

# **TOWN OF HUDSON NORTH CAROLINA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2019**



**The HUB Station Arts & Business Center  
143 & 145 Cedar Valley Road, Hudson NC  
Project Launch: January 12, 2019**

**TOWN OF HUDSON  
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

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## **Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2019**

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### **Mayor**

Janet H. Winkler

### **Mayor Pro-Tem**

Bill Warren

### **Town Commissioners**

Larry Chapman

Jonathan Greer

Barry Mitchell

Rick Shew

Ann E. Smith

### **Town Manager**

Rebecca M. Bentley

Prepared by the Town of Hudson Finance Department  
Rebecca M. Bentley, Finance Officer  
Michelle Y. Coffey, Asst. Finance Officer



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# TOWN OF HUDSON, NORTH CAROLINA

## Introductory Section





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Janet H Winkler  
Mayor

Office of the Town Manager  
Rebecca M. Bentley  
rebecca.bentley@townofhudsonnc.com



Town Commissioners:

Larry Chapman  
Jonathan Greer  
Barry Mitchell  
Rick Shew  
Ann Smith  
Bill Warren

October 28, 2019

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

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

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

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

## Description of Hudson

The Town of Hudson, incorporated in 1905, is located within Caldwell County and nestled in the scenic Appalachian foothills of western North Carolina. Hudson is approximately 70 miles northwest of Charlotte, 85 miles southwest of Winston-Salem and 90 miles northeast of Asheville. It has a land area of approximately four square miles and a population of 3,970. North Carolina is blessed with a fine network of interstate and state highways making many of the major cities of the Southeast easily accessible to our area. Hudson is 18 miles north of Interstate 40.

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



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

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

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

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

## Economic Condition and Outlook

The Town exists as primarily a residential community, but industry and commerce play a vital part in keeping Hudson vibrant. While furniture and textiles were long the dominant industries in Caldwell County, great strides are being made in the diversification of the local economy. The previous decade has seen a downturn in the economy and it has heavily impacted the Town. In 2003, two of Hudson's largest taxpayers were trucking companies. In 2017, one of those trucking companies was sold to Associated Hardwoods, Inc. and is a very vibrant corporate citizen. The top ten taxpayers in Hudson in 2019 consists of a tape manufacturer, a chemical coatings manufacturer, two textile manufacturing firms, a packaging manufacturer, three large retail complexes, and only one furniture manufacturer. The Town has approximately 150 small businesses and seven major industries. Those industries employ nearly 800 people, while many of our small businesses employ fewer than ten people. Our longest existing industries, Shurtape Technologies, Inc. and Kincaid Furniture, a division of Laz-E-Boy, have weathered the economic downturn. Shurtape, a former textile manufacturer, reinvented its product design and is a leading shipping tape manufacturer with its trademark *Frog Tape*. Kincaid Furniture, a division of Laz-E-Boy, has closed some plants in other parts of the state but the corporate offices in Hudson remain. Hudson's newest corporate citizen is Outdura, Inc. a division of Sattler, AG. based in Austria. In 2011, Sattler purchased the facilities from Shuford Mills and also purchased their patented fabric, Outdura®. Sattler Corp is doing well and considering expansion. Hudson is Sattler's North American Headquarters and have moved the entire North American operations to Hudson to be incorporated into the Hudson division. Sattler has been in an expansion mode since coming to Hudson in 2011. Sattler manufactures one of the world's leading outdoor fabrics. Sattler and another of our top ten taxpayers, BeoCare, are both European based businesses that decided to put their faith in the United States economy and people by opening operations here—specifically in our beautiful downtown Hudson. Hudson's businesses are not going overseas, but rather, overseas companies have chosen to come to us. Another cutting edge company in Hudson is Adhezion Biomedical, a privately-held medical device company focused on the development and commercialization of highly differentiated cyanoacrylate based surgical, wound management and infection prevention technologies. They, too, have expanded by completing the building of a packaging plant to package and ship their pharmaceutical product.

The Town of Hudson remains a popular place to live, work and further an education. Hudson's population has grown from 2,819 in 1990 to 3,970 in 2019. As is the case nationally, Hudson was experiencing a near standstill in residential housing, but within the last year housing construction and sales are continuing to improve. Due to its central location within Caldwell County, the daytime population can increase to as much as 10,000 with people coming into Hudson to work or attend school.

### Major Initiatives

Fiscal year 2018-2019 continues the recent trend of undertaking and completing several major projects by the Town. The Town has taken a critical review of its services and their delivery and is positioning itself to meet the service needs of its citizenry in the future. Some of the efforts of the Town include:

**Annexations and Housing** – The Town of Hudson completed a few voluntary annexation of commercial property in the last few years. There were 43 zoning permits issued for 2018-2019, remaining steady with last year. Developers are expressing more interest in Hudson every day.

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

The shopping centers and downtown Hudson are experiencing some increase in retail growth. Again in 2019 retail establishments are not 100% occupied—but are very nearly full. The downtown area of Hudson has not experienced “downtown blight” so typical of towns and cities today. New businesses are appearing along Central/Main Streets. However, one of Hudson’s longest existing grocery stores in the Fairway shopping center closed due to needed building renovations. Yet, Hudson still has two very successful groceries. The Board of Commissioners adopted a façade grant to assist downtown businesses improve their store fronts and some businesses are taking advantage of this grant opportunity.

Highway 321 is the main thoroughfare in Hudson. Wal-Mart built a new Neighborhood Market store along Hwy 321 and it opened in August 2015. Interest in the outlying parcels of this development has already peaked and it is expected the Town will see growth in this part of the municipality.

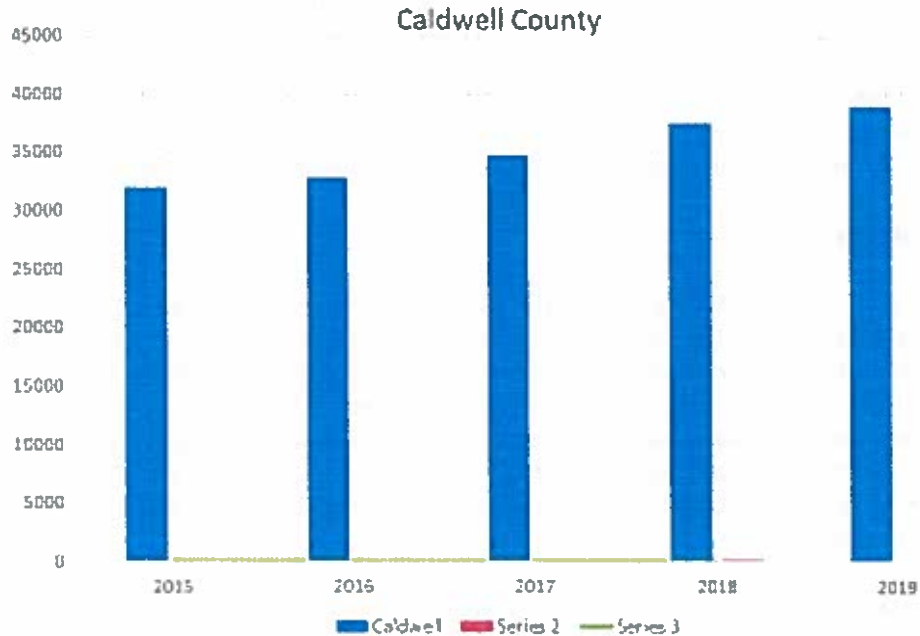
**Economic Development** – The Town of Hudson along with the Caldwell County and its additional municipal counterparts are active members of Advantage West Economic Development Group. Advantage West is an economic development consortium composed of 22 western North Carolina counties who collectively market this region nationally and internationally attempting to attract industrial and commercial development.

Hudson is located within Caldwell County and is a part of the Caldwell County Economic Development Commission (EDC). The EDC Board and staff work diligently to attract new business and industry to Hudson and all of Caldwell County. Sattler is one of those success stories as well as others in Caldwell County. Recently, the EDC reports that 35 new industries have located within Caldwell County since 2007. These new businesses increased the tax assessed values in Caldwell County by nearly \$300 million—an overall 10% increase in the tax base since 2007. The result was millions in private investment and more than 700 new jobs. Caldwell County has made tremendous strides toward recovering lost industry and jobs. These new industries are diverse but still many offer the traditional woodworking skills the former furniture employees possess. The trend of increased unemployment in North Carolina and Caldwell County has turned. Caldwell County’s employment numbers are higher than they have been since 2010. (See Graph below provided by the Caldwell County Economic Development Commission). Not only has Caldwell County improved itself, it has outpaced neighboring counties as well in job growth. Caldwell County’s greatest obstacle now seems to be housing. There is a lack of housing since many of the house in Hudson were built prior to 1950. Housing starts have dwindled in the last decade, but more and more developers are looking at housing here. Median household income has risen to \$37,118. The future seems very positive.



# Private Sector Average Wages

Source: LEAD NC Dept of Commerce



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

Within the four square miles of Hudson are located seven separate educational facilities. Hudson Elementary School with an enrollment of 691 students is the largest elementary school in Caldwell County. Also, the county's largest Middle school, Hudson Middle School, has an enrollment of 677 students. Caldwell Community College & Technical Institute is also located within the Town of Hudson on U.S. Highway 321. CCC&TI provides the educational needs of full and part-time day and evening students with an enrollment of over 3,700 students. A drop in student enrollment at the college, evidences the reduced unemployment in our area. Two high schools are located on the CCC&TI campus, the Early College High School, enrollment 391, and the Caldwell Applied Sciences Academy, enrollment 225. Additionally, on CCC&TI campus is the Appalachian State University education curriculum in the Faye A. Broyhill Center. Also, in Hudson is Heritage School a parochial school at Ambassador Baptist Church. The number of students coming into Hudson for school is more than twice the total population of the entire Town. Although the population of Hudson represents only 4% of the total Caldwell County population, the Hudson schools house nearly 18% of the total County school enrollment due to Hudson's central location in Caldwell County.



**Infrastructure Improvements** – The Town of Hudson is continually making improvements to its infrastructure. Road resurfacing projects and sidewalk repair/construction were undertaken in Hudson in 2018-2019. Hudson has more than 26 miles of municipal maintained streets. Water and Sewer services are provided by the City of Lenoir to the Town of Hudson. Hudson and Lenoir work very closely together to provide reliable and adequate water and sewer to the citizens of Hudson. The City of Lenoir has a contractual commitment to Hudson to provide this service to the citizens in our existing corporate limits and any area that Hudson may annex in the future. The Town Manager and one Town Commissioner serve on the City of Lenoir Utilities Committee. This Committee addresses the needs of the Utility System and its plans for growth and maintenance. The Hudson Board of Commissioners and the Lenoir City Council believe this is a wise economic decision for both municipalities and will permit continued high levels of service for the least costs.

### **Financial Information**

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

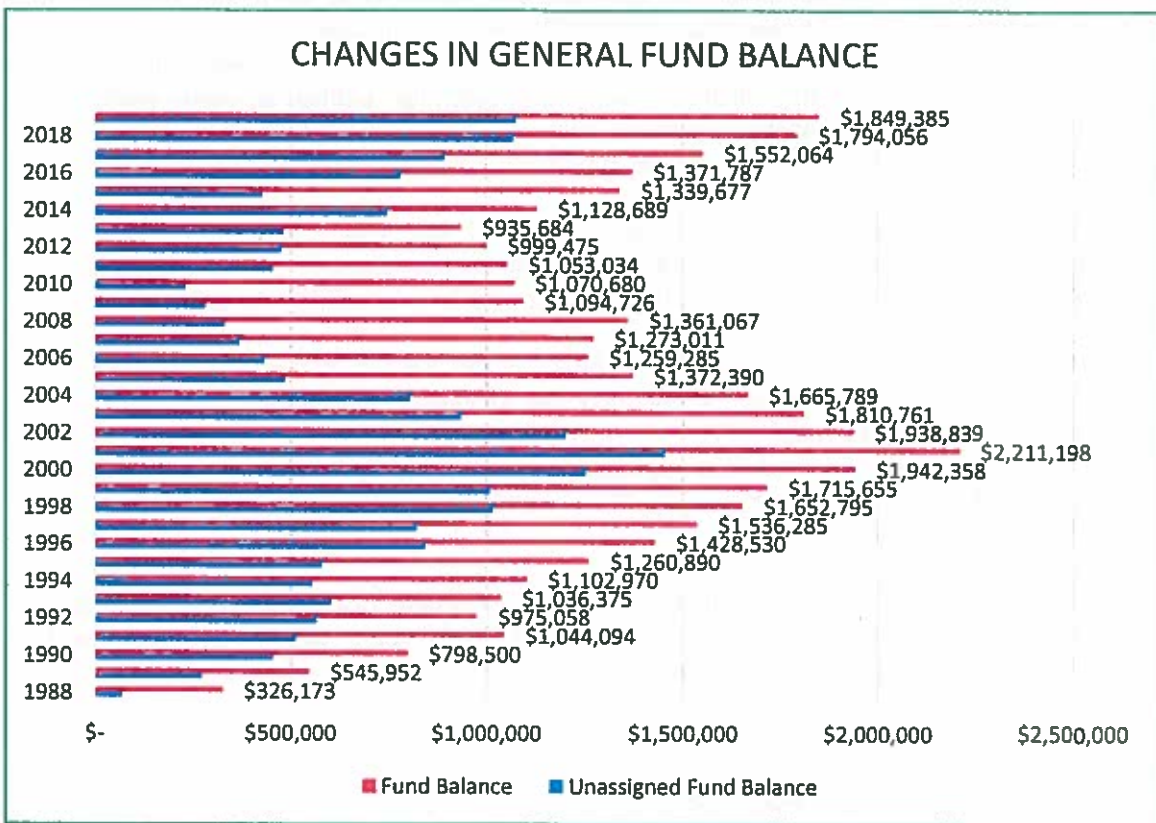
In accordance with the North Carolina General Statutes, the Town adopts a balanced budget for each fiscal year starting July 1<sup>st</sup> and ending June 30<sup>th</sup> of the calendar year. In addition to setting legal limits on expenditures, establishing a tax levy and tax rate, the Hudson budget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

It is the philosophy of the Hudson Board of Commissioners to keep the municipal property tax at the lowest level possible. However, this has necessitated some changes. For example, the municipally provided curbside recycling service was eliminated in 2009. Instead, through negotiations between the Town and a private carrier, citizens may contract with this private carrier to collect their recycling at a cost of \$8 per month. Many have chosen to do so, but just as many have chosen to abandon this service. Park improvements, necessitated by aging infrastructure and equipment, were mostly funded through private fund-raising efforts on the part of our citizens. Two separate capital campaigns have netted the community nearly a \$1 million. State grants have assisted in the park improvements as well. Hudson’s renovated Hudson Uptown Building (former Hudson Elementary School) provides the setting for cultural activities in Hudson. Two Dinner Theatre productions are undertaken each year to provide live community theatre of the highest quality to the public for minimal costs. Also, the HUB is the setting for many weddings, receptions, business meetings, concerts, etc. utilizing the facility more than 200 days per year. The Town was able to convert the aged and abandoned school into a vibrant community/arts center. The HUB was rebranded in January 2019 as The HUB Station Arts & Business Center. The Town acquired a second 15,000 square foot building on the campus. The original HUB Building A will be designated for the Arts, while the newly acquired HUB Building B will serve as a Business Incubator. Caldwell Community College and Technical Institute is less than one-half mile from the HUB. The college has agreed to house their Small Business Center in HUB Building B. At the end of June 2019, the HUB Station Building A housed an Art Gallery, music lessons, art lessons, as well as Hudson’s renowned Dinner Theatre. The auditorium remains available for rent for

special events. The HUB Station Building B is occupied with the entire first floor rented. The HUB continues to undergo renovations with great hopes for even more exciting things for its future.

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

To insure the Town's fiscal stability it is necessary to maintain a healthy operating fund balance. In addition to the need for emergency funds, the fund balance allows the Town to maintain adequate cash flow levels, provides steady investment income, helps absorb revenue shortfalls, and occasionally aids in making non-recurring capital purchases. The general fund balance increased for 2018-2019 by \$55,329 to a total of \$1,849,385. At the end of the fiscal year, unassigned fund balance for the General Fund was \$1,074,353, or 33 percent, of total General Fund expenditures for the fiscal year. The NC Local Government Commission recommends a municipality have at least one month's expenditure, or 8%, of general fund balance available at year end. Hudson's general fund balance is more than sufficient for those purposes. The general fund balance is adequate to provide for future needs. It is the hope and faith of the Board that the economy will continue to improve over time and the general fund balance will become stronger. Until that happens, the Town is financially sound enough to weather the storm.



The chart above demonstrates how the general fund balance decreased as Hudson, Caldwell County, North Carolina, and the nation experience the recession and economic downturn. The Hudson Board of Commissioners through wise decision making and conservative budgeting weathered the economy without burdening the citizens with unreasonable taxes for many years. From a fund balance high in 2000 of \$2.2 million the fund balance fell to a low of \$230,587 in

2009. Hudson has been steadily rebuilding the fund balance to \$1.88 million in 2019. All the while, the Board was able to maintain the services expected of and provided to the Town's citizens.

### **Other Information**

**Independent Audit** – N.C. General Statutes require an annual independent financial audit of all local government units in the State. C. Randolph CPA, PLLC, a firm of independent certified public accountants, has audited the financial records of the Town and their opinion has been included in this report. Their audit was made in accordance with generally accepted auditing standards and, accordingly, includes such tests of the accounting records and such other auditing procedures as they consider necessary in the circumstances. Their unmodified opinion indicates that the accompanying basic financial statements for the fiscal year ended June 30, 2019, have been prepared in conformity with accounting principles generally accepted in the United States of America. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of Government Auditing Standards, issued by the Comptroller General of the United States.

**Awards** – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Hudson for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. This was the twenty-sixth consecutive year Hudson has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable local requirements.

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

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

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

Sincerely,



Rebecca M. Bentley  
Town Manager and Finance Officer



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Town of Hudson  
North Carolina**

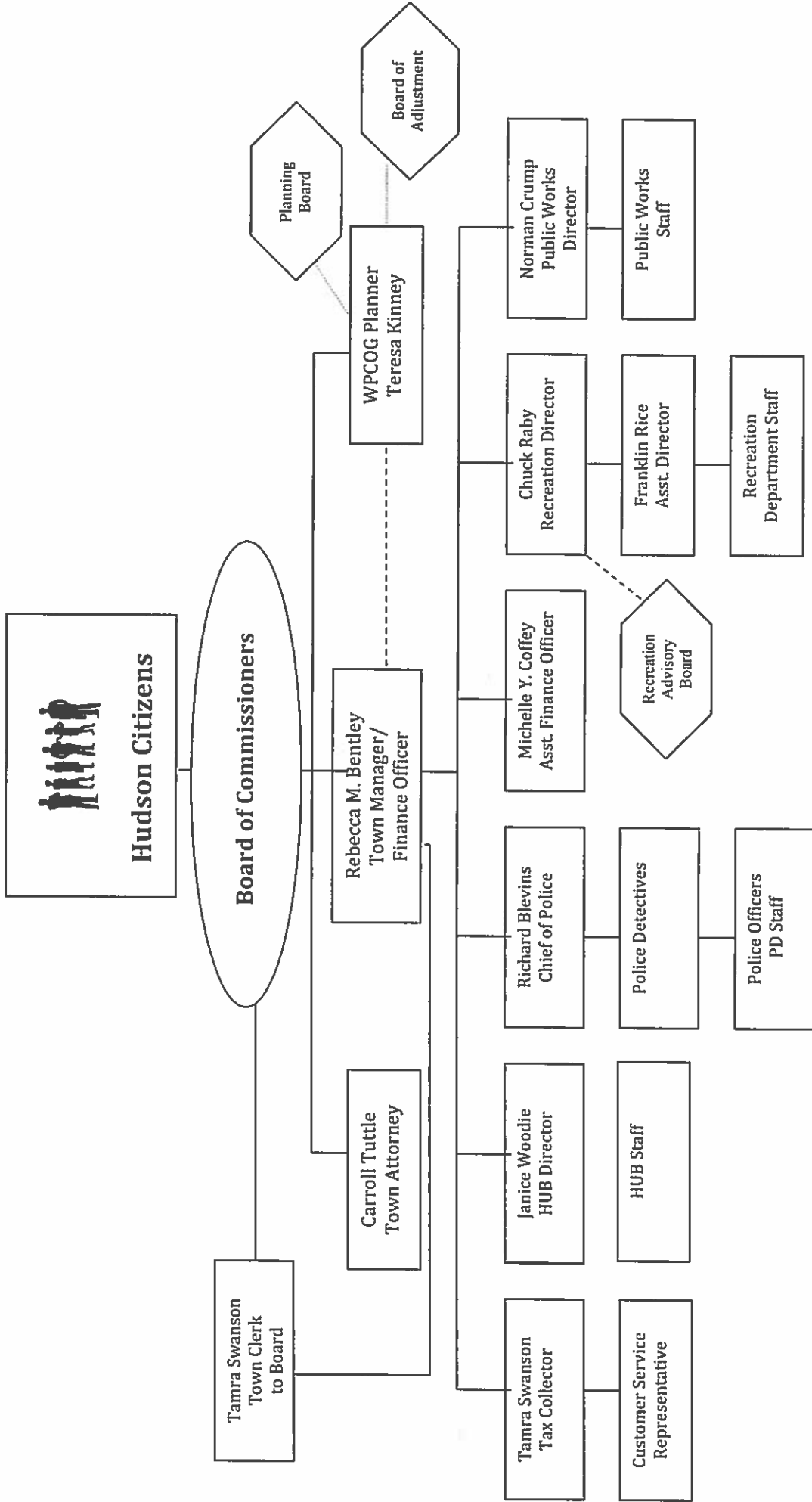
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morrill*

Executive Director/CEO

# Town of Hudson Government Organizational Chart



**Legend:**  
 Budgetary Control and Administrative Coordination -----  
 Administrative and Budgetary Control \_\_\_\_\_  
 Policy Making Board (Oval)  
 Department / Staff Unit (Rectangle)  
 Advisory Boards (Hexagon)