expectations.

Charges for services, in the Water and Sewer Fund, were slightly higher in fiscal year 2024 than 2023 by \$662,441, however, system development fees increased by \$1,265,045 and other operating revenues increased by \$165,008. System development fees are a charge assessed on new development to fund capital improvements necessitated by and attributable to that new development or to recoup the costs of existing facilities that serve the new development.

The 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) decreased its net position by \$42.769 ending the year with total net position of \$2,804.242. The largest portion of its net position is invested in capital assets (\$1,842,063) while unrestricted net position amounted to \$962.179, a 1% or \$8,542 decrease from the previous year. The decrease is largely attributed to expenses being larger than expected.

Town of Hillsborough, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2024

Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2024, totals \$86,974,208 (net of accumulated depreciation and amortization). These assets include buildings, land, machinery and equipment, infrastructure, park facilities, vehicles, right to use assets, and subscriptions.

Major capital asset transactions during the year include the following additions:

- Vehicles and equipment in the governmental funds (\$976,616)
- Infrastructure in the governmental funds (\$2,079,938)
- Transportation Improvement Project (\$65,632)
- NC 86 Renovation Project (\$199,780)
- Adorn Thompson Facility Renovation (\$52,010)
- Wastewater System Rehab (\$12,900)
- US-70 water improvements (\$27,340)
- Air release valve replacement (\$266,786)
- Lawndale basin rehabilitation (\$6,930)
- Hasell water tank replacement (\$28,824)
- WTP paving & curbing (\$57,012)

The Town of Hillsborough's Capital Assets
(net of depreciation and amortization)
Figure 4

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Land	\$ 4,879,989	\$ 4,879,989	\$ 6,133,088	\$ 6,133,088	11,013,077	\$ 11,013,077
Construction in progress	801,564	1,572,549	938,332	977,325	1,739,896	2,549,874
Buildings and improvements	5,276,810	5,494,258	24,270,412	25,387,698	29,547,222	30,881,956
Plant and distribution systems	-	-	25,522,174	23,950,719	25,522,174	23,950,719
Infrastructure	12,774,930	11,070,178	3,185,006	2,743,086	15,959,936	13,813,264
Equipment	439,688	409,040	681,738	474,468	1,121,426	883,508
Vehicles	1,495,854	947,332	323,445	307,237	1,819,299	1,254,569
Right to use assets	226,019	57,829	-	-	226,019	57,829
IT subscriptions	25,159	85,856	-	-	25,159	85,856
Total capital assets, net	\$ 25,920,013	\$ 24,517,031	\$ 61,054,195	\$ 59,973,621	\$ 86,974,208	\$ 84,490,652

Additional information on the Town's capital assets can be found in the notes on page 39 of this report.

Town of Hillsborough, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2024

Long-term debt. As of June 30, 2024, the Town had outstanding bonded debt of \$12,090,000 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 \$1,879,587 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, 2024 was approximately \$55,732,137. Practically, this statutory limit exceeds the Town's realistic debt capacity. The Town does not have any authorized and unissued bonds at June 30, 2024.

Additional information regarding the Town's long-term debt can be found in Note 2.B.10 of the basic financial statements.

The Town of Hillsborough's Outstanding Liabilities
Figure 5

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Revolving loans	\$ -	\$ -	\$ 10,092,788	\$ 11,153,633	\$ 10,092,788	\$ 11,153,633
Special revenue bonds	-	-	12,090,000	12,437,000	12,090,000	12,437,000
Premium on bonds	-	-	695,266	751,389	695,266	751,389
Instamment purchases	1,903,329	2,239,251	296,827	324,403	2,200,156	2,563,654
Lease liabilities	222,572	59,820	-	-	222,572	59,820
IT subscriptions liability	26,912	72,690	-	-	26,912	72,690
Total outstanding debt	\$ 2,152,813	\$ 2,371,761	\$ 23,174,881	\$ 24,666,425	\$ 25,327,694	\$ 27,038,186

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators will affect the growth and prosperity of the Town.

- Low unemployment. Orange County's unemployment rate of 3.5% as of June 30, 2024, is below the state average of 4.1%.
- No additional debt was issued in 2024 nor expected to be issued in 2025.
- Maintain a property tax collection rate that exceeds 99%.

Town of Hillsborough, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2024

Budget Highlights for the Fiscal Year Ending June 30, 2025

Governmental Activities: The Town's largest source of revenue is property tax revenue. The 2025 budget had an increase in the Town's tax rate of 2 cent to 60.7 cents per \$100 of assessed property value. Other budget highlights in brief:

- Passenger Rail/Multi-Modal Station (\$10.4 million). Approximately \$8.2 million comes from the State Transportation Improvement Program (TIP), NCDOT Rail TIP, and Transit Tax. The town will be responsible for any costs over that amount and for the cost of the town offices. Construction is anticipated to start in approximately 2025 and to be completed by February 2028.
- Ridgeway Greenway Phase I & II Design. FY25 includes \$325,000 to continue design for Phase I (downtown to train station) and Phase II (train station to Collins Ridge Greenway). Phase III would extend from the Collins Ridge Greenway over I-85 to Cates Creek Park in Waterstone.
- Ridgeway Greenway Phase 1 – “Ramp-up” Savings Plan to Pay for the Project. This started by including \$50,000 in the FY24 budget, then increases by an additional \$50,000 annually over seven years to “ramp up” to reach the amount needed to make the estimated yearly debt service payments of \$582,771, over 10 years for this projected \$4.5 million project expected to be completed in FY30. The “ramp up” only generates \$350,000 of annual debt service capacity. The remaining amount will be offset by reserved parks debt capacity of \$232,355. Banked funds can be used to offset project costs (e.g., lower the amount that needs to be borrowed, pay for cost escalations, and/or cover debt payments until full coverage is met).
- Affordable Housing. Last year, the board agreed to the “ramp-up” plan where annual spending is increased in this area annually until meeting the equivalent of two cents on the property tax rate, or about \$326,000 in FY27. At this year's budget retreat, the board discussed staying with the previously adopted ramp-up plan. That increases the FY25 set aside from \$100,000 to \$175,000, then \$250,000 in FY26 and finally \$326,000 in FY27. (Note that FY26 and FY27 equivalent amounts may change due to the countywide revaluation occurring next summer). See the chart below for details. The board and staff plan to complete a series of affordable housing workshops over the next year, building towards a comprehensive affordable housing plan. As such, the recommended budget does not include a use for the FY25 funding or accumulated FY24 funds.
- Public Works facility and relocation (\$4.85 million). After being in the flood plain, in substandard facilities, with no equipment shelters, and little storage for about 50 years, funds are allocated to move the Public Works Division from their Dimmock's Mill Road location to the NC 86 North facility. If a 15-year loan was used to pay for the project, annual debt payments would be approximately \$434,000. Instead of borrowing money to construct this facility, a combination of savings from fund balance and operating revenue (\$3,821,000) and reallocation of the reimbursement from the Valley Forge Road bridge repair (\$1,029,000) are being used to pay for this project. Paying cash for the project has several big advantages: 1) avoid the annual impact of \$434,000 on future budgets, thus freeing up capacity to fund other needs or avoid/reduce future tax increases, and 2) save additional funds by avoiding a loan at a time when interest rates are high.
- Additional Firefighters. The fire protection contract with Orange Rural Fire Department (ORFD) increases by 6.75% to cover inflationary pressures and other operational needs. The contract increases an additional \$63,292 in FY25 to share the cost of adding four firefighters projected to be added five months into the fiscal year. The 16 full impact of those additions will be \$113,925 in FY26. Additional firefighters are needed to help ORFD have sufficient staff on the firegrounds, as well as coverage when multiple calls occur simultaneously (e.g., first responder calls for EMS and rescues).

Town of Hillsborough, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2024

- Downtown fire station: 1) Continue “ramp-up” savings plan (\$300,000) and 2) Preliminary Design/Site Analysis (\$75,000). The town is responsible for building and paying for the new downtown station at 604/618 North Churton Street, the old furniture store site. The new downtown station is estimated to cost \$8 million. Funds were included for the first time in FY22 (\$75,000) and increased by \$75,000 annually to “ramp up” to the eventual annual debt service amount. FY23 included \$150,000, \$225,000 in the FY24 budget, \$300,000 in FY25, \$375,000 in FY26, \$450,000 in FY27, and \$525,000 in FY28, which should be close to the anticipated annual payments going forward. These funds are being placed in a capital project fund to help pay for design costs first, decrease the loan amount, and provide a funding source for the annual debt. “Ramping up” to the annual debt service amount prevents other items from crowding out the ability to pay for this top priority. Relocating the old fire station provides a modern facility for ORFD, improves overall coverage and allows the current station and downtown property to be redeveloped as part of a future economic development project. The FY25 budget includes \$75,000 to pay for preliminary design/site analysis. The cost of fire stations has grown rapidly in recent years. The analysis will help provide a likely cost range to better refine budget projections and financing options, as well as confirming what sitework and adjustments may be needed to make the current site work for the station.
- Fairview Community Watch. \$45,000 for building improvements in FY25 and \$10,000 annually for operations.
- Transit Oriented Development Plan/Feasibility Study for Hillsborough Station (\$75,000).
- Code enforcement. Hire a contractor to increase monitoring and enforcement to manage nuisance properties and other issues throughout town: \$60,000 in FY25, then \$50,000 annually after that.
- Additional recycling amenities at parks (\$30,600).
- LED Streetlights (\$30,000). Transition the remaining non-LED fixtures to LED to meet the town standard and reduce overall energy consumption by an estimated 11,000 KWH/month. The new streetlights will also provide a more consistent light pattern at night, making town roads safer for the travelling public.
- Police Department o Live-scan fingerprint machine (\$15,000) o Radio replacements, required for compliance (\$82,000) o Replace in-car cameras (FY26 - \$100,000; FY27 - \$100,000) o Vehicle replacement fund, annual contribution to smooth purchases (\$225,000). o FY25 includes replacement of four vehicles that will all be 16-20 years old.
- Public Works o Street repaving: \$882,500 o Solid waste vehicle/equipment replacement fund (FY25 - \$190,000, FY26 - \$190,000, FY27 - \$135,000). o FY25: leaf truck replacement (\$376,506) o FY26: garbage truck replacement (\$362,006), knuckle boom truck replacement (\$227,006) o Replace truck in the streets division (\$69,106) o Replace mobile electric cart (\$23,000) o Snowplow blade replacement (\$10,000)

Business-type Activities: The Town increased water and sewer rates by 7.5 percent for fiscal year ending 2025 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:

- Main console replacement at the water plant (\$100,000): FY25
- Sewer lift station abandonment analysis (\$95,000): FY25
- Water system rehabilitation for larger repairs that require contractor assistance (\$110,000 annually)
- Wastewater system rehabilitation for larger repairs that require contractor assistance (\$110,000 annually)
- Water plant generator replacement (\$350,000): FY26

Town of Hillsborough, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2024

- Adron Thompson operational facility (\$7,295,600): FY24 and FY25. Debt service begins in FY26 with a half payment of \$249,848, the starting full payments of \$499,696 in FY27.
- Lawndale sewer basin rehabilitation project (\$1.2 million): FY25
- Wastewater collection system rehabilitation projects (\$1.0 million): \$500,000 in FY25 and \$500,000 in FY27
- Eno River sewer interceptors (\$5.05 million): FY26
- Exchange Club sewer interceptors (\$1.29 million): FY26
- Elizabeth Brady Pump Station design (\$400,000): FY27
- Water system master plan annual improvements (\$400,000): FY27

The Town did adjust its stormwater rates for the fiscal year ending June 30, 2025 by \$15 to \$90. 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.

- Program Updates. During FY24, the town completed its first ever state stormwater program audit and received approval of an updated Stormwater Master Plan, and receipt of a new stormwater permit is expected early in FY25. Audit recommendations that were included in the updated Master Plan include updated written procedures, expanded public input processes and additional outreach and expanded efforts for illicit discharge control, construction site runoff and pollution prevention.
- Infrastructure Maintenance. Improved levels of service and updated permit requirements will require additional investments in personnel, equipment and a stormwater capital improvement plan (CIP) to plan for large projects, such as a culvert replacement on Elizabeth Brady Road. The FY25-27 recommended budget includes ramp-up funds for a stormwater CIP and an additional Public Works employee (FY26). The requested Jet-Vac truck is not able to be funded in the recommended budget.
- Planning Ahead. While the Stormwater Fund currently has a healthy fund balance, the approval of a new Stormwater Technician position in FY24, along with the recommended investments in the FY25-27 budget and overall operating cost increases will rapidly deplete that fund balance without fee adjustments. Additionally, just beyond the “visual horizon” of the FY25-27 budget, the Stormwater Fund may need to make a sizable contribution to the Ridgewalk Greenway project for drainage-related improvements

Request for Information

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

Basic Financial Statements

Town of Hillsborough, North Carolina
Statement of Net Position
June 30, 2024

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Hillsborough Tourism Development Authority	Hillsborough Tourism Board
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 18,367,235	\$ 26,480,708	\$ 44,847,943	\$ 443,373	\$ 531,500
Taxes receivables (net)	113,168	-	113,168	-	-
Accounts receivable (net)	131,221	3,464,143	3,595,364	-	-
Due from other governments	1,252,993	-	1,252,993	614	62
Due from related governments	-	-	-	38,114	173,783
Accrued interest receivable	25,200	-	25,200	-	-
Prepays	20,758	485	21,243	-	-
Restricted cash and cash equivalents	1,881,658	574,127	2,455,785	-	-
Total current assets	21,792,233	30,519,463	52,311,696	482,101	705,345
Capital assets:					
Capital assets - nondepreciable	5,681,553	7,071,420	12,752,973	-	-
Capital assets - depreciable, net	20,238,460	53,982,775	74,221,235	-	-
Total capital assets	25,920,013	61,054,195	86,974,208	-	-
Total assets	47,712,246	91,573,658	139,285,904	482,101	705,345
DEFERRED OUTFLOWS OF RESOURCES					
	3,024,418	1,337,376	4,361,794	-	-
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	729,653	434,184	1,163,837	4,487	9,270
Payable from restricted assets	-	807,306	807,306	-	-
Other current liabilities	22,099	-	22,099	-	-
Current portion of long-term liabilities	678,284	1,793,469	2,471,753	-	-
Unearned revenue	58,469	30,968	89,437	-	-
Accrued interest payable	30,400	163,800	194,200	-	-
Total current liabilities	1,518,905	3,229,727	4,748,632	4,487	9,270
Long-term liabilities:					
Due in more than one year	7,745,506	24,139,333	31,884,839	-	-
Total liabilities	9,264,411	27,369,060	36,633,471	4,487	9,270
DEFERRED INFLOWS OF RESOURCES					
	651,299	326,152	977,451	-	-
NET POSITION					
Net investment in capital assets	23,767,200	38,277,972	62,045,172	-	-
Restricted for:					
Stabilization by State Statute	1,649,219	-	1,649,219	38,728	173,845
Streets - Powell Bill	293,004	-	293,004	-	-
Restricted revenues	95,452	-	95,452	-	-
Capital projects	95,452	12,288,796	12,384,248	-	-
Perpetual maintenance	-	81,808	81,808	-	-
Unrestricted	14,920,627	14,567,246	29,487,873	438,886	522,230
Total net position	\$ 40,820,954	\$ 65,215,822	\$ 106,036,776	\$ 477,614	\$ 696,075

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, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Hillsborough Tourism Development Authority	Hillsborough Tourism Board
Primary government:									
Governmental Activities:									
General government	\$ 3,036,694	\$ 117,080	\$ -	\$ -	\$ (2,919,614)	\$ -	\$ (2,919,614)	\$ -	\$ -
Public safety	6,319,915	-	-	-	(6,319,915)	-	(6,319,915)	-	-
Transportation	955,467	-	306,425	-	(649,042)	-	(649,042)	-	-
Environmental protection	739,976	1,410	-	-	(738,566)	-	(738,566)	-	-
Economic and physical protection	650,901	-	-	-	(650,901)	-	(650,901)	-	-
Community activities and projects	561,269	-	2,629,502	-	2,068,233	-	2,068,233	-	-
Parks and recreation	643,125	6,450	-	143,020	(493,655)	-	(493,655)	-	-
Interest on long-term debt	69,466	-	-	-	(69,466)	-	(69,466)	-	-
Total governmental activities	12,976,813	124,940	2,935,927	143,020	(9,772,926)	-	(9,772,926)	-	-
Business-type activities:									
Water and sewer	12,035,117	13,582,553	-	4,077,207	-	5,624,643	5,624,643	-	-
Stormwater	847,492	756,872	-	-	-	(90,620)	(90,620)	-	-
Total business-type activities	12,882,609	14,339,425	-	4,077,207	-	5,534,023	5,534,023	-	-
Total primary government	\$ 25,859,422	\$ 14,464,365	\$ 2,935,927	\$ 4,220,227	(9,772,926)	5,534,023	(4,238,903)	-	-
Component units:									
Hillsborough Tourism Development Authority	73,651	-	-	-	-	-	-	(73,651)	-
Hillsborough Tourism Board	450,820	-	-	-	-	-	-	-	(450,820)
Total component units	524,471	-	-	-	-	-	-	(73,651)	(450,820)
General revenues:									
Property taxes, levied for general purpose					9,949,865	-	9,949,865	-	-
Local option sales taxes					3,355,972	-	3,355,972	-	-
Other miscellaneous taxes					-	-	-	130,367	537,741
Gross receipts on short-term rental property					1,555	-	1,555	-	-
Unrestricted intergovernmental revenues					1,388,706	-	1,388,706	-	-
Investment earnings, unrestricted					778,203	1,162,942	1,941,145	-	-
Miscellaneous					243,495	-	243,495	-	-
Total general revenues not including transfers					15,717,796	1,162,942	16,880,738	130,367	537,741
Total general revenues and transfers					15,717,796	1,162,942	16,880,738	130,367	537,741
Change in net position					5,944,870	6,696,965	12,641,835	56,716	86,921
Net position, beginning					34,876,084	58,518,857	93,394,941	420,898	609,154
Net position, ending					\$ 40,820,954	\$ 65,215,822	\$ 106,036,776	\$ 477,614	\$ 696,075

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

Town of Hillsborough, North Carolina
Balance Sheet
Governmental Funds
June 30, 2024

	General Fund	Total Nonmajor Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 13,344,262	\$ 5,022,973	\$ 18,367,235
Receivables, net:			
Taxes	113,168	-	113,168
Accounts	131,221	-	131,221
Due from other governments	1,251,418	1,575	1,252,993
Due from other funds	39,051	-	39,051
Prepays	20,758	-	20,758
Restricted cash and cash equivalents	388,456	1,493,202	1,881,658
Total assets	\$ 15,288,334	\$ 6,517,750	\$ 21,806,084
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 534,181	\$ 2,674	\$ 536,855
Due to other funds	-	39,051	39,051
Due to component units	192,798	-	192,798
Unearned revenue	58,469	-	58,469
Other liabilities	22,099	-	22,099
Total liabilities	807,547	41,725	849,272
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes receivable	113,168	-	113,168
Total deferred inflows of resources	113,168	-	113,168
<u>FUND BALANCES</u>			
Nonspendable:			
Prepays	20,758	-	20,758
Restricted:			
Stabilization by State Statute	1,649,219	-	1,649,219
Streets - Powell Bill	293,004	-	293,004
Restricted revenues	95,452	-	95,452
Community activities and projects	-	1,455,679	1,455,679
Committed for:			
Capital projects	-	5,020,346	5,020,346
Assigned:			
Subsequent year's expenditures	3,527,010	-	3,527,010
Unassigned	8,782,176	-	8,782,176
Total fund balances	14,367,619	6,476,025	20,843,644
Total liabilities, deferred inflows of resources and fund balances	\$ 15,288,334	\$ 6,517,750	\$ 21,806,084

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

Town of Hillsborough, North Carolina
Balance Sheet
Governmental Funds (continued)
June 30, 2024

Amounts reported for governmental activities in the Statement of Net Position are different because:

Ending fund balance - governmental funds		\$ 20,843,644
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		5,681,553
Capital assets being depreciated:		
Cost	\$ 31,939,283	
Accumulated depreciation	<u>(11,952,001)</u>	19,987,282
Capital assets being amortized:		
Right to use assets	358,937	
IT subscription agreement	158,621	
Accumulated amortization	<u>(266,380)</u>	251,178
Deferred outflows of resources are not financial resources; therefore the amounts are not reported in the funds:		
Local Government Employees' Retirement System ("LGERS")	2,448,439	
Law Enforcement Officers' Special Separation Allowance ("LEO")	412,715	
Other Post Employment Benefits ("OPEB")	<u>163,264</u>	3,024,418
Certain assets are not available to pay for current period expenditures; therefore, the balances are deferred in the funds:		
Property taxes receivable		113,168
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")	(49,226)	
Law Enforcement Officers' Special Separation Allowance ("LEO")	(258,045)	
Other Post Employment Benefits ("OPEB")	<u>(344,028)</u>	(651,299)
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	(1,903,329)	
Lease and IT subscription liabilities	(249,484)	
Net pension liability - LGERS	(3,808,363)	
Total pension liability - LEO	(1,356,531)	
Total OPEB liability	(568,370)	
Compensated absences payable	<u>(537,713)</u>	(8,423,790)
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>(30,400)</u>
Net position of governmental activities		<u><u>\$ 40,820,954</u></u>

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

Town of Hillsborough, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2024

	General Fund	Total Non-Major Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 9,931,303	\$ -	\$ 9,931,303
Other taxes and licenses	10,572	-	10,572
Unrestricted intergovernmental	4,877,478	-	4,877,478
Restricted intergovernmental	353,253	2,772,522	3,125,775
Use and rental fees	124,940	-	124,940
Investment earnings	778,203	-	778,203
Miscellaneous	242,063	-	242,063
Total revenues	<u>16,317,812</u>	<u>2,772,522</u>	<u>19,090,334</u>
Expenditures:			
Current:			
General government	2,810,956	-	2,810,956
Public safety	6,347,428	-	6,347,428
Transportation	1,513,628	-	1,513,628
Environmental protection	1,132,790	-	1,132,790
Economic and physical development	668,108	265,412	933,520
Community activities and projects	131,397	445,359	576,756
Parks and recreation	643,125	-	643,125
Debt service:			
Principal	433,821	-	433,821
Interest and other charges	73,466	-	73,466
Total expenditures	<u>13,754,719</u>	<u>710,771</u>	<u>14,465,490</u>
Excess (deficiency) of revenues over expenditures	<u>2,563,093</u>	<u>2,061,751</u>	<u>4,624,844</u>
Other financing sources (uses):			
Sale of capital assets	25,951	-	25,951
Transfers (to) from other funds	(2,484,747)	2,484,747	-
Total other financing sources (uses)	<u>(2,458,796)</u>	<u>2,484,747</u>	<u>25,951</u>
Net change in fund balances	104,297	4,546,498	4,650,795
Fund balances, beginning	14,263,322	1,929,527	16,192,849
Fund balances, ending	<u>\$ 14,367,619</u>	<u>\$ 6,476,025</u>	<u>\$ 20,843,644</u>

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

Town of Hillsborough, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds to the Statement of Activities
Year Ended June 30, 2024

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

Net change in fund balances - total governmental funds	\$	4,650,795
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Governmental funds report capital outlay 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	\$ 2,597,275	
Depreciation expense	(1,086,913)	
Amortization expense	<u>(107,380)</u>	1,402,982

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	18,562
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds:

Leases (as leasee)	(214,873)	
Principal retirement	433,821	218,948

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	4,000	
Change in accrued compensated absences	31,203	
Pension expense - LGERS	(346,057)	
Pension expense - LEOSSA	(97,037)	
OPEB expense	<u>61,474</u>	<u>(346,417)</u>

Total changes in net position of governmental activities	\$	<u>5,944,870</u>
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Town of Hillsborough, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund
Year Ended June 30, 2024

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 9,947,250	\$ 9,807,250	\$ 9,931,303	\$ 124,053
Other taxes and licenses	1,550	7,300	10,572	3,272
Unrestricted intergovernmental	4,235,250	4,087,500	4,877,478	789,978
Restricted intergovernmental	348,989	382,914	353,253	(29,661)
Use and rental fees	57,000	57,000	124,940	67,940
Investment earnings	100,000	735,000	778,203	43,203
Miscellaneous	197,906	197,906	242,063	44,157
Total revenues	14,887,945	15,274,870	16,317,812	1,042,942
Expenditures:				
Current:				
General government	4,267,994	4,072,356	3,136,571	935,785
Public safety	6,648,487	6,942,652	6,395,505	547,147
Transportation	1,683,850	2,073,037	1,513,628	559,409
Environmental protection	823,416	1,272,383	1,195,407	76,976
Economic and physical development	525,000	720,900	668,108	52,792
Community activities and projects	606,329	599,255	200,897	398,358
Parks and recreation	649,203	836,616	644,603	192,013
Total expenditures	15,204,279	16,517,199	13,754,719	2,762,480
Revenues over (under) expenditures	(316,334)	(1,242,329)	2,563,093	3,805,422
Other financing sources (uses):				
Transfers (to) from other funds	(1,289,887)	(2,484,747)	(2,484,747)	-
Sale of capital assets	-	-	25,951	25,951
Total other financing sources (uses)	(1,289,887)	(2,484,747)	(2,458,796)	(25,951)
Appropriated fund balance	1,606,221	3,727,076	-	(3,727,076)
Net change in fund balance	\$ -	\$ -	104,297	\$ 104,297
Fund balance, beginning of year			14,223,419	
Fund balance, end of year			14,327,716	
Legally budgeted funds that are consolidated into the General Fund for reporting purposes:				
Restricted Revenues Fund:				
Fund balance, beginning			39,903	
Fund balance, ending (Exhibit 4)			\$ 14,367,619	

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

Town of Hillsborough, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2024

	Water and Sewer Fund	Nonmajor Fund	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 25,371,231	\$ 1,109,477	\$ 26,480,708
Restricted cash and cash equivalents	574,127	-	574,127
Accounts receivable, net	3,455,368	8,775	3,464,143
Prepays	485	-	485
Total current assets	29,401,211	1,118,252	30,519,463
Capital assets:			
Land and construction in progress	7,037,607	33,813	7,071,420
Capital assets, net of accumulated depreciation	52,174,525	1,808,250	53,982,775
Total capital assets	59,212,132	1,842,063	61,054,195
Total noncurrent assets	59,212,132	1,842,063	61,054,195
Total assets	88,613,343	2,960,315	91,573,658
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension deferrals	1,206,145	131,231	1,337,376
Total deferred outflows of resources	1,206,145	131,231	1,337,376
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued liabilities	410,450	23,734	434,184
Payable from restricted assets:			
Accounts payable - capital projects	175,468	-	175,468
Customer deposits	631,838	-	631,838
Other current liabilities	30,968	-	30,968
Accrued interest payable	163,800	-	163,800
Current portion of long-term liabilities	1,776,537	16,932	1,793,469
Total current liabilities	3,189,061	40,666	3,229,727
Noncurrent liabilities:			
Long-term debt	23,916,075	223,258	24,139,333
Total noncurrent liabilities	23,916,075	223,258	24,139,333
Total liabilities	27,105,136	263,924	27,369,060
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension deferrals	302,772	23,380	326,152
Total deferred inflows of resources	302,772	23,380	326,152
<u>NET POSITION</u>			
Net investment in capital assets	36,435,909	1,842,063	38,277,972
Restricted for water and sewer projects	12,288,796	-	12,288,796
Restricted for perpetual maintenance	81,808	-	81,808
Unrestricted	13,605,067	962,179	14,567,246
Total net position	\$ 62,411,580	\$ 2,804,242	\$ 65,215,822

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 Fund Net Position
Proprietary Funds
Year Ended June 30, 2024

	Water and Sewer Fund	Nonmajor Fund	Total
Operating revenues:			
Charges for services	\$ 11,582,985	\$ 756,872	\$ 12,339,857
System development fees	1,444,422	-	1,444,422
Other operating revenues	555,146	-	555,146
Total operating revenues	<u>13,582,553</u>	<u>756,872</u>	<u>14,339,425</u>
Operating expenses:			
Personnel services	3,762,434	422,007	4,184,441
Operating expenses	5,609,676	348,750	5,958,426
Depreciation	2,186,637	76,734	2,263,371
Total operating expenses	<u>11,558,747</u>	<u>847,491</u>	<u>12,406,238</u>
Operating income (loss)	<u>2,023,806</u>	<u>(90,619)</u>	<u>1,933,187</u>
Nonoperating revenues (expenses):			
Investment earnings	1,115,092	47,850	1,162,942
Amortization of premium on bonds payable	56,123	-	56,123
Gain on disposal of capital assets	211,499	-	211,499
Interest and fees	(743,993)	-	(743,993)
Total nonoperating revenues (expenses)	<u>638,721</u>	<u>47,850</u>	<u>686,571</u>
Income (loss) before capital contributions	<u>2,662,527</u>	<u>(42,769)</u>	<u>2,619,758</u>
Capital contributions	4,077,207	-	4,077,207
Change in net position	6,739,734	(42,769)	6,696,965
Total net position, beginning	55,671,846	2,847,011	58,518,857
Total net position, ending	<u>\$ 62,411,580</u>	<u>\$ 2,804,242</u>	<u>\$ 65,215,822</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, 2024

	Water and Sewer Fund	Nonmajor Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 11,511,288	\$ 758,910	\$ 12,270,198
Cash paid for goods and services	(7,107,824)	(346,082)	(7,453,906)
Cash paid to employees	(3,624,111)	(399,465)	(4,023,576)
Net cash provided (used) by operating activities	<u>779,353</u>	<u>13,363</u>	<u>792,716</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(3,056,059)	(76,390)	(3,132,449)
Principal payments on long-term debt	(1,435,421)	-	(1,435,421)
Interest paid on long-term debt	(672,243)	-	(672,243)
Cash received from capital contributions	4,077,207	-	4,077,207
Net cash provided (used) by capital and related financing activities	<u>(1,086,516)</u>	<u>(76,390)</u>	<u>(1,162,906)</u>
Cash flows from investing activities:			
Interest on investments	1,115,092	47,850	1,162,942
Net cash provided (used) by investing activities	<u>1,115,092</u>	<u>47,850</u>	<u>1,162,942</u>
Net increase (decrease) in cash and cash equivalents	807,929	(15,177)	792,752
Cash and cash equivalents - beginning of year	<u>25,137,429</u>	<u>1,124,654</u>	<u>26,262,083</u>
Cash and cash equivalents - end of year	<u><u>\$ 25,945,358</u></u>	<u><u>\$ 1,109,477</u></u>	<u><u>\$ 27,054,835</u></u>
Cash and cash equivalents			
Unrestricted	\$ 25,371,231	\$ 1,109,477	\$ 26,480,708
Restricted	574,127	-	574,127
Total cash and cash equivalents	<u><u>\$ 25,945,358</u></u>	<u><u>\$ 1,109,477</u></u>	<u><u>\$ 27,054,835</u></u>

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

Town of Hillsborough, North Carolina
Statement of Cash Flows (continued)
Proprietary Funds
Year Ended June 30, 2024

	<u>Water and Sewer Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ 2,023,806</u>	<u>\$ (90,619)</u>	<u>\$ 1,933,187</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	2,186,637	76,734	2,263,371
Other non-operating expenses			
Change in assets, deferred outflows and inflows of resources, and liabilities:			
Accounts receivable	(1,498,148)	2,038	(1,496,110)
Accounts payable and accrued liabilities	98,671	2,668	101,339
Deposits	2,676	-	2,676
Other current liabilities	(81,901)	-	(81,901)
Unearned revenue	(2,071,265)	-	(2,071,265)
OPEB expense	(9,759)	356	(9,403)
Pension expense - LGERS	150,725	20,380	171,105
Compensated absences payable	(22,089)	1,806	(20,283)
Total adjustments	<u>(1,244,453)</u>	<u>103,982</u>	<u>(1,140,471)</u>
Net cash provided (used) by operating activities	<u>\$ 779,353</u>	<u>\$ 13,363</u>	<u>\$ 792,716</u>
Supplemental schedule of noncash investing and financing activities			
Capital asset additions included in accounts payable and accrued liabilities	<u>\$ 175,468</u>	<u>\$ -</u>	<u>\$ 175,468</u>

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

Notes to the Financial Statements

Town of Hillsborough, North Carolina
Notes to the Financial Statements
June 30, 2024

NOTE 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 nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the Town’s funds, including the fiduciary fund. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Town of Hillsborough, North Carolina
Notes to the Financial Statements
June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B - Basis of Presentation (continued)

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.

C - Measurement Focus and Basis of Accounting

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

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C - Measurement Focus and Basis of Accounting

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

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

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

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

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

All budgets are prepared using a budgetary non-GAAP basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multiyear funds. The Town Manager is authorized by the budget ordinance to transfer appropriations and may allow any amount of money to be transferred between functional areas within a fund. The Town Manager is also authorized to effect interdepartmental transfers within the same fund, not to exceed 10% of the appropriated monies for the department whose allocation is reduced. The Finance Director may make minor adjustments to the budget without obtaining prior governing board approval by formal budget amendment. Such changes must be within a fund and not between two or more funds. The Finance Director is required to inform the board at the next meeting after the budget adjustment is made. Budget amendments typically involve larger sums of money and require the governing board's approval. During the year, several amendments to the original budget were necessary.

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

1. Deposits and Investments

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

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.

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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's Restricted Cash

Governmental Activities:

General Fund:

Streets	\$ 293,004
Restructured revenues	95,452
Special Assessment District Fund	1,493,202
Total Governmental Activities	<u>1,881,658</u>

Business-type Activities:

Water and Sewer Fund:

Unspent debt proceeds	574,127
Total Business-type Activities	<u>574,127</u>

Total Restricted Cash	<u>\$ 2,455,785</u>
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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, 2024.

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

5. Allowance for Doubtful Accounts

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

6. 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:

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

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

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.

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.

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

7. Capital Assets (continued)

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

	<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	5-10 years
Vehicles	3-5 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.

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.

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

10. Compensated absences (continued)

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 represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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 the Financial Statements (continued)
June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

11. Net Position / Fund Balances (continued)

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 that 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.

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A - Assets

1. Deposits

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 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 \$7,345,375 and a bank balance of \$7,463,428 at June 30, 2024. Of the bank balance, \$328,593 was covered by federal depository insurance and \$7,134,835 in demand deposits were covered under the Pooling Method. The Town had \$3,050 in cash on hand at June 30, 2024.

The Authority's deposits had a carrying amount and bank balance of \$443,374 at June 30, 2024. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining \$193,374 was covered under the Pooling Method.

The Tourism Board's deposits had a carrying amount of \$531,500 and a bank balance of \$531,500 at June 30, 2024. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$281,500 of demand deposits were covered under the Pooling Method.

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A – Assets

2. Investments

The following table summarizes the Town’s investment balances at June 30, 2024:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2024	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Level 1	<u>\$39,955,303</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.

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

A – Assets (continued)

2. Investments (continued)

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, 2024.

3. Due from other governments

Amount due from other governments consist of the following:

	Governmental Activities
General Fund:	
Sales and use tax distribution	\$ 865,645
Utilities franchise and telecommunications tax	187,005
Sales tax refunds	198,768
Total General Fund	<u>1,251,418</u>
Other governmental funds:	
Nonmajor funds	<u>1,575</u>
Total due from other governments	<u><u>\$ 1,252,993</u></u>

4. Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2024 are net of the following allowance for doubtful accounts:

	Governmental Activities	Business-type Activities
General Fund:		
Property taxes receivable	\$ 37,000	
Water and Sewer Fund:		
Accounts receivable	\$ 300,695	
Stormwater Fund:		
Accounts receivable	<u>12,773</u>	
Total allowance for doubtful accounts	<u><u>\$ 350,468</u></u>	

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

5. Due from related governments

The Authority - Amounts due from related governments consist of \$38,302 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 \$173,783 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, 2024.

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,879,989	\$ -	\$ -	\$ 4,879,989
Construction in progress	1,572,549	451,212	1,222,197	801,564
Total capital assets not being depreciated	6,452,538	451,212	1,222,197	5,681,553
Capital assets being depreciated:				
Buildings and improvements	9,277,408	75,042	-	9,352,450
Infrastructure	13,466,190	2,079,938	-	15,546,128
Equipment	1,254,023	102,573	5,918	1,350,678
Vehicles	4,794,193	895,834	-	5,690,027
Total capital assets being depreciated	28,791,814	3,153,387	5,918	31,939,283
Less accumulated depreciation for:				
Buildings and improvements	3,783,150	292,490	-	4,075,640
Infrastructure	2,396,012	375,186	-	2,771,198
Equipment	844,983	71,925	5,918	910,990
Vehicles	3,846,861	347,312	-	4,194,173
Total accumulated depreciation	10,871,006	1,086,913	5,918	11,952,001
Total capital assets being depreciated, net	17,920,808			19,987,282

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

6. Capital Assets

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being amortized:				
Right to use assets:				
Land improvements	\$ 5,763	\$ -	\$ -	\$ 5,763
Buildings	103,215	191,027	-	294,242
Equipment	35,086	23,846	-	58,932
IT subscriptions	158,621	-	-	158,621
Total capital assets being amortized	302,685	214,873	-	517,558
Less accumulated amortization for:				
Right to use assets:				
Land improvements	2,470	1,235	-	3,705
Buildings	65,943	37,589	-	103,532
Equipment	17,822	7,859	-	25,681
IT subscriptions	72,765	60,697	-	133,462
Total accumulated amortization	159,000	107,380	-	266,380
Total capital assets being amortized, net	143,685			251,178
Governmental activities capital assets, net	<u>\$ 24,517,031</u>			<u>\$ 25,920,013</u>

Depreciation and amortization expense were charged to the following functions:

	<u>Depreciation</u>	<u>Amortization</u>
General government	\$ 178,487	\$ 64,988
Public safety	138,519	42,392
Transportation	424,568	-
Economic and physical development	176,305	-
Environmental protection	169,034	-
Total	<u>\$ 1,086,913</u>	<u>\$ 107,380</u>

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

6. Capital Assets (continued)

The following tables summarize capital asset activity for the Town's business-type activities during the year ended June 30, 2024.

Business-type activities:	Beginning			Ending
Water and Sewer fund	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 6,099,275	\$ -	\$ -	\$ 6,099,275
Construction in progress	877,325	569,320	508,313	938,332
Total capital assets not being depreciated	6,976,600	569,320	508,313	7,037,607
Capital assets being depreciated:				
Buildings and improvements	38,994,136	-	-	38,994,136
Plant and distributions systems	37,057,758	2,325,031	-	39,382,789
Infrastructure	1,320,604	440,219	-	1,760,823
Equipment	1,881,689	280,209	55,495	2,106,403
Vehicles	1,248,036	159,384	-	1,407,420
Total capital assets being depreciated	80,502,223	3,204,843	55,495	83,651,571
Less accumulated depreciation for:				
Buildings and improvements	13,606,438	1,117,286	-	14,723,724
Plant and distributions systems	13,107,039	755,281	1,705	13,860,615
Infrastructure	209,018	42,314	-	251,332
Equipment	1,484,315	128,580	55,495	1,557,400
Vehicles	940,799	143,176	-	1,083,975
Total accumulated depreciation	29,347,609	2,186,637	57,200	31,477,046
Total capital assets being depreciated, net	51,154,614			52,174,525
Business-type activities capital assets, net	<u>\$ 58,131,214</u>			<u>\$ 59,212,132</u>

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

6. Capital Assets (continued)

Business-type activities:	Beginning			Ending
Stormwater fund	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 33,813	\$ -	\$ -	\$ 33,813
Construction in progress	100,000	-	100,000	-
Total capital assets not being depreciated	133,813	-	100,000	33,813
Capital assets being depreciated:				
Infrastructure	2,133,177	100,000	-	2,233,177
Equipment	91,591	76,390	-	167,981
Vehicles	20,762	-	-	20,762
Total capital assets being depreciated	2,245,530	176,390	-	2,421,920
Less accumulated depreciation for:				
Infrastructure	501,677	55,982	-	557,659
Equipment	14,497	20,752	-	35,249
Vehicles	20,762	-	-	20,762
Total accumulated depreciation	536,936	76,734	-	613,670
Total capital assets being depreciated, net	1,708,594			1,808,250
Business-type activities capital assets, net	\$ 1,842,407			\$ 1,842,063

7. Construction commitments

The Town has active construction projects as of June 30, 2024 with the following remaining commitments:

	Spent to Date	Estimated Remaining Commitment
Governmental Projects:		
NC 86 Renovation Project	\$ 273,995	\$ 4,551,987
Fire Station Project	-	450,000
Fiber Loop Project	-	400,000
Other projects	-	335,106
Business-type Projects:		
Various water and sewer projects	1,378,599	19,162,843
Total due from other governments	\$ 1,652,594	\$ 24,899,936

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities

1. Pension Plan 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, 2024 was 14.10% of compensation for law enforcement officers and 12.85% 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 \$1,122,927 for the year ended June 30, 2024.

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

Refunds of Contributions. Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

The Town reported a liability, at June 30, 2024, of \$5,665,521 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 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, 2023 (measurement date), was 0.05547%, which was an increase of 0.00204% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Town recognized pension expense of \$1,640,089. The Town reported, at June 30, 2024, deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 631,307	\$ 13,591
Changes of assumptions	240,752	-
Net difference between projected and actual earnings on pension plan investment	1,516,341	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	131,099	59,640
Town contributions subsequent to the measurement date	1,122,927	-
Total	<u>\$ 3,642,426</u>	<u>\$ 73,231</u>

The \$1,122,927 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:

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

Year ended June 30:	
2025	\$ 856,897
2026	485,168
2027	1,040,086
2028	64,117
	<u>\$ 2,446,268</u>

Actuarial Assumptions. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2022 valuation, with the exception of the discount rate, were based the results of an actuarial experience study prepared as of December 21, 2019 and adopted by the of Trustees on January 28, 2021, and amended on January 27, 2022.

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 weighing 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, 2023 are summarized in the following table:

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	100.0%	

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:

	<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 (asset)	\$ 9,815,293	\$ 5,665,521	\$ 2,249,040

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.

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance

1. 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, 2022 (valuation date), consisted of:

Inactive members receiving benefits	3
Active plan members	<u>29</u>
Total	<u><u>32</u></u>

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2022 valuation. The total pension liability in the December 31, 2022 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, including inflation and productivity factor
Discount rate	4.00 percent

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

3. Actuarial Assumptions (continued)

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2022.

Mortality rates are based on the Pub 2010 Mortality tables with adjustments for mortality improvements based on Scale MP-2019.

4. 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 decreased from 4.31 percent to 4.00 percent.

5. 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.

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

At June 30, 2024, the Town reported a total pension liability of \$1,356,531. The total pension liability was based on a December 31, 2022 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2023 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024, the Town recognized pension expense of \$174,929.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 212,879	\$ 94,449
Changes of assumptions	155,445	163,596
Town benefit payments and plan administrative expense made subsequent to the measurement date	44,391	-
Total	<u>\$ 412,715</u>	<u>\$ 258,045</u>

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

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

The \$44,391 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized in pension expense for the year ending June 30, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2025	\$ 53,891
2026	50,719
2027	(22,341)
2028	10,324
2029	17,686
Thereafter	-

7. 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 4.00 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 (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current rate:

	1% Decrease	Discount rate	1% Increase
	(3.00%)	(4.00%)	(5.00%)
Total pension liability	\$ 1,475,085	\$ 1,356,531	\$ 1,249,767

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

	2024
Beginning balance	\$ 1,195,633
Service cost	61,601
Interest on the total pension liability	50,174
Differences between expected and actual experience in the measurement of the total pension liability	80,291
Changes of assumptions or other inputs	31,835
Benefit payments	(63,003)
Ending balance of the total pension liability	\$ 1,356,531

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

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

The 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	\$ 1,640,089	\$ 174,929	\$ 1,815,018
Pension Liability	5,665,521	1,356,531	7,022,052
Proportionate share of the net pension liability	0.08554%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	631,307	212,879	844,186
Changes of assumptions	240,752	155,445	396,197
Net difference between projected and actual earnings on plan investments	1,516,341	-	1,516,341
Changes in proportion and differences between contributions and proportionate share of contributions	131,099	-	131,099
Benefit payments and administrative costs paid subsequent to the measurement date	1,122,927	44,391	1,167,318
Deferred of Inflows of Resources			
Difference between expected and actual experience	13,591	94,449	108,040
Changes of assumptions	-	163,596	163,596
Changes in proportion and differences between contributions and proportionate share of contributions	59,639	-	59,639

d. Supplemental Retirement Income Plan for Law Enforcement Officers

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 five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers and other employees may make voluntary contributions to the plan. Contributions by the Town for the year ended June 30, 2024 were \$127,503.

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

2. Other Postemployment Benefits

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.

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
Less than 20 years	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	Not eligible for coverage	Not eligible for coverage
30 or more years' continuous service:				
Before age 57	Full coverage paid for by Town	Not eligible for coverage	Full coverage paid for by Town	Not eligible for coverage
Age 57 to 60	Full coverage paid for by Town	Full coverage paid for by Town	Full coverage paid for by Town	Not eligible for coverage
Age 60 until eligible for Medicare	Full coverage paid for by Town	Full coverage paid for by Town	Full coverage paid for by Town	Full coverage paid for by Town

Membership of the 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	6	0
Active plan members	78	32
Total	84	32

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

2. Other Postemployment Benefits (continued)

The Town's total OPEB liability of \$1,067,548 was measured as of June 30, 2023 and was determined by an actuarial valuation as of June 30, 2022.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.25 to 8.41 percent, including inflation and productivity factor
Discount rate	3.65 percent
Healthcare cost trend rates	Pre-Medicare and Prescription Drug and Prescription Drug 7.00% for 2023 decreasing to an ultimate rate of 4.50% by 2033.

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.

Schedule of Changes in Total Pension Liability

	2024
Beginning balance	\$ 1,351,578
Service cost	41,492
Interest on the total pension liability	47,831
Differences between expected and actual experience in the measurement of the total pension liability	(310,860)
Changes of assumptions or other inputs	22,013
Benefit payments	(84,507)
Ending balance of the total pension liability	\$ 1,067,547

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 3.54 percent to 3.65 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, 2022 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, 2023 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2023 valuation.

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

2. Other Postemployment Benefits (continued)

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 (2.65 percent) or 1 percentage point higher (4.65 percent) than the current rate:

	1% Decrease (2.65%)	Discount rate (3.65%)	1% Increase (4.65%)
Total OPEB Liability	\$ 1,145,302	\$ 1,067,548	\$ 995,865

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	1% Increase
Total OPEB Liability	\$ 982,208	\$ 1,067,548	\$ 1,164,213

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Town recognized OPEB expense of \$16,816 for the year ended June 30, 2024. The Town reported, at June 30, 2024, 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	\$ 45,179	\$ 506,643
Benefit payments and administrative costs made subsequent to measurement date	51,345	-
Changes of assumptions or other inputs	210,129	139,532
Total	<u>\$ 306,653</u>	<u>\$ 646,175</u>

The \$51,345 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, 2025.

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2025	\$ (73,773)
2026	(71,461)
2027	(63,472)
2028	(60,321)
2029	(17,366)
Thereafter	(104,474)

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

3. Other Employment Benefits

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, 2024 were as follows:

	Governmental Activities		
	Other		
	General	Government	Total
	Fund	Funds	
Accounts payable to vendors	\$ 220,408	\$ 2,674	\$ 223,082
Accrued payroll and related liabilities	313,774	-	313,774
	<u>\$ 534,182</u>	<u>\$ 2,674</u>	<u>\$ 536,856</u>
	Business-type Activities		
	Water and		
	Sewer	Stormwater	Total
	Fund	Fund	
Accounts payable to vendors	\$ 261,966	\$ 6,380	\$ 268,346
Accrued payroll and related liabilities	150,246	34,288	184,534
	<u>\$ 412,212</u>	<u>\$ 40,668</u>	<u>\$ 452,880</u>

5. Due to related governments

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

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

6. 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	\$ -	\$ 2,448,439
Pension - LEOSSA	-	412,715
OPEB	-	163,264
Total	\$ -	\$ 3,024,418
Business-type activities:		
Pension - LGERS		\$ 1,193,987
OPEB		143,389
Total		\$ 1,337,376

7. Deferred Outflows and Inflows of Resources (continued)

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

Deferred Inflows of Resources:

	Modified Accrual	Full Accrual
Governmental activities:		
Unavailable revenue:		
Property taxes receivable	\$ 113,168	\$ -
Pension - LGERS	-	49,226
Pension - LEOSSA	-	258,045
OPEB	-	344,028
Total governmental activities	\$ 113,168	\$ 651,299
Business-type activities:		
Pension - LGERS		\$ 24,005
OPEB		302,147
Total business-type activities		\$ 326,152

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

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 (\$75,622,366); general liability (\$5 million per occurrence); law enforcement liability (\$5 million per occurrence); public employees scheduled bond (\$1,000,000) public employees blanket bond/crime (\$10,000); computer equipment (\$786,100); municipal equipment (\$1,164,754); 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.

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

8. Risk Management (continued)

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 \$1,000,000.

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.

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 \$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. \$ 36,482
- Note payable to BB&T, executed in 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. 225,634

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

10. Long-term obligations (continued)

a. Direct Placement Installment Purchases (continued)

<ul style="list-style-type: none"> 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. 	1,518,634
<ul style="list-style-type: none"> 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 trucks. 	122,579
	1,903,329
	(284,464)
Less: current portion	\$ 1,618,865

The future minimum payments for direct placement installment purchases, at June 30, 2024, related to governmental activities are as follows:

Governmental Activities:			
<u>Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	209,075	33,597	242,672
2030-2033	754,709	66,781	821,490
	<u>\$ 1,903,329</u>	<u>\$ 305,496</u>	<u>\$ 2,208,825</u>

Business-type activities:

<ul style="list-style-type: none"> 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% business-type activities, and accordingly, the annual payments are made out of the Water and Sewer Fund will be \$39,125, which commenced on January 1, 2019. 	\$ 296,827
Less: current portion	(28,588)
	<u>\$ 268,239</u>

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

10. Long-term obligations (continued)

a. Direct Placement Installment Purchases (continued)

The future minimum payments for direct placement installment purchases, at June 30, 2024, related to business-type activities are as follows:

Business-type Activities:			
<u>Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	32,847	6,278	39,125
2030-2033	143,504	12,996	156,500
	<u>\$ 296,827</u>	<u>\$ 55,296</u>	<u>\$ 352,123</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, 2024.

b. Lease liabilities

Governmental activities:

- 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, 2024 was \$2,058 with accumulated amortization of \$3,705. \$ 1,532
- The Town is a lessee of a 60-month lease of a building used as a police training facility. An initial lease liability was recorded in the amount of \$191,027. The Town is required to make monthly payments of \$3,200. The lease has an interest rate of 2.6160%. The net book value of the right to use asset for the year ended June 30, 2024 was \$187,842 with accumulated amortization of \$3,184. 187,827
- 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, 2024 was \$10,995 with accumulated amortization of \$13,115. 10,909

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

10. Long-term obligations (continued)

b. Lease liabilities (continued)

<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 \$23,846. The Town is required to make monthly payments of \$424. The lease has an interest rate of 2.6160%. There are variable payment components of the lease. The net book value of the right to use asset for the year ended June 30, 2024 was \$22,256 with accumulated amortization of \$1,590. 	22,303
	222,571
Less current portion	(44,908)
	<u>\$ 177,663</u>

The future minimum leases payments, at June 30, 2024, related to governmental activities are as follows:

Governmental Activities:			
<u>Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 44,908	\$ 5,079	\$ 49,987
2026	45,585	4,020	49,605
2027	44,228	2,912	47,140
2028	45,390	1,758	47,148
2029	42,460	546	43,006
	<u>\$ 222,571</u>	<u>\$ 14,315</u>	<u>\$ 236,886</u>

c. IT subscription liability

Governmental activities:

<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, 2024, the value of the subscription liability is \$26,912. 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, 2024 is \$158,621 with accumulated amortization of \$133,462. 	26,912
	26,912
Less current portion	(26,912)
	<u>\$ -</u>

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

10. Long-term obligations (continued)

c. IT subscription liability (continued)

The future minimum leases payments, at June 30, 2024, related to governmental activities are as follows:

Governmental Activities:			
<u>Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 26,912	\$ 588	\$ 27,500
	<u>\$ 26,912</u>	<u>\$ 588</u>	<u>\$ 27,500</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, 2024 was \$152,444.
- 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 Clean 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, 2024 was \$8,905,004.
- 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 were 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, 2024 was \$1,035,340.

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

10. Long-term obligations (continued)

d. Revolving loans payable (continued)

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

Business-Type Activities:			
<u>Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,060,844	\$ 222,672	\$ 1,283,516
2026	1,060,846	198,784	1,259,630
2027	984,622	174,894	1,159,516
2028	984,623	153,032	1,137,655
2029	984,622	131,171	1,115,793
2030-2034	4,923,111	327,927	5,251,038
2035	94,120	-	94,120
	<u>\$ 10,092,788</u>	<u>\$ 1,208,480</u>	<u>\$ 11,301,268</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 issues 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. \$10,045,000 remains outstanding at June 30, 2024.

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

Business-Type Activities:			
<u>Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	40,000	437,719	477,719
2030-2034	2,450,000	1,941,094	4,391,094
2035-2039	3,770,000	1,118,592	4,888,592
2040-2043	3,655,000	258,965	3,913,965
	<u>\$ 10,045,000</u>	<u>\$ 5,524,746</u>	<u>\$ 15,569,746</u>

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

10. Long-term obligations (continued)

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. \$2,045,000 remains outstanding at June 30, 2024.

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

Business-Type Activities:			
<u>Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	349,000	13,979	362,979
2030	357,000	7,068	364,068
	<u>\$ 2,045,000</u>	<u>\$ 143,866</u>	<u>\$ 2,188,866</u>

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.

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

10. Long-term obligations (continued)

g. Debt Covenants (continued)

The debt service coverage ratio calculation is as follows:

	2024
Operating revenues	\$ 13,582,553
Operating expenses (excluding depreciation)	(9,372,110)
Operating income	4,210,443
Nonoperating revenues (expenses)	638,721
Income available for debts service - {A}	\$ 4,849,164
Unrestricted net position (system fund balance)	\$ 13,605,067
15% of Unrestricted Net Position - {B}	\$ 2,040,760
Total Balance for 120% Parity ({A}+{B})	\$ 6,889,924
Debt service, principal and interest (Revenue bond only)	\$ 839,737
Debt service coverage ratio on first-lien debt	8.20
Debt service all debt (total balance for 100%)	\$ 2,186,270
Debt service coverage ratio on all debt together	2.22

h. Changes in long-term liabilities

The following table summarizes changes in the Town's long-term liabilities during the year ended June 30, 2024.

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Direct placement installment purchases	\$ 2,239,251	\$ -	\$ 335,922	\$ 1,903,329	\$ 284,464
Lease liabilities	59,820	214,873	52,121	222,572	44,908
IT subscriptions liability	72,690	-	45,778	26,912	26,912
Compensated absences	568,916	290,319	321,522	537,713	322,000
Total OPEB liability	741,299	-	172,929	568,370	-
Net pension liability (LGRS)	3,170,031	638,332	-	3,808,363	-
Total pension liability (LEO)	1,195,633	160,898	-	1,356,531	-
Total governmental activity long-term liabilities	\$ 8,047,640	\$ 1,304,422	\$ 928,272	\$ 8,423,790	\$ 678,284

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

10. Long-term obligations (continued)

h. Changes in long-term liabilities (continued)

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Business-type activities:					
<i>Water and sewer:</i>					
Direct placement installment purchases	\$ 324,403	\$ -	\$ 27,576	\$ 296,827	\$ 28,558
Revolving loans payable	11,153,633	-	1,060,845	10,092,788	1,060,844
Revenue bonds payable	12,437,000	-	347,000	12,090,000	355,000
Premium on bonds payable	751,389	-	56,123	695,266	55,935
Compensated absences	406,743	254,127	276,216	384,654	276,200
Total OPEB liability	568,904	-	104,323	464,581	-
Net pension liability (LGERS)	1,391,480	277,016	-	1,668,496	-
Total - water and sewer	27,033,552	531,143	1,872,083	25,692,612	1,776,537
<i>Stormwater:</i>					
Compensated absences	15,126	25,163	23,357	16,932	16,932
Total OPEB liability	41,375	-	6,779	34,596	-
Net pension liability (LGERS)	147,389	41,273	-	188,662	-
Total - stormwater	203,890	66,436	30,136	240,190	16,932
Business-type activity long-term liabilities	\$ 27,237,442	\$ 597,579	\$ 1,902,219	\$ 25,932,802	\$ 1,793,469

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, 2024 was approximately \$135,266,000 and a legal debt margin of approximately \$133,362,000 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 debt has been paid in full. The excess funds collected to cover debt service of the issuances was transferred to the Town. The funds are being accounted for as a Special Revenue Funds only to be used for the benefit the Waterstone District.

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

C - Interfund Balances and Activity

Transfers from:	Transfers to:		
	General Capital Projects Fund	General Fund	Total
General Fund	\$ 2,484,747	\$ -	\$ 2,484,747
General Capital Reserve Fund	-	167,500	167,500
	<u>\$ 2,484,747</u>	<u>\$ 167,500</u>	<u>\$ 2,652,247</u>

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

Transfers from:	Transfers to:				Total
	Utilities Capital Improvements Fund	Water and Sewer Operating Fund	Sewer System Development Fee Reserve	Water System Development Fee Reserve	
Water and Sewer Operating Fund	\$ 4,056,317	\$ -	\$ 59,405	\$ 82,348	\$ 4,198,070
Utilities Capital Improvements Fund	-	58,893	-	381,375	440,268
ARPA Fund	-	2,022,647	-	-	2,022,647
Water and Sewer Capital Reserve Fund	327,386	-	-	-	327,386
Water System Development Fee Reserve Fund	275,000	-	-	-	275,000
	<u>\$ 4,658,703</u>	<u>\$ 2,081,540</u>	<u>\$ 59,405</u>	<u>\$ 463,723</u>	<u>\$ 7,263,371</u>

D - Net Position/Fund Balances

1. Net Investment in capital assets

	Governmental Activities	Business-type Activities	
		Water and Sewer	Stormwater
Capital assets	\$ 25,920,013	\$ 59,212,132	\$ 1,842,063
Less:			
Capital related debt	(2,152,813)	(22,479,615)	-
Unamortized premium on capital related debt	-	(695,266)	-
Accounts payable for capital assets	-	(175,468)	-
Add:			
Unspent debt proceeds	-	574,126	-
Net investment in capital assets	<u>\$ 23,767,200</u>	<u>\$ 36,435,909</u>	<u>\$ 1,842,063</u>

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 2 - DETAIL NOTES ON ALL FUNDS (continued)

D – Net Position/Fund Balances (continued)

2. Fund Balance

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation. 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, 2024 were \$227,528.

Total Fund Balance - General Fund	\$ 14,367,619
Less:	
Nonspendable - prepaid	20,758
Stabilization by State Statute	1,649,219
Restricted for streets	293,004
Restricted revenues	95,452
Appropriated in next year's budget	3,527,010
Fund balance policy - 33% of operating expenditures	4,539,057
Remaining Fund Balance	\$ 4,243,119

NOTE 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.

NOTE 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 money 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 the grant money.

Town of Hillsborough, North Carolina
Notes to the Financial Statements (continued)
June 30, 2024

NOTE 5 – SUBSEQUENT EVENTS

The Town were evaluated through November 21, 2024, which is the date the financials were available to be issued.

NOTE 6 – RECENTLY IMPLEMENTED AND UPCOMING GASB STATEMENTS

The Town has not currently determined what, if any, effect of implementation of the following statements may have on the financial statements of the Town.

Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Statement No. 102, *Certain Risk Disclosures*. The objection of this Statement is to define a concentration as a lack of diversity related to an aspect of significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

Statement No. 103, *Financial Reporting Model Improvements*. The objection of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Statement No. 104, *Disclosure of Certain Capital Assets*. The objection of this Statement is to improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Required Supplementary Financial Data

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

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

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 1,195,633	\$ 1,172,974	\$ 1,316,618	\$ 783,583	\$ 727,333	\$ 641,574	\$ 566,336	\$ 556,718
Service Cost	61,601	79,139	73,164	54,522	46,881	49,048	37,358	36,956
Interest on the total pension liability	50,174	26,039	25,142	25,173	26,226	19,749	21,303	19,286
Differences between expected and actual experience in the measurement of the total pension liability	80,291	168,460	(182,736)	96,611	(28,494)	80,147	(520)	-
Changes of assumptions or other inputs	31,835	(219,644)	(31,409)	379,515	25,289	(29,947)	45,993	(13,621)
Benefit payments	(63,003)	(31,335)	(27,805)	(22,786)	(13,652)	(33,238)	(28,896)	(33,003)
Ending balance of the total pension liability	<u>\$ 1,356,531</u>	<u>\$ 1,195,633</u>	<u>\$ 1,172,974</u>	<u>\$ 1,316,618</u>	<u>\$ 783,583</u>	<u>\$ 727,333</u>	<u>\$ 641,574</u>	<u>\$ 566,336</u>

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

**This schedule will present 10 years of information when available.

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 Eight Fiscal Years**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 1,356,531	\$ 1,195,633	\$ 1,172,974	\$ 1,316,618	\$ 783,583	\$ 727,333	\$ 641,574	\$ 566,336
Covered payroll	2,150,451	1,892,468	1,658,837	1,914,214	1,831,895	1,830,296	1,670,805	1,650,937
Total pension liability as a percentage of covered payroll	63.08%	63.18%	70.71%	68.78%	42.77%	39.74%	38.40%	34.30%

Notes to the schedules:

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

**This schedule will present 10 years of information when available.

Town of Hillsborough, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
OPEB Retirement Plan
June 30, 2024

Total OPEB Liability	2024	2023	2022	2021	2020	2019	2018
Service cost	\$ 41,492	\$ 53,159	\$ 48,010	\$ 35,773	\$ 55,105	\$ 56,731	\$ 60,886
Interest	47,832	31,809	29,433	40,828	60,865	56,550	48,567
Differences between expected and actual experiences	(310,860)	31,233	(34,606)	33,091	(461,361)	8,747	(2,066)
Changes of assumptions	22,013	(143,133)	168,641	123,590	27,076	(45,522)	(78,864)
Benefit payments	(84,507)	(81,533)	(70,108)	(89,899)	(140,756)	(60,738)	(46,470)
Net change in total OPEB liability	(284,030)	(108,465)	141,370	143,383	(459,071)	15,768	(17,947)
Total OPEB liability - beginning	1,351,578	1,460,043	1,318,673	1,175,290	1,634,361	1,618,593	1,636,540
Total OPEB liability - ending	\$ 1,067,548	\$ 1,351,578	\$ 1,460,043	\$ 1,318,673	\$ 1,175,290	\$ 1,634,361	\$ 1,618,593
 Covered payroll	 7,556,644	 5,323,777	 5,323,777	 5,736,330	 5,736,330	 5,180,570	 5,180,570
Total OPEB liability as a percentage of covered payroll	14.13%	25.39%	27.42%	22.99%	20.49%	31.55%	31.24%

Notes to Schedule

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

This schedule will present 10 years of information when available.

Fiscal year	Rate
2018	3.56%
2019	3.89%
2020	3.50%
2021	2.21%
2022	2.16%
2023	3.54%
2024	3.65%

Town of Hillsborough, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
Local Government Employees' Retirement System
Last Ten Fiscal Years
June 30, 2024

	Local Government Employees' Retirement System									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Hillsborough's proportion of the net pension liability (asset) (%)	0.08554%	0.08350%	0.07990%	0.09220%	0.09060%	0.09310%	0.09190%	0.09240%	0.08380%	0.08090%
Hillsborough's proportion of the net pension liability (asset) (\$)	\$ 5,665,521	\$ 4,708,900	\$ 1,225,190	\$ 3,292,912	\$ 2,472,850	\$ 2,209,362	\$ 1,404,436	\$ 1,961,038	\$ 376,224	\$ (477,164)
Hillsborough's covered-employee payroll	\$ 7,640,505	\$ 6,532,666	\$ 6,495,627	\$ 6,389,923	\$ 5,936,460	\$ 5,695,125	\$ 5,750,308	\$ 5,235,777	\$ 4,861,624	\$ 4,672,868
Hillsborough's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	74.15%	72.08%	18.86%	51.53%	41.66%	38.79%	24.42%	37.45%	7.74%	-10.21%
Plan fiduciary net position as a percentage of the total pension liability	82.49%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.47%

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

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

Town of Hillsborough, North Carolina
Schedules of Contributions
Required Supplementary Information
Last Ten Fiscal Years
June 30, 2024

Local Government Employees' Retirement System

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,122,927	\$ 961,854	\$ 766,857	\$ 632,182	\$ 587,827	\$ 478,756	\$ 440,572	\$ 429,432	\$ 356,396	\$ 357,402
Contributions in relation to the contractually required contribution	1,122,927	961,854	766,857	632,182	587,827	478,756	440,572	429,432	356,396	357,402
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hillsborough's covered-employee payroll	\$ 8,490,229	\$ 7,640,505	\$ 6,532,666	\$ 6,495,627	\$ 6,389,923	\$ 5,936,460	\$ 5,695,125	\$ 5,750,308	\$ 5,235,777	\$ 4,861,624
Contributions as a percentage of covered-employee payroll	13.23%	12.59%	11.74%	9.73%	9.20%	8.06%	7.74%	7.47%	6.81%	7.35%

Supplementary Information

This section contains additional information on property taxes.

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

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – General Fund
Year Ended June 30, 2024 (with Comparative Actual Amounts for 2023)

	2024		2023
	Budget	Actual	Variance Positive (Negative) Actual
Revenues:			
Ad valorem taxes:			
Current	\$ 9,785,000	\$ 9,908,294	\$ 123,294
Penalties and interest	22,250	23,009	759
Total	9,807,250	9,931,303	124,053
Other taxes and licenses:			
Gross receipts on short-term rental property	1,000	1,555	555
Privilege licenses	500	930	430
Motor vehicle license fees	50	80	30
Solid waste disposal	5,750	8,007	2,257
Total	7,300	10,572	3,272
Unrestricted intergovernmental:			
Local option sales tax	2,894,000	3,355,972	461,972
Franchise tax	605,000	782,367	177,367
Beer and wine tax	35,000	48,150	13,150
Food and beverage tax	450,500	565,567	115,067
Occupancy tax	103,000	125,402	22,402
Other	-	20	20
Total	4,087,500	4,877,478	789,978
Restricted intergovernmental:			
Powell bill allocation	306,425	306,425	-
Other	76,489	46,828	(29,661)
Total	382,914	353,253	(29,661)
Use and rental fees:			
Planning fees	20,000	51,518	31,518
Cable franchise	30,000	42,882	12,882
Street fees	-	22,680	22,680
Park usage fees	6,500	6,450	(50)
Other	500	1,410	910
Total	57,000	124,940	67,940
Investment earnings	735,000	778,203	43,203
Miscellaneous revenues	197,906	242,063	44,157
Total revenues	\$ 15,274,870	\$ 16,317,812	\$ 1,042,942

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual – General Fund (continued)
Year Ended June 30, 2024 (with Comparative Actual Amounts for 2023)

	2024			2023
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures:				
General government:				
Governing body:				
Personnel services	\$	\$ 47,918	\$	\$ 47,897
Other services and charges		185,421		202,973
Reimbursement from enterprise funds		(121,336)		(130,452)
Total	<u>180,912</u>	<u>112,003</u>	<u>68,909</u>	<u>120,418</u>
Facility Management:				
Personnel services		112,608		105,416
Other services and charges		279,484		234,202
Capital outlay		-		34,610
Debt service payments		203,092		205,078
Reimbursement from enterprise funds		(207,774)		(202,757)
Total	<u>512,669</u>	<u>387,410</u>	<u>125,259</u>	<u>376,549</u>
Administration:				
Personnel services		1,368,691		1,295,377
Other services and charges		243,677		531,712
Capital outlay		-		22,238
Debt service payments		-		22,500
Reimbursement from enterprise funds		(838,431)		(961,558)
Total	<u>928,679</u>	<u>773,937</u>	<u>154,742</u>	<u>910,269</u>
Finance:				
Personnel services		600,029		367,265
Other services and charges		173,734		394,936
Reimbursement from enterprise funds		(402,326)		(396,345)
Total	<u>451,152</u>	<u>371,437</u>	<u>79,715</u>	<u>365,856</u>
Information Services:				
Personnel services		171,723		162,050
Other services and charges		621,038		495,307
Capital outlay		21,791		93,739
Debt service payments		47,334		15,000
Reimbursement from enterprise funds		(437,867)		(362,880)
Total	<u>593,050</u>	<u>424,019</u>	<u>169,031</u>	<u>403,216</u>
Planning:				
Personnel services		703,474		630,001
Other services and charges		85,636		142,125
Total	<u>940,471</u>	<u>789,110</u>	<u>151,361</u>	<u>772,126</u>

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual – General Fund (continued)
Year Ended June 30, 2024 (with Comparative Actual Amounts for 2023)

	2024			2023
	Budget	Actual	Variance Positive (Negative)	Actual
Fleet Maintenance:				
Personnel services	\$	\$ 361,427	\$	\$ 341,665
Other services and charges		160,147		127,214
Debt service payments		75,189		76,970
Reimbursement from enterprise funds		(318,108)		(228,592)
Total	<u>465,423</u>	<u>278,655</u>	<u>186,768</u>	<u>317,257</u>
Total general government	<u>\$ 4,072,356</u>	<u>\$ 3,136,571</u>	<u>\$ 935,785</u>	<u>\$ 3,265,691</u>
Public safety				
Police Department:				
Personnel services		3,587,611		3,326,965
Other services and charges		364,748		345,102
Capital outlay		374,556		248,488
Debt service payments		48,077		117,080
Total	<u>4,830,568</u>	<u>4,374,992</u>	<u>455,576</u>	<u>4,037,635</u>
Safety:				
Personnel services		131,000		131,070
Other services and charges		397,614		81,339
Capital outlay		32,826		-
Reimbursement from enterprise funds		(291,949)		(110,452)
Total	<u>357,314</u>	<u>269,491</u>	<u>87,823</u>	<u>101,957</u>
Fire protection:				
Other services and charges		1,751,022		1,634,977
Total	<u>1,754,770</u>	<u>1,751,022</u>	<u>3,748</u>	<u>1,634,977</u>
Total public safety	<u>6,942,652</u>	<u>6,395,505</u>	<u>547,147</u>	<u>5,774,569</u>
Transportation:				
Street department/Powell Bill:				
Personnel services		277,833		270,709
Other services and charges		242,685		223,357
Capital outlay		993,110		491,919
Total	<u>2,073,037</u>	<u>1,513,628</u>	<u>559,409</u>	<u>985,985</u>
Total transportation	<u>2,073,037</u>	<u>1,513,628</u>	<u>559,409</u>	<u>985,985</u>

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual – General Fund (continued)
Year Ended June 30, 2024 (with Comparative Actual Amounts for 2023)

	2024			2023
	Budget	Actual	Variance Positive (Negative)	Actual
Environmental protection:				
Sanitation department:				
Personnel services	\$	\$ 396,567	\$	\$ 370,542
Other services and charges		227,158		203,584
Capital outlay		493,417		55,869
Debt service payments		62,617		62,617
Total	<u>1,254,323</u>	<u>1,179,759</u>	<u>74,564</u>	<u>692,612</u>
 Cemetery:				
Other services and charges		15,648		3,369
Total	<u>18,060</u>	<u>15,648</u>	<u>2,412</u>	<u>3,369</u>
 Total environmental protection	<u>1,272,383</u>	<u>1,195,407</u>	<u>76,976</u>	<u>695,981</u>
 Economic and physical development:				
Tourism:				
Personnel services		-		(39,442)
Other services and charges		668,108		622,984
Total	<u>720,900</u>	<u>668,108</u>	<u>52,792</u>	<u>583,542</u>
Total economic and physical development	<u>720,900</u>	<u>668,108</u>	<u>52,792</u>	<u>583,542</u>
 Community activities and projects:				
Other services and charges		115,907		69,235
Capital outlay		15,490		35,000
Debt service payments		69,500		92,468
Total community activities and projects	<u>599,255</u>	<u>200,897</u>	<u>398,358</u>	<u>196,703</u>
 Parks and recreation:				
Personnel services		233,350		223,467
Other services and charges		423,539		341,370
Debt service payments		1,478		84,515
Reimbursement from enterprise funds		(13,764)		(13,764)
Total parks and recreation	<u>836,616</u>	<u>644,603</u>	<u>192,013</u>	<u>635,588</u>
 Total expenditures	<u>16,517,199</u>	<u>13,754,719</u>	<u>2,762,480</u>	<u>12,138,059</u>
 Revenues over (under) expenditures	<u>(1,242,329)</u>	<u>2,563,093</u>	<u>(3,805,422)</u>	<u>3,223,596</u>

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual – General Fund (continued)
Year Ended June 30, 2024 (with Comparative Actual Amounts for 2023)

	<u>2024</u>			<u>2023</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
Other financing sources (uses):				
Transfers (to) other funds:				
General Capital Improvements Fund	\$ 100,148	\$ 100,148	\$ -	\$ -
General Capital Improvements Fund	67,352	67,352	-	-
General Capital Improvements Fund	(50,000)	(50,000)	-	(147,000)
General Capital Improvements Fund	(225,000)	(225,000)	-	(150,000)
General Capital Reserve Fund	(1,226,650)	(1,226,650)	-	(40,000)
General Capital Reserve Fund	(81,000)	(81,000)	-	(50,000)
General Capital Reserve Fund	(145,000)	(145,000)	-	(320,000)
General Capital Reserve Fund	(455,003)	(455,003)	-	(50,000)
General Capital Reserve Fund	(347,000)	(347,000)	-	(80,148)
General Capital Reserve Fund	(50,000)	(50,000)	-	(144,822)
General Capital Reserve Fund	(39,710)	(39,710)	-	-
General Capital Reserve Fund	(32,884)	(32,884)	-	-
IT subscription agreement	-	-	-	128,756
Sale of capital assets	-	25,951	25,951	-
Total other financing sources (uses)	<u>(2,484,747)</u>	<u>(2,458,796)</u>	<u>25,951</u>	<u>(853,214)</u>
Appropriated fund balance	<u>3,727,076</u>	<u>-</u>	<u>(3,727,076)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 104,297</u>	<u>\$ 104,297</u>	<u>\$ 2,370,382</u>
Fund balance, beginning		<u>14,223,419</u>		<u>11,853,037</u>
Fund balance, ending		<u>\$ 14,327,716</u>		<u>\$ 14,223,419</u>

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual – Restricted Revenue Fund
From Inception and for the Year Ended June 30, 2024

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental	\$ 693,100	\$ 315,004	\$ -	\$ 315,004	\$ (378,096)
Contributions and donations	80,622	103,134	-	103,134	22,512
Total revenues	<u>773,722</u>	<u>418,138</u>	<u>-</u>	<u>418,138</u>	<u>(355,584)</u>
Expenditures:					
Current:					
Economic and physical development:					
Current:					
General government:					
Administration	4,610	-	-	-	4,610
Planning	694,931	313,440	-	313,440	381,491
Public safety:					
Police	28,745	19,825	-	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>398,235</u>	<u>-</u>	<u>398,235</u>	<u>395,487</u>
Revenues over (under) expenditures	<u>(20,000)</u>	<u>19,903</u>	<u>-</u>	<u>19,903</u>	<u>39,903</u>
Other financing sources (uses):					
Transfers from General Fund	20,000	20,000	-	20,000	-
Total other financing sources (uses)	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 39,903</u>	<u>-</u>	<u>\$ 39,903</u>	<u>\$ 39,903</u>
Fund balance, beginning			<u>39,903</u>		
Fund balance, ending			<u><u>\$ 39,903</u></u>		

Town of Hillsborough, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024

	Special Revenue Funds		Capital Projects Funds	
	Special Assessment District Fund	CDBG Fund	Consolidated General Capital Projects	Total Nonmajor Governmental Funds
Assets:				
Cash and investments	\$ -	\$ -	\$ 5,022,973	\$ 5,022,973
Due from other governments	1,575	-	-	1,575
Restricted cash and investments	1,493,202	-	-	1,493,202
Total assets	<u>\$ 1,494,777</u>	<u>\$ -</u>	<u>\$ 5,022,973</u>	<u>\$ 6,517,750</u>
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 47	\$ -	\$ 2,627	\$ 2,674
Due to other funds	39,051	-	-	39,051
Total liabilities	<u>39,098</u>	<u>-</u>	<u>2,627</u>	<u>41,725</u>
Fund balances:				
Restricted for:				
Community activities and projects	1,455,679	-	-	1,455,679
Committed for:				
Capital projects	-	-	5,020,346	5,020,346
Total fund balances	<u>1,455,679</u>	<u>-</u>	<u>5,020,346</u>	<u>6,476,025</u>
Total liabilities and fund balances	<u>\$ 1,494,777</u>	<u>\$ -</u>	<u>\$ 5,022,973</u>	<u>\$ 6,517,750</u>

Town of Hillsborough, North Carolina
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2024

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	
	<u>Special Assessment District Fund</u>	<u>CDBG Fund</u>	<u>Consolidated General Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:				
Restricted intergovernmental	\$ 1,572,218	\$ 143,020	\$ 1,057,284	\$ 2,772,522
Total revenues	<u>1,572,218</u>	<u>143,020</u>	<u>1,057,284</u>	<u>2,772,522</u>
Expenditures:				
Current:				
Economic and physical development	-	-	265,412	265,412
Community activities and projects	116,539	143,020	185,800	445,359
Total expenditures	<u>116,539</u>	<u>143,020</u>	<u>451,212</u>	<u>710,771</u>
Revenues over (under) expenditures	<u>1,455,679</u>	<u>-</u>	<u>606,072</u>	<u>2,061,751</u>
Other financing sources (uses):				
Transfers from other funds	-	-	2,484,747	2,484,747
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,484,747</u>	<u>2,484,747</u>
Revenues and other sources over expenditures and other uses	<u>1,455,679</u>	<u>-</u>	<u>3,090,819</u>	<u>4,546,498</u>
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>1,929,527</u>	<u>1,929,527</u>
Fund balance, ending	<u>\$ 1,455,679</u>	<u>\$ -</u>	<u>\$ 5,020,346</u>	<u>\$ 6,476,025</u>

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, 2024

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Community Development Block Grant ("CDBG")	\$ 600,000	\$ 456,980	\$ 143,020	\$ 600,000	\$ -
Total revenues	<u>600,000</u>	<u>456,980</u>	<u>143,020</u>	<u>600,000</u>	<u>-</u>
Expenditures:					
Community activities and projects:					
Administration	60,000	41,544	18,456	60,000	-
Public services	540,000	415,436	124,564	540,000	-
Total expenditures	<u>600,000</u>	<u>456,980</u>	<u>143,020</u>	<u>600,000</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):					
Transfer from other funds	-	-	-	-	-
Total other financing sources (uses)	<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 - Special Assessment District Fund
From Inception and for the Year Ended June 30, 2024

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted:					
Special assessment tax revenues	\$ 549,863	\$ -	\$ 413,219	\$ 413,219	\$ (136,644)
Regions Bank grant	-	-	1,158,999	1,158,999	1,158,999
Total revenues	<u>549,863</u>	<u>-</u>	<u>1,572,218</u>	<u>1,572,218</u>	<u>1,022,355</u>
Expenditures:					
Community activities and projects:					
Debt service payments	533,363	-	104,142	104,142	429,221
Collection fees	16,500	-	12,397	12,397	4,103
Total expenditures	<u>549,863</u>	<u>-</u>	<u>116,539</u>	<u>116,539</u>	<u>433,324</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,455,679</u>	<u>\$ 1,455,679</u>	<u>\$ 589,031</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u><u>\$ 1,455,679</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, 2024

		Actual				Variance
	Project	Prior	Current	Closed Out	Total to	Positive
	Authorization	Years	Year	Projects	Date	(Negative)
Revenues:						
Restricted intergovernmental:						
Transportation improvement						
Project ("TIP"):						
Transit tax	\$ 402,000	\$ 204,332	\$ -	\$ -	\$ 204,332	\$ (197,668)
NCDOT grant	870,000	-	-	-	-	(870,000)
State TIP	6,314,000	51,180	57,284	-	108,464	(6,205,536)
Exchange Club Rd Bridge Project	126,447	-	-	-	-	(126,447)
NC DOT reimbursement Valley Forge	-	-	1,000,000	-	1,000,000	1,000,000
Total revenues	7,712,447	255,512	1,057,284	-	1,312,796	(6,399,651)
Expenditures:						
General government:						
Connectivity projects	40,103	-	-	-	-	40,103
Fiber Loop Project	400,000	-	-	-	-	400,000
Public safety:						
Fire Station Project	450,000	-	-	-	-	450,000
Economic and physical development:						
Transportation improvement						
Project ("TIP"):	8,239,000	272,137	65,632	-	337,769	7,901,231
Valley Forge Road Project	1,250,917	1,222,197	-	(1,222,197)	-	1,250,917
NC 86 Renovation Project	4,825,982	74,215	199,780	-	273,995	4,551,987
Exchange Club Rd Bridge Project	170,000	-	-	-	-	170,000
Community activities and projects:						
Ridgewalk Greenway	125,003	-	-	-	-	125,003
Skate Park Project	350,000	4,000	185,800	-	189,800	160,200
Total expenditures	15,851,005	1,572,549	451,212	(1,222,197)	801,564	15,049,441
Revenues over (under) expenditures	(8,138,558)	(1,317,037)	606,072	1,222,197	511,232	8,649,790
Other financing sources (uses):						
Transfer from General Fund:						
Connectivity Projects	40,103	40,103	-	-	40,103	-
Fiber Loop Project	400,000	350,000	50,000	-	400,000	-
Fire Station Project	450,000	225,000	225,000	-	450,000	-
Valley Forge Road Project	1,250,917	1,250,917	-	-	1,250,917	-
NC 86 Renovation Project	1,398,450	171,800	1,226,650	(1,222,197)	176,253	(1,222,197)
Exchange Club Rd Bridge Project	43,553	43,553	-	-	43,553	-
TIP	93,000	34,000	-	-	34,000	(59,000)
Rail Station	-	-	39,710	-	39,710	39,710
Ridgewalk	125,003	-	125,003	-	125,003	-
Skate Park	350,000	20,000	330,000	-	350,000	-

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Capital Projects (continued)
From Inception and for the Year Ended June 30, 2024

	Project	Actual				Variance
	Authorization	Prior Years	Current Year	Closed Out Projects	Total to Date	Positive (Negative)
Other financing sources (uses):						
(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:						
Rail Station Project - TIP	560,000	-	-	-	-	(560,000)
NC 86 Renovation Project	3,237,719	-	-	-	-	(3,237,719)
Total other financing sources (uses)	<u>8,138,558</u>	<u>2,344,476</u>	<u>1,996,363</u>	<u>(1,222,197)</u>	<u>3,118,642</u>	<u>(5,019,916)</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>\$ 1,027,439</u>	 <u>2,602,435</u>	 <u>\$ -</u>	 <u>\$ 3,629,874</u>	 <u>\$ 3,629,874</u>
Fund Balance						
Fund balance, beginning (General Capital Projects Fund)			<u>\$ 1,027,439</u>			
Fund balance, ending			3,629,874			
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)			902,088			
Transfers (to) from other funds			<u>488,384</u>			
Fund balance, ending (Consolidated General Capital Projects Fund)			<u>\$ 5,020,346</u>			

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, 2024

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Positive (Negative)
Expenditures:					
General Government:					
Sustainability	\$ 600,000	\$ -	\$ -	\$ -	\$ 600,000
Public Safety:					
Police station	50,000	-	-	-	50,000
Waterstone Police	115,128	108,010	-	108,010	7,118
Environmental protection:					
Solid Waste - vehicle	144,822	-	-	-	144,822
Total expenditures	<u>909,950</u>	<u>108,010</u>	<u>-</u>	<u>108,010</u>	<u>801,940</u>
Revenues over (under) expenditures	<u>(909,950)</u>	<u>(108,010)</u>	<u>-</u>	<u>(108,010)</u>	<u>801,940</u>
Other financing sources (uses):					
Transfer from other funds:					
General fund - General	115,128	115,128	-	115,128	-
General fund - Sustainability	620,000	620,000	-	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	-
Transfer to other funds:					
General fund - General	(100,148)	-	(167,500)	(167,500)	(67,352)
Total other financing sources (uses)	<u>909,950</u>	<u>1,010,098</u>	<u>(167,500)</u>	<u>842,598</u>	<u>(67,352)</u>
Revenues and other financing sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 902,088</u>	<u>(167,500)</u>	<u>\$ 734,588</u>	<u>\$ 734,588</u>
Fund balance, beginning			<u>902,088</u>		
Fund balance, ending			<u><u>\$ 734,588</u></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, 2024 (with Comparative Actual Amounts for 2024)

	2024			2023
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Water charges	\$ 5,600,000	\$ 5,797,278	\$ 197,278	\$ 5,481,086
Sewer charges	5,600,000	5,785,707	185,707	5,439,458
System development fees	1,439,908	1,444,422	4,514	179,377
Other receipts	265,500	555,146	289,646	390,138
Total	12,905,408	13,582,553	677,145	11,490,059
Nonoperating revenues:				
Investment earnings	45,500	637,441	591,941	387,355
Total	45,500	637,441	591,941	387,355
Total revenues	12,950,908	14,219,994	1,269,086	11,877,414
Expenditures:				
Engineering:				
Personnel services	592,106	555,454	36,652	553,931
Other services and charges	3,678,296	2,915,773	762,523	2,437,581
Capital outlay	31,158	31,158	-	-
Total	4,301,560	3,502,385	799,175	2,991,512
Billing and collection:				
Personnel services	409,219	366,379	42,840	340,773
Other services and charges	446,206	432,034	14,172	384,913
Debt service payments	39,125	39,125	-	39,125
Total	894,550	837,538	57,012	820,105
Water treatment plant:				
Personnel services	786,403	713,629	72,774	617,133
Other services and charges	631,228	548,891	82,337	358,238
Repairs and maintenance	337,710	93,625	244,085	91,626
Capital outlay	107,640	107,635	5	-
Debt service payments	82,305	82,305	-	84,332
Total	1,945,286	1,546,085	399,201	1,151,329
Water distribution:				
Personnel services	775,314	736,606	38,708	666,174
Other services and charges	419,111	298,147	120,964	273,928
Repairs and maintenance	100,521	77,066	23,455	73,838
Capital outlay	151,511	33,871	117,640	35,248
Debt service payments	101,470	94,122	7,348	94,123
Total	1,547,927	1,239,812	308,115	1,143,311

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Other Financing Sources
Budget and Actual (Non-GAAP) - Water and Sewer Fund (continued)
Year Ended June 30, 2024 (with Comparative Actual Amounts for 2024)

	2024			2023
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures (continued)				
Wastewater collection:				
Personnel services	\$ 687,130	\$ 523,617	\$ 163,513	\$ 546,578
Other services and charges	340,909	279,679	61,230	299,280
Repairs and maintenance	393,379	296,004	97,375	82,860
Capital outlay	643,723	308,133	335,590	55,723
Total	<u>2,065,141</u>	<u>1,407,433</u>	<u>657,708</u>	<u>984,441</u>
Wastewater treatment plant:				
Personnel services	788,605	747,872	40,733	629,493
Other services and charges	540,391	422,056	118,335	341,934
Repairs and maintenance	195,804	168,235	27,569	124,366
Debt service payments	1,130,980	1,130,980	-	1,152,842
Total	<u>2,655,780</u>	<u>2,469,143</u>	<u>186,637</u>	<u>2,248,635</u>
Reservoir:				
Other services and charges	57,586	46,118	11,468	32,965
Repairs and maintenance	38,001	32,048	5,953	31,539
Debt service payments	841,527	320,086	521,441	840,146
Total	<u>937,114</u>	<u>398,252</u>	<u>538,862</u>	<u>904,650</u>
Total expenditures	<u>14,347,358</u>	<u>11,400,648</u>	<u>2,946,710</u>	<u>10,243,983</u>
Revenues over (under) expenditures	(1,396,450)	2,819,346	4,215,796	1,633,431
Other financing sources (uses):				
Transfer to Utilities Capital Improvements Fund	(4,056,317)	(4,056,317)	-	(170,592)
Transfer to Water System Development Reserve Fund	(714,326)	(82,348)	631,978	(100,464)
Transfer to Sewer System Development Reserve Fund	(725,582)	(59,405)	666,177	(78,913)
Transfer from Utilities Capital Improvements Fund	58,893	58,893	-	-
Transfer from West Fork Fund	222,609	-	(222,609)	-
Transfer from W mill Creek Road Fund	284,167	-	(284,167)	-
Transfer from ARPA Fund	-	2,022,647	2,022,647	-
Contributed capital assets	-	(2,005,942)	(2,005,942)	-
Capital contributions	-	2,005,942	2,005,942	-
Total other financing uses	<u>(4,930,556)</u>	<u>(2,116,530)</u>	<u>2,814,026</u>	<u>(349,969)</u>
Revenues and other sources over expenditures and other uses	<u>(6,327,006)</u>	<u>702,816</u>	<u>7,029,822</u>	<u>1,283,462</u>
Fund balance appropriated	6,327,006	-	6,327,006	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 702,816</u>	<u>\$ 702,816</u>	<u>1,283,462</u>

Town of Hillsborough, North Carolina
Schedule of Revenues, Expenditures, and Other Financing Sources
Budget and Actual (Non-GAAP) - Water and Sewer Fund (continued)
Year Ended June 30, 2024 (with Comparative Actual Amounts for 2024)

	<u>2024</u>		<u>2023</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			<u>Actual</u>
Revenues and other sources over expenditures and other uses		\$ 702,816	\$ 1,283,462
Reconciling items:			
Revenue activity:			
Investment earnings - enterprise capital projects		50,642	131,911
Investment earnings - enterprise capital reserves		427,009	287,834
Release of deferred revenue - ARPA Fund		2,071,265	127,467
Personnel activity:			
Pension expense - LGERS		(150,725)	(119,885)
OPEB expense		9,759	(41,725)
Payroll accrual - compensated absences		22,089	(111,711)
Capital outlay activity:			
Capital outlay		480,797	146,265
Depreciation		(2,186,637)	(2,087,715)
Gain on disposal of capital assets		211,499	(17,566)
Contributed capital		2,005,942	-
Noncapitalized expenditures - enterprise capital projects		(519,296)	(84,147)
Long-term debt activity:			
Payment of principal on notes, bonds and installment purchases		1,435,421	1,427,474
Interest expense accrual adjustment		6,500	5,900
Amortization of premium on bonds payable		56,123	56,312
Internal transfer activity:			
Transfer to water and sewer capital project and reserve funds		2,116,530	349,969
Total reconciling items		<u>6,036,918</u>	<u>70,383</u>
Change in net position		<u>\$ 6,739,734</u>	<u>\$ 1,353,845</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, 2024

	Project Authorization	Actual				Variance
		Prior Years	Current Year	Closed Out Projects	Total to Date	Positive (Negative)
Revenues:						
Restricted intergovernmental	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ (30,000)
Grant - FEMA - BRIC	6,742,175	-	-	-	-	(6,742,175)
Grant - NCEM - Disaster Relief & Mitigati	1,069,275	-	-	-	-	(1,069,275)
Grant - AIA	40,000	-	-	-	-	(40,000)
Installment Financing	3,000,000	-	-	-	-	(3,000,000)
Total revenues	10,881,450	-	-	-	-	(10,881,450)
Expenditures:						
Capital outlay:						
EDD water line extension	277,437	27,437	-	(27,437)	-	277,437
Churton Street main replacement	-	-	-	-	-	-
16" Water connection under Interstate 40	-	504,138	-	(504,138)	-	-
Booster pump station	180,000	35,594	-	(35,594)	-	180,000
Adron Thompson Facility renovation	3,795,600	55,703	52,010	-	107,713	3,687,887
Churton Street sewer replacement	500,000	283,495	-	(283,495)	-	500,000
River pump station	9,258,096	33,800	-	-	33,800	9,224,296
Wastewater system rehab	357,002	328,128	12,900	-	341,028	15,974
Gov Burke Rd water main replacement	80,592	-	-	-	-	80,592
WTP filters repairs 2 and 3	179,200	174,200	-	(174,200)	-	179,200
Eno River interceptors	750,000	-	-	-	-	750,000
OWASA booster pump station	1,665,600	-	-	-	-	1,665,600
US-70 water improvements	305,000	-	27,340	-	27,340	277,660
Elizabeth Brady PS & force main upg	300,000	-	-	-	-	300,000
Exchange club interceptors	190,000	-	-	-	-	190,000
Air release valve replacement	150,000	-	68,900	-	68,900	81,100
Galvanized Water Main Replacement	160,000	-	-	-	-	160,000
Hydrant & valve project	487,647	-	-	-	-	487,647
McAdams road water main replacement	400,000	-	266,786	-	266,786	133,214
Lawndale basin rehabilitation	935,000	-	6,930	-	6,930	928,070
Hasell water tank replacement	40,000	-	28,824	-	28,824	11,176
WTP paving & curbing	90,000	-	57,012	-	57,012	32,988
Total expenditures	20,101,174	1,442,495	520,702	(1,024,864)	938,333	19,162,841
Revenues over (under) expenditures	(9,219,724)	(1,442,495)	(520,702)	1,024,864	(938,333)	8,281,391
Other financing sources (uses):						
Transfers from other funds:						
Water and Sewer Operating Fund	6,238,794	2,369,487	4,056,317	(620,726)	5,805,078	(433,716)
Water and Sewer Capital Reserve Fund	2,157,386	1,830,000	327,386	-	2,157,386	-
Water System Development Reserve Fund	683,812	873,812	275,000	(465,000)	683,812	-
Sewer System Development Reserve Fund	580,000	580,000	-	-	580,000	-
Transfers to other funds:						
Water and Sewer Operating Fund	(58,893)	-	(58,893)	-	(58,893)	-
Water System Development Reserve Fund	(381,375)	-	(381,375)	-	(381,375)	-
Appropriated Fund Balance	-	-	-	60,862	60,862	60,862
Total other financing sources (uses)	9,219,724	5,653,299	4,218,435	(1,024,864)	8,846,870	(372,854)
Revenues and other sources over expenditures and other uses	\$ -	\$ 4,210,804	\$ 3,697,733	\$ -	\$ 7,908,537	\$ 7,908,537

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, 2024

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ -	\$ 236,673	\$ 35,580	\$ 272,253	\$ 272,253
Total revenues	<u>-</u>	<u>236,673</u>	<u>35,580</u>	<u>272,253</u>	<u>272,253</u>
Expenditures:					
West Fork Eno Reservoir:					
Debt service payments	222,609	-	222,609	222,609	-
Total expenditures	<u>222,609</u>	<u>-</u>	<u>222,609</u>	<u>222,609</u>	<u>-</u>
Revenues over (under) expenditures	<u>(222,609)</u>	<u>236,673</u>	<u>(187,029)</u>	<u>49,644</u>	<u>272,253</u>
Other financing sources (uses):					
Transfer from other funds	-	521,941	-	521,941	521,941
Total other financing sources (uses)	<u>-</u>	<u>521,941</u>	<u>-</u>	<u>521,941</u>	<u>521,941</u>
Revenues and other sources over (under) expenditures and other uses	<u>(222,609)</u>	<u>758,614</u>	<u>(187,029)</u>	<u>571,585</u>	<u>794,194</u>
Appropriated fund balance	222,609	-	-	-	(222,609)
Net change in fund balance	<u>\$ -</u>	<u>\$ 758,614</u>	<u>\$ (187,029)</u>	<u>\$ 571,585</u>	<u>\$ 571,585</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, 2024

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ 6,796	\$ 68,566	\$ 15,062	\$ 83,628	\$ 76,832
Total revenues	<u>6,796</u>	<u>68,566</u>	<u>15,062</u>	<u>83,628</u>	<u>76,832</u>
Expenditures:					
Design	132,468	120,690	-	120,690	11,778
Land acquisition	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	200,572	-	200,572	170,933
Debt service payments	284,167	-	296,687	296,687	(12,520)
Total expenditures	<u>3,561,963</u>	<u>3,055,400</u>	<u>296,687</u>	<u>3,352,087</u>	<u>210,618</u>
Revenues over (under) expenditures	<u>(3,555,167)</u>	<u>(2,986,834)</u>	<u>(281,625)</u>	<u>(3,268,459)</u>	<u>286,708</u>
Other financing sources (uses):					
Issuance of installment purchase agreement	3,271,000	3,271,000	-	3,271,000	-
Total other financing sources (uses)	<u>3,271,000</u>	<u>3,271,000</u>	<u>-</u>	<u>3,271,000</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ (284,167)</u>	<u>\$ 284,166</u>	<u>\$ (281,625)</u>	<u>\$ 2,541</u>	<u>\$ 2,541</u>

Schedule 13

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, 2024

	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	937,525	689,539	427,009	1,116,548	179,023
Total revenues	<u>2,003,715</u>	<u>1,755,729</u>	<u>427,009</u>	<u>2,182,738</u>	<u>179,023</u>
Revenues over (under) expenditures	<u>2,003,715</u>	<u>1,755,729</u>	<u>427,009</u>	<u>2,182,738</u>	<u>179,023</u>
Other financing sources (uses):					
Transfers from other funds:					
Water and Sewer Operating Fund	12,664,360	12,664,360	-	12,664,360	-
Transfers to other funds:					
Water and Sewer Operating Fund	(7,866,980)	(7,866,980)	-	(7,866,980)	-
Utility Capital Improvements Fund	(4,680,470)	(3,129,553)	(327,386)	(3,456,939)	1,223,531
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)	-
Total other financing sources (uses)	<u>(2,003,715)</u>	<u>(452,798)</u>	<u>(327,386)</u>	<u>(780,184)</u>	<u>1,223,531</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 1,302,931</u>	<u>\$ 99,623</u>	<u>\$ 1,402,554</u>	<u>\$ 1,402,554</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, 2024

	Project	Actual			Variance
	Authorization	Prior	Current	Total to	Positive
		Years	Year	Date	(Negative)
Other financing sources (uses):					
Transfers from other funds:					
Water and Sewer Capital Reserve Fund	\$ 1,016,017	\$ 1,106,017	\$ -	\$ 1,106,017	\$ 90,000
Water and Sewer Operating Fund	1,010,591	846,055	82,348	928,403	(82,188)
Utility Capital Improvements Fund	389,187	-	381,375	381,375	(7,812)
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	(381,613)	-	(275,000)	(275,000)	106,613
U.S. 70 Phase 1	(985,370)	-	-	-	985,370
Gov Burke Wtr Main	(149,408)	(149,408)	-	(149,408)	-
Water and Sewer Operating Fund - debt service	(175,000)	(175,000)	-	(175,000)	-
Total other financing sources (uses)	-	903,260	188,723	1,091,983	1,091,983
Revenues and other sources over expenditures and other uses					
	\$ -	\$ 903,260	\$ 188,723	\$ 1,091,983	\$ 1,091,983

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, 2024

	Project	Actual			Variance
	Authorization	Prior	Current	Total to	Positive
		Years	Year	Date	(Negative)
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	391,337	59,405	450,742	(61,682)
Transfers to other funds:					
Utility Capital Improvements Fund -					
River pump upgrade project	(512,424)	(400,000)	-	(400,000)	112,424
Collection system rehab project	(1,249,170)	(180,000)	-	(180,000)	1,069,170
Total other financing sources (uses)	-	1,076,722	59,405	1,136,127	1,136,127
Revenues and other sources					
over expenditures and other uses	\$ -	\$ 1,076,722	\$ 59,405	\$ 1,136,127	\$ 1,136,127

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, 2024

		Actual				Variance
	Project Authorization	Prior Years	Current Year	Closed Out Projects	Total to Date	Positive (Negative)
Revenues:						
Capital contributions:						
Federal funds - ARPA	\$ 2,198,732	\$ 210,927	\$ 2,071,265	\$ (83,460)	\$ 2,198,732	\$ -
Investment earnings	48,733	48,733	-	-	48,733	-
Total revenues	<u>2,247,465</u>	<u>259,660</u>	<u>2,071,265</u>	<u>(83,460)</u>	<u>2,247,465</u>	<u>-</u>
Expenditures:						
Capital Improvement Projects:						
WTP Filters	-	83,460	-	(83,460)	-	-
WTP SCADA Update	48,618	-	48,618	-	48,618	-
WWTP Clarifiers	176,200	176,200	-	-	176,200	-
Total expenditures	<u>224,818</u>	<u>259,660</u>	<u>48,618</u>	<u>(83,460)</u>	<u>224,818</u>	<u>-</u>
Other financing sources (uses):						
Transfers to other funds:						
Water and Sewer Fund	(2,022,647)	-	(2,022,647)	-	(2,022,647)	-
Total financing sources (uses)	<u>(2,022,647)</u>	<u>-</u>	<u>(2,022,647)</u>	<u>-</u>	<u>(2,022,647)</u>	<u>-</u>
Revenues over (under) expenditures	<u>\$ -</u>	<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) – Nonmajor Stormwater Fund
From Inception and For the Year Ended June 30, 2024

	2024			2023
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Stormwater charges	\$ 716,100	\$ 756,872	\$ 40,772	\$ 729,455
Non-operating revenues:				
Investment earnings	-	47,850	47,850	28,619
Total	<u>716,100</u>	<u>804,722</u>	<u>88,622</u>	<u>758,074</u>
Total revenues	<u>716,100</u>	<u>804,722</u>	<u>88,622</u>	<u>758,074</u>
Expenditures:				
Operating expenditures:				
Personnel services	418,444	399,465	18,979	340,241
Other services and charges	356,964	246,578	110,386	232,091
Repairs and maintenance	188,750	102,172	86,578	60,400
Capital outlay	76,500	76,390	110	59,985
Total	<u>1,040,658</u>	<u>824,605</u>	<u>216,053</u>	<u>692,717</u>
Total expenditures	<u>1,040,658</u>	<u>824,605</u>	<u>216,053</u>	<u>692,717</u>
Revenues over (under) expenditures	(324,558)	(19,883)	304,675	65,357
Fund balance appropriated	324,558	-	(324,558)	-
Net change in fund balance	<u>\$ -</u>	<u>(19,883)</u>	<u>\$ (19,883)</u>	<u>65,357</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Capital outlay		76,390		59,985
Depreciation expense		(76,734)		(58,068)
Payroll accrual - compensated absences		(1,806)		(2,049)
Pension expense - LGERS		(20,380)		(14,728)
OPEB expense		<u>(356)</u>		<u>(14,697)</u>
Change in net position		<u>\$ (42,769)</u>		<u>\$ 35,800</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, 2024

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues:					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Capital outlay:					
Valley Forge Road					
Infrastructure	100,000	100,000	-	100,000	-
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Revenues over (under) expenditures	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>
Other financing sources (uses):					
Transfers from other funds:					
Stormwater operating fund	100,000	100,000	-	100,000	-
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>		
Fund balance, end of year			<u>\$ -</u>		

Other Schedules

This section contains additional information on property taxes.

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

Town of Hillsborough, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2024

Fiscal Year	Uncollected Balances June 30, 2023	Additions	Collections and Credits	Uncollected Balances June 30, 2024
2023-2024		\$ 9,925,116	\$ 9,868,350	\$ 56,766
2022-2023	49,092	-	22,498	26,594
2021-2022	22,504	-	4,005	18,499
2020-2021	16,333	-	5,131	11,202
2019-2020	12,084	-	2,684	9,400
2018-2019	10,232	-	2,153	8,079
2017-2018	6,632	-	2,386	4,246
2016-2017	4,197	-	427	3,770
2015-2016	3,880	-	189	3,691
2014-2015	4,490	-	205	4,285
2013-2014	7,162	-	7,162	-
	<u>\$ 136,606</u>	<u>\$ -</u>	<u>\$ 9,915,190</u>	<u>146,532</u>

Less: allowance for uncollectible accounts - General Fund (37,000)

Ad valorem taxes receivable - net \$ 109,532

Reconciliation to revenues:

Ad valorem taxes - General Fund	\$ 9,931,303
Reconciling items:	
Penalties and interest, net of discounts	(23,009)
Amount written off after 10 years	(7,162)
Refunds and other adjustments	<u>14,058</u>
Total collections and credits	<u><u>\$ 9,915,190</u></u>

Town of Hillsborough, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2024

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current year's rate	\$ 1,526,861,329	0.587	\$ 8,962,676	\$ 8,962,676	\$ -
Registered motor vehicles	<u>163,959,114</u>		<u>962,440</u>	<u>-</u>	<u>962,440</u>
Total property valuation	<u><u>\$ 1,690,820,443</u></u>				
Net levy			9,925,116	8,962,676	962,440
Uncollected taxes at June 30, 2024			<u>56,766</u>	<u>56,766</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 9,868,350</u></u>	<u><u>\$ 8,905,910</u></u>	<u><u>\$ 962,440</u></u>
Current levy collection percentage			<u><u>99.43%</u></u>	<u><u>99.37%</u></u>	<u><u>100.00%</u></u>

Compliance Section

**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, 2024, 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 27, 2024.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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*.

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 City, North Carolina
November 27, 2024

**REPORT ON COMPLIANCE
FOR THE MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Town of Hillsborough, North Carolina's (the Town) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and 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 federal program for the year ended June 30, 2024. The Town's major federal 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 federal program for the year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 reasonable basis for our opinion on compliance for the major federal 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 federal program.

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 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 each major federal 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 Uniform Guidance, 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 federal 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 federal 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 federal 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 Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. 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 27, 2024

**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, 2024. 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, 2024.

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 27, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2024

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? _____ yes _____ X no
- Significant deficiency(ies) identified? _____ yes _____ X none reported

Noncompliance material to financial statements noted

_____ yes _____ X no

Federal Awards

Internal Control over the major federal program

- 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 Federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes _____ X no

Identification of the major federal program:

<u>Assistance Listing</u>	<u>Name of Federal Program</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar Threshold used to distinguish between Type A And Type B programs?

\$750,000

Auditee qualified as a low-risk auditee?

_____ yes _____ X no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2024

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. _____ DOT-4	Name of State Program _____ Non-State Street Aid Allocation (Powell Bill)
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Auditee qualified as a low-risk auditee? _____ yes X no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2024

Section II. Financial Statement Findings

None Reported

Section III. Findings and Questioned Costs for Federal Awards

None reported.

Section IV. 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, 2024

Finding 2023-001

Status: Corrected

Town of Hillsborough, North Carolina
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2024

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	Pass-through Grantor's No.	Federal (Direct and Pass-through) Expenditures	State Expenditures
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	\$ 141,802	\$ -
Total U.S. Department of Husing and Urban Development			141,802	-
<u>U.S. Department of Treasury</u>				
Coronavirus State and Local Fiscal Recovery				
Fund:				
Revenue Replacement	21.027	N/A	2,022,647	-
Total U.S. Department of Treasury			2,022,647	-
State awards:				
Cash programs:				
<u>N.C. Department of Transportation ("NCDOT")</u>				
Powell Bill	N/A	32570	-	785,925
Total NCDOT			-	785,925
Total expenditures of federal and state awards			\$ 2,164,449	\$ 785,925

Town of Hillsborough, North Carolina
Notes to the Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2024

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, 2024. 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

For the Year Ended June 30, 2024

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

Financial Statements

For the Year Ended June 30, 2024

Hillsborough Tourism Board
(A Component Unit of the Town of Hillsborough, North Carolina)
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June 30, 2024

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Financial Section

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, 2024, 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, 2024, 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 26, 2024

Hillsborough Tourism Board
(A Component Unit of the Town of Hillsborough, North Carolina)
Unaudited Management's Discussion and Analysis
June 30, 2024

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, 2024. 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

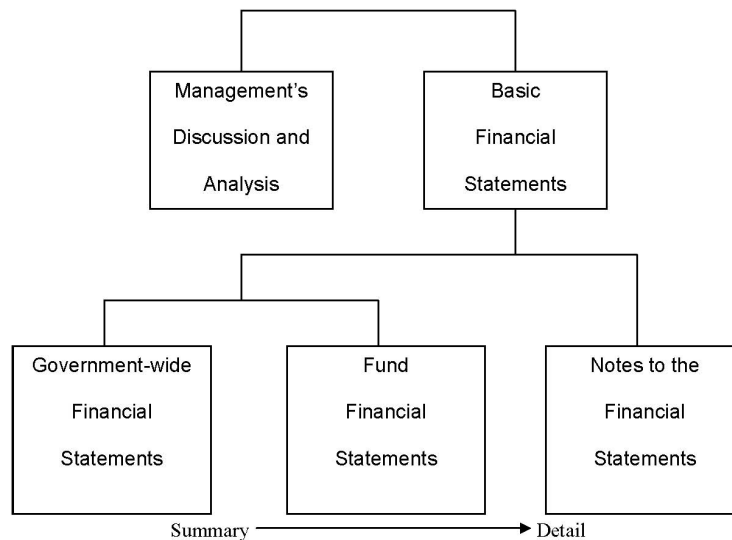
- The assets of the Board exceed its liabilities at the close of the fiscal year by \$696,075 (net position). The cash balance at the close of the fiscal year was \$531,500.
- The Board's total net position increased by \$86,921 as a result of increased revenue collection.
- As of the close of the current fiscal year, the Board's governmental fund reported a fund balance of \$696,075. This amount is comprised of restricted fund balance of \$173,845, assigned fund balance of \$84,151 and unassigned fund balance of \$438,079
- The Board's total fund balance increased by \$86,921 due to an increase in revenues as noted above.

Overview of the 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 Annual Financial Report

Figure 1



Basic financial statements

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

Hillsborough Tourism Board
(A Component Unit of the Town of Hillsborough, North Carolina)
Unaudited Management's Discussion and Analysis
June 30, 2024

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 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 fund

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.

Hillsborough Tourism Board
(A Component Unit of the Town of Hillsborough, North Carolina)
Unaudited Management's Discussion and Analysis (continued)
June 30, 2024

Government-Wide Financial Analysis

Hillsborough Tourism Board
Summarized Statements of Net Positions

Figure 2

	<u>2024</u>	<u>2023</u>
Assets		
Current assets	\$ 705,345	\$ 639,551
Liabilities		
Current liabilities	9,270	30,397
Net position		
Restricted	173,845	168,251
Unrestricted	522,230	440,903
Total net position	<u>\$ 696,075</u>	<u>\$ 609,154</u>

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 \$696,075 as of June 30, 2024 which is an increase of \$86,921. 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 \$173,845 as of June 30, 2024 which is a increase of \$5,594. This restriction is a function of year-end receivables as required under North Carolina General Statutes ("G.S."). The remaining balance of \$522,230 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
Summarized Statements of Activities

Figure 3

	<u>2024</u>	<u>2023</u>
General Revenues		
Food and beverage taxes	\$ 537,741	\$ 502,195
Expenses		
Economic and physical development	450,820	405,266
Change in net position	86,921	96,929
Net position, beginning	609,154	512,225
Net position, ending	<u>\$ 696,075</u>	<u>\$ 609,154</u>

Hillsborough Tourism Board
(A Component Unit of the Town of Hillsborough, North Carolina)
Unaudited Management's Discussion and Analysis (continued)
June 30, 2024

Governmental activities. Governmental activities increased the Board's net position by \$86,921. The increase is primarily due to an increase in revenues which can be attributed to the end of the pandemic. Expenses increased 11.24 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 \$696,075 of which \$173,845 was restricted by state statute, \$84,151 is assigned for expenditures in the FY25 budget and \$438,079 was unassigned.

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, 2025

The food and beverage tax revenue budget for FY 25 is expected to increase to \$485,000 which is greater than FY 24's budget of \$425,000 and slightly less than FY 24 actual. Budgeted expenditures are also expected to increase to \$569,151. As a result, appropriated fund balance for FY25 is \$84,151 which is \$6,989 less than FY 24 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.

Basic Financial Statements

Exhibit 1

**Hillsborough Tourism Board
Statement of Net Position
June 30, 2024**

	Governmental Activities
<u>Assets</u>	
Cash	\$ 531,500
Due from other governments:	
Food and beverage taxes	173,783
Sales tax	<u>62</u>
Total assets	<u>705,345</u>
<u>Liabilities</u>	
Accounts payable	<u>9,270</u>
<u>Net Position</u>	
Restricted:	
Stabilization by State Statute	173,845
Unrestricted	<u>522,230</u>
Total net position	<u><u>\$ 696,075</u></u>

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

Exhibit 2

**Hillsborough Tourism Board
Statement of Activities
For the Year Ended June 30, 2024**

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	\$ 450,820	\$ -	\$ -	\$ -	\$ (450,820)
Total governmental activities	<u>450,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(450,820)</u>
General Revenues					
Food and beverage taxes					<u>537,741</u>
Change in net position					<u>86,921</u>
Net Position					
Beginning of year					<u>609,154</u>
End of year					<u>\$ 696,075</u>

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

Exhibit 3

**Hillsborough Tourism Board
Balance Sheet - Governmental Fund
For the Year Ended June 30, 2024**

	General Fund
<hr/>	
<u>Assets</u>	
Cash	\$ 531,500
Due from other governments:	
Food and beverage taxes	173,783
Sales tax	<hr/> 62
Total assets	<hr/> \$ 705,345 <hr/>
<u>Liabilities</u>	
Accounts payable	<hr/> \$ 9,270
<u>Fund Balance</u>	
Restricted:	
Stabilization by State Statute	173,845
Assigned:	
Subsequent year's expenditures	84,151
Unassigned	<hr/> 438,079
 Total fund balance	 <hr/> 696,075 <hr/>
 Total liabilities and fund balance	 <hr/> \$ 705,345 <hr/>

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

Exhibit 4

**Hillsborough Tourism Board
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2024**

	General Fund
<hr/>	
<u>Revenues</u>	
Unrestricted intergovernmental revenue:	
Food and beverage taxes	\$ 537,741
<hr/>	
<u>Expenditures</u>	
Economic and physical development:	
Tourism	450,820
<hr/>	
Net change in fund balance	86,921
<hr/>	
<u>Fund Balance</u>	
Beginning of year	609,154
<hr/>	
End of year	\$ 696,075
<hr/>	

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

Exhibit 5

Hillsborough Tourism Board
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – General Fund
For the Year Ended June 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Unrestricted intergovernmental revenue:				
Food and beverage taxes	<u>\$ 425,000</u>	<u>\$ 425,000</u>	<u>\$ 537,741</u>	<u>\$ 112,741</u>
<u>Expenditures</u>				
Economic and physical development:				
Tourism	<u>516,140</u>	<u>509,151</u>	<u>450,820</u>	<u>58,331</u>
Revenues over (under) expenditures	<u>(91,140)</u>	<u>(84,151)</u>	<u>86,921</u>	<u>171,072</u>
<u>Other Financing Sources</u>				
Appropriated fund balance	<u>91,140</u>	<u>84,151</u>	<u>-</u>	<u>(84,151)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u>86,921</u>	<u><u>\$ 86,921</u></u>
<u>Fund Balance</u>				
Beginning of year			<u>609,154</u>	
End of year			<u><u>\$ 696,075</u></u>	

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

Hillsborough Tourism Board
Notes to the Financial Statements
June 30, 2024

NOTE I - 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 the Financial Statements (continued)
June 30, 2024

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C - Measurement Focus and Basis of Accounting (continued)

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.

Hillsborough Tourism Board
Notes to the Financial Statements (continued)
June 30, 2024

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, and Net Position/Fund Balances (continued)

(3) Receivables

Receivables at the government – wide and fund levels at June 30, 2024 were as follows:

Food and beverage taxes receivable	\$ 173,783
Sales tax receivable	62
	<u>\$ 173,845</u>

(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.

(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.

Hillsborough Tourism Board
Notes to the Financial Statements (continued)
June 30, 2024

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, and Net Position/Fund Balances (continued)

(5) Net position/fund balance (continued)

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 2024, the minimum level of unassigned fund balance amounted to \$70,000.

NOTE II - 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 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 Board has no policy regarding custodial credit risks for deposits.

The Board's deposits had a carrying amount of 531,500 and bank balance of \$533,287 at June 30, 2024. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$283,287 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.

Hillsborough Tourism Board
Notes to the Financial Statements (continued)
June 30, 2024

NOTE II - DETAIL NOTES ON ALL FUNDS (continued)

B. Risk Management (continued)

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	\$ 696,075
Less:	
Stabilization of State Statute	173,845
Assigned for subsequent year's expenditures	<u>84,151</u>
Unassigned fund balance	438,079
Working capital/fund balance policy	<u>70,000</u>
Remaining fund balance	<u><u>\$ 368,079</u></u>

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.

E. Subsequent Events

The Board has evaluated all subsequent events for potential recognition and disclosure through November 26, 2024, the date these financial statements will be available. No such events were identified.

Schedule 1

Hillsborough Tourism Board Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – General Fund June 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Unrestricted intergovernmental revenue:			
Food and beverage taxes	\$ 425,000	\$ 537,741	\$ 112,741
Total revenues	<u>425,000</u>	<u>537,741</u>	<u>112,741</u>
Expenditures:			
Economic and physical development:			
Tourism:			
Contracted services - visitor services	222,181	209,883	12,298
Contracted services - support services	26,000	-	26,000
Contracted services - other	179,600	179,600	-
Occupancy tax holdback	25,500	32,264	(6,764)
Grants	13,500	13,500	-
Audit fees	10,500	5,200	5,300
Attorney fees	300	203	97
Advertising	275	103	172
Data processing services	4,500	2,382	2,118
Insurance	980	284	696
Miscellaneous	3,000	2,086	914
Training, conferences and conventions	2,500	-	2,500
Special projects and partnerships	20,315	5,315	15,000
Total expenditures	<u>509,151</u>	<u>450,820</u>	<u>58,331</u>
Revenues over (under) expenditures	(84,151)	86,921	171,072
Other financing sources			
Fund balance appropriated	84,151	-	(84,151)
Net change in fund balance	<u>\$ -</u>	<u>86,921</u>	<u>\$ 86,921</u>
Fund balance			
Beginning of year		<u>609,154</u>	
End of year		<u>\$ 696,075</u>	

**Hillsborough Tourism Development Authority
(A Component Unit of the
Town of Hillsborough, North Carolina)**

Financial Statements

For the Year Ended June 30, 2024

**Hillsborough Tourism Development Authority
(A Component Unit of the
Town of Hillsborough, North Carolina)**

Financial Statements

For the Year Ended June 30, 2024

Hillsborough Tourism Development Authority
(A Component Unit of the Town of Hillsborough, North Carolina)
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June 30, 2024

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Financial Section

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hillsborough Tourism Development Authority

Opinion

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), a component unit of the Town of Hillsborough, North Carolina, as of and for the year ended June 30, 2024, 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, 2024, 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 Opinion

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 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 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 26, 2024

Hillsborough Tourism Development Authority
Unaudited Management’s Discussion and Analysis
June 30, 2024

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, 2024. 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

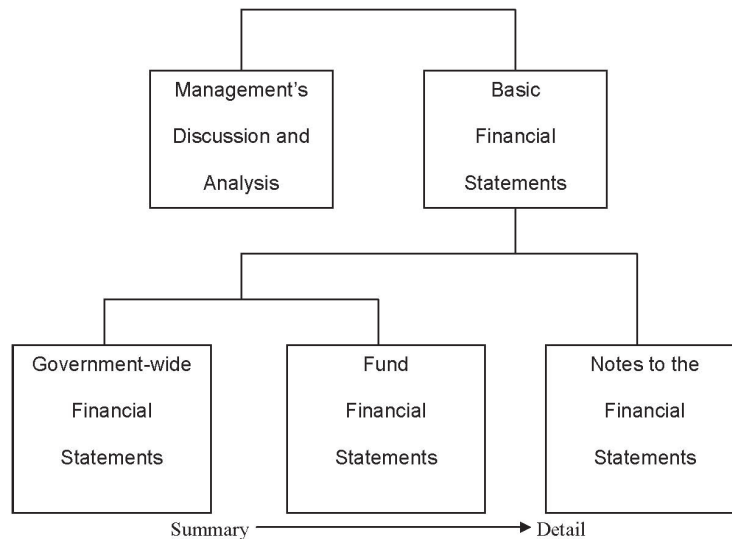
- The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$477,614 (net position). The cash balance at the close of the fiscal year was \$443,373.
- The Authority’s total net position increased by \$56,716 as a result of increased revenue collection.
- As of the close of the current fiscal year, the Authority’s General Fund reported a fund balance of \$477,614. This amount is comprised of restricted, unassigned, and assigned fund balance of \$38,728, \$414,386, and \$24,500 respectively.

Overview of the 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 Annual Financial Report

Figure 1



Hillsborough Tourism Development Authority
Unaudited Management's Discussion and Analysis (continued)
June 30, 2024

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 statement.

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
Unaudited Management's Discussion and Analysis (continued)
June 30, 2024

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 14 through 18 of this report.

Government-Wide Financial Analysis

Hillsborough Tourism Development Authority
Summarized Statements of Net Position

Figure 2

	<u>2024</u>	<u>2023</u>
Assets		
Current assets	\$ 482,101	\$ 426,041
Total assets	<u>482,101</u>	<u>426,041</u>
Liabilities		
Current liabilities	4,487	5,143
Total liabilities	<u>4,487</u>	<u>5,143</u>
Net position		
Restricted	38,728	48,425
Unrestricted	438,886	372,473
Total net position	<u>\$ 477,614</u>	<u>\$ 420,898</u>

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 \$477,614 as of June 30, 2024 which is an increase of \$56,716 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 \$38,728 as of June 30, 2024 which is a decrease of \$9,697 from prior year. This restriction is a function of year-end receivables as required under North Carolina General Statutes ("G.S."). The remaining balance of \$438,886 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
Unaudited Management's Discussion and Analysis (continued)
June 30, 2024

Government-wide Financial Analysis (continued)

Hillsborough Tourism Development Authority
Summarized Statements of Activities

Figure 3

	<u>2024</u>	<u>2023</u>
General Revenues:		
Occupancy taxes	\$ 130,367	\$ 120,852
Expenses:		
Economic and physical development	<u>73,651</u>	<u>51,566</u>
Change in net position	56,716	69,286
Net position, beginning	<u>420,898</u>	<u>351,612</u>
Net position, ending	<u><u>\$ 477,614</u></u>	<u><u>\$ 420,898</u></u>

Governmental activities. The Authority's net position for governmental activities increased by \$56,716 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 \$22,085 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 \$477,614 of which \$38,728 was restricted by state statute, \$24,500 was appropriated for next year's budget, and \$414,386 was 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
Unaudited Management's Discussion and Analysis (continued)
June 30, 2024

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, 2025

Occupancy tax revenues are expected to remain the same this year. Budgeted expenditures increased by \$24,500. The Authority appropriated fund balance of \$24,500 in FY 2025 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.

Basic Financial Statements

Exhibit 1

Hillsborough Tourism Development Authority
Statement of Net Position
June 30, 2024

	Governmental Activities
<u>Assets</u>	
Cash	\$ 443,373
Due from other governments:	
Occupancy taxes	38,114
Sales tax	<u>614</u>
Total assets	<u>482,101</u>
<u>Liabilities</u>	
Accounts payable	<u>4,487</u>
Total liabilities	<u>4,487</u>
<u>Net Position</u>	
Restricted:	
Stabilization by State Statute	38,728
Unrestricted	<u>438,886</u>
Total net position	<u><u>\$ 477,614</u></u>

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

Exhibit 2

**Hillsborough Tourism Development Authority
Statement of Activities
For the Year Ended June 30, 2024**

<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	\$ 73,651	\$ -	\$ -	\$ -	\$ (73,651)
 Total governmental activities	<u>\$ 73,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(73,651)</u>
General Revenues					
Food and beverage taxes					<u>130,367</u>
Change in net position					<u>56,716</u>
Net Position					
Beginning of year					<u>420,898</u>
End of year					<u>\$ 477,614</u>

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

Exhibit 3

**Hillsborough Tourism Development Authority
Balance Sheet
Governmental Fund
For the Year Ended June 30, 2024**

	General Fund
<u>Assets</u>	
Cash	\$ 443,373
Due from other governments:	
Occupancy tax	38,114
Sales tax	614
	<hr/>
Total assets	\$ 482,101
	<hr/>
<u>Liabilities</u>	
Accounts payable	\$ 4,487
	<hr/>
Total liabilities	4,487
	<hr/>
<u>Fund Balance</u>	
Restricted:	
Stabilization by State Statute	38,728
Assigned:	
Subsequent year's expenditures	24,500
Unassigned	414,386
	<hr/>
Total fund balance	477,614
	<hr/>
Total liabilities and fund balance	\$ 482,101
	<hr/>

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

Exhibit 4

Hillsborough Tourism Development Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2024

	General Fund
<hr/>	
<u>Revenues</u>	
Unrestricted intergovernmental revenue:	
Occupancy taxes	\$ 130,367
	<hr/>
<u>Expenditures</u>	
Economic and physical development:	
Tourism	73,651
	<hr/>
Net change in fund balance	56,716
	<hr/>
<u>Fund Balance</u>	
Beginning of year	420,898
	<hr/>
End of year	\$ 477,614
	<hr/> <hr/>

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

Exhibit 5

Hillsborough Tourism Development Authority Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – General Fund For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Unrestricted intergovernmental revenue:				
Occupancy taxes	\$ 100,000	\$ 100,000	\$ 130,367	\$ 30,367
<u>Expenditures</u>				
Economic and physical development:				
Tourism	100,000	130,500	73,651	56,849
Revenues over (under) expenditures	-	(30,500)	56,716	87,216
<u>Other Financing Sources</u>				
Appropriated fund balance	-	30,500	-	(30,500)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	56,716	<u>\$ 56,716</u>
<u>Fund Balance</u>				
Beginning of year			420,898	
End of year			<u>\$ 477,614</u>	

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

Hillsborough Tourism Development Authority
Notes to the Financial Statements
June 30, 2024

NOTE I - 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 food and beverage taxes on behalf of the Authority. Therefore, the Authority 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 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.

Hillsborough Tourism Development Authority
Notes to the Financial Statements
June 30, 2024

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.

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 Balances

(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.

Hillsborough Tourism Development Authority
Notes to the Financial Statements (continued)
June 30, 2024

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, and Net Position/Fund Balances (continued)

(3) Receivables

Receivables at the government – wide and fund levels at June 30, 2024 were as follows:

Occupancy taxes receivable	\$ 38,114
Sales tax receivable	<u>614</u>
	<u><u>\$ 38,728</u></u>

(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.

(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 be composed of five 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 – 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 fund balance that has been assigned for specific purposes.

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

Hillsborough Tourism Development Authority
Notes to the Financial Statements (continued)
June 30, 2024

NOTE II - 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.

The Authority's deposits had a carrying amount of \$443,373 and bank balance of \$454,645 at June 30, 2024. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining \$204,645 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 \$1,000,000.

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:

Total fund balance	\$ 477,614
Less:	
Stabilization of State Statute	38,728
Subsequent year's expenditures	<u>24,500</u>
Fund balance available for appropriation	<u><u>\$ 414,386</u></u>

The Authority has no formal fund balance policy.

Hillsborough Tourism Development Authority
Notes to the Financial Statements (continued)
June 30, 2024

NOTE II - DETAIL NOTES ON ALL FUNDS (continued)

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 26, 2024, the date these financial statements will be available. No such events were identified.

Schedule 1

**Hillsborough Tourism Development Authority
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – General Fund
June 30, 2024**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Unrestricted intergovernmental revenue:			
Occupancy taxes	\$ 100,000	\$ 130,367	\$ 30,367
Total revenues	<u>100,000</u>	<u>130,367</u>	<u>30,367</u>
Expenditures:			
Economic and physical development:			
Tourism:			
Advertising	26,870	26,158	712
Attorney fees	355	-	355
Audit fees	8,090	12,100	(4,010)
Contracted services	13,000	-	13,000
Data processing services	3,200	1,095	2,105
Dues and subscriptions	400	-	400
Insurance	1,022	1,022	-
Miscellaneous	2,963	703	2,260
Training, conferences and conventions	2,600	161	2,439
Occupancy tax holdback	3,000	3,912	(912)
Special projects and partnerships	69,000	28,500	40,500
Total expenditures	<u>130,500</u>	<u>73,651</u>	<u>56,849</u>
 Revenues over (under) expenditures	 <u>(30,500)</u>	 <u>56,716</u>	 <u>87,216</u>
Other financing sources			
Fund balance appropriated	<u>30,500</u>	<u>-</u>	<u>(30,500)</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>56,716</u>	 <u>\$ 56,716</u>
 Fund balance			
Beginning of year		<u>420,898</u>	
End of year		<u>\$ 477,614</u>	



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: Jan. 13, 2025
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 Dec. 9, 2024
2. Regular meeting closed session Dec. 9, 2024

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 Dec. 9, 2024 and regular meeting closed session Dec. 9, 2024.



Minutes

Board of Commissioners Regular Meeting

7 p.m. Dec. 9, 2024

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

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

Staff: Budget Director Emily Bradford, Administrative Services Director Jen Della Valle, Assistant Town Manager and Community Services Director Matt Efird, Budget and Management Analyst Josh Fernandez, Environmental Engineering Supervisor Bryant Green, Police Chief Duane Hampton, Town Attorney Bob Hornik, Town Clerk and Human Resources Technician Sarah Kimrey, Communications Specialist JC Leser-McMinn, Town Manager Eric Peterson and Public Space and Sustainability Manager Stephanie Trueblood

Opening of the meeting

Mayor Mark Bell called the meeting to order at 7 p.m.

1. Public charge

Bell did not read the public charge.

2. Audience comments not related to the printed agenda

There was none.

3. Agenda changes and approval

The mayor asked to add Item 7B – Extraterritorial jurisdiction discussion.

Motion: Commissioner Meaghun Darab moved to approve the amended agenda. Commissioner Kathleen Ferguson seconded.

Vote: 5-0.

4. Presentations

A. Leading the Way Award

Administrative Services Director Jen Della Valle presented the ETC Institute's Leading the Way Award to the board for the town ranking in the top 10% for resident satisfaction in community surveys conducted by the marketing research firm for communities.

5. Appointments

A. Historic District Commission – Appointment of Daniel Widis for a term expiring Nov. 30, 2027

B. Board of Adjustment – Appointment of David Blankfard to fill a vacancy for a term expiring Sept. 30, 2026

Motion: Ferguson moved to approve both appointments. Commissioner Evelyn Lloyd seconded.

Vote: 5-0.

6. Items for decision – consent agenda

- A. Miscellaneous budget amendments and transfers (Nov. 25, 2024)
- B. 2025 Board of Commissioners Meeting Schedule amendment
- C. Collins Ridge (SFTEN, LLC and Collins Ridge Landco, LLC) land dedication(s) to the town
- D. Special Event Permit – 2024 Solstice Lantern Walk and Market
- E. Resolution adopting the Orange County Safe Routes to School Plan
- F. Minutes
 - Regular meeting Nov. 12, 2024
 - Regular meeting closed session Nov. 12, 2024
 - Work session Nov. 25, 2024
- G. Miscellaneous budget amendments and transfers (Dec. 9, 2024)
- H. Proclamation – National Mentoring Month
- I. Annexation and rezoning requests for 3013 Rippy Lane
- J. Unified Development Ordinance text amendment (staff initiated): Section 6, Development Standards, Subsection 6.18, Signage, Paragraph 6.18.10, Billboards
- K. Integrated Pest Management Plan
- L. Resolution accepting public streets in Forest Ridge phases 4, 6, 7 and 8
- M. Special Event Permit – Godiva Track Club New Years Day Run 8K

Motion: Ferguson moved to approve all items on the consent agenda. Commissioner Robb English seconded.

Vote: 5-0. Nays: None.

7. Items for decision - regular agenda

- A. Community Reinvestment Program review
Town Manager Eric Peterson shared that the budget team created a rough draft for review of a policy for the town's community reinvestment program. A more polished version would be prepared for the budget retreat.

Budget Director Emily Bradford went over the draft proposal with the board. The policy would clarify the application process for requesting funding from the town for community programs and initiatives and provide the board with a framework for processing the increased volume of funding requests.

The board agreed that the program should be funded as a percentage of the town's General Fund expenditures but did not set a rate.

The board discussed whether the town should limit the amount of time a group would receive funds from the program. There was concern that the proposed policy could hurt Fairview Community Watch. Additionally, the board discussed exempting the organization from the Community Reinvestment Program application process.

- B. Extraterritorial jurisdiction discussion (added item)
The mayor shared that he attended a meeting for the North Carolina Mayors Association and a webinar for the North Carolina League of Municipalities regarding potential legislation regarding the size, scope and scale of extraterritorial jurisdictions in North Carolina.

The mayor asked board members to talk to him individually regarding their beliefs on extraterritorial jurisdiction. He will compile their answers to form the town's opinion and complete a survey for the North Carolina Mayors Association.

8. Updates

- A. Board members
Board members gave updates on the committees and boards on which they serve.
- B. Town manager
The manager reported that the town received a \$100,000 cybersecurity grant.
- C. Staff (written reports in agenda packet)
There were no additional reports.

Motion: Ferguson moved to go into closed session. Lloyd 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 the town attorney in order to preserve the attorney-client privilege
- B. Closed session as authorized by North Carolina General Statute Section 143-318.11(a)(3) to consult with the town attorney in order to preserve the attorney-client privilege (KEPSC Hillsborough LLC)
- C. Closed session as authorized by North Carolina General Statute Section 143-318.11 (a)(6) regarding personnel matters (town manager's evaluation)

Motion: Ferguson moved to return to open session. Darab seconded.
Vote: 5-0.

Motion: English moved to grant the town manager a 5% merit increase effective July 1, 2024. Ferguson seconded.
Vote: 5-0.

10. Adjournment

The mayor adjourned the meeting at 11:19 p.m.

Respectfully submitted,

Sarah Kimrey
Town Clerk
Staff support to the Board of Commissioners

FY 2024-2025

TOWN OF HILLSBOROUGH BUDGET CHANGES REPORT

DATES: 11/25/2024 TO 11/25/2024

	<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>
GF	10-00-9990-5300-000 CONTINGENCY						
Contingency	To cover WNC lodging	45701	11/25/2024	EBRADFORI	450,000.00	-5,000.00	381,596.35
	To cover oil & filters	45726	11/25/2024	EBRADFORI	450,000.00	-10,000.00	371,596.35
Disaster Relief	10-10-4000-5300-570 MISCELLANEOUS						
	To cover WNC lodging	45700	11/25/2024	EBRADFORI	0.00	5,000.00	10,000.00
Admin.	10-10-4200-5300-080 TRAINING/CONF./CONV.						
	Move NC3C conference to correct dept - C	45709	11/25/2024	JFernandez	17,730.00	-2,250.00	15,480.00
Admin.	10-10-4200-5300-120 ADVERTISING						
	Move to correct dept - Communications.	45703	11/25/2024	JFernandez	600.00	-300.00	300.00
Admin.	10-10-4200-5500-970 SERVICE CHARGE - W&S FUND						
	Adjust for funds moved from Admin to C	45711	11/25/2024	JFernandez	-459,439.00	-1,275.00	-464,441.00
	Correct cost allocation re funds moved Ac	45719	11/25/2024	JFernandez	-459,439.00	2,550.00	-461,891.00
Admin.	10-10-4200-5500-980 SERVICE CHARGE - STORMWATER FUND						
	Adjust for funds moved from Admin to C	45712	11/25/2024	JFernandez	-18,377.00	-51.00	-18,578.00
	Correct cost allocation re funds moved Ac	45720	11/25/2024	JFernandez	-18,377.00	102.00	-18,476.00
Comms.	10-10-4600-5300-080 TRAINING/CONF./CONV.						
	Move NC3C conference to correct dept - C	45710	11/25/2024	JFernandez	4,500.00	2,250.00	6,750.00
Comms.	10-10-4600-5300-113 LICENSE FEES						
	To cover Monsido and Canva services.	45708	11/25/2024	JFernandez	13,998.00	2,275.00	13,345.00
Comms.	10-10-4600-5300-120 ADVERTISING						
	Move to correct dept - Communications.	45704	11/25/2024	JFernandez	0.00	300.00	300.00
Comms.	10-10-4600-5300-530 DUES & SUBSCRIPTIONS						
	To cover anticipated Dues & Subscription	45706	11/25/2024	JFernandez	1,105.00	135.00	1,240.00
Comms.	10-10-4600-5300-570 MISCELLANEOUS						
	To cover anticipated Dues & Subscription	45705	11/25/2024	JFernandez	6,200.00	-135.00	4,860.00
	To cover Monsido and Canva services.	45707	11/25/2024	JFernandez	6,200.00	-2,275.00	2,585.00
Comms.	10-10-4600-5500-970 COST ALLOCATION - W&S FUND						
	Adjust for funds moved from Admin to C	45713	11/25/2024	JFernandez	-192,361.00	1,275.00	-193,218.00
	Correct cost allocation re funds moved Ac	45721	11/25/2024	JFernandez	-192,361.00	-2,550.00	-195,768.00
Comms.	10-10-4600-5500-980 COST ALLOCATION - STORMWATER FUND						
	Adjust for funds moved from Admin to C	45714	11/25/2024	JFernandez	-7,694.00	51.00	-7,729.00
	Correct cost allocation re funds moved Ac	45722	11/25/2024	JFernandez	-7,694.00	-102.00	-7,831.00
Facilities Mgmt.	10-10-5000-5400-910 DEBT SERVICE - PRINCIPAL						
	Move to appropriate account.	45728	11/25/2024	JFernandez	141,086.00	5,022.00	146,108.00
Facilities Mgmt.	10-10-5000-5400-920 DEBT SERVICE - INTEREST						
	Move to appropriate account.	45727	11/25/2024	JFernandez	59,086.00	-5,022.00	54,064.00
Fleet Maint.	10-30-5550-5300-330 SUPPLIES - DEPARTMENTAL						
	To cover oil & filters	45725	11/25/2024	EBRADFORI	18,000.00	10,000.00	28,000.00
Fleet Maint.	10-30-5550-5300-339 SUPPLIES - TOOLS						
	Adj per Garage Door Quote	45724	11/25/2024	EBRADFORI	5,175.00	-255.00	4,920.00
Fleet Maint.	10-30-5550-5700-735 CAPITAL - BUILDINGS & IMPROVEMENTS						
	Adj per Garage Door Quote	45723	11/25/2024	EBRADFORI	30,200.00	255.00	30,455.00
Admin. of Enterprise	30-80-7200-5350-611 SERVICE CHARGE - ADMINISTRATION						

JFernandez

11/19/2024 8:23:21AM

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FY 2024-2025

TOWN OF HILLSBOROUGH BUDGET CHANGES REPORT

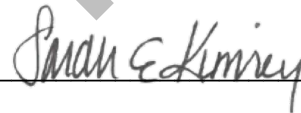
DATES: 11/25/2024 TO 11/25/2024

<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>
Adjust for funds moved from Admin to C	45715	11/25/2024	JFernandez	459,440.00	-1,275.00	461,891.00
Admin. 30-80-7200-5350-623 SERVICE CHARGE - COMMUNICATIONS						
of Enterprise Adjust for funds moved from Admin to C	45716	11/25/2024	JFernandez	192,361.00	1,275.00	195,768.00
Storm- 35-30-5900-5350-611 SERVICE CHARGE - ADMINISTRATION						
Water Adjust for funds moved from Admin to C	45717	11/25/2024	JFernandez	18,378.00	-51.00	18,476.00
Storm- 35-30-5900-5350-623 SERVICE CHARGE - COMMUNICATIONS						
Water Adjust for funds moved from Admin to C	45718	11/25/2024	JFernandez	7,695.00	51.00	7,831.00
					<u>0.00</u>	

APPROVED: 5/0

DATE: 12/9/24

VERIFIED: _____





RESOLUTION

Adopting the Orange County Safe Routes to School Plan

WHEREAS, Orange County, in coordination with the Town of Hillsborough updated the county's Safe Routes to School Plan to include all 13 public schools; area schools to facilitate safe walking routes for students; and

WHEREAS, the Safe Routes to School Plan facilitates safe walking and biking for all elementary, middle and high school students; and

WHEREAS, the plan was created with the help of engineering firm, WSP USA, and the Orange County School Administration who helped provide a detailed inventory of existing conditions, planned improvements, recommended improvements and program recommendations to implement the goals; and

WHEREAS, the plan incorporated a public engagement event involving all Orange County Public Schools to gather feedback; and

WHEREAS, the plan was updated to reflect changes in local conditions since the initial 2014 Orange County Safe Routes to School Action Plan and has been presented to the Orange County Board of County Commissioners, Central Pine Rural Planning Organization, Durham-Chapel Hill-Carrboro Metropolitan Planning Organization and Burlington-Graham Metropolitan Planning Organization for adoption and implementation;

NOW, THEREFORE, be it resolved by the Hillsborough Board of Commissioners that the Safe Routes to School Plan for Orange County is adopted by the Town of Hillsborough as a guide for improving walking and bicycling to the studied schools.

Approved this 9th day of December of the year 2024.



Mark Bell

Mark Bell, Mayor
Town of Hillsborough

Attestation:

Sarah E. Kimrey

Sarah Kimrey, Town Clerk

FY 2024-2025

TOWN OF HILLSBOROUGH

BUDGET CHANGES REPORT

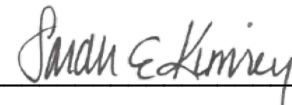
DATES: 12/09/2024 TO 12/09/2024

<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>
Comms. 10-10-4600-5300-080 TRAINING/CONF./CONV.						
To cover printing for OC Alerts direct email	45731	12/09/2024	JFernandez	4,500.00	-1,483.00	5,267.00
To cover postage for OC Alerts direct mail	45733	12/09/2024	JFernandez	4,500.00	-2,155.00	3,112.00
To cover Monsido services	45735	12/09/2024	JFernandez	4,500.00	-653.00	2,459.00
To cover remaining Monsido and other license	45741	12/09/2024	JFernandez	4,500.00	-2,345.00	114.00
Comms. 10-10-4600-5300-112 POSTAGE						
To cover postage for OC Alerts direct mail	45734	12/09/2024	JFernandez	50.00	2,155.00	2,205.00
Comms. 10-10-4600-5300-113 LICENSE FEES						
To cover Monsido services	45736	12/09/2024	JFernandez	13,998.00	653.00	13,998.00
To cover remaining Monsido and other license	45742	12/09/2024	JFernandez	13,998.00	2,345.00	16,343.00
Comms. 10-10-4600-5300-451 C.S./PRINTING						
To cover printing for OC Alerts direct email	45732	12/09/2024	JFernandez	2,900.00	1,483.00	8,647.00
Police 10-20-5100-5300-310 GASOLINE						
To cover Axon licenses.	45739	12/09/2024	JFernandez	77,380.00	-3,000.00	74,355.00
Police 10-20-5100-5300-458 DATA PROCESSING SERVICES						
To cover Axon licenses.	45740	12/09/2024	JFernandez	26,100.00	3,000.00	34,390.00
Admin of Enterprise 30-80-7200-5300-571 SAFETY AWARDS PROGRAM						
To cover Safety Dividend Program	45744	12/09/2024	JFernandez	0.00	5,609.00	5,609.00
Utilities Admin. 30-80-7220-5300-112 POSTAGE						
To cover Postage	45729	12/09/2024	EBRADFORD	100.00	1,200.00	1,300.00
Utilities Admin. 30-80-7220-5300-570 MISCELLANEOUS						
To cover W&S Rate Structure Analysis	45737	12/09/2024	EBRADFORD	12,600.00	38,980.00	88,580.00
W&S Contingency 30-80-9990-5300-000 CONTINGENCY						
To cover Postage	45730	12/09/2024	EBRADFORD	400,000.00	-1,200.00	138,610.65
To cover W&S Rate Structure Analysis	45738	12/09/2024	EBRADFORD	400,000.00	-38,980.00	99,630.65
To cover Safety Dividend Program	45743	12/09/2024	JFernandez	400,000.00	-5,609.00	94,021.65
Storm-Water 35-30-5900-5300-570 MISCELLANEOUS						
To cover Safety Dividend Program	45745	12/09/2024	JFernandez	26,375.00	-346.00	26,029.00
Storm-Water 35-30-5900-5300-571 SAFETY AWARDS PROGRAM						
To cover Safety Dividend Program	45746	12/09/2024	JFernandez	0.00	346.00	346.00
					<u>0.00</u>	

APPROVED: 5/0

DATE: 12/9/24

VERIFIED: _____





PROCLAMATION

National Mentoring Month

January 2025

WHEREAS, National Mentoring Month brings awareness to the importance of quality mentoring that promotes healthy relationships and communication, positive self-esteem, emotional well-being, and growth of a young person and their relationships with other adults; and

WHEREAS, the Town of Hillsborough honors volunteer mentors who support young people in Hillsborough by showing up for them every day and demonstrating their commitment to helping them thrive; and

WHEREAS, mentoring programs like Fathers on the Move, Beyond Expectations, and capacity-building agencies like Youth Mentoring Collaborative make our communities and our state stronger by driving impactful relationships that increase social capital for young people and provide invaluable support networks; and

WHEREAS, Grow Your World is a youth-centered, community-building organization that partners with local college students to work directly with youth and connect community members through multigenerational and inclusive relationships that build enrichment opportunities for youth and adults alike; and

WHEREAS, Reintegration Support Network provides support and resources for adolescents experiencing challenges related to substance use, mental health, and/or justice involvement. Mentors engage in promoting trust and self-acceptance by advocating for and with participants, coordinating with existing service providers, and linking participants with community resources, thereby increasing a participant's overall wellbeing; and

WHEREAS, Healing-Centered Mentoring™ provides a pathway to promote mental wellness, increase access to evidence-based mental wellness skills training, and reduce structural barriers to mental health services; and

WHEREAS, mentoring plays a pivotal role in career exploration and supports workforce development by helping young people set career goals, equipping mentors with the skills needed to support the professional growth of young people, and driving positive outcomes for communities across the state;

NOW, THEREFORE, I, Mark Bell, mayor of the Town of Hillsborough, do hereby proclaim January 2025 as National Mentoring Month in the Town of Hillsborough.

IN WITNESS WHEREOF, I have hereunto set my hand and caused this seal of the Town of Hillsborough to be affixed this 9th day of December in the year 2025.



Mark Bell

Mark Bell, Mayor
Town of Hillsborough

ORDINANCE #20241209-6.I

Return to: Town Clerk, Town of Hillsborough, 101 E. Orange Street, Hillsborough, NC 27278



ORDINANCE

**Annexing certain contiguous property to the Town of Hillsborough, NC
3013 Rippy Lane (Parcel Identification Number 9873-04-5166)**

WHEREAS, a petition was received requesting the annexation of approximately 6.336 acres identified as 3013 Rippy Lane (Parcel Identification Number 9873-04-5166) and located northwest of the I-40 interchange at Old NC 86; and

WHEREAS, the petition was signed by the owners of all the real property located within such area; and

WHEREAS, a public hearing on the annexation was held on October 17, 2024, following notice of said hearing being published in The News & Observer on October 6 and October 13, 2024, in accordance with NC GS § 160A-31(c).

NOW, THEREFORE, the Hillsborough Board of Commissioners ordains:

- Section 1.** The petition requesting the annexation of the area described hereto in Exhibits A and B was properly signed by the owners of all the real property located within such area and that such area is contiguous to the boundaries of the Town of Hillsborough, as the term "contiguous" is defined in NC GS § 160A-31(f).
- Section 2.** The area shown and described hereto in Exhibits A and B is hereby annexed and made part of the Town of Hillsborough.
- Section 3.** All provisions of any town ordinance in conflict with this ordinance are repealed.
- Section 4.** This ordinance shall become effective upon adoption.
- Section 5.** The Town Clerk shall cause an accurate map of the annexed territory described hereto in Exhibits A and B together with a duly certified copy of this ordinance to be recorded in the office of the Register of Deeds of Orange County. Such a map shall also be delivered to the Orange County Board of Elections as required by NC GS § 163-288.1.

ORDINANCE #20241209-6.I

The foregoing ordinance, having been submitted to a vote, received the following vote and was duly adopted this 9th day of December in the year 2024.

Ayes: 5
Noes: 0
Absent or excused: 0

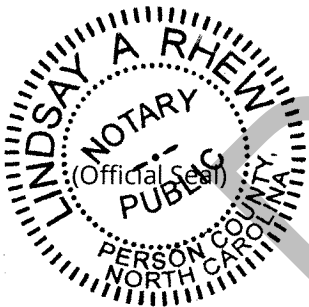


Sarah E. Kimrey, Town Clerk

STATE OF NORTH CAROLINA
COUNTY OF ORANGE

I, Lindsay A Rhew, a Notary Public of the County and State aforesaid, certify that Sarah E. Kimrey personally appeared before me this day and acknowledged that she is the Town Clerk for the Town of Hillsborough, a North Carolina municipal corporation, and that she, as Town Clerk, being duly authorized to do so, executed the foregoing instrument to acknowledge that it is an Annexation Ordinance duly adopted by the Town of Hillsborough Board of Commissioners on the date indicated.

Witness my hand and official seal, this the 10 day of December, 2024.





Notary Public Signature

My commission expires: 4-29-2025

ORDINANCE #20241209-6.I

Exhibit A
Legal Description

LYING AND BEING SITUATED IN HILLSBOROUGH TOWNSHIP, ORANGE COUNTY, NORTH CAROLINA, AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

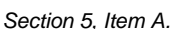
BEGINNING AT A RAILROAD SPIKE FOUND (NC GRID COORDINATES N.833,045.09 FEET, E.1,970,808.13 FEET NAD 83/11, (COMBINED GRID FACTOR 0.99994222) IN THE CENTER-LINE OF RIPPY LANE AT THE SOUTHEASTERN CORNER OF PRAGUE ESCAPES (SEE DEED BOOK 6841, PAGE 1038 AND LOT 3 PLAT BOOK 76, PAGE 31 ORANGE COUNTY REGISTRY) IN THE NORTH LINE OF CHRISTY D. BAILEY & JOHN O. CLAYTON (SEE ESTATE BOOK 04E/310 AND PLAT BOOK 103, PAGE 45 ORANGE COUNTY REGISTRY); THENCE LEAVING THE CENTER-LINE OF RIPPY LANE AND PROCEEDING ALONG THE NEW HILLSBOROUGH TOWN LIMIT WITH THE NORTH LINE OF CHRISTY D. BAILEY & JOHN O. CLAYTON SOUTH 89°49'01" WEST, 37.33 FEET TO A CALCULATED POINT; THENCE CONTINUING ALONG THE NEW HILLSBOROUGH TOWN LIMIT WITH THE NORTH LINE OF CHRISTY D. BAILEY & JOHN O. CLAYTON SOUTH 89°49'01" WEST, 286.12 FEET TO A CALCULATED POINT IN THE CENTER-LINE OF CATES CREEK AT THE SOUTHEAST CORNER OF THE SALLY BENDER ADDISON TRUST & REBECCA JORDAN ADDISON TRUST (SEE DEED BOOK 6791, PAGE 875 ORANGE COUNTY REGISTRY); THENCE CONTINUING ALONG THE NEW HILLSBOROUGH TOWN LIMIT WITH THE EAST LINE OF SALLY BENDER ADDISON TRUST & REBECCA JORDAN ADDISON TRUST AND ALONG THE CENTERLINE OF CATE'S CREEK THIRTYONE (31) COURSES AS FOLLOWS: (1) NORTH 10°42'31" EAST, 107.98 FEET TO A CALCULATED POINT, (2) NORTH 3°06'29" WEST, 108.85 FEET TO A CALCULATED POINT, (3) NORTH 9°33'31" EAST, 85.57 FEET TO A CALCULATED POINT, (4) NORTH 7°11'29" WEST, 146.11 FEET TO A CALCULATED POINT, (5) NORTH 54°04'29" WEST, 50.21 FEET TO A CALCULATED POINT, (6) NORTH 1°45'31" EAST, 40.02 FEET TO A CALCULATED POINT, (7) NORTH 39°55'31" EAST, 67.00 FEET TO A CALCULATED POINT, (8) NORTH 15°41'31" EAST, 60.27 FEET TO A CALCULATED POINT, (9) NORTH 1°36'29" WEST, 53.79 FEET TO A CALCULATED POINT, (10) NORTH 48°08'31" EAST, 35.28 FEET TO A CALCULATED POINT, (11) NORTH 2°32'59" WEST, 16.09 FEET TO A CALCULATED POINT, (12) NORTH 60°09'29" WEST, 64.93 FEET TO A CALCULATED POINT, (13) NORTH 11°42'59" WEST, 40.13 FEET TO A CALCULATED POINT, (14) NORTH 78°31'59" WEST, 55.59 FEET TO A CALCULATED POINT, (15) NORTH 14°10'29" WEST, 34.03 FEET TO A CALCULATED POINT, (16) NORTH 21°22'01" EAST, 56.57 FEET TO A CALCULATED POINT, (17) NORTH 75°19'29" WEST, 37.98 FEET TO A CALCULATED POINT, (18) NORTH 17°34'01" EAST, 27.28 FEET TO A CALCULATED POINT, (19) NORTH 40°59'31" EAST, 148.14 FEET TO A CALCULATED POINT, (20) NORTH 3°35'01" EAST, 38.57 FEET TO A CALCULATED POINT, (21) NORTH 13°20'31" EAST, 74.73 FEET TO A CALCULATED POINT, (22) NORTH 37°42'29" WEST, 40.11 FEET TO A CALCULATED POINT, (23) NORTH 1°39'29" WEST, 45.41 FEET TO A CALCULATED POINT, (24) NORTH 29°07'31" EAST, 93.60 FEET TO A CALCULATED POINT, (25) NORTH 41°34'29" WEST, 163.32 FEET TO A CALCULATED POINT, (26) NORTH 71°47'29" WEST, 50.53 FEET TO A CALCULATED POINT, (27) NORTH 12°45'29" WEST, 42.53 FEET TO A CALCULATED POINT, (28) NORTH 36°30'29" WEST, 53.09 FEET TO A CALCULATED POINT, (29) NORTH 50°14'01" EAST, 51.06 FEET TO A CALCULATED POINT, (30) SOUTH 84°29'59" EAST, 28.52 FEET TO A CALCULATED POINT AND (31) NORTH 41°58'31" EAST, 30.08 FEET TO A CALCULATED POINT AT THE SOUTHWEST CORNER OF LISA C. WAGNER TRUSTEE (SEE ESTATE BOOK 15E PAGE 644, AND PLAT BOOK 95, PAGE 175 "LOT 2R", ORANGE COUNTY REGISTRY.); THENCE LEAVING THE CENTERLINE OF CATE'S CREEK AND CONTINUING ALONG THE NEW HILLSBOROUGH TOWN LIMIT WITH THE SOUTH LINE OF LISA C. WAGNER TRUSTEE NORTH 82°22'01" EAST, 31.09 FEET TO A CALCULATED POINT IN THE NORTH LINE OF MICHAEL T. & JUDY T. BROWN (SEE DEED BOOK 6786, PAGE 1802, ORANGE COUNTY REGISTRY); THENCE CONTINUING ALONG THE NEW HILLSBOROUGH TOWN LIMIT WITH MICHAEL T. & JUDY T. BROWN ALONG FOUR (4) COURSES AS FOLLOWS: (1) SOUTH 51°58'05" WEST, 118.00 FEET TO A CALCULATED POINT, (2) SOUTH 44°47'32" EAST, 277.75 FEET TO A CALCULATED POINT, (3) SOUTH 24°58'05" WEST, 95.00 FEET TO A CALCULATED POINT AND (4) NORTH 78°58'05" EAST, 177.65 FEET TO AN EXISTING IRON STAKE IN THE WESTERN RIGHT OF WAY LINE OF OLD NC HIGHWAY 86; THENCE CONTINUING ALONG THE NEW HILLSBOROUGH TOWN LIMIT WITH THE WESTERN RIGHT OF WAY LINE OF OLD NC HIGHWAY 86 ALONG TWO (2) COURSES AS FOLLOWS: (1) SOUTH 12°49'32" EAST, 165.26 FEET TO A CALCULATED POINT AND (2) SOUTH 5°26'04" WEST, 189.41 FEET TO A CALCULATED POINT IN THE CENTER-LINE OF RIPPY LANE ALSO BEING THE NORTHEASTERN PROPERTY CORNER OF FRED A. SPARROW JR. & BENNIE Y. SPARROW (SEE DEED

ORDINANCE #20241209-6.I

BOOK 259, PAGE 1399 ORANGE COUNTY REGISTRY); THENCE LEAVING THE CENTERLINE OF RIPPY LANE AND CONTINUING ALONG THE NEW HILLSBOROUGH TOWN LIMIT WITH SPARROW ALONG SEVEN (7) COURSES AS FOLLOWS: (1) NORTH 77°54'20" WEST, 39.87 FEET TO AN EXISTING PINCHTOP IRON PIPE, (2) NORTH 77°54'20" WEST, 220.41 FEET TO A CALCULATED POINT, (3) SOUTH 9°57'40" WEST, 136.00 FEET TO A CALCULATED POINT, (4) SOUTH 47°17'15" EAST, 177.36 FEET TO A CALCULATED POINT, (5) SOUTH 9°44'20" EAST, 66.70 FEET TO A CALCULATED POINT, (6) NORTH 82°26'40" EAST, 118.60 FEET TO AN EXISTING PINCH-TOP IRON PIPE AND (7) NORTH 82°26'40" EAST, 27.85 FEET TO AN EXISTING POINT IN THE CENTER-LINE OF RIPPY LANE; THENCE CONTINUING ALONG THE NEW HILLSBOROUGH TOWN LIMIT ALONG THE CENTER-LINE OF RIPPY LANE ALONG THREE (3) COURSES AS FOLLOWS: (1) SOUTH 10°26'27" EAST, 324.80 FEET TO AN EXISTING "MAG NAIL", (2) A CURVE TO THE RIGHT WITH A RADIUS OF 1208.02 FEET, AN ARC LENGTH OF 189.61 FEET (CHORD BEARING AND DISTANCE SOUTH 05°56'39" EAST, 189.42.80 FEET) TO A CALCULATED POINT AND (3) SOUTH 1°26'51" EAST, 154.15 FEET TO THE POINT AND PLACE OF BEGINNING, CONTAINING 6.336 ACRES OR 0.0099 SQUARE MILES MORE OR LESS, AND BEING ALL OF THAT PROPERTY AS DESCRIBED IN DEED BOOK 6841, PAGE 1038 ORANGE COUNTY REGISTRY AS SHOWN ON PLAT ENTITLED "ANNEXATION PLAT OF VOLUNTARY CONTIGUOUS ANNEXATION FOR TOWN OF HILLSBOROUGH CORPORATE LIMITS EXTENSION" BY WILLIAM H. MCCARTHY JR., PLS L-3248, DATED 10/02/2024, SUMMIT DESIGN & ENGINEERING SERVICES PROJECT 24-0216, TO WHICH PLAT REFERENCE IS HEREBY MADE FOR A MORE PARTICULAR DESCRIPTION OF SAME. THE FOREGOING DESCRIPTION IS DERIVED FROM SOURCES AS REFERENCED IN CONJUNCTION WITH RECOVERY OF PROPERTY CORNERS AS NOTED AND NC GRID TIE BY GPS SURVEY FOR PURPOSE OF MUNICIPAL ANNEXATION AND IS NOT INTENDED TO REPRESENT A CURRENT BOUNDARY SURVEY OF THE SUBJECT PARCEL.

DRAFT

This map is not a certified survey and has not been reviewed by a local government agency for compliance with any applicable land development regulations and has not been reviewed for compliance with recording requirements for plats.



HILLSBOROUGH BOARD OF COMMISSIONERS
Consistency Statement per Section 160D-605

Request to amend the Official Zoning Map for the Town of Hillsborough
3013 Rippy Lane (Parcel Identification Number 9873-04-5166)

December 9, 2024

The Town of Hillsborough Board of Commissioners has received and reviewed a request from Prague Escapes, LLC to amend the town's Official Zoning Map as follows:

- *Rezone a parcel approximately 6.336 acres in area and identified as 3013 Rippy Lane and Parcel Identification Number 9873-04-5166 from Economic Development Hillsborough Limited Office (EDH-2) in Orange County to Economic Development District (EDD) in the Town of Hillsborough.*

The Hillsborough Board of Commissioners has determined the proposed rezoning **is/is not consistent** with the town's Comprehensive Sustainability Plan (CSP) because:

1. The proposed amendment **is/is not consistent** with the *Land Use and Development* chapter goal to "Ensure that future growth and development, including infill and redevelopment, are aligned with smart growth principles and consider infrastructure constraints such as water and wastewater system capacity."

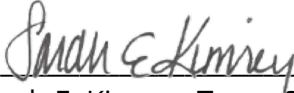
Strategy: Ensure that land use and development regulations are aligned with preferred future land use and growth patterns.

2. The proposed rezoning **is reasonable/is not reasonable** because it **advances/does not advance** identified goals and strategies found in the CSP and **promotes/does not promote** public health, safety, and welfare by rezoning property in the southeast quadrant for economic development/suburban office use consistent with the Future Land Use Map and Plan.

The foregoing consistency statement, having been submitted to a vote, received the following vote and was duly adopted this 9th day of December in the year 2024.

Ayes: 5
Noes: 0
Absent or excused: 0





Sarah E. Kimrey, Town Clerk



ORDINANCE

Amending the Official Zoning Map for the Town of Hillsborough 3013 Rippy Lane (Parcel Identification Number 9873-04-5166)

WHEREAS, an application was made to amend the Official Zoning Map for the Town of Hillsborough, specifically to rezone approximately 6.336 acres of property northwest of the I-40 interchange at Old NC 86 identified as 3013 Rippy Lane (PIN 9873-04-5166) to Economic Development District (EDD); and

WHEREAS, the application was referred to the town Planning Board for its recommendation, and the Planning Board has provided the Town Board with a written recommendation addressing the consistency of the proposed rezoning amendment with the town's Comprehensive Sustainability Plan and such other matters as the Planning Board deemed appropriate; and

WHEREAS, the Town Board has, prior to acting on the application, adopted a statement describing the consistency of the proposed rezoning with the town's Comprehensive Sustainability Plan and explaining why the action contemplated by the Town Board as reflected herein is reasonable and in the public interest.

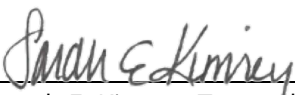
NOW, THEREFORE, the Hillsborough Board of Commissioners ordains:

- Section 1.** The Official Zoning Map of the Town of Hillsborough is hereby amended to rezone the 6.336 acres identified as 3013 Rippy Lane (PIN 9873-04-5166) to Economic Development District (EDD).
- 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 9th day of December in the year 2024.

Ayes: 5
Noes: 0
Absent or excused: 0




Sarah E. Kimrey, Town Clerk

HILLSBOROUGH BOARD OF COMMISSIONERS
Consistency Statement per Section 160D-605

Staff-Initiated request to amend UDO Section 6.18.10, *Billboards*

December 9, 2024

The Town of Hillsborough Board of Commissioners has received and reviewed a request from the Planning and Economic Development division to amend the Unified Development Ordinance by removing UDO §6.18.10, *Billboards* in its entirety.

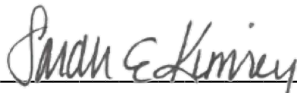
The Hillsborough Board of Commissioners has determined the proposed text amendment **is/is not** consistent with the Town of Hillsborough's Comprehensive Sustainability Plan (CSP) because it **supports/does not support** the following goals:

- Town Government and Public Services Goal 2: Adopt local laws, regulations, and policies that help to achieve sustainable and equitable outcomes.
 - Strategy: Develop and adopt policies that help accomplish town goals.

The foregoing consistency statement, having been submitted to a vote, received the following vote and was duly adopted this 9th day of December in the year 2024.

Ayes: 5
Noes: 0
Absent or excused: 0





Sarah E. Kimrey, Town Clerk



ORDINANCE

Amending the Town of Hillsborough Unified Development Ordinance Section 6.18.10, *Billboards*

The Hillsborough Board of Commissioners ordains:

Section 1. The removal of Unified Development Ordinance Section 6.18.10, *Billboards* in its entirety. Section 6.18.10 shall be marked as "RESERVED," so as not to affect the numbering of subsequent sections.

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

Section 3. This ordinance shall become effective upon adoption.

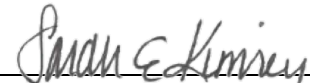
The foregoing ordinance, having been submitted to a vote, received the following vote and was duly adopted this 9th day of December in the year 2024.

Ayes: 5

Noes: 0

Absent or excused: 0





Sarah E. Kimrey, Town Clerk



RESOLUTION

Accepting Dedication of Roads for Public Ownership: Forest Ridge Phases 4, 6, 7, and 8

WHEREAS, the Hillsborough Board of Commissioners approved a Special Use Permit authorizing the construction of the neighborhood known as Forest Ridge on June 8, 2009; and

WHEREAS, the approved plans require the dedication of the new street network to the town; and

WHEREAS, the developer guaranteed the construction of the network through a series of performance bonds; and

WHEREAS, the applicant has submitted adequate information to verify the construction quality and construction value to allow these resources to be accepted by the town; and

NOW, THEREFORE, be it resolved that the Hillsborough Board of Commissioners hereby accepts the dedication of the following roads in Phases 4, 6, 7, and 8 of the approximate lengths shown:

Garden Heights Lane	320 feet (Phase 4)
Prestwood Drive	675 feet (Phase 4)
Stanton Gable Lane	175 feet (Phase 4)
Boxwood Trace Lane	590 feet (Phase 6)
Clandon Square Road	335 feet (Phase 6)
Spring Overlook Lane	430 feet (Phase 6)
Spring Overlook Lane	665 feet (Phase 7)
Prestwood Drive	350 feet (Phase 7)
Clandon Square Road	745 feet (Phase 8)

BE IT FURTHER RESOLVED that the one-year warranty period begins with the approval of this resolution.

Approved this 9th day of December in the year 2024.



Mark Bell

Mark Bell, Mayor
Town of Hillsborough



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: Jan. 13, 2025
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 2024-2025

TOWN OF HILLSBOROUGH BUDGET CHANGES REPORT

DATES: 01/13/2025 TO 01/13/2025

	<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>
GF Contingency	10-00-9990-5300-000 CONTINGENCY						
	To cover garbage truck repair	45748	01/13/2025	EBRADFORI	450,000.00	-6,000.00	365,596.35
	To cover maintenance & gas for transferre	45758	01/13/2025	JFernandez	450,000.00	-4,000.00	361,596.35
	To cover 3rd party inspections	45774	01/13/2025	EBRADFORI	450,000.00	-15,000.00	346,596.35
Admin.	10-10-4200-5300-080 TRAINING/CONF./CONV.						
	To cover Communications training	45761	01/13/2025	EBRADFORI	17,730.00	-2,250.00	13,230.00
Comms.	10-10-4600-5300-080 TRAINING/CONF./CONV.						
	To cover Communications training	45762	01/13/2025	EBRADFORI	4,500.00	2,250.00	2,364.00
Comms.	10-10-4600-5300-454 CONTRACT SERVICES						
	To cover utilities photo/video services.	45779	01/13/2025	JFernandez	0.00	260.00	1,260.00
Comms.	10-10-4600-5300-570 MISCELLANEOUS						
	To cover utilities photo/video services.	45778	01/13/2025	JFernandez	6,200.00	-260.00	2,325.00
Planning	10-10-4900-5300-310 GASOLINE						
	To cover gas for transferred vehicle	45759	01/13/2025	JFernandez	0.00	2,000.00	2,000.00
Public Space	10-10-6300-5100-020 SALARIES						
	Move PW Intern to Public Space.	45783	01/13/2025	JFernandez	168,072.00	7,800.00	175,872.00
Public Space	10-10-6300-5120-050 FICA						
	Move PW Intern to Public Space.	45784	01/13/2025	JFernandez	12,858.00	616.00	13,474.00
Police	10-20-5100-5300-161 MAINTENANCE - VEHICLES						
	To cover vehicle upgrades	45750	01/13/2025	EBRADFORI	3,000.00	5,400.00	8,400.00
Police	10-20-5100-5300-330 SUPPLIES - DEPARTMENTAL						
	Move Finger-Print Scanner to Dept-Suppl	45755	01/13/2025	EBRADFORI	57,375.00	12,500.00	117,695.00
Police	10-20-5100-5300-350 UNIFORMS						
	To cover uniform costs.	45772	01/13/2025	JFernandez	21,840.00	2,000.00	23,840.00
Police	10-20-5100-5300-470 HIRING SELECTION PROCESS						
	To cover hiring selection process.	45773	01/13/2025	JFernandez	3,400.00	2,000.00	5,400.00
Police	10-20-5100-5300-730 DRUG ENFORCEMENT OPERATIONS						
	To cover uniform costs and hiring selectio	45771	01/13/2025	JFernandez	5,000.00	-4,000.00	1,000.00
Police	10-20-5100-5700-740 CAPITAL - VEHICLES						
	To cover vehicle upgrades	45751	01/13/2025	EBRADFORI	200,000.00	-5,400.00	194,600.00
Police	10-20-5100-5700-741 CAPITAL - EQUIPMENT						
	Move Finger-Print Scanner to Dept-Suppl	45754	01/13/2025	EBRADFORI	65,000.00	-12,500.00	2,900.00
Fleet Maint.	10-30-5550-5300-180 VEHICLE REPAIR - SOLID WASTE						
	To cover garbage truck repair	45749	01/13/2025	EBRADFORI	30,000.00	6,000.00	36,000.00
Fleet Maint.	10-30-5550-5300-203 VEHICLE REPAIR - PLANNING						
	To cover maintenance for transferred vehi	45760	01/13/2025	JFernandez	0.00	2,000.00	2,000.00
Streets	10-30-5600-5100-020 SALARIES						
	Move PW Intern to Public Space.	45780	01/13/2025	JFernandez	227,252.00	-7,800.00	219,452.00
Streets	10-30-5600-5120-050 FICA						
	Move PW Intern to Public Space.	45781	01/13/2025	JFernandez	17,385.00	-616.00	16,769.00
Streets	10-30-5600-5300-455 C.S./ENGINEERING						
	To cover 3rd party inspections	45775	01/13/2025	EBRADFORI	41,000.00	15,000.00	116,461.33
Utilities Admin.	30-80-7220-5300-350 UNIFORMS						
	JFernandez		01/07/2025	9:07:52AM			
	f1142r03						

FY 2024-2025

TOWN OF HILLSBOROUGH BUDGET CHANGES REPORT

DATES: 01/13/2025 TO 01/13/2025

	<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>
	To cover uniforms	45785	01/13/2025	EBRADFORI	500.00	400.00	900.00
Water Dist.	30-80-8140-5300-080 TRAINING/CONF./CONV. To cover Backflow Test Certification	45757	01/13/2025	EBRADFORI	4,000.00	-310.00	3,690.00
Water Dist.	30-80-8140-5300-326 SUPPLIES - PATCH To cover patch supplies in Water Dist.	45768	01/13/2025	JFernandez	4,000.00	500.00	12,500.00
	Current & future concrete/driveway winte	45770	01/13/2025	JFernandez	4,000.00	3,000.00	15,500.00
Water Dist.	30-80-8140-5300-330 SUPPLIES - DEPARTMENTAL Current & future concrete/driveway winte	45769	01/13/2025	JFernandez	120,000.00	-3,000.00	87,024.00
Water Dist.	30-80-8140-5300-530 DUES & SUBSCRIPTIONS To cover Backflow Test Certification	45756	01/13/2025	EBRADFORI	2,500.00	310.00	2,810.00
WW Collect.	30-80-8200-5300-326 SUPPLIES - PATCH To cover patch supplies in Water Dist.	45767	01/13/2025	JFernandez	6,000.00	-500.00	7,500.00
WWTP	30-80-8220-5300-162 MAINTENANCE - LAB EQUIPMENT Move to correct account.	45752	01/13/2025	JFernandez	4,770.00	-1,100.00	3,670.00
WWTP	30-80-8220-5300-164 MAINTENANCE - INSTRUMENTATION Move to correct account.	45753	01/13/2025	JFernandez	20,760.00	1,100.00	23,660.00
WSF Contingency	30-80-9990-5300-000 CONTINGENCY To cover uniforms	45786	01/13/2025	EBRADFORI	400,000.00	-400.00	93,621.65
						<u>0.00</u>	



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: Jan. 13, 2025
Department: Administrative Services
Agenda Section: Consent
Public hearing: No
Date of public hearing: N/A

PRESENTER/INFORMATION CONTACT

Town Clerk Sarah Kimrey
Planning & Economic Development Manager Shannan Campbell

ITEM TO BE CONSIDERED

Subject: 2025 Board of Commissioners Meeting Schedule Amendment

Attachments:

Amended schedule

Summary:

A few years ago, former Mayor Jenn Weaver requested that we stop holding the joint public hearings in July so that the board could truly have the month off without any meetings. The July public hearing was shifted to August, but this created a gap between the April and August public hearings. In an effort to review and get decisions to applicants in a timely manner, we've conferred with the Planning Board and are suggesting a new joint public hearing meeting schedule for 2025 that shifts all joint public hearings a month to keep them occurring regularly throughout the year. The suggested 2025 joint public hearing schedule is as follows:

- Feb. 20
- May 15
- Aug. 21
- Nov. 20

The start time for the meetings will remain at 7 p.m.

Financial impacts:

None

Staff recommendation and comments:

None

Action requested:

To amend the meeting schedule as presented.

Meeting Schedule: 2025

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. 13		Aug. 11
Feb. 10		Sept. 8
March 10		Oct. 13
April 14		Nov. 10
May 12	With budget presentation	Dec. 8
June 9	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. 27		May 27	With budget workshop, if needed
Feb. 24	With economic and budget update	June 23	Budget adoption, if needed
March 1	Budget retreat	Aug. 25	With joint WSAC meeting
March 24		Sept. 22	
April 28	State of the Town Address	Oct. 27	
May 19	Budget workshop, public hearing	Nov. 24	

Joint public hearings

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

Feb. 20	Aug. 21
May 15	Nov. 20

Joint meetings

Meetings with the Water and Sewer Advisory Committee are planned biannually.

Feb. 17	Orange County Board of Commissioners	Feb. 6	Water and Sewer Advisory Committee
	Whitted Building		
	300 W. Tryon St., Hillsborough		

101 E. Orange St., PO Box 429, Hillsborough, NC 27278 | 919-732-1270
www.hillsboroughnc.gov | @HillsboroughGov

Amended: Jan. 13, 2025



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: Jan. 13, 2025
Department: Utilities
Agenda Section: Consent
Public hearing: No
Date of public hearing: N/A

PRESENTER/INFORMATION CONTACT

Utilities Director K. Marie Strandwitz, PE

ITEM TO BE CONSIDERED

Subject: Acceptance of Water Mains at UNC Hospital in Waterstone/Adjustment of Prior Acceptance Action

Attachments:

1. Letter of dedication
2. Revised recorded easement
3. Revised easement plat

Summary:

There are two items within this consent agenda item for action:

1. The University of North Carolina (UNC) Hospitals Hillsborough Campus water and sewer mains and associated appurtenances were originally constructed over ten years ago with a more recent water and sewer extensions completed for bed tower 2 only a few years ago. In gathering acceptance documentation from the owner for the recent expansion, we discovered there is no prior evidence that the original assets were ever formally accepted by the town. Thus, in March 2024 these assets from the original construction and subsequent expansion (both water and sewer extensions) were presented under consent agenda for acceptance at the Board of Commissioners regular meeting. However, it was later discovered that the abstract/action presented was incomplete and contained erroneous information related to another development project. An action by the board on this agenda item would void any prior acceptance action (these assets were not entered/valued in the town's asset registry, so no financial adjustments are required from that perspective).
2. Meanwhile in discussion with UNC about the assets to be accepted, it was subsequently agreed by UNC and the town that the town has no reason to own or maintain the sanitary sewers on this single owner parcel that serve only the hospital (this is our current standard if the project were to be submitted today). However, this was not the case for the water mains as they will eventually be looped and also go to and from our Waterstone water tower so they cannot be isolated in the same manner. An adjustment of prior recorded easement documents and plats for the water and sewer on the parcel was undertaken by UNC's legal team in conjunction with the town's attorney to separate the water and sewer combined easement into public and private easements. Revised analysis was undertaken to value the "to become public" water system assets and acceptance documentation was collected from UNC. An action by the board on this agenda item would provide town acceptance of the water mains identified in the easement plats as those within the identified public easements. There are portions of water mains behind backflow assemblies that have been and will always remain private.

Financial impacts:

The value of the water assets to become under town ownership is \$284,576 for approximately 2,000 linear feet of water mains. The town will cover operation and maintenance in its operations budget and incorporate such in annual rate setting.

Staff recommendation and comments:

The town appreciates the cooperative effort and spirit of UNC hospitals and their legal team to work with us on what makes sense for public ownership and for clearly delineating such in revised recorded documents.

Action requested:

Motion to void any prior acceptance of this infrastructure and accept these revisions for the plat-identified public water mains and appurtenances into the town system for operation and maintenance.

November 12, 2024

Town of Hillsborough
137 N. Churton Street
Hillsborough, NC 27278

Ladies and Gentlemen:

The University of North Carolina Hospitals at Chapel, the current owner of Parcel 9873-32--0287 and the improvements located thereon, does hereby dedicate and convey unto the Town of Hillsborough, its successors and assigns, all of its right, title and interest in and to the water distribution lines shown as public on the easement plat recorded in Plat Book 128, Pages 80-81, Orange County Registry.

We ask that the Town provide a letter acknowledging acceptance for the maintenance of the above referenced lines.

University of North Carolina Hospitals at Chapel Hill

By: [Signature]
Simon George, System Vice President,
Real Estate, Development & Facilities

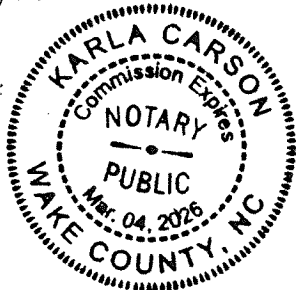
STATE OF NORTH CAROLINA

COUNTY OF Wake

I, Karla Carson, a Notary Public of Wake County and aforesaid State, certify that the following person personally appeared before me this day and acknowledged the due execution of the foregoing instrument: **Simon George**

Witness my hand and notarial seal this the 12 day of Nov., 2024.

(Seal/Stamp)




[Signature]
Notary Public

Print Name: Karla Carson
Commission expires: Mar. 04, 2026

7073
w

Prepared by: Leigh Vancil, Kennon Craver, PLLC, 4011 University Dr., Suite 300, Durham, NC 27707

Return to: Grantee

Pin: 9873-32-0287 

ORANGE COUNTY

NORTH CAROLINA

**DEED OF EASEMENT
(UTILITY EASEMENT)
AND
AMENDMENT TO
PUBLIC
UTILITY EASEMENTS**

THIS DEED OF EASEMENT AND AMENDMENT TO PUBLIC UTILITY EASEMENTS, made this 26th day of November, 2024, by and between University of North Carolina Hospitals at Chapel Hill, an affiliated enterprise of the University of North Carolina pursuant to N.C.G.S. Section 116-350.5 with a mailing address of 5221 Paramount Parkway, Suite 460, Morrisville, NC 27560 ("Grantor"), and the Town of Hillsborough, North Carolina, a municipal corporation with a mailing address of 101 East Orange Street, Post Office Box 429, Hillsborough, North Carolina 27278 (the "Town").

WITNESSETH:

THAT WHEREAS, Grantor is the owner of certain real property located in Hillsborough Township, being more specifically depicted as Tract 600 on the plat entitled "Waterstone, Exempt Subdivision Plat " recorded at Plat Book 100, Pages 184-185, in the Orange County Registry on November 17, 2006 (the "Property");

Submitted electronically by "Kennon Craver, PLLC"
in compliance with North Carolina statutes governing recordable documents
and the terms of the submitter agreement with the Orange County Register of Deeds.

Submitted electronically by "Kennon Craver, PLLC"
in compliance with North Carolina statutes governing recordable documents
and the terms of the submitter agreement with the Orange County Register of Deeds.

THAT WHEREAS, Grantor has developed the Property for medical and hospital use;

THAT WHEREAS, in connection with said development, Grantor has caused to be recorded (i) the Final Plat of New Access and Maintenance Easements Survey in Plat Book 114, Page 194, Orange County Registry, and (ii) that certain Exempt Easement Plat recorded in Plat Book 126, Page 6, Orange County Registry, pursuant to which Grantor dedicated to the Town of Hillsborough public utility easements for water and sanitary sewer as shown thereon (the "Original Public Utility Easements");

THAT WHEREAS, Grantor and Grantee subsequently agreed that Grantor would maintain the sanitary sewer lines on the Property and Grantee would maintain the water lines on the Property ; and

THAT WHEREAS, as a consequence thereof, Grantor and Grantee agreed that the Original Public Utility Easements dedicated to the Town of Hillsborough would thereafter be for the maintenance, repair and replacement of water lines solely, and the Original Public Utility Easements would be amended as set forth in that certain Easement Plat recorded in Plat Book 128, Pages 80-81, Orange County Registry (the "New Plat").

NOW, THEREFORE, in consideration of the foregoing, the Grantor does hereby give, grant, quitclaim, and convey unto the Town of Hillsborough, its successors and assigns, the right and privilege and perpetual easement over, upon and through the areas identified on the New Plat as "Variable Width Town of Hillsborough Public Utility Easement (Water)" (the "Easement Areas") to construct, install, maintain, repair, modify or remove one or more underground water lines; together with a perpetual right and easement to go upon the Easement Areas whenever the same is reasonably necessary for the purposes of constructing, inspecting, and maintaining said lines and making all necessary alterations and repairs thereto.

The Town shall also have a ten (10) foot wide temporary maintenance easement lying directly adjacent to the Easement Areas where the Easement Areas overlap with the Variable Width UNC Hospitals Private Sanitary Sewer Easements as shown on the New Plat, extending ten (10) feet on the side of the Easement Areas opposite the Variable Width UNC Hospitals Private Sanitary Sewer Easements, the purpose of which temporary maintenance easement is to facilitate maintenance, repair and replacement of the public water lines and appurtenances thereto by the Town. Upon completion of maintenance work, the Town shall restore any disturbed temporary maintenance easement area as nearly as possible to its original condition.

The Town of Hillsborough shall also have the right of ingress and egress and regress through, over, and across the Easement Areas at such times as the Town of Hillsborough deems it necessary for the purpose of maintaining, and inspecting said lines and of making all necessary alterations and repair thereto. Should obstructions be present in the Easement Areas and interfere with the Town's use of the Easement Areas for their intended purpose(s), then the Town may temporarily remove such obstruction(s) to the extent necessary for maintenance, inspection, repair and replacement of said lines, and without any obligation to restore the disturbed area except for the obligation to cover the water lines (and the sewer lines to the extent located within the same Easement Area) and level the disturbed ground surface to a safe condition. Nothing herein shall be deemed to prohibit Grantor from restoring any disturbed area to the condition existing prior to the Town's removal of any obstructions. Grantor, its successors and assigns shall, to the extent permitted by law, indemnify the Town and hold the Town harmless from any and all claims for loss, injury or damage to person or property except those caused by the Town's negligence or willful misconduct.

Grantor covenants with Grantee that Grantor is seized of the premises in fee simple, has the right to convey the rights, privileges and easements which are granted herein, and title is free and clear of all liens and encumbrances which may affect the said rights, privileges and easements conveyed herein, and Grantor will warrant and defend the title to said easements against the claims of all persons or parties whomsoever.

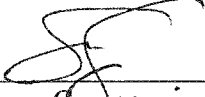
Grantee, by its acceptance of this instrument, (i) agrees to the amendments to the Original Public Utility Easements as set forth on the New Plat, and (ii) grants and reconveys to Grantor any interest Grantee has in the Variable Width UNC Hospitals Private Sanitary Sewer Easement shown on the New Plat and the sanitary sewer lines therein.

[Remainder of page intentionally left blank]

IN TESTIMONY WHEREOF, Grantor has hereunto set his hand and seal the year and day first above written.

Grantor:

UNIVERSITY OF NORTH CAROLINA
HOSPITALS AT CHAPEL HILL

By: 
Name: Simon George
Title: System Vice President, Real Estate,
Development & Facilities

STATE OF NORTH CAROLINA

COUNTY OF Wake

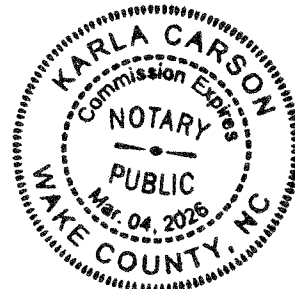
I, Karla Carson, a Notary Public of Wake County and aforesaid State, certify that the following person personally appeared before me this day and acknowledged the due execution of the foregoing instrument: **Simon George**

Witness my hand and official seal or stamp, this the 12 day of Nov., 2024.

(Official Seal)


Notary Public

My commission expires: Mar. 04, 2026



EASEMENT HATCHING LEGEND	
8 6774/1334 ESMT'S.	
8 116/139 ESMT.	
8 114/194 ESMT.	
8 111/165 ESMT.	
NEW WATERLINE ESMT.	
NEW SEWER ESMT.	

LINE TABLE			LINE TABLE			LINE TABLE			LINE TABLE		
LINE #	BEARING	DISTANCE	LINE #	BEARING	DISTANCE	LINE #	BEARING	DISTANCE	LINE #	BEARING	DISTANCE
E11	S34°56'38"E	73.37	E12	S43°18'34"E	10.68	E24	N81°49'35"E	37.05	E38	N41°12'58"E	35.44
E10	S35°46'14"E	106.34	E13	S47°18'34"E	13.68	E25	N81°49'35"E	40.13	E39	N07°07'30"E	61.94
E12	S33°06'19"E	66.10	E14	N44°16'34"E	20.04	E26	S89°01'30"E	12.58	E40	N07°07'30"E	112.15
E13	S33°06'19"E	10.44	E15	S47°18'34"E	13.68	E27	N81°49'35"E	40.13	E41	N07°07'30"E	112.15
E14	N65°10'37"E	11.66	E16	N47°18'34"E	10.57	E28	N81°49'35"E	40.13	E42	N07°07'30"E	112.15
E15	S81°49'35"E	60.87	E17	N39°54'34"E	236.67	E29	S50°36'38"E	45.47	E43	N43°00'07"E	68.29
E16	S81°49'35"E	146.04	E18	N32°42'15"E	166.82	E30	S50°36'38"E	152.75	E44	N26°14'34"E	21.64
E17	S46°28'28"E	147.53	E19	N34°18'34"E	8.91	E31	S50°36'38"E	66.60	E45	N30°08'30"E	59.74
E18	S46°28'28"E	205.34	E20	N49°54'34"E	272.73	E32	S44°42'34"E	10.44	E46	N30°08'30"E	78.91
E19	S43°18'34"E	301.33	E21	N49°54'34"E	272.73	E33	S44°42'34"E	10.44	E47	N30°08'30"E	78.91
E20	N39°54'34"E	100.71	E22	N47°18'34"E	427.08	E34	S50°36'38"E	38.87	E48	N30°08'30"E	78.91
E21	S37°16'34"E	222.53	E23	N81°49'35"E	100.48	E35	N39°54'34"E	15.18			

VARIABLE WITH TOWN OF HILLSBOROUGH PUBLIC UTILITY EASEMENT 1 (WATER, ADEMS BR 114/4 & PB 126).								
LINE TABLE			LINE TABLE			LINE TABLE		
LINE #	BEARING	DISTANCE	LINE #	BEARING	DISTANCE	LINE #	BEARING	DISTANCE
220	S30°52'12"E	73.26	218	S39°59'2"E	3.54'	228	N6°00'00"E	11.27
219	S34°13'4"E	185.30	217	S10°00'0"E	8.30'	229	N7°00'0"E	67.62
222	S88°45'8"E	44.72	216	S45°00'0"E	60.20	230	N42°00'4"E	142.15
218	S45°46'3"E	24.74	215	S78°00'2"E	12.35	231	N48°00'3"E	6.57
219	S48°12'26"E	28.18	214	S48°04"E	20.18	232	N39°59'2"E	6.57
220	S09°53'3"E	18.67	213	S48°00'0"E	11.36	233	N39°59'2"E	6.57
221	S09°53'3"E	20.00	212	S48°00'0"E	11.36	234	N39°59'2"E	6.57
222	S09°53'3"E	20.00	211	S48°00'0"E	11.36	235	N39°59'2"E	6.57
223	S09°53'3"E	20.00	210	S45°00'0"E	14.14	236	N39°59'2"E	30.47
224	S37°00'0"E	40.74	209	N44°00'0"E	10.87	237	N39°59'2"E	30.47
225	S84°00'5"E	43.80	208	N39°59'2"E	25.25	238	N39°59'2"E	30.47
226	S39°59'2"E	26.52	207	S48°00'0"E	16.34	239	N39°59'2"E	30.47
227	S47°27'12"E	11.50	206	N00°00'0"E	26.50	240	N39°59'2"E	176.00
228	S47°27'12"E	11.50	205	N00°00'0"E	26.50	241	N39°59'2"E	176.00
229	S47°27'12"E	11.50	204	N00°00'0"E	26.50	242	N00°00'0"E	176.00

LINE TABLE			LINE TABLE			LINE TABLE			LINE TABLE		
LINE #	BEARING	DISTANCE	LINE #	BEARING	DISTANCE	LINE #	BEARING	DISTANCE	LINE #	BEARING	DISTANCE
E348	S27°33'50"W	61.61	E256	N40°29'32"E	20.00	E242	N39°54'37"E	22.00	E238	S69°07'12"E	31.66
E347	S33°53'50"W	88.08	E255	N40°29'32"E	20.00	E241	N39°54'37"E	22.00	E237	S71°33'17"E	32.00
E346	S44°19'37"E	60.40	E254	N40°29'32"E	20.00	E240	N39°54'37"E	22.00	E236	S82°02'34"E	68.00
E345	S47°53'10"E	38.85	E253	N40°29'32"E	20.00	E239	N39°54'37"E	22.00	E235	S82°02'34"E	68.00
E344	S39°29'39"E	48.62	E252	N40°29'32"E	20.00	E238	N39°54'37"E	22.00	E234	S87°03'14"E	43.35
E343	S39°16'14"E	143.33	E251	N40°29'32"E	20.00	E237	N39°54'37"E	22.00	E233	S87°03'14"E	43.35
E342	S39°16'14"E	143.33	E250	N40°29'32"E	20.00	E236	N39°54'37"E	22.00	E232	S87°03'14"E	43.35
E341	S50°10'37"E	10.00	E249	N40°29'32"E	20.00	E235	N39°54'37"E	22.00	E231	S87°03'14"E	43.35
E340	S44°19'37"E	24.40	E248	N40°29'32"E	20.00	E234	N39°54'37"E	22.00	E230	S87°03'14"E	43.35
E339	S50°10'37"E	10.00	E247	N40°29'32"E	20.00	E233	N39°54'37"E	22.00	E229	S87°03'14"E	43.35
E338	S44°19'37"E	24.40	E246	N40°29'32"E	20.00	E232	N39°54'37"E	22.00	E228	S87°03'14"E	43.35
E337	S44°19'37"E	24.40	E245	N40°29'32"E	20.00	E231	N39°54'37"E	22.00	E227	S87°03'14"E	43.35
E336	S44°19'37"E	24.40	E244	N40°29'32"E	20.00	E230	N39°54'37"E	22.00	E226	S87°03'14"E	43.35
E335	S44°19'37"E	24.40	E243	N40°29'32"E	20.00	E229	N39°54'37"E	22.00	E225	S87°03'14"E	43.35
E334	S44°19'37"E	24.40	E242	N40°29'32"E	20.00	E228	N39°54'37"E	22.00	E224	S87°03'14"E	43.35
E333	S44°19'37"E	24.40	E241	N40°29'32"E	20.00	E227	N39°54'37"E	22.00	E223	S87°03'14"E	43.35
E332	S44°19'37"E	24.40	E240	N40°29'32"E	20.00	E226	N39°54'37"E	22.00	E222	S87°03'14"E	43.35
E331	S44°19'37"E	24.40	E239	N40°29'32"E	20.00	E225	N39°54'37"E	22.00	E221	S87°03'14"E	43.35
E330	S44°19'37"E	24.40	E238	N40°29'32"E	20.00	E224	N39°54'37"E	22.00	E220	S87°03'14"E	43.35
E329	S44°19'37"E	24.40	E237	N40°29'32"E	20.00	E223	N39°54'37"E	22.00	E219	S87°03'14"E	43.35
E328	S44°19'37"E	24.40	E236	N40°29'32"E	20.00	E222	N39°54'37"E	22.00	E218	S87°03'14"E	43.35
E327	S44°19'37"E	24.40	E235	N40°29'32"E	20.00	E221	N39°54'37"E	22.00	E217	S87°03'14"E	43.35
E326	S44°19'37"E	24.40	E234	N40°29'32"E	20.00	E220	N39°54'37"E	22.00	E216	S87°03'14"E	43.35
E325	S44°19'37"E	24.40	E233	N40°29'32"E	20.00	E219	N39°54'37"E	22.00	E215	S87°03'14"E	43.35
E324	S44°19'37"E	24.40	E232	N40°29'32"E	20.00	E218	N39°54'37"E	22.00	E214	S87°03'14"E	43.35
E323	S44°19'37"E	24.40	E231	N40°29'32"E	20.00	E217	N39°54'37"E	22.00	E213	S87°03'14"E	43.35
E322	S44°19'37"E	24.40	E230	N40°29'32"E	20.00	E216	N39°54'37"E	22.00	E212	S87°03'14"E	43.35
E321	S44°19'37"E	24.40	E229	N40°29'32"E	20.00	E215	N39°54'37"E	22.00	E211	S87°03'14"E	43.35
E320	S44°19'37"E	24.40	E228	N40°29'32"E	20.00	E214	N39°54'37"E	22.00	E210	S87°03'14"E	43.35
E319	S44°19'37"E	24.40	E227	N40°29'32"E	20.00	E213	N39°54'37"E	22.00	E209	S87°03'14"E	43.35
E318	S44°19'37"E	24.40	E226	N40°29'32"E	20.00	E212	N39°54'37"E	22.00	E208	S87°03'14"E	43.35
E317	S44°19'37"E	24.40	E225	N40°29'32"E	20.00	E211	N39°54'37"E	22.00	E207	S87°03'14"E	43.35
E316	S44°19'37"E	24.40	E224	N40°29'32"E	20.00	E210	N39°54'37"E	22.00	E206	S87°03'14"E	43.35
E315	S44°19'37"E	24.40	E223	N40°29'32"E	20.00	E209	N39°54'37"E	22.00	E205	S87°03'14"E	43.35
E314	S44°19'37"E	24.40	E222	N40°29'32"E	20.00	E208	N39°54'37"E	22.00	E204	S87°03'14"E	43.35
E313	S44°19'37"E	24.40	E221	N40°29'32"E	20.00	E207	N39°54'37"E	22.00	E203	S87°03'14"E	43.35
E312	S44°19'37"E	24.40	E220	N40°29'32"E	20.00	E206	N39°54'37"E	22.00	E202	S87°03'14"E	43.35
E311	S44°19'37"E	24.40	E219	N40°29'32"E	20.00	E205	N39°54'37"E	22.00	E201	S87°03'14"E	43.35
E310	S44°19'37"E	24.40	E218	N40°29'32"E	20.00	E204	N39°54'37"E	22.00	E200	S87°03'14"E	43.35
E309	S44°19'37"E	24.40	E217	N40°29'32"E	20.00	E203	N39°54'37"E	22.00	E199	S87°03'14"E	43.35
E308	S44°19'37"E	24.40	E216	N40°29'32"E	20.00	E202	N39°54'37"E	22.00	E198	S87°03'14"E	43.35
E307	S44°19'37"E	24.40	E215	N40°29'32"E	20.00	E201	N39°54'37"E	22.00	E197	S87°03'14"E	43.35
E306	S44°19'37"E	24.40	E214	N40°29'32"E	20.00	E200	N39°54'37"E	22.00	E196	S87°03'14"E	43.35
E305	S44°19'37"E	24.40	E213	N40°29'32"E	20.00	E199	N39°54'37"E	22.00	E195	S87°03'14"E	43.35
E304	S44°19'37"E	24.40	E212	N40°29'32"E	20.00	E198	N39°54'37"E	22.00	E194	S87°03'14"E	43.35
E303	S44°19'37"E	24.40	E211	N40°29'32"E	20.00	E197	N39°54'37"E	22.00	E193	S87°03'14"E	43.35
E302	S44°19'37"E	24.40	E210	N40°29'32"E	20.00	E196	N39°54'37"E	22.00	E192	S87°03'14"E	43.35
E301	S44°19'37"E	24.40	E209	N40°29'32"E	20.00	E195	N39°54'37"E	22.00	E191	S87°03'14"E	43.35
E300	S44°19'37"E	24.40	E208	N40°29'32"E	20.00	E194	N39°54'37"E	22.00	E190	S87°03'14"E	43.35
E299	S44°19'37"E	24.40	E207	N40°29'32"E	20.00	E193	N39°54'37"E	22.00	E189	S87°03'14"E	43.35
E298	S44°19'37"E	24.40	E206	N40°29'32"E	20.00	E192	N39°54'37"E	22.00	E188	S87°03'14"E	43.35
E297	S44°19'37"E	24.40	E205	N40°29'32"E	20.00	E191	N39°54'37"E	22.00	E187	S87°03'14"E	43.35
E296	S44°19'37"E	24.40	E204	N40°29'32"E	20.00	E190	N39°54'37"E	22.00	E186	S87°03'14"E	43.35
E295	S44°19'37"E	24.40	E203	N40°29'32"E	20.00	E189	N39°54'37"E	22.00	E185	S87°03'14"E	43.35
E294	S44°19'37"E	24.40	E202	N40°29'32"E	20.00	E188	N39°54'37"E	22.00	E184	S87°03'14"E	43.35
E293	S44°19'37"E	24.40	E201	N40°29'32"E	20.00	E187	N39°54'37"E	22.00	E183	S87°03'14"E	43.35
E292	S44°19'37"E	24.40	E200	N40°29'32"E	20.00	E186	N39°54'37"E	22.00	E182	S87°03'14"E	43.35
E291	S44°19'37"E	24.40	E199	N40°29'32"E	20.00	E185	N39°54'37"E	22.00	E181	S87°03'14"E	43.35
E290	S44°19'37"E	24.40	E198	N40°29'32"E	20.00	E184	N39°54'37"E	22.00	E180	S87°03'14"E	43.35
E289	S44°19'37"E	24.40	E197	N40°29'32"E	20.00	E183	N39°54'37"E	22.00	E179	S87°03'14"E	43.35
E288	S44°19'37"E	24.40	E196	N40°29'32"E	20.00	E182	N39°54'37"E	22.00	E178	S87°03'14"E	43.35
E287	S44°19'37"E	24.40	E195	N40°29'32"E	20.00	E181	N39°54'37"E	22.00	E177	S87°03'14"E	43.35
E286	S44°19'37"E	24.40	E194	N40°29'32"E	20.00	E180	N39°54'37"E	22.00	E176	S87°03'14"E	43.35
E285	S44°19'37"E	24.40	E193	N40°29'32"E	20.00	E179	N39°54'37"E	22.00	E175	S87°03'14"E	43.35
E284	S44°19'37"E	24.40	E192	N40°29'32"E	20.00	E178	N39°54'37"E	22.00	E174	S87°03'14"E	43.35
E283	S44°19'37"E	24.40	E191	N40°29'32"E	20.00	E177	N39°54'37"E	22.00	E173	S87°03'14"E	43.35
E282	S44°19'37"E	24.40	E190	N40°29'32"E	20.00	E176	N39°54'37"E	22.00	E172	S87°03'14"E	43.35
E281	S44°19'37"E	24.40	E189	N40°29'32"E	20.00	E175	N39°54'37"E	22.00	E171	S87°03'14"E	43.35
E280	S44°19'37"E	24.40	E188	N40°29'32"E	20.00	E174	N39°54'37"E	22.00	E170	S87°03'14"E	43.35
E279	S44°19'37"E	24.40	E187	N40°29'32"E	20.00	E173	N39°54'37"E	22.00	E169	S87°03'14"E	43.35
E278	S44°19'37"E	24.40	E186	N40°29'32"E	20.00	E172	N39°54'37"E	22.00	E168	S87°03'14"E	43.35
E277	S44°19'37"E	24.40	E185	N40°29'32"E	20.00	E171	N39°54'37"E	22.00	E167	S87°03'14"E	43.35
E276	S44°19'37"E	24.40	E184	N40°29'32"E	20.00	E170	N39°54'37"E	22.00	E166	S87°03'14"E	43.35
E275	S44°19'37"E	24.40	E183	N40°29'32"E	20.00	E169	N39°54'37"E	22.00	E165	S87°03'14"E	43.35
E274	S44°19'37"E	24.40	E182	N40°29'32"E	20.00	E168	N39°54'37"E	22.00	E164	S87°03'14"E	43.35
E273	S44°19'37"E	24.40	E181	N40°29'32"E	20.00	E167	N39°54'37"E	22.00	E163	S87°03'14"E	43.35
E272	S44°19'37"E	24.40	E180	N40°29'32"E	20.00	E166	N39°54'37"E	22.00	E162	S87°03'14"E	43.35
E271	S44°19'37"E	24.40	E179	N40°29'32"E	20.00	E165	N39°54'37"E	22.00	E161	S87°03'14"E	43.35
E270	S44°19'37"E	24.40	E178	N40°29'32"E	20.00	E164	N39°54'37"E	22.00	E160	S87°03'14"E	43.35
E269	S44°19'37"E	24.40	E177	N40°29'32"E	20.00	E163	N39°54'37"E	22.00	E159	S87°03'14"E	43.35
E268	S44°19'37"E	24.40	E176	N40°29'32"E	20.00	E162	N39°54'37"E	22.00	E158	S87°03'14"E	43.35
E267	S44°19'37"E	24.40	E175	N40°29'32"E	20.00	E161	N39°54'37"E	22.00	E157	S87°03'14"E	43.35
E266	S44°19'37"E	24.40	E174	N40°29'32"E	20.00	E160	N39°54'37"E	22.00	E156	S87°03'14"E	43.35
E265	S44°19'37"E	24.40	E173	N40°29'32"E	20.00	E159	N39°54'37"E	22.00	E155	S87°03'14"E	43.35
E264	S44°19'37"E	24.40	E172	N40°29'32"E	20.00	E158	N39°54'37"E	22.00	E154	S87°03'14"E	43.35
E263	S44°19'37"E	24.40	E171	N40°29'32"E	20.00	E157	N39°54'37"E	22.00	E153	S87°03'14"E	43.35
E262	S44°19'37"E	24.40	E170	N40°29'32"E	20.00	E156	N39°54'37"E	22.00	E152	S87°03'14"E	43.35
E261	S44°19'37"E	24.40	E169	N40°29'32"E	20.00	E155	N39°54'37"E	22.00	E151	S87°03'14"E	43.35
E260	S44°19'37"E	24.40	E168	N40°29'32"E	20.00	E154	N39°54'37"E	22.00	E150	S87°03'14"E	43.35
E259	S44°19'37"E	24.40	E167	N40°29'32"E	20.00	E153	N39°54'37"E	22.00	E149	S87°03'14"E	43.35
E258	S44°19'37"E	24.40	E166	N40°29'32"E	20.00	E152	N39°54'37"E	22.00	E148	S87°03'14"E	43.35
E257	S44°19'37"E	24.40	E165	N40°29'32"E	20.00	E151	N39°54'37"E	22.00	E147	S87°03'14"E	43.35
E256	S44°19'37"E	24.40	E164	N40°29'32"E	20.00						

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Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: Jan. 13, 2025
Department: Utilities
Agenda Section: Consent
Public hearing: No
Date of public hearing: N/A

PRESENTER/INFORMATION CONTACT

Utilities Director K. Marie Strandwitz, PE

ITEM TO BE CONSIDERED

Subject: Acceptance of Land Donation from Classical American Homes Preservation Trust for Elizabeth Brady Pumping Station Site

Attachments:

Plat of property to be donated

Summary:

The Eno River Association is facilitating the sale of land owned by Classical American Homes Preservation Trust (CAHPT) to the State of North Carolina for inclusion into Eno River State Park. The subject property is located at 320 Elizabeth Brady Road, Hillsborough, NC and has Orange County PIN 9874649539. This property contains the Town of Hillsborough's Elizabeth Brady pumping station. During the negotiations between CAHPT and the State of North Carolina, the state expressed that they did not want to take ownership of the land containing the pump station. Upon discussion with the town, the utilities staff expressed interest in acquiring more land around the station in anticipation of the station's necessary upgrade. All parties were amenable to this.

It is CAHPT's desire to donate approximately 1 acre of land containing the Town of Hillsborough pump station and surroundings to the Town of Hillsborough at the same time the remainder of this property is transferred to the State of North Carolina. The anticipated closing is scheduled for Jan. 16. The proposed subdivided lot around the pump station is labeled "1" on the attached preliminary plat. Noted easements for incoming and outgoing town mains on the land to be transferred from CAHPT to the state will remain as utility easements.

Financial impacts:

The town may contribute to attorney fees, recordation and title insurance (the settlement statement was not yet available at the time of agenda packet preparation) which is expected to be a small amount that is available in the current budget.

Staff recommendation and comments:

Utilities staff would like to recognize and appreciate Kim Livingston with Eno River Association, Eric Moore with the State of North Carolina and Kevin Cherry with CAHPT for performing all the survey, legal and paperwork and offering this generous donation which was no easy feat and a lengthy process. Kim was a great leader in this endeavor.

Action requested:

Motion to accept the land donation and for the town manager to execute closing documents in conjunction with our and the grantor's legal team.





Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: Jan. 13, 2025
Department: Planning and Economic Development
Agenda Section: Consent
Public hearing: No
Date of public hearing: N/A

PRESENTER/INFORMATION CONTACT

Planning and Economic Development Manager Shannan Campbell

ITEM TO BE CONSIDERED

Subject: Special Event Permit: 2025 Occoneechee Mountain Challenge 10 Mile Run

Attachments:

1. Special Event Application
2. Event/Race Route and Layout

Summary:

The Hillsborough Running Club is requesting the use of Riverwalk for its 10 mile running event on Sunday, Jan. 26, 2025. This event will follow the same race path as the years prior beginning and ending at Occoneechee Speedway Track. The event is open to the public as well as club members. The event will take place from 11:30 a.m. to 5 p.m.

Financial impacts:

Financial impacts are low, the town was requested to provide police assistance crossing folks on Allison Street/Eno Mountain Road at the crossing adjacent to Eno Brewing if possible.

Staff recommendation and comments:

Staff recommends approval pending receipt of the certificate of insurance for the event and approval from the Speedway ownership. Staff has advised that future permit requests need to be submitted 90 days in advance and may be denied if not received earlier.

Action requested:

Approve, approve with conditions, or deny the special event permit.



SPECIAL EVENT PERMIT APPLICATION

Please review the Event Policy Ordinance, Chapter 7 of the Town Code, to determine if your event requires a Special Event Permit. **The Permit Application must be received 60 days in advance of the event.**

Name of Event: Occoneetchee Mountain Challenge
 Event Location Address: Historic Occoneetchee Speedway Tracks
 Date(s) of event: 26JAN2024
 Event Set Up Time: 8.00am Event Hours: 8am-Noon Event Break Down: 11.30am
 Date(s) of event: _____
 Event Set Up Time: _____ Event Hours: _____ Event Break Down: _____

EVENT ORGANIZER & CONTACT INFORMATION

Name of Organization/Company: Hillsborough Running Club
 Organization/Company mailing address: PO Box 5, Hillsborough, NC 27278
 Organization Status: ☐ Formal ☐ Informal ☐ For-profit ☒ Not-for-profit
 Event Organizer Name: Martin Wileman
 Event Organizer Phone: 919-536-2444 Event Organizer Email: wileman208@live.com

On-Site Contact(s) During the Day-of Event

Name: Martin Wileman Cell Phone: 919-536-2444
 Name: Lynda Wileman Cell Phone: 919-450-6321

GENERAL EVENT INFORMATION

Type of Event:

- ☐ Private Event on Private Property ☒ Public Event on Public Property
☐ Private Event on Public Property ☒ Public Event on Private Property
☒ Street or Greenway Event (Parades, Marches, Rallies, 5Ks, Bike Races)

General Event Description (Narrative outlining event purpose and elements including food trucks, car shows, races, vendors, etc):

10 mile running event that starts at the Occoneetchee Speedway Track, runs along riverwalk, crosses into the Occoneetchee Mountain Park, does one loop around the mountain, and then returns the same way back to the Occoneetchee Speedway Track to Finish
Start/Finish is at the track. Provision of food will be at the Speedway Track. Two aid stations will be set up, one in Gold Park and one in the Mountain park. Race starts at 9am, so runners would utilize the riverwalk between 9am and approx. 11am

Estimated total number of people that will attend the event: 150

Estimated peak time(s) of attendance: 9am to 11am

Maximum capacity of event location (number of persons, if applicable): 200

If the event is annual, the estimated attendance of the last event of this kind: 190

GENERAL EVENT QUESTIONNAIRE

Will tickets be sold or admission/fees be charged as part of the event? ☒ YES ☐ NO

Will there be alcohol sold or provided as a part of this event? ☐ YES ☒ NO

If yes, please indicate the vendor(s) and/or ABC permit holder(s) responsible for the alcohol sales/distribution and attach a copy of the ABC permit(s) for each vendor : _____

Please note: Alcohol may only be sold by vendors with an off-premise permit or by event organizers with a special one-time ABC sales permit. Alcohol sales may be subject to the prepared food & beverage tax.

Will vendors be on-site selling goods/crafts/wares during the event? ☐ YES ☒ NO

Will vendors be on-site selling food/beverages during the event? ☐ YES ☒ NO

Please note: All vendors without a physical location in town and/or food trucks that do not have Town of Hillsborough Food Truck Permits that are selling prepared food/beverage will need to [prepay the Food & Beverage Tax](#) with the Finance Department. Please list the name(s) of the food/beverage vendors:

Will you be soliciting donations as part of the event? ☐ YES ☒ NO

If yes, for what cause or organization? _____

Will you bring additional equipment, stages, microphones, amplification, etc? ☒ YES ☐ NO

Please Explain: Timing equipment at the start/finish at the Speedway track

Will any items be left at the event site overnight? ☐ YES ☒ NO

Please Explain: _____

Will signs or banners be displayed on site or around Town? ☒ YES ☐ NO

*Please note: [Special event signage](#) must be applied for and permitted separately **BEFORE** signage is placed around town.*

Will tents be erected for the event? ☐ YES ☒ NO

If yes, how many and what size? _____

Please note: Tents may require a permit and inspection by the Orange County Fire Marshal's office depending on size and number. Tents should be shown with location and dimensions on event map/layout.

Will you provide (portable) restroom facilities?

☒ YES ☐ NO

Please note: Restroom facilities are required to be provided by Special Event organizers depending on attendance numbers and duration. Local Business, Town, and County facility restrooms may compliment, but not become a substitute for, providing adequate restrooms for the event.

Will you provide (portable) handwashing facilities?

☐ YES ☒ NO

Please note: Handwashing facilities are required for events that include on site food preparation and/or sales without direct or immediate sink access.

Will the event require any street closures or change in traffic flow?

☐ YES ☒ NO

Will the event require additional trash and recycling facilities?

☐ YES ☒ NO

Will you request that the Town Board sponsor specific services in conjunction with this event (i.e. Police Coverage, Road Closures, Traffic Control, Trash and Recycling Rollouts)?

☐ YES ☒ NO

Please note: Events requesting Town Sponsorship of events must apply at least 90 days in advance of the event to be considered. Event organizers who are able should make every necessary attempt to provide and pay for services at their events as the Town has limited staff and resources to cover the costs of event services.

EVENT MAP/LAYOUT REQUIREMENTS

With this application, you must attach a map of the area where the event is to take place and indicate the following:

- Traffic flow; including any streets requested to be closed or obstructed (locations of barriers and officers will be determined by Law Enforcement).
- If the event includes a parade, greenway closure, etc. then the route of the event should be clearly shown.
- Parking areas where event attendees will be directed that are adequate for event attendance. Please note: The Eno River deck has only 400 parking spaces.
- Pedestrian access and flow.
- The location of any concession stand, food truck(s), booth, or other temporary structures, tents, stages or facilities; and the location of proposed fences, stands, platforms, benches, or bleachers.
- The location of restroom and/or handwashing facilities.

A street map and a map of Gold Park are available on the Town's website. Google Maps is also an excellent resource and can be easily marked up. Contact Staff if you need assistance with providing an event layout or route map.

EVENT LIABILITY INSURANCE

Event organizers and/or property owners need to insure themselves from liability in case an event attendee injures themselves during the course of the event. Events occurring on Public Property (Town or County) are required to carry event liability insurance with the Public Property owner listed as 'additionally insured'.

Copy of event liability Certificate of Insurance is attached: ☐ YES ☒ NO

Name of insurance company providing liability coverage for the event:

From Road Runners Club of America - will follow directly from them via email

Contact information for broker/agent providing coverage:

EVENT PROPERTY USE PERMISSION

If the event will be located on property that is not owned/managed by the event organizer then the property owner must indicate consent for the use of their property below:

Name of Property Owner

Phone

Signature of Property Owner

Date

TOWN LIABILITY AGREEMENT

I, the applicant, agree to indemnify and hold harmless the Town of Hillsborough, its employees, and its agents from and against any and all liability for any injury which may be suffered in connection with this special event approval or park reservation. I also hold harmless the Town of Hillsborough, its employees, and its agents from and against any liability for any equipment or supplies lost, damaged, or stolen, that are stored or otherwise as a result of this special event.

Martin Wileman

Applicant Signature

Date

SUBMITTAL DIRECTIONS:

Please submit electronically to: Evan.Punch@hillsboroughnc.gov

Please submit via paper copy here:

Hillsborough Planning Department
ATTN: Evan Punch
P.O. Box 429
101 E. Orange Street
Hillsborough, NC 27278

FOR OFFICE USE ONLY:

Application received by: _____

Date: _____

Fee Paid: _____

Date information emailed out: _____

Permit StatusApproved ☐ YES ☐ NO Explanation: _____

Date Permit Issued: _____

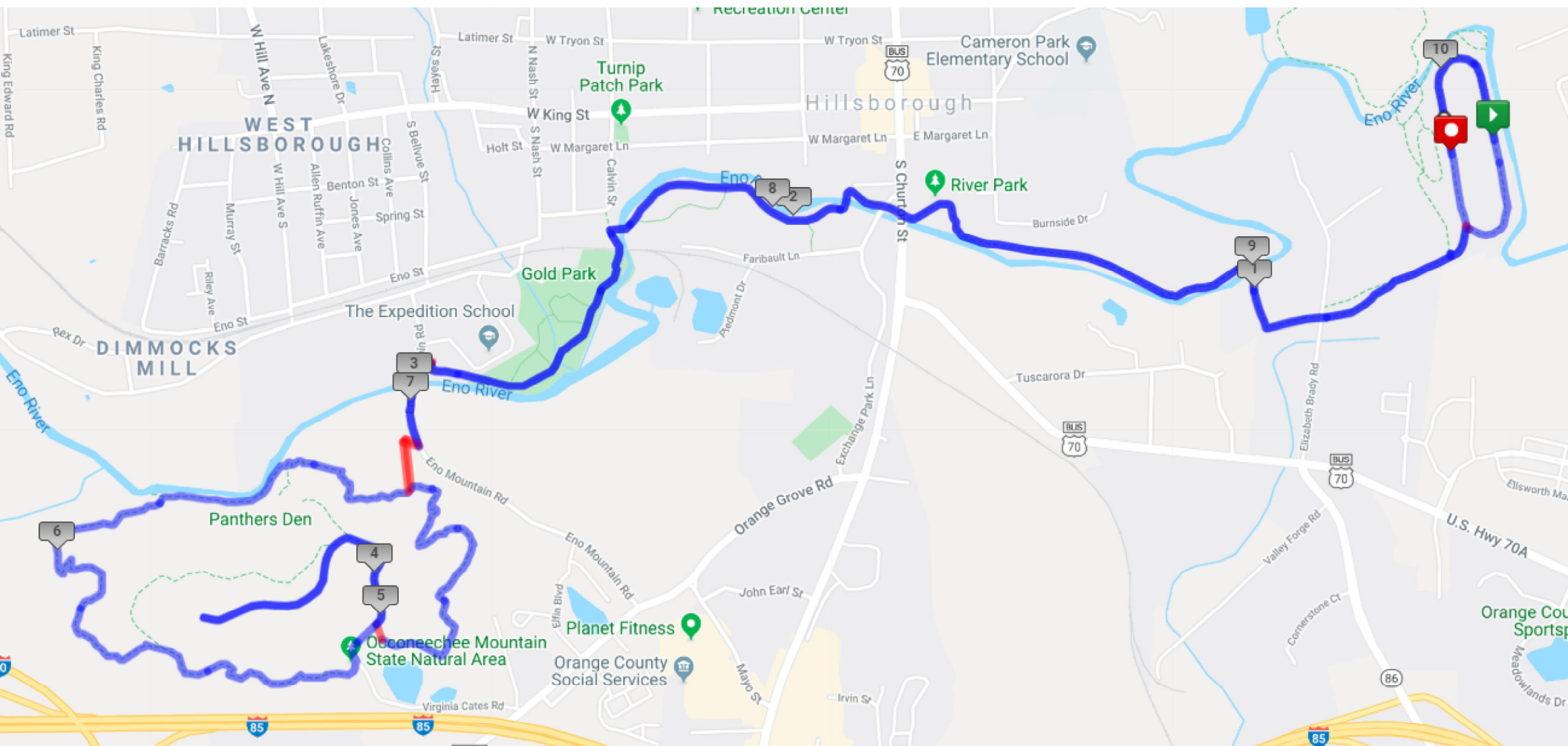
Approved with any conditions: _____

By: _____

Town Staff Member

Date: _____

Forwarded to others for review/information:☐ OC Fire Marshal: _____☐ Hillsborough Police Department: _____☐ OC Sheriff's Department: _____☐ OC Fire Department: _____☐ Hillsborough Public Works: _____☐ Hillsborough Public Space Manager: _____☐ OC DEAPR (River Park): _____☐ OC AMS (Visitors Center, Library, Old or New Courthouse): _____☐ NCDOT (DOT Road Closures): _____☐ Hillsborough Finance (Food & Beverage Tax 1 Day): _____☐ Hillsborough Public Information Office: _____





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Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: Jan. 13, 2025
Department: Community Services
Agenda Section: Regular
Public hearing: No
Date of public hearing: N/A

PRESENTER/INFORMATION CONTACT

Hillsborough Resident Michael Beanland

ITEM TO BE CONSIDERED

Subject: Turkey vulture problem on West Queen Street

Attachments:

1. Agenda request form
2. Photos of buzzards

Summary:

Michael Beanland of 212 W. Queen St. has submitted a request to address the board with a complaint that his neighbor, Ken Ostrand has been feeding and attracting numerous turkey vultures at his residence on West Queen Street. Please see the attached request form for details.

Financial impacts:

N/A

Staff recommendation and comments:

None

Action requested:

Receive complaint regarding the turkey vulture problem on West Queen Street.

From: [Hillsborough, North Carolina](#)
To: [Sarah Kimrey](#)
Subject: *NEW SUBMISSION* Agenda Requests
Date: Tuesday, December 24, 2024 10:50:09 AM

Agenda Requests

Submission #: 3689116
IP Address: 107.15.23.139
Submission Date: 12/24/2024 10:50
Survey Time: 43 seconds

You have a new online form submission.

Note: all answers displaying "*****" are marked as sensitive and must be viewed after your login.

Read-Only Content

Requester's name

Michael Beanland

Requester's address

212 W Queen St
Hillsborough, North Carolina 27878

Requester's phone number

Detailed reason for request

Our neighbor, Ken Ostrand, has been feeding vultures at his residence on Queen Street. At times, there are over a hundred vultures in his yard and ours. They perch on a large pecan tree in our front yard and defecate all over our house and yard. The smell of the feces is sharp and poses a health hazard to our small children. The birds also roost in a large oak tree on Tryon and can be smelled as soon as one gets close to the tree. That is what our house and yard smell like as well. We have asked Ken to stop multiple times in person and in writing. He has claimed to stop or cut back but the number of birds continues to be high. When Ken has gone on vacation, the birds all leave within a matter of days. This has led us to believe that Ken has never stopped feeding the birds. We would like to see this stop immediately. These are wild animals that provide a valuable service to the ecosystem, but feeding them and encouraging them to congregate is not natural and will lead to the spread of disease.

Document attachment

[Pictures of vultures.docx](#)

Signature of requester

Michael D Beanland

Thank you,

Hillsborough, North Carolina website

This is an automated message generated by Granicus. Please do not reply directly to this email.











Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date:	Jan. 13, 2025
Department:	Utilities – Water & Sewer Advisory Committee
Agenda Section:	Regular
Public hearing:	No
Date of public hearing:	N/A

PRESENTER/INFORMATION CONTACT

Water and Sewer Advisory Committee Chair Jen Sykes
Utilities Director K. Marie Strandwitz, PE

ITEM TO BE CONSIDERED

Subject: Water and Sewer Advisory Committee Conversion to Ad Hoc

Attachments:

August 2024 Memorandum from the Water and Sewer Advisory Committee

Summary:

A joint meeting between the Water and Sewer Advisory Committee and the Board of Commissioners was held during the board's August 2024 workshop. The topic of discussion was the continued viability of the Water and Sewer Advisory Committee meeting routinely with request to either disband or adjust to an "ad hoc" committee for reasons as outlined in the attached memorandum presented at that time. At this joint meeting the board asked utilities staff to brainstorm additional topics for the Water and Sewer Advisory Committee to remain active and beneficial to the town board. Staff and the Water and Sewer Advisory Committee in its October 2024 meeting were unable to come up with worthwhile activities that would necessitate routine meetings. The Water and Sewer Advisory Committee discussed further to disband or become "ad hoc." In its December 2024 meeting it was discussed again with mixed member feelings between disbanding or being "ad hoc." A formal motion was held amongst the members to recommend disbanding the Water and Sewer Advisory Committee as it currently stands and to allow town staff to propose a format of an ad hoc advisory committee for critical water and sewer issues. The members overall were not committing to being part of any future ad hoc committee, however.

Financial impacts:

N/A

Staff recommendation and comments:

Staff recommends disbanding the Water and Sewer Advisory Committee per their recommendation (but after its February meeting in order to complete unfinished business), yet for the town board to make future motions as to when an ad hoc advisory committee is beneficial. Then its desired format and schedule, which would be dependent on the topic, could be prepared in individual resolutions instead of staff recommending code changes to a one size fits all requirement.

Action requested:

Consider the Water and Sewer Advisory Committee's motion to disband and for staff to bring forth town ordinance edits to reflect such at a later meeting.

Memorandum



To: Mayor Mark Bell and
Board of Commissioners

From: Chair Jenn Sykes and
Water and Sewer Advisory Board Members

Date: Aug. 19, 2024

Subject: Joint WSAC/BOC Meeting Agenda Thoughts

The joint meeting of the Board of Commissioners and the Water and Sewer Advisory Committee is scheduled for Aug. 26, 2024, at your regularly scheduled workshop. The only agenda meeting topic we wish to discuss is the benefit and potential discontinuation of the Water and Sewer Advisory Committee.

The Water and Sewer Advisory Committee (WSAC) was born in 2003 from a task group formed in 2001 to help figure out what to do when Flint Fabrics suddenly closed, taking at least a third of the water revenue from the utility enterprise fund. For 24 years, with a mix of committee members having various perspectives from the entire service area, WSAC has tackled an amazing number of issues related to the utility's enterprise fund. These include policies about leak adjustments, disconnections, billing deposits, billing systems, irrigation, energy use/savings opportunities, water quality, drought and conservation policies, code changes and other initiatives. We have assisted routinely with outreach ideas and efforts, the utility assistance program, input on the budget, and -- most critical to the customer base -- rates (minimum volume, differential, structure, etc.).

However, all the above and more have essentially been established and settled and even revisited several times over the 24 years of the committee's existence. We are proud of all that WSAC has accomplished. As only an advisory committee, there is no decision-making authority; recommendations only may be made by the committee. We appreciate the consideration the Board of Commissioners has given to such when offered or requested.

As of late, WSAC has struggled with its purpose and wonders about its benefit to the town. We understand the board has been thinking about this as well. It may be the time to consider whether to continue as an advisory committee who meets routinely, a committee that only meets to tackle significant matters, or a disbanded committee with new task forces formed when relevant. Below are some thoughts and perspectives for discussion at our joint meeting on Aug. 26.

- All major matters have been resolved through code or policy.
- Some WSAC recommendations have not been adopted. Some topics have been taken up by WSAC multiple times under different membership with essentially the same outcome.

- It has been difficult to get participation in WSAC. We have had two out of town vacancies for several months and no applicants. This is not the first time we have gone months with a vacancy.
- No citizenry routinely attends the meetings, and WSAC cannot resolve their concerns at the meeting, regardless.
- Attendance by some (past members) was sporadic. Member attendance has ebbed and flowed many times and sometimes a quorum is lacking. The interest level has seemed to decline, likely due to a lack of new topics to address.
- We want to be respectful of staff time to prepare agendas, information, and topics for the meetings. While the information shared by staff at WSAC meetings is always helpful, recently, little or no action is required by WSAC.
- WSAC advises on the utilities enterprise fund which spans multiple departments beyond utilities. It has been increasingly difficult to get outside departmental attendance to hear directly from them about the budget, rates, or financial policies as in the past. The burden has fallen on utilities staff to prepare information that we would want to hear from others.

While we believe the biggest asset of WSAC is that all members are wonderful ambassadors of the utility to the community (who is often woefully uninformed about certain aspects of operations) the committee desires to discuss how WSAC could be either more useful to the BOC and town or whether it's time to suspend WSAC and only call upon members for brainstorming and input when a large issue arises.

We look forward to this discussion and are prepared for whatever outcome arises from it. If it is determined to pause or cease WSAC, a vote of such is requested from the Board after the discussion.

Cc: Town Manager Eric Peterson
Civil Engineer Tyler Freeman (staff liaison to WSAC)



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: Jan. 13, 2025
Department: Name
Agenda Section: Regular
Public hearing: No
Date of public hearing: N/A

PRESENTER/INFORMATION CONTACT

Mayor Mark Bell and Town Manager Eric Peterson

ITEM TO BE CONSIDERED

Subject: Select 2025-2026 Biennium Legislative Goals and Voting Delegate

Attachments:

1. NCLM 2025 Draft Priorities List – Hillsborough Top 10
2. NCLM 2025 Legislative Goal Statements – Top 16 Details
3. Board of Commissioners – 2023 Legislative Priorities

Summary:

The N.C. League of Municipalities (NCLM) is requesting all municipalities to 1) select a voting delegate, 2) select their top 10 from the 16 legislative priorities developed by the NCLM Legislative Policy Committee, and 3) have each delegate vote on Jan. 17 to share their top 10 priorities. To aid the board in its deliberations to select the top 10, the mayor and town manager have drafted the attached one-page summary. The summary includes:

- ✓ One sentence description for each of NCLM's top 16.
- ✓ ~~Strikethrough font~~ indicates the six priorities recommended for elimination to get Hillsborough's Top 10.
- ✓ Brief explanation in **blue font** following those items recommended for removal.

This is intended as a starting point for discussion with the understanding there will be changes. Recommendations were based on the board's 2023 legislative policies, staff input, as well as themes from board discussions over the past year. The full NCLM priority list (5 pages) with details is attached as well as Hillsborough's 2023 priorities.

Financial impacts:

N/A

Staff recommendation and comments:

Recommendation attached.

Action requested:

1. Select the board's Top 10 priorities from the list of 16.
2. Select a delegate from the town board to vote on Jan. 17 to share Hillsborough's Top 10 Priorities.

NCLM 2025 Draft Priorities List Town of Hillsborough: Reduce from 16 to 10

The list below is the short version of the League's Top 16 that the Hillsborough Board of Commissioners needs to reduce to ten. The full list with details is in a separate attachment. To assist the board in this task, the mayor and manager collaborated in identifying a "starter" list of the top ten by eliminating what they saw as the six lowest of the priorities. For ease of identification and discussion, ~~strike through~~ font is used on the lower six priorities below. Reviewing the town board's 2023 Legislative, Strategic, and Capital Priorities, as well as considering challenges facing Hillsborough helped guide this draft list. It's anticipated the board will make changes during discussion of this item at the January 13 meeting.

1. Expand funding opportunities for disaster resiliency and recovery efforts.
2. Establish long-term funding streams that adequately address water, sewer, stormwater, transportation and other infrastructure needs.
3. Expand state transportation funding streams for construction and maintenance of municipal and state-owned secondary roads.
4. Increase funds to remediate contamination in local water supplies.
5. ~~Expand incentives and funding for local economic development.~~ *Designing an effective incentive system distributed equitably across the state while providing long-term benefits is difficult. Bidding competitions resulting in overpayments to lure companies often occur. Higher priorities exist on the priority list.*
6. Create incentives to encourage the development of diverse housing options.
7. Provide resources to rehabilitate or purchase blighted properties.
8. ~~Create incentives that encourage and adequately fund regionalized water and sewer solutions.~~ *This issue and priority is also considered in priority #2 and #9 on this list, thus this seems duplicative.*
9. Reduce regulatory conflicts between state agencies that discourage voluntary consolidation, merger and interconnection of municipal utility systems.
10. ~~Create an orphan road program whereby the state improves those roads to N.C. Department~~
- ~~of Transportation standards before municipalities assume maintenance responsibilities.~~ *While a problem and a priority, this is not a top ten issue.*
11. Provide local revenue options beyond the property tax.
12. ~~Support technical assistance programs to assist municipalities with securing or maintaining grants or other necessary municipal resources.~~ *Municipalities needing assistance in this area can work through their COG, region, or hire consultants to provide need-specific assistance.*
13. ~~Address the needs of a changing municipal workforce through state assistance that supports employee retention, including training and recruitment.~~ *This problem does not need to be addressed at the state level. Most municipalities can address on their own or are collaborating with their COG or region to address.*
14. Update the annexation petition thresholds to make voluntary annexations easier to initiate.
15. ~~Preserve authority for extraterritorial jurisdiction to ensure that growth is well-planned and investments by homeowners and business owners are protected.~~ *The ETJ provides limited benefits to Hillsborough and actually creates some additional complexities and confusion.*
16. Protect the ability of municipal elected officials, acting on behalf of local voters, to determine election formats, districts and other election matters currently under their purview.



LEGISLATIVE GOAL STATEMENTS

RECOMMENDED BY THE NCLM BOARD OF DIRECTORS

The following goal statements are NOT listed in any priority order.

- **Expand funding opportunities for disaster resiliency and recovery efforts.**
 - North Carolina has faced a number of damaging natural disasters in recent years, including the unprecedented storm that devastated western North Carolina in the fall of 2024.
 - To fully recover from these natural disasters requires a broad approach that focuses on infrastructure, housing and economic losses.
 - Federal assistance and private insurance will not be enough to address these ongoing, critical needs or mitigate damage when future disasters hit.
- **Establish long-term funding streams that adequately address water, sewer, stormwater, transportation and other infrastructure needs.**
 - Infrastructure – including roads, water, sewer, stormwater, parks and beaches – are critical to economic development and job creation.
 - Many cities in the state are growing, creating a constant need for investment to keep pace with population growth; many cities and towns also have aging infrastructure that must be replaced.
 - Creating long-term and more permanent funding streams for infrastructure will ensure adequate investments so that North Carolina thrives now and into the future.
- **Expand state transportation funding streams for construction and maintenance of municipal and state-owned secondary roads.**
 - Current Powell Bill and other state funding is not adequate to address transportation needs, particularly as they affect municipal and state-owned secondary roads.
 - In many cities and towns, major commuting corridors are not receiving the level of investment needed to keep pace with traffic.
 - More investment is needed for these roads if existing residents are to embrace business and residential growth



- **Increase funds to remediate contamination in local water supplies.**
 - Local municipal water systems and their ratepayers increasingly are footing the costs of cleaning up PFAS and other “forever” chemicals from drinking water supplies.
 - As more regulations are set at the state and federal level to limit these chemicals in water supplies, costs will escalate.
 - Cities primary recourse to try to recoup the cost for utility ratepayers is through the courts.
- **Expand incentives and funding for local economic development.**
 - Funding is simply inadequate in many cities and towns to encourage job growth.
 - State grants and incentives are often targeted in ways that fail to assist the areas in greatest need of job creation.
 - Maintaining or expanding funding for film tax credits, major industrial site development, downtown development and renewable energy tax credits helps cities and towns across the state.
- **Create incentives to encourage the development of diverse housing options.**
 - Housing affordability continues to be a significant problem across many areas of North Carolina, affecting people of different income levels.
 - The lack of affordable housing acts as a major impediment to business and workforce recruitment.
 - State incentives to encourage the construction of housing for people of various income levels are extremely limited.
- **Provide resources to rehabilitate or purchase blighted properties.**
 - In many cities and towns, blighted properties act as an impediment to economic and business growth.
 - Cities and towns have limited means to address these properties, particularly in more rural, smaller communities.
 - Rehabilitating blighted properties can help address North Carolina’s housing needs.



- **Create incentives that encourage and adequately fund regionalized water and sewer solutions.**
 - A number of municipal water and sewer systems continue to financially struggle with deferred maintenance needs.
 - These challenges came about largely due to population and job losses in rural areas, leading to an erosion of taxpayer and ratepayer bases.
 - While legislators and municipalities have begun to address these issues with the creation of the Viable Utility Reserve and the use of ARPA funding, state estimates show needs still exceed expenditures by several billion dollars.
- **Reduce regulatory conflicts between state agencies that discourage voluntary consolidation, merger and interconnection of municipal utility systems.**
 - Municipalities have contractually obtained older, smaller utility systems of other municipalities and private enterprises in order to provide better and more efficient services to residents and businesses.
 - Older laws and regulations impose penalties on mid-size and large municipalities due to state agencies requiring them to pay for relocation of utilities when those penalties would have been reduced or eliminated for the smaller entities they were purchased from.
 - The State should work to reduce and eliminate these conflicts which have the effect of discouraging voluntary consolidation, merger and interconnection of municipal utility systems.
- **Create an orphan road program whereby the state improves those roads to N.C. Department of Transportation standards before municipalities assume maintenance responsibilities.**
 - So-called orphan roads are typically created when a street in a subdivision is not built to state or municipal standards, and the developer walks away without an agreement for maintenance.
 - The abandoned road can leave homeowners on the hook for the cost of maintenance.
 - For cities and towns, these abandoned roads can serve as a deterrent to voluntary annexation agreements even as the residents seek municipal services.



- **Provide local revenue options beyond the property tax.**
 - Roughly 40 percent of municipal general fund revenue is generated by local property taxes.
 - Cities have little to no authority to raise significant revenue in other ways.
 - A lack of diverse, local tax options can affect economic growth, as well as cause large swings in revenue based on economic changes.
- **Support technical assistance programs to assist municipalities with securing or maintaining grants or other necessary municipal resources.**
 - Many municipalities do not have the resources to seek or administer grants, even as that source of funding could help meet the needs of residents.
 - State, federal and other grant funding offers a significant opportunity for cities and towns to improve infrastructure or enhance services.
 - Providing technical assistance to these municipalities can provide them with access to grant funding, providing resources not otherwise available to them.
- **Address the needs of a changing municipal workforce through state assistance that supports employee retention, including training and recruitment.**
 - Municipalities across the state are facing staffing issues as current workers age and retire.
 - Training and retention resources are limited and competing with wages offered in the private sector can be difficult.
 - The use of training and recruitment tools across state and local government boundaries can improve public sector workforce availability.
- **Update the annexation petition thresholds to make voluntary annexations easier to initiate.**
 - Voluntary annexation by petition currently requires 100 percent consent from all property owners, a threshold that can be impossible to meet even if a majority of property owners can benefit by utilizing their property for business or residential purposes.
 - Lowering the threshold from 100 percent represents a middle ground that would still reflect the will of property owners but not handicap communities' ability to economically thrive.
 - The ability of a city or town to grow and reflect its urban footprint is vital to its financial health; city services are relied on by residents whether they live in or near municipal boundaries.

- **Preserve authority for extraterritorial jurisdiction to ensure that growth is well-planned and investments by homeowners and business owners are protected.**
 - A community's land-use planning tools, including ETJ, are vital as infrastructure investments are made that pave the way for economic growth.
 - Protecting homes and businesses from incompatible uses continues to be an important feature of ETJs. As of 2022, at least 14 counties in North Carolina had no zoning restrictions, with several others being only partially zoned.
 - Protecting neighborhoods from incompatible uses ultimately protects the value of residents' homes and property.
- **Protect the ability of municipal elected officials, acting on behalf of local voters, to determine election formats, districts and other election matters currently under their purview.**
 - Locally-elected municipal officials are best positioned to understand the wishes of local voters and how those should be applied to local election matters.
 - In many areas, residents prefer to avoid political polarization when it comes to the practical tasks of municipal government.
 - Locally-elected municipal officials are in their communities every day and accessible to voters.



TOWN OF HILLSBOROUGH

2023 Legislative, Strategic, & Capital Priorities

- ✓ Water & sewer affordability and system maintenance needs. Assistance for water and sewer infrastructure upgrades and repairs, capital needs is a top priority, especially since this is a major equity issue.
 - The Town has \$40 million in just wastewater collection system needs, much of which needs to be installed in the next few years.
 - As rates increase to address aging infrastructure and system reliability, these actions have a disproportionate impact on those in our community struggling the most to pay for life's essentials, such as those on fixed, and low to moderate incomes.
 - Many parts of Hillsborough's water and sewer system are over 50 years old with some closer to 100 years old. For example, the Hassell Street water tank is over 90 years old and still in service. Replacing this one tank alone will cost approximately \$3.5 million.
- ✓ Affordable housing. The Town is doing what it can within our resource limitations (moving towards a two cents equivalent of property tax yield) to assist with homeless prevention and affordability but need assistance from the State.
- ✓ Transportation and connectivity. Funding assistance with bike, pedestrian, public transportation, roadways, and integrating them to build a coordinated multi-modal system. The train station, future projects, such as Ridgewalk (north to south bike/ped connector), EV stations, and other projects in the planning stages have the opportunity to be transformative for our community.
- ✓ Environmental sustainability and meeting carbon reduction goals. In addition to meeting the Town's aggressive carbon reduction goals, sustainability covers encouraging development that protects limited water and sewer availability, water quality through the stormwater management program, and guiding development through plans that help address these and other environment priorities.
- ✓ Local government pre-emption. Please keep an eye on potential legislation that would local government authority in all areas (e.g., planning and development related). This is particularly important to Hillsborough as a local government that has our own W/S utility with limited capacity.
- ✓ Statewide shortage of qualified individuals to serve as finance directors, technical accounting and finance staff, and auditing firms. The shortage of local government staff and accounting firms with resources to perform annual audits has become a crisis. Approximately 25% of local governments have found themselves on the State Treasurer's and Local Government Commission Unit Assistance List. This is often due to staff shortage and inability to get the annual audit and other key reports completed in a timely manner.



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: Jan. 13, 2025
Department: Administration
Agenda Section: Regular
Public hearing: No
Date of public hearing: N/A

PRESENTER/INFORMATION CONTACT

Town Manager Eric Peterson & Assistant Town Manager Matt Efird

ITEM TO BE CONSIDERED

Subject: Discussion of possible topics for the Feb. 17 joint meeting with Orange County

Attachments:

None

Summary:

Staff have suggested the following as potential discussion topics that may be of interest to one or both boards:

- Discussing the various interlocal planning agreements (Water & Sewer Area Management Boundary Agreement, Central Orange Coordinated Area, Courtesy Review Agreement, etc.). All these agreements are decades old and are being honored to varying degrees. This is a big lift and not something that can be addressed in a single meeting, but it might make sense to get reactions from both boards on historical and future joint planning efforts.
- Status check on contracted services – building permits, fire marshal, minimum housing code, human relations commission, tax collection, addressing.
- Potential for county financial or other participation on in-town projects like parks, recreation amenities, greenways, etc. that benefit all county residents but are paid for by town funds?

Orange County Manager Travis Myren shared the following:

- Orange County staff could give an update on the Crisis Diversion Facility site acquisition/planning activities and some additional facility planning they are doing regarding courthouse related activities.
- The county would appreciate any update on land use planning as it relates to the update of Orange County's Comprehensive Land Use Plan.

Financial impacts:

N/A

Staff recommendation and comments:

Direction from the town board on the potential items listed above as well as others will be forwarded to Orange County immediately after this meeting so they can take the next steps and work with the respective staff to draft an agenda.

Action requested:

Provide direction.



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: Jan. 13, 2025
Department: Administrative Services
Agenda Section: Regular
Public hearing: No
Date of public hearing: N/A

PRESENTER/INFORMATION CONTACT

Town Manager Eric Peterson

ITEM TO BE CONSIDERED

Subject: Hot topics for work session Jan. 27, 2025

Attachments:

None

Summary:

The following discussion topic is scheduled for the Jan. 27 work session:

- Water and Sewer Capacity Updates.

Financial impacts:

None

Staff recommendation and comments:

None

Action requested:

None



Agenda Abstract

BOARD OF COMMISSIONERS

Meeting Date: Jan. 13, 2025
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

December 2024

Budget

- Operating budget requests were due December 13th.
- Worked on draft Community Re-Investment program policy.

Communications

- Branding — Created Safety Committee and Engineering Services logos.
- Website — Updated calendar expirations to six months for past, present and future calendar events on the main calendar. Began reviewing accessibility requirements for PDFs.
- Utilities Outreach — Prepared translation of “unknown” lead and copper letter and service line inventory flyer. Finalized video and drone footage of Wastewater Treatment Plant.
- Other — Helped with countywide application process for state extreme heat cohort. Continued Get the Alert campaign with direct mail, targeted communication to neighborhoods, and information at holiday events. Attended regional NC3C conference on supporting government partners during a crisis.

Fleet Maintenance

- No updates.

Human Resources/Town Clerk

- Bi-weekly payrolls.

RECRUITMENT AND SELECTION	
Position	Status
Diversion Social Worker	Start date scheduled for January 2025.
Equipment Operator	Start date scheduled for January 2025.
Meter Services Technician	Closed 12/15.
Police Officer	Continuous recruitment.
Police Sergeant	Closes 1/20.

Diversity, Equity and Inclusion:

- Continued collaboration with Central Pines Regional Council (CPRC) to prepare for the equity plan kick-off meeting on January 9.
- Continued collaboration with the OneOrange team to develop a countywide racialized history document.

Information Technology

- Completed discovery phase for Brightly Asset Essentials project for Public Works. Prepping to start kick off for Utilities.
- Completed the HR records retention Laserfiche project.
- Completed the Town Hall server upgrade and migration.

Safety and Risk Management

- Completed the 2nd quarter DOT and random drug testing.
- Held our monthly Town Wide Safety Committee meeting.

TOWN OF HILLSBOROUGH
DETAIL ACCOUNT INQUIRY BY ACCOUNT

FY 2024-2025

PERIOD: 07/01/2024 TO 06/30/2025

10-10-4100-5300-080 TRAINING/CONF./CONV.			BUDGET	PERIOD TO DATE	ENC AMT	REM BAL	
			32,810.00	11,293.60	0.00	21,516.40	
DATE	MOD	REFERENCE	JE # or VOUCHER#	CHECK#	DEBIT	CREDIT	BALANCE
		BALANCE FORWARD					0.00
07/12/2024	AP	CHAPEL HILL-CARRBORO CHAMBER OF COMM	63736	72422	2,495.00		2,495.00
		QTY 1 - 2024 INTERCITY VISIT & LEADERSHIP CONFERENCE					
		- SINGLE OCCUPANCY - EARLY BIRD REGISTRATION - ANN					
		ARBOR, MI - 09/15- 09/17/24 - KATHLEEN FERGUSON					
07/26/2024	AP	FERGUSON, KATHLEEN 07-22-24	64108	7896	82.34		2,577.34
		QTY 2 - TRANSPORTATION - UBER - 2024 WOMEN IN					
		GOVERNMENT SUMMER CONF - HOLLYWOOD, FL - 07/16/24					
		& 07/20/24 - KATHLEEN FERGUSON					
07/26/2024	AP	FERGUSON, KATHLEEN 07-22-24	64108	7896		310.75	2,266.59
		QTY 1 - CREDIT ADVANCED DEPOSIT - THE DIPLOMAT					
		BEACH RESORT - 2024 WOMEN IN GOVERNMENT SUMMER					
		CONF - HOLLYWOOD, FL - 07/16 - 07/20/24 - KATHLEEN					
		FERGUSON					
07/26/2024	AP	FERGUSON, KATHLEEN 07-22-24	64108	7896	1,243.00		3,509.59
		QTY 4 - THE DIPLOMAT BEACH RESORT - 2024 WOMEN IN					
		GOVERNMENT SUMMER CONF - HOLLYWOOD, FL - 07/16 -					
		07/20/24 - KATHLEEN FERGUSON					
07/29/2024	AP	FERGUSON, KATHLEEN 07-22-24	64108	7896		82.34	3,427.25
		QTY 2 - TRANSPORTATION - UBER - 2024 WOMEN IN					
		GOVERNMENT SUMMER CONF - HOLLYWOOD, FL - 07/16/24					
		& 07/20/24 - KATHLEEN FERGUSON					
07/29/2024	AP	FERGUSON, KATHLEEN 07-22-24	64108	7896	310.75		3,738.00
		QTY 1 - CREDIT ADVANCED DEPOSIT - THE DIPLOMAT					
		BEACH RESORT - 2024 WOMEN IN GOVERNMENT SUMMER					
		CONF - HOLLYWOOD, FL - 07/16 - 07/20/24 - KATHLEEN					
		FERGUSON					
07/29/2024	AP	FERGUSON, KATHLEEN 07-22-24	64108	7896		1,243.00	2,495.00
		QTY 4 - THE DIPLOMAT BEACH RESORT - 2024 WOMEN IN					
		GOVERNMENT SUMMER CONF - HOLLYWOOD, FL - 07/16 -					
		07/20/24 - KATHLEEN FERGUSON					
08/02/2024	AP	FERGUSON, KATHLEEN 07-22-24	64220	7966	82.34		2,577.34
		QTY 2 - TRANSPORTATION - WOMEN IN MUNICIPAL					
		GOVERNMENT SUMMER CONFERENCE - HOLLYWOOD, FL -					
		07/15 - 07/20/24 - K.FERGUSON					
08/02/2024	AP	FERGUSON, KATHLEEN 07-22-24	64220	7966		310.75	2,266.59
		QTY 1 - CREDIT ADVANCE DEPOSIT- THE DIPLOMAT					
		BEACH RESORT - WOMEN IN MUNICIPAL GOVERNMENT					
		SUMMER CONFERENCE - HOLLYWOOD, FL - 07/15 - 07/20/24					
		- K.FERGUSON					
08/02/2024	AP	FERGUSON, KATHLEEN 07-22-24	64220	7966	1,243.00		3,509.59
		QTY 4 - THE DIPLOMAT BEACH RESORT - WOMEN IN					
		MUNICIPAL GOVERNMENT SUMMER CONFERENCE -					
		HOLLYWOOD, FL - 07/15 - 07/20/24 - K.FERGUSON					
08/16/2024	AP	CHAPEL HILL-CARRBORO CHAMBER OF COMM	64227	72550	2,495.00		6,004.59
		REGISTRATION - 2024 INTERCITY VISIT & LEADERSHIP					
		CONFERENCE - ANN ARBOR, MI - 09/15 - 09/17/24 - ROBB					
		ENGLISH					
08/16/2024	AP	CHAPEL HILL-CARRBORO CHAMBER OF COMM	64228	72550	2,495.00		8,499.59

TOWN OF HILLSBOROUGH
DETAIL ACCOUNT INQUIRY BY ACCOUNT

FY 2024-2025

PERIOD: 07/01/2024 TO 06/30/2025

10-10-4100-5300-080 TRAINING/CONF./CONV.

(continued from previous page)

<u>DATE</u>	<u>MOD</u>	<u>REFERENCE</u>	<u>JE # or VOUCHER#</u>	<u>CHECK#</u>	<u>DEBIT</u>	<u>CREDIT</u>	<u>BALANCE</u>
		REGISTRATION - 2024 INTERCITY VISIT & LEADERSHIP CONFERENCE - ANN ARBOR, MI - 09/15 - 09/17/24 - MEAGHUN DARAB					
08/16/2024	AP	CHAPEL HILL-CARRBORO CHAMBER OF COMM	64488	72550	2,495.00		10,994.59
		REGISTRATION - 2024 INTERCITY VISIT & LEADERSHIP CONFERENCE - ANN ARBOR, MI - 09/15 -09/17/24 - MATT HUGHES					
09/11/2024	AP	BANK OF AMERICA NA LGBTQ VICTORY INSTIT	64910	8342	200.00		11,194.59
		REGISTRATION - INT'L LGBTQ LEADERS CONF- WASHINGTON DC - 12/5-7/24 - M HUGHES -					
10/04/2024	AP	DARUB, MEAGHUN 09-25	65237	8355	39.01		11,233.60
		PARKING - 2024 INTER-CITY VISIT - ANN ARBOR, MI - M.DARUB - 09/15 - 9/17/4					
11/12/2024	AP	BANK OF AMERICA NA NC LEAGUE OF MUNICIF	66083	8678	60.00		11,293.60
		REG EVELYN LLOYD - ETHICS FOR MUNICIPAL OFFICIALS					
SUBTOTALS FOR ACCOUNT 10-10-4100-5300-080 :					13,240.44	1,946.84	
					13,240.44	1,946.84	

TOWN OF HILLSBOROUGH
DETAIL ACCOUNT INQUIRY BY ACCOUNT

FY 2024-2025

PERIOD: 07/01/2024 TO 06/30/2025

10-10-4100-5300-530 DUES & SUBSCRIPTIONS			BUDGET	PERIOD TO DATE	ENC AMT	REM BAL	
			26,522.00	26,169.88	0.00	352.12	
DATE	MOD	REFERENCE	JE # or VOUCHER#	CHECK#	DEBIT	CREDIT	BALANCE
		BALANCE FORWARD					0.00
07/05/2024	AP	HILLSBOROUGH/OC CHAMBER OF COMMERCE TRUSTEE MEMBER - 07/2024 - 06/2025	63714	7821	6,000.00		6,000.00
07/05/2024	AP	N C LEAGUE OF MUNICIPALITIES I00046125 MEMBERSHIP SERVICE FEE FY 2024-2025	63715	72417	11,173.00		17,173.00
07/19/2024	AP	N C BLACK ELECTED I0002334 MEMBERSHIP DUES - FY2024-2025 - MATTHEW HUGHES	63737	72465	75.00		17,248.00
07/19/2024	AP	NC WOMEN IN MUNICIPAL GOVERNMENT I0000 MEMBERSHIP DUES - FY24-25 - KATHLEEN FERGUSON	63741	72466	75.00		17,323.00
08/12/2024	AP	BANK OF AMERICA NA NATIONAL LEAGE OF CITIES TOH - FY25 MEMBERSHIP DUES - NAT'L LEAGUE OF CITIES	64495	8055	1,314.00		18,637.00
08/12/2024	AP	BANK OF AMERICA NA NATIONAL LEAGE OF CITIES CREDIT - TOH - FY25 MEMBERSHIP DUES - NAT'L LEAGUE OF CITIES	64496	8055		38.00	18,599.00
09/20/2024	AP	CHAPEL HILL-CARRBORO CHAMBER OF COMM BUSINESS BUILDER MEMBERSHIP	64823	72621	1,455.00		20,054.00
10/16/2024	AP	N C BLACK ELECTED I0002039 FY 2022/2023 MEMBERSHIP DUES - MATTHEW HUGHES	55505	71318		65.00	19,989.00
11/08/2024	AP	BELL, MARK 11-04-24 USED PERS. CARD IN ERROR- REIMBURSE - NC MAYORS ASSOCIATION DUES FY25- MARK BELL	65945	8567	300.00		20,289.00
11/15/2024	AP	CENTRAL PINES REGIONAL COUNCIL 14878 2024-2025 MEMBERSHIP DUES	65981	72738	4,356.88		24,645.88
12/06/2024	AP	SCHOOL OF GOVERNMENT 7098 SCHOOL OF GOVERNMENT MEMBERSHIP DUES - FY2024-2025	66408	72770	1,524.00		26,169.88
SUBTOTALS FOR ACCOUNT 10-10-4100-5300-530 :					26,272.88	103.00	
					26,272.88	103.00	



Public Works Report: December 2024

Work Orders

6 completed within two days.

Public Spaces

77.5 staff hours

Stormwater Maintenance

64 Storm drains cleaned

Inspections

7 Utility inspections, 1 proof roll inspection, and 1 driveway inspection

Special Events

Holiday Parade – 24 Staff hours

Training

Cemetery

1 monument marked

Asphalt Repairs

3 Utility cuts

Leaf Collection

32 Loads of leaves



Utilities Department Status Report for Jan. 2025 (covering Dec. 2024)

PROJECT/ CATEGORY	STATUS
WTP	<ul style="list-style-type: none"> The Hasell St booster pump station is fully operational after a pump was pulled for repairs. Finish water pump 1 is still out for rebuild. Emergency response training for the chlorine gas tanks was held with Orange County EMS, ORFD, the police department and our safety officer. All samples taken from our finished water storage for several chemicals as part of the EPA Unregulated Contaminant Monitoring Rule round 5 monitoring came back <u>under</u> the minimum reporting level. Once every five years, EPA issues a list of priority unregulated contaminants to be monitored by certain public water systems. These contaminants may be present in drinking water but are not yet subject to EPA drinking water standards but results from testing by public water systems helps guide future regulations. Sampling for round 5 was focused on 29 PFAS contaminants plus lithium.
WWTP	<ul style="list-style-type: none"> Provided comments to the Upper Neuse River Basin Association concerning the wastewater part of the Falls Lake rules. An update presentation on this effort will be provided to the board sometime in the next few months. Comments were provided by the Town of Hillsborough, SGWASA, and Division of Water Resources. Durham did not provide any comments. Comments included: <ul style="list-style-type: none"> Keeping the loading targets for WWTPs in the revised rules near Stage I loading targets. Allowing the WWTPs to participate in a watershed organization/investment-based approach. Concerns that some of the 2011 language in part 11 (Group Compliance Option) does not allow participation in either the NRCA or other watershed organizations. A WWTP pollution prevention training and inspection was completed by the stormwater group. The new requirements of the new permit were discussed. Items needed to be in complete compliance include: <ul style="list-style-type: none"> Repairs to the containment area to prevent seepage. Install pump to drain rainwater from the containment area. Clean out leaves from all catch basins. Order spill kit materials. The non-potable vertical turbine pump #2 was rebuilt and reinstalled on December 16th. New electronic door controllers were installed on the admin building and the chemical building. Additionally, new security cameras are being installed. The cameras will allow

	staff to better monitor the main entrance gate. The entire project should be completed by the end of January.
West Fork of the Eno Reservoir	The reservoir is at approximately 52.4'. 53' is the normal Phase 2 pool elevation.
Developments/ Other	<ul style="list-style-type: none"> • Outstanding invoices: <ul style="list-style-type: none"> ○ Persimmon at Cates Creek (system development fees \$1,149,193) ○ Tryon III project (completed engineering review \$3676) ○ Nash Place (completed engineering review, \$1000) ○ EM Underground (hydrant tampering Feb 2024, \$3500) ○ Hyper networks (hydrant tampering Nov 2024, \$3500) • The two BRIC projects are producing some design plans. Starfield BPS 60% design drawings were received and under review. A 50% design review meeting for River PS is on 1/13. • Comments from the state on the Lawndale bid documents and plans were received and have been addressed and returned to the state. A notification of upcoming financing has been sent to the legislature and LGC. • The Adron Thompson building design had to go through a variance process which delayed the schedule by a few months. The variance was approved and now the site plan approval followed by the special use permit is in progress. • Google plans on completing their fiber installation by the end of the 2Q 2025. This means they will be ramping up crew activity again. Hyper Networks, the main contractor for Google, has offered to pay/reimburse for a dedicated locator through the town's 3rd party contract with McKim and Creed who is assisting us with locates.
Staffing	<ul style="list-style-type: none"> • The Utilities Director remains on intermittent FMLA to assist her husband with a recent cancer diagnosis. During times of extended absence, she will designate key contacts in her stead, but generally will be on E-mail, regardless. • Troy Miller assisted Asheville with backflow assembly assessments in December and will return in January or February. • Bryant Green, Lucas Cates and Terry Rich moved to the Community Services Department as of January 1 in a new division called Engineering Services. They will remain in their current physical location and continue to work closely with Utilities.
Water and Sewer Advisory Committee (WSAC) Activities	The current WSAC members have voted to recommend disbanding and to become an ad hoc committee as directed by the Board. This discussion is on the 1/13 agenda.