

Town of Carrboro, North Carolina

Comprehensive Annual Financial Report

**For the Fiscal Year
Ended June 30, 2013**

**Prepared by:
Management Services Department**

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Town of Carrboro, North Carolina

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Town of Carrboro, North Carolina

PRINCIPAL OFFICIALS

BOARD OF ALDERMEN

Lydia Lavelle, Mayor

Damon Seils
Michelle Johnson
Randee Haven-O'Donnell

Sammy Slade
Jacquelyn Gist

TOWN MANAGER

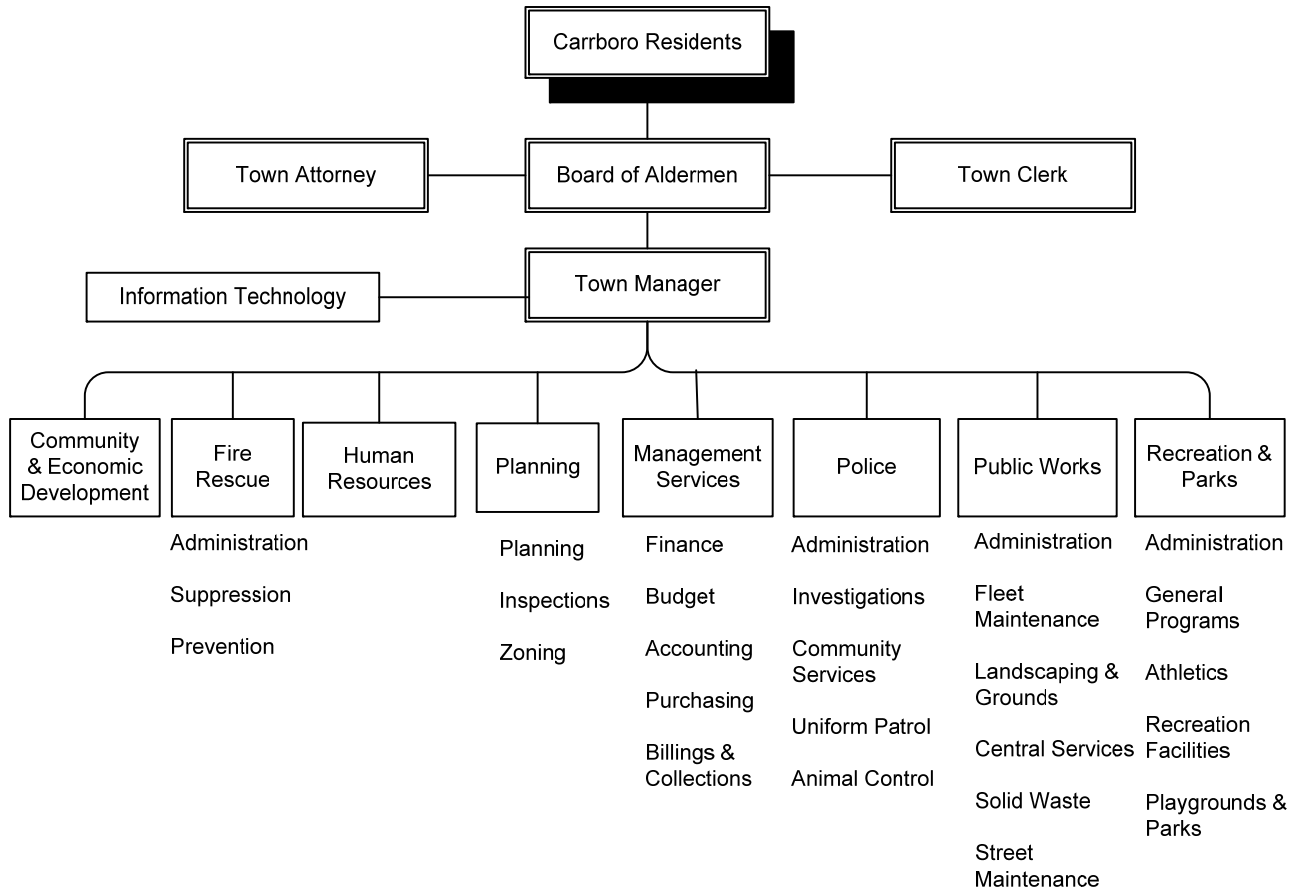
David Andrews

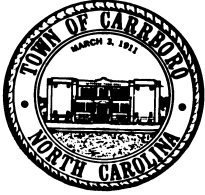
MANAGEMENT SERVICES DEPARTMENT

Arche L. McAdoo, Finance Director
Earlene Hicks, Assistant to the Finance Director
Sandy Svoboda, Purchasing Officer
Jane Bowden, Accounting Technician
Kathleen Nolan, Accounting Payroll Specialist
Donald Coble, Staff Accountant

Town of Carrboro, North Carolina

ORGANIZATIONAL CHART





TOWN OF CARRBORO

NORTH CAROLINA

WWW.TOWNOFCARRBORO.ORG

January 14, 2014

To the Honorable Mayor and Members of the Board of Aldermen Town of Carrboro

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Town of Carrboro for the fiscal year ended June 30, 2013 (FY 2012-13). As required by North Carolina General Statutes (NCGS), the CAFR includes financial statements that have been audited by an independent certified public accounting firm. Responsibility for 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 accurately presents the financial position and the results of operations of the Town as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

Generally Accepted Accounting Principles (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 letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditors section. Other documents that are helpful in understanding the Town's budget and financial planning include the Town's annual operating budget and capital improvements plan documents. These documents, along with the annual audit report, are posted on the Town's website at <http://www.townofcarrboro.org/docs.htm>.

COMMUNITY AND ORGANIZATIONAL PROFILE

The Town is a small community located within Orange County in the north central portion of North Carolina. The area's topography is characterized by rolling hills. Carrboro is situated next to Chapel Hill and the University of North Carolina at Chapel Hill, and is near the Research Triangle Park. The Town was incorporated in 1911, now covers an area of 6.35 square miles, and has a population of 19,852. The Town is distinctive in having one of the highest population densities (i.e., the highest number of persons per square mile) of any municipality in North Carolina in the 2010 Census.

The growth of the Town is directly related to the expansion of the University of North Carolina at Chapel Hill and growth in the Research Triangle Park. Enrollment at the University has risen from 8,791 in 1960 to 29,279 in 2012. It is anticipated that expansion will continue to occur in University-related health facilities such as the University of North Carolina Hospitals and with the proposed development of the Carolina North campus.

The character of the Town is driven by core values adopted by the Board based on maintaining a sustainable community that is a highly desirable place to live. These priorities are to:

- Diversify revenue stream to maintain ethnic and economic diversity;
- Protect historic neighborhoods and maintain Carrboro's unique identity;
- Improve walkability and public transportation;
- Encourage development that is compact, dense, and appeals to diverse lifestyles and incomes; and
- Enhance and sustain quality of life/place issues for everyone.

The support for these strategic priorities is noted by the amounts allocated within the annual operating and capital budgets, and the various awards received by the Town.

The Town commits over one million dollars annually to provide fare-free transit for Town residents in an effort to reduce reliance on automobiles and to promote public transit, walking, and biking. Carrboro is one of 27 communities in the nation that has been awarded the Silver Level Bicycle-Friendly Community designation by the League of American Bicyclists in recognition of its commitment to providing safe accommodation and facilities for bicyclists, as well as efforts to encourage bicycling for fun, fitness, and transportation. The award, valid through 2014, also recognized Town efforts to include bike lanes on all state road improvement projects. Additionally, the Town has amended its street standards to require bike lanes on all collector roads. According to the latest census, 5.2% of residents in Carrboro bike to work. The community approved a \$4.6 million bond referendum in November 2003 to construct sidewalks and greenways to increase the safety and convenience of walking throughout the Town's neighborhoods, including to schools, bus stops, shopping areas, and recreational facilities.

GOVERNANCE

The Town has a council/manager form of municipal government. Under the council/manager form of government, the Board of Aldermen performs the legislative functions of the Town: establishing laws and policies. The Board is an elected body and consists of a mayor and six aldermen. The mayor and the aldermen are elected by the voters of the entire town. The mayor is elected to serve a term of two years and the aldermen are elected to serve staggered terms of four years. The mayor acts as the official head of town government and presides at board meetings. The mayor is a voting member of the board. Appointments to advisory boards and committees are made by the Board.

The Board appoints a manager who carries out the laws and policies enacted by the Board, and is responsible for managing the Town's employees, finances, and resources. The Board also appoints a Town Clerk to maintain Town records, and appoints an attorney to represent the Board and Town administration in all legal matters.

Local governments in North Carolina exist to provide a wide range of basic services on which we all depend: police and fire protection; public works (garbage collection, street resurfacing, fleet maintenance, landscaping, and building and grounds); planning; inspections and zoning; economic and community development; and parks and recreation programming. The major services provided by the Town include all of the services above, but exclude water and sewer services, and tax collections. Certain large costs assumed by the Town are for key services that are contracted with other governmental jurisdictions such as transit, recycling, and landfill services. The Town also has administrative support units (e.g., personnel, technology, finance, budget, purchasing, etc.) that provide both direct services as well as indirect support services.

ECONOMIC CONDITION AND OUTLOOK

The 2010 per capita income for Carrboro is \$29,418 and the median household income is \$39,366. The household income levels of Carrboro break roughly into equal thirds: 32% earn less than \$25,000 a year; 25% make between \$25,000 and \$50,000 a year; and 41% make more than \$50,000 a year.

In 2005-2009, employment levels in Carrboro reflected national and statewide trends with an increase in the unemployment rate from 3.6% in 2000 to 5.9% in 2009. The unemployment rate for Orange County was 2.9% in 2006 and climbed to 6.1% in December 2011, well below the state unemployment rate of 10.4%. As of August 2013 the unemployment rate for Orange County is 5.7% compared to the statewide rate of 8.7%. With the University of North Carolina at Chapel Hill, the University of North Carolina Health Care System, and Research Triangle Park in close proximity to the Town, the local employment base is relatively stable and contributes to the Town's economic state.

The Town relies on a largely residential tax base to provide services. The commercial base is primarily retail with some service-oriented businesses. Major employers within Orange County (those with 450 or more employees) reflect the dominance of the professional services and retail sectors. The Town continues to experience modest growth and is considered to be a desirable place to live and work.

Long-term debt for the Town is currently \$8.0 million, which includes \$4.6 million of general obligation bonds issued in January 2013 for the permanent financing of sidewalk and greenway construction projects, financing for construction of fire station #2, and financing for vehicles and equipment. For a more comprehensive analysis of the Town's capital needs and future financing, please consult the Town's Capital Improvements Program available on the Town's website. The potential impact on property tax rates of capital projects will be affected by the timing of the implementation of the proposed projects, availability of other revenue sources, and/or cost savings to fund the projects.

MAJOR TOWN INITIATIVES

The Board of Aldermen has defined strategic priorities for the Town with the ultimate goal of creating and maintaining Carrboro as a sustainable community that is a highly desirable place to live. These strategic priorities are considered long-term goals and some noteworthy accomplishments include:

- The Town has completed 22 sidewalks covering 4.72 miles under its sidewalks and greenways program. Town residents approved \$4.6 million of general obligation bonds in a referendum in November 2003 to construct sidewalks and greenways throughout Town to increase the safety and convenience of walking.
- The Town was awarded a Bicycle Planning Grant from the North Carolina Department of Transportation in May 2007. The grant allowed the Town to develop a comprehensive bicycle plan for a connected, accessible and safe network of bicycle facilities. These facilities will be used for commuting, recreation, and as a viable alternative to the automobile. The plan was reviewed and approved by the Board March 24, 2009, and plan implementation is underway. Bike lanes have been completed along Old Fayetteville Road and are under construction along Smith-Level Road. Wilson Park Multi Use Path has been constructed.
- The Town has been awarded a Silver Award by the League of American Bicyclists as a Bicycle-Friendly Community (BFC). The award is presented only to communities that are committed to bicycling, provide safe accommodation and facilities for bicyclists, and encourage bicycling for fun, fitness, and transportation. This award is valid through 2014.

- The Town received a “Safe Routes to Schools” grant to help local elementary school kids walk, bike, and avoid vehicle trips as much as possible. This award was used to construct a sidewalk on Elm Street, which is located near Carrboro Elementary School and was completed in 2012.
- The Town applied for and received a grant from the North Carolina Division of Water Quality and the U.S. Environmental Protection Agency to continue with watershed restoration efforts. The three-year grant, approved in FY 2009-10, covers watershed restoration efforts for a stream restoration project on Dry Gulch, continued monitoring of runoff from Pacifica, and a demonstration rain garden and cistern at McDougle Elementary/ Middle School.
- In FY 2007-08, the Town enlisted in the North Carolina League of Municipalities “Green Challenge,” agreeing to participate in the Greenhouse Gas Emission Inventory and Reduction effort to reduce the carbon footprint; and agreeing to assess the Town’s energy efficiency through the U.S. Environmental Protection Agency’s “Energy Star Challenge” that involves reviewing and reducing utility consumption in Town facilities, streetlights, and fuel usage. The Town continues to make improvements in this area and has been moved to a higher level designation known as a “Green Challenge Advanced” municipality.
- The Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award has been awarded to the Town for its FY 2013-14 budget document. It is the highest form of recognition in governmental budgeting.
- In 2013, the Town’s continued commitment to the environment was rewarded with its national designation as a Tree City USA Town for the 28th year. The Town received an Erosion and Sedimentation Control Award from the North Carolina Sedimentation Control Commission.
- The Town has been awarded a grant from the Southeast Energy Efficiency Alliance, funded by the U.S. Department of Energy to undertake an energy efficiency retrofit program for single-family residents, a multi-family residential energy pilot program, and create an Energy Efficiency Revolving Loan Fund for local businesses.

FINANCIAL INFORMATION

General Fund Balance

The Board has adopted a policy of maintaining a General Fund unassigned fund balance within a range of 22.5% to 35% of budgeted appropriations. When the General Fund unassigned fund balance exceeds 35%, the manager may set aside an amount in assigned fund balance for transfer to the Capital Reserve Fund for specific future capital projects. Should the unassigned fund balance in the General Fund fall below 20%, the policy requires the Town Manager to develop and implement a plan to rebuild the balance to 22.5% within one year.

For the past five years, the unassigned general fund balance as a percentage of total audited expenditures has remained stable from 44.3% for the year ended June 30, 2007, to 40.1% for the year ended June 30, 2013. This is a reflection of the conservative approach to revenue estimates in an uncertain recovering economy showing little, slow or no growth. It is also a reflection of the numerous actions taken by the Town to adapt its operating budget, capital plans and financing to existing and anticipated financial challenges. The steps taken in this regard include freezing vacant positions, reducing less vital operating expenses, and re-prioritizing or delaying capital projects.

Budget Control

As required by North Carolina General Statutes, the Board of Aldermen adopts a budget ordinance prior to the beginning of each fiscal year. All governmental units are required to adopt a balanced budget by July 1 of each year. The budget ordinance adopted by the Board creates a legal limit on spending authorizations at the functional level. Through the use of a requisition encumbrance and purchase order system, the adequacy of available funds are ensured prior to the placement of orders and/or award of contracts.

Public input and review of the budget prior to adoption by the Board is encouraged. The fiscal budget is prepared by the Town Manager for a one-year fiscal cycle beginning July 1 and ending June 30 of the following year. The Town holds two public hearings, one to receive community input prior to presentation of the Manager's recommended budget and a legally mandated one following presentation of the Manager's recommended budget to the Board. Prior to the adoption of an annual budget, the Board may hold budget work sessions on the Manager's recommended budget. The adopted budget document is available at the Town Clerk's office and the Town's website for review.

Internal Controls

In order to provide a reasonable basis for making these representations, a comprehensive internal control framework has been designed in developing and maintaining the Town's accounting system. These internal accounting controls are designed to provide a reasonable, but not absolute, assurance regarding:

- 1) Safeguarding of assets against loss from unauthorized use or disposition;
- 2) Reliability of financial records for preparing financial statements in conformity with accounting principles generally accepted in the United States of America and maintaining accountability of assets;
- 3) Effectiveness and efficiency of operations; and
- 4) Compliance with applicable laws and regulations related to federal and state financial assistance programs.

The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the Town's internal accounting controls reasonably achieve the above objectives and provide reasonable assurance of proper recording of financial transactions.

OTHER INFORMATION

Independent Audit

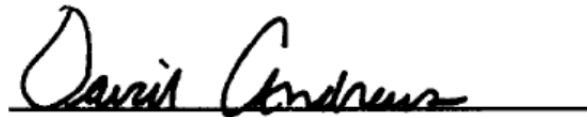
North Carolina General Statutes Chapter 15, the Local Government Budget and Fiscal Control Act, requires that units of local government have an annual audit by independent certified public accountants. The accounting firm of Dixon Hughes Goodman LLP was selected by the Board and performed this audit. The auditors' report on the basic financial statements, and combining and individual fund statements and schedules are included in the financial section of this report. The auditors' reports on internal controls and compliance with applicable laws and regulations are included in the compliance section.

Awards and Acknowledgements

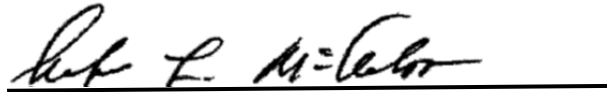
The Government Finance Officers Association of the United States and Canada (GFOA) awarded, for the ninth consecutive year, a Certificate of Achievement for Excellence in Financial Reporting to the Town of Carrboro for its Comprehensive Annual Financial Report issued for fiscal year 2011-12. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to GFOA program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements and will be submitting our CAFR for the fiscal year ended June 30, 2013 to the GFOA to determine its eligibility for another year. The Certificate Program managed by the GFOA was established in 1945, and is designed to recognize and encourage excellence in financial reporting by state and local governments. Further information about the Certificate Program can be obtained by visiting GFOA's website at: www.gfoa.org. The GFOA reports a growing awareness that the annual financial report should be management's report to its governing body, constituents, oversight bodies, resource providers, investors, and creditors. We agree with this direction and, in keeping with our past practice, have made available a copy of this report to each of you, Town departments, bond rating agencies, the North Carolina Local Government Commission, and other financial institutions which have expressed an interest in the Town's financial affairs.

Preparation of this report would not have been possible without the hard work and dedication of the Management Services Staff. Other departments of the Town have contributed directly or indirectly in the preparation of this report and their cooperation and continued assistance is appreciated.



David L. Andrews, ICMA-CM
Town Manager



Arche L. McAdoo
Finance Officer



Government Finance Officers Association

**Certificate of
Achievement for
Excellence in
Financial
Reporting**

Presented to

**Town of Carrboro
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor,
the Board of Aldermen,
and the Town Manager
Town of Carrboro
Carrboro, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Carrboro, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Carrboro as of June 30, 2013, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and the Law Enforcement Officers' Special Separation Allowance, and Other Postemployment Benefits Schedules of Funding Progress and Employer Contributions on pages 5 through 14 and 61 through 64, respectively, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and budgetary schedules, other schedules, and statistical section, as well as the accompanying schedule of expenditures of federal and state awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2014 on our consideration of the Town of Carrboro'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Carrboro's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

January 14, 2014

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TOWN OF CARRBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

The Management's Discussion and Analysis (MD&A) is to provide readers a narrative overview and analysis of the financial activities of the Town of Carrboro for the fiscal year ended June 30, 2013. Readers should review this information in conjunction with the transmittal letter and basic financial statements to enhance their understanding of the Town's financial condition and performance.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$37,506,765 (net position).
- Total net position increased by \$514,615 due to increases in the net position of the governmental-type activities.
- At June 30, 2013, the Town's governmental funds had combined ending fund balances of \$18,218,160, an increase of \$2,821,601 in comparison with the prior year, which is primarily related to the issuance of \$4.6 million of general obligation bonds. Approximately 39.8% or \$7,259,897 of this total amount is available for spending at the government's discretion (*unassigned fund balance*).
- Unassigned fund balance for the General Fund was \$7,296,945 or 40.1% of total General Fund expenditures at the end of the fiscal year.
- Total long-term liabilities for the Town increased by \$4,063,870 from \$9,999,093 at June 30, 2012 to \$14,062,963 at June 30, 2013 (40.6%) primarily due to the issuance of general obligation bonds to replace bond anticipation notes and other post-employment benefits.
- The Town has maintained and currently holds credit ratings of AA+ with Standard and Poor's, Aa2 with Moody's; and a rating of 83 with the North Carolina Municipal Council.

Overview of the Financial Statements

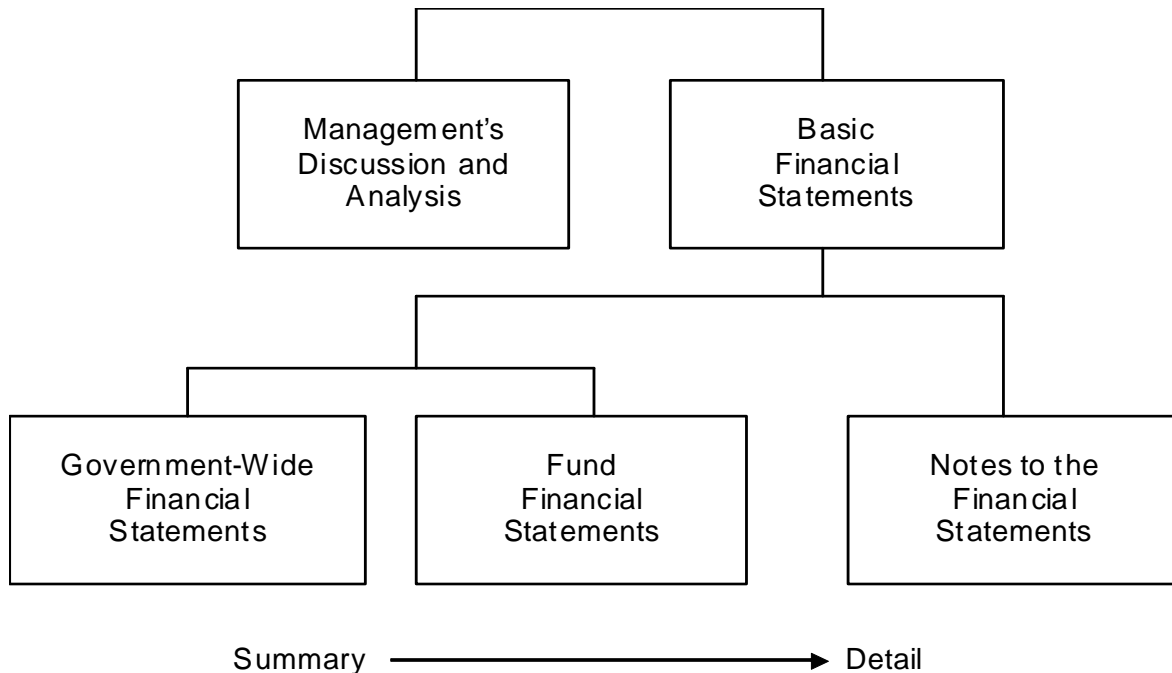
The Town's basic financial statements consist of three components (see Figure 1):

- 1) Government-wide financial statements,
- 2) Fund financial statements, and
- 3) Notes to the financial statements.

The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town, including a statistical section.

**TOWN OF CARRBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013**

**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 (Exhibits 1 and 2). They provide both short- and long-term information about the Town's financial status.

The next statements are Fund Financial Statements (Exhibits 3 through 5). These statements focus on the activities of the individual parts of the Town's government at a more detailed level than the government-wide statements. There are two parts to the Fund Financial Statements: (1) the governmental funds statements and (2) the budgetary comparison statements.

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

**TOWN OF CARRBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013**

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to financial statements of a private-sector business. The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The two government-wide statements report the Town's net position and how they have changed. Net position reported on the *statement of net position* is the difference between the Town's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition. The *statement of activities* presents information showing how the Town's net position has changed during the fiscal year.

The government-wide statements contain a category called governmental activities that include most of the Town's basic services such as public safety, public works, parks and recreation, and general government. Property taxes as well as state-collected local revenues, including sales tax, electric franchise and state telecommunications monies, finance most of these activities.

The government-wide financial statements are on pages 17 and 18 of this report.

Fund Financial Statements

The fund financial statements provide a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town are categorized under governmental funds and can be found beginning on page 19 of this report.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements are focused on a detailed, short-term view that helps the reader 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.

TOWN OF CARRBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

The Town adopts an annual budget for its General Fund, as required by the North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether 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. Exhibit 5 shows four columns: (1) the original budget as adopted by the Board; (2) the final budget as amended by the Board; (3) the actual resources, charges to appropriations, and ending balances in the General Fund; and (4) the difference or variance between the final budget and the actual resources and charges.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 23 through 57 of this report.

Supplemental 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. Required supplementary information can be found beginning on page 61 of this report.

Government-Wide Financial Analysis

The Town of Carrboro's Net Position
Figure 2

| | <u>2013</u> | <u>2012</u> |
|---|----------------------|----------------------|
| Current and other assets | \$ 21,244,809 | \$ 20,676,191 |
| Capital assets | <u>32,564,427</u> | <u>31,072,133</u> |
| Total assets | <u>53,809,236</u> | <u>51,748,324</u> |
| Other liabilities | 2,133,032 | 4,642,944 |
| Long-term liabilities outstanding | <u>14,062,963</u> | <u>9,999,093</u> |
| Total liabilities | <u>16,195,995</u> | <u>14,642,037</u> |
| Deferred inflows of resources | <u>106,476</u> | <u>114,137</u> |
| Net position: | | |
| Net investment in capital assets | 25,869,273 | 24,803,167 |
| Restricted - stabilization by state statute | 1,902,041 | 1,877,720 |
| Unrestricted | <u>9,735,451</u> | <u>10,311,263</u> |
| Total net position | <u>\$ 37,506,765</u> | <u>\$ 36,992,150</u> |

TOWN OF CARRBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities and deferred inflows of resources by \$37,506,765 as of June 30, 2013. This is an increase of \$514,615 over the prior fiscal year. The largest portion of net position (69%) reflects the Town's investment in capital assets (e.g., land, buildings, machinery, equipment, etc.); 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 (\$1,902,041) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,735,461(26.0%) is unrestricted.

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

| | Governmental Activities <u>2013</u> | Governmental Activities <u>2012</u> |
|---|---|---|
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 1,580,922 | \$ 1,766,707 |
| Operating grants and contributions | 320,304 | 871,613 |
| Capital grants and contributions | 954,131 | 406,518 |
| General revenues: | | |
| Property taxes | 11,807,199 | 11,687,941 |
| Taxes | 3,888,732 | 3,757,688 |
| Grants and contributions not restricted to specific programs | 952,397 | 946,091 |
| Other | <u>46,482</u> | <u>47,980</u> |
| Total revenues | <u>19,550,167</u> | <u>19,484,538</u> |
| Expenses: | | |
| General government | 3,978,378 | 3,493,073 |
| Public safety | 6,778,893 | 6,835,304 |
| Planning | 1,107,377 | 1,162,777 |
| Transportation | 1,286,714 | 1,058,859 |
| Public works | 4,072,606 | 4,252,251 |
| Parks and recreation | 1,453,991 | 1,516,336 |
| Economic and physical development | 170,695 | 275,681 |
| Interest on long-term debt | <u>186,898</u> | <u>301,772</u> |
| Total expenses | <u>19,035,552</u> | <u>18,896,053</u> |
| Increase in net position | 514,615 | 588,485 |
| Net position, July 1 | <u>36,992,150</u> | <u>36,403,665</u> |
| Net position, June 30 | <u>\$ 37,506,765</u> | <u>\$ 36,992,150</u> |

**TOWN OF CARRBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013**

Governmental Activities. Governmental activities increased the Town's net position by \$514,615. Key elements of this change are as follows:

- Ad valorem property tax revenue increased by \$119,258 from \$11,687,941 last year to \$11,807,199 this fiscal year, which represents a 1.0% increase over the prior year. There was a slight increase in the tax collection rate from the prior year, and growth in the tax base and tax levies. The tax valuation for this fiscal year remained the same from the last fiscal year.
- Capital grants and contributions increased by \$547,613 from \$406,518 last year to \$954,131 this fiscal year compared to a decrease of \$240,996 between 2011 and 2012.
- Sales tax revenue increased by \$119,618, roughly 3.6%, from \$3,308,060 last year to \$3,427,678 this fiscal year.
- The Town issued \$4.6 million of general obligation bonds as permanent financing for sidewalk and greenways construction to promote open space preservation goals and walkable access through the Town, and provided for ongoing maintenance of facilities, replacement of computer network and desktop infrastructure, as well as vehicles and equipment. This fiscal year, the Town spent \$2,717,113 for capital outlay, which included completion of Wilson Park Multi Use Path, design of greenways, Roberson Street sewer improvements, and the purchase of new vehicles and equipment.
- Expense for interest on long-term debt decreased by \$114,874 from \$301,772 last year to \$186,898 this fiscal year.

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.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7,296,945, while total fund balance reached \$12,810,981. This decrease in fund balance is due to a combination of factors: increase in revenues over the prior year; and reduction in debt service by retirement of older debt with higher interest rates before maturity. Both of these factors are offset by \$3.9 million of transfers to the Capital Projects and Capital Reserve funds for future construction. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 40.1% of total General Fund expenditures.

At June 30, 2013, the governmental funds of the Town of Carrboro reported a combined fund balance of \$18,218,160. The reported combined fund balance of the governmental funds includes a fund balance within the Bond Fund of \$1,961,993. In 2012, the Bond Fund had a deficit fund balance of (\$2,228,483). This change is primarily due to the fact that the general obligation bonds in the amount of \$4.6 million were issued in the current year.

TOWN OF CARRBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

General Fund Budgetary Highlights: During the fiscal year, the Town revised the General Fund budget on several occasions. Generally, these amendments fall into one of three categories: (1) to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) to recognize new funding amounts from external sources, such as federal and state grants; or (3) increase appropriations that become necessary to maintain services. The General Fund budget was increased by \$742,823 (3.8%) from an original appropriation of \$18,990,791 to a final appropriation of \$19,733,614.

The comparison of revenue and expenditure financial activity with budgeted estimates suggests that the Town budgeted adequately for ongoing operations. Actual revenue receipts exceeded budgeted projections by \$743,998. Property and sales taxes accounted for roughly 4.1% of the revenue above budget projections. Property taxes were \$215,662 (1.8%) above budget projections and sales taxes were \$140,433 (4.3%) above budget projection.

Permits and fees exceeded budget projections by \$201,779. Total revenue for permits and fees this year was \$1,255,930, a 4% decrease over last year's actual of \$1,308,544. This is due to a number of approved private developments that began or completed construction last year. While revenues from sales and services, investment, and other exceeded budget projections by \$50,824, these revenues were slightly higher than those received for the prior year.

The unrestricted intergovernmental revenue shows receipts exceeding budget projections by \$89,660 for electric franchise, piped natural gas, video sales programming, telecommunication, and wine and beer licenses or taxes. These revenues totaled \$952,397 for 2013 compared to the prior year amount of \$946,091.

Expenditures, as required by budget ordinance, should not exceed appropriated levels. Total expenditures were \$18,200,904, which was \$1,532,710 less than the final budget of \$19,733,614. All spending by function was in compliance with budgetary requirements.

While all expenditures were less than final budget at June 30, 2013, they were slightly higher at 1.7% over the prior year. Actual Expenditures for Public Safety and Recreation and Parks were less than that of the prior year and decreased by 4.3% and 7.6%, respectively. This is due primarily to retirement of long tenured personnel in Police Department, and delay of capital purchases. Transportation and Public Works expenditures, on the other hand, were 24.6% and 15.3%, respectively, were higher than the prior year due to the increased transit operations, acquisition of additional major equipment for solid waste operations. Debt service expenditures decreased by 13.0% over the prior year. This is due to the retirement of long-term debt prior to maturity and prior years' debt for vehicles and equipment.

**TOWN OF CARRBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013**

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental-type activities as of June 30, 2013, totaled \$32,564,427 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, and vehicles. Major capital asset transactions during the year include the following additions:

- Completion of Wilson Park Multi Use Path
- Purchase of parking lot in downtown business district
- Replacement of police vehicles
- Replacement of solid waste equipment

**The Town of Carrboro's Capital Assets (Net of Depreciation)
Figure 4**

| | Governmental Activities 2013 | Governmental Activities 2012 |
|-----------------------------------|------------------------------------|------------------------------------|
| Land | \$ 14,608,393 | \$ 14,208,393 |
| Construction-in-progress | 325,179 | 664,777 |
| Buildings and systems | 4,955,816 | 4,792,123 |
| Improvements other than buildings | 427,950 | 451,283 |
| Machinery and equipment | 846,485 | 723,940 |
| Infrastructure | 9,604,006 | 8,175,924 |
| Vehicles and motorized equipment | <u>1,796,598</u> | <u>2,055,693</u> |
| Total | <u>\$ 32,564,427</u> | <u>\$ 31,072,133</u> |

Additional information on the Town's capital assets can be found in on pages 29 and 37 of this report.

Long-Term Debt. As of June 30, 2013, the Town of Carrboro had the following long-term liabilities:

**The Town of Carrboro's Outstanding Debt
Figure 5**

| | Governmental Activities 2013 | Governmental Activities 2012 |
|--|---------------------------------|---------------------------------|
| Bond anticipation note | \$ - | \$ 2,590,000 |
| General obligation bonds | 4,600,000 | - |
| Premium on bonds | 90,028 | - |
| Installment purchases | 3,444,437 | 5,405,219 |
| Compensated absences | 556,377 | 519,865 |
| Other postemployment benefits obligation | 4,984,883 | 3,701,243 |
| Net pension obligation | <u>387,238</u> | <u>372,766</u> |
| Total | <u>\$ 14,062,963</u> | <u>\$ 12,589,093</u> |

**TOWN OF CARRBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013**

Total long-term liabilities for the Town increased by \$1,473,869 (11.7%) during fiscal year 2013 primarily due to the issuance of general obligation bonds to replace bond anticipation notes and other post-employment benefits. The Town had debt retirement for this fiscal year with the principal repayment of \$2,503,013. This includes the retirement of debt prior to maturity totaling \$1,487,687.

As mentioned in the financial highlights section of this document, the Town currently holds and has maintained its Aa2 bond rating from Moody's Investor Service and AA+ rating from Standard and Poor's Corporation. These bond ratings are a clear indication of the Town's sound financial condition.

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 is \$152,209,360. The Town has no general obligation bonds authorized, but unissued at June 30, 2013.

Additional information regarding the Town's long-term debt can be found beginning on page 48 of this report.

Economic Factors and Next Year's Budget and Rates

The following key economic indicators will impact the Town.

- Low unemployment. The Town's low unemployment rate (as reflected in the county-wide Orange County rate) of 5.7% is well below the state average of 10.4% as of August 2013. This trend is expected to continue for the next year.
- Stable property tax base. The Town expects to continue to collect property taxes at a rate in excess of 98%.
- Continued property and sales tax growth is expected to continue into the next fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities: The Town has approved a General Fund budget in the amount of \$20,735,656 for fiscal year 2014, which is a \$1,314,165 or 6.8% increase over the original adopted fiscal year 2013 budget. As the economy showed some signs of improvement, it was incumbent upon management to continue its disciplined approach and not become too optimistic in projecting revenues. The primary focus in preparing the fiscal year 2014 budget was to develop one that:

1. Reflected the Board's strategic priorities;
2. Maintained and enhanced service delivery levels and quality;
3. Avoided increasing the tax burden for Town residents and local businesses; and,
4. Provided a salary adjustment for Town employees.

**TOWN OF CARRBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013**

The two largest sources of revenues, property taxes and sales taxes, are projected to increase. Property taxes are projected to increase by 3.8% due to increased valuations and private developments. The tax rate for real property equals 58.94 cents per one hundred dollars (0.5894), which remained unchanged from fiscal year 2012-2013.

Sales taxes revenue over the past year are showing signs of recovery and anticipated to grow by 1.2% over the 2012-13 level due to an increase in the sale of general retail items (e.g., food, clothing, household goods, etc.).

Increased operating expenditures are expected due to an overall 6% increase in personnel and benefits costs, including 10% increase for health insurance premiums, a 1.9% across-the-board pay increase for employees, increase in Law Enforcement Officers Early Separation Allowance, and mandatory employer contribution rate increase for Local Government Employees' Retirement System (LERS). Other operating expense increases are expected for fair-free transit services (from \$1,240,000 to \$1,354,330); additional fuel to transport solid waste to Durham, rather than the local landfill that closed June 30, 2013; and upgrade of public safety radios.

Through re-prioritization of requests, capital outlays for vehicles and equipment were reduced to \$745,176 from the \$1.8 million included in the six-year capital improvement plan. Other capital investments include software upgrades to CAD and GIS information systems, IT server replacement, police-2-citizen and live scan fingerprint systems.

Debt service costs slightly decreased from \$1,430,681 to \$1,353,143 due to the payoff of some older debt with higher interest rates. The Town also issued the authorized \$4.6 million of general obligation bonds in January 2013.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, 301 West Main Street, Carrboro North Carolina 27510. Other related financial documents may be reviewed online at the Town's website at: <http://www.townofcarrboro.org/ms/budget.htm>.

BASIC FINANCIAL STATEMENTS

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TOWN OF CARRBORO, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2013

Exhibit 1

| ASSETS | Governmental Activities |
|---|------------------------------------|
| Current assets | |
| Cash and investments | \$ 16,931,385 |
| Receivables | |
| Taxes receivable, net | 406,149 |
| Accrued interest receivable, property taxes | 25,629 |
| Accounts receivable, net | 4,142 |
| Due from other governments | 1,326,158 |
| Notes receivable | 444,437 |
| Inventories | 62,240 |
| Prepays | 36,096 |
| Restricted cash | 2,008,573 |
| Total current assets | <u>21,244,809</u> |
| Non-current assets | |
| Capital assets | |
| Land | 14,608,393 |
| Construction-in-progress | 324,729 |
| Other capital assets, net of depreciation | 17,631,305 |
| Total non-current assets | <u>32,564,427</u> |
| Total assets | <u>53,809,236</u> |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable and accrued liabilities | 1,474,695 |
| Customer deposits and performance bonds | 569,263 |
| Accrued interest payable | 89,074 |
| Current portion of long-term liabilities | 1,321,342 |
| Total current liabilities | <u>3,454,374</u> |
| Long-term liabilities | |
| Due in more than one year | 12,741,621 |
| Total long-term liabilities | <u>12,741,621</u> |
| Total liabilities | <u>16,195,995</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>106,476</u> |
| NET POSITION | |
| Net investment in capital assets | 25,869,273 |
| Restricted for: | |
| Stabilization by State Statute | 1,902,041 |
| Unrestricted | 9,735,451 |
| Total net position | <u>\$ 37,506,765</u> |

The accompanying notes are an integral part of this statement.

TOWN OF CARRBORO, NORTH CAROLINA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Exhibit 2

| Functions/Programs | Expenses | Program Revenues | | | Net Revenue (Expenses) and Changes in Net Position |
|---|----------------------|-------------------------|--|--|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental activities: | | | | | |
| General government | \$ 3,978,378 | \$ 546,583 | \$ 167,866 | \$ - | \$ (3,263,929) |
| Public safety | 6,778,893 | 572,542 | 7,115 | 336,919 | (5,862,317) |
| Planning | 1,107,377 | 120,171 | 20,915 | - | (966,291) |
| Transportation | 1,286,714 | - | - | 477,977 | (808,737) |
| Public works | 4,072,606 | 82,458 | 11,213 | 139,235 | (3,839,700) |
| Parks and recreation | 1,453,991 | 259,168 | 38,269 | - | (1,156,554) |
| Economic and physical development | 170,695 | - | 74,926 | - | (95,769) |
| Interest on long-term debt | 186,898 | - | - | - | (186,898) |
| Total governmental activities | <u>\$ 19,035,552</u> | <u>\$ 1,580,922</u> | <u>\$ 320,304</u> | <u>\$ 954,131</u> | <u>(16,180,195)</u> |
| General revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes, levied for general purposes | | | | | 11,807,199 |
| Local option sales taxes | | | | | 3,427,678 |
| Other taxes | | | | | 461,054 |
| Unrestricted intergovernmental revenues | | | | | 952,397 |
| Unrestricted investment earnings | | | | | 25,954 |
| Miscellaneous | | | | | <u>20,528</u> |
| Total general revenues | | | | | <u>16,694,810</u> |
| Change in net position | | | | | 514,615 |
| Net position - beginning | | | | | <u>36,992,150</u> |
| Net position - ending | | | | | <u>\$ 37,506,765</u> |

The accompanying notes are an integral part of this statement.

TOWN OF CARRBORO, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013

Exhibit 3

| | Major Funds | | | | | Total Governmental Funds |
|---|----------------------|------------------------|---------------------|--------------------------|-------------------|--------------------------------|
| | General Fund | Revolving Loan Fund | Bond Fund | Capital Projects Fund | Nonmajor Funds | |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 12,058,271 | \$ 299,140 | \$ 2,012,756 | \$ 2,506,816 | \$ 54,402 | \$ 16,931,385 |
| Taxes receivable, net | 406,149 | - | - | - | - | 406,149 |
| Accounts receivable, net | 4,142 | - | - | - | - | 4,142 |
| Due from other governments | 1,263,815 | - | - | - | 62,343 | 1,326,158 |
| Notes receivable, net | - | 318,747 | - | - | 125,690 | 444,437 |
| Inventories | 62,240 | - | - | - | - | 62,240 |
| Prepaid items | 36,096 | - | - | - | - | 36,096 |
| Restricted cash | 1,279,217 | - | - | 729,356 | - | 2,008,573 |
| Total assets | <u>\$ 15,109,930</u> | <u>\$ 617,887</u> | <u>\$ 2,012,756</u> | <u>\$ 3,236,172</u> | <u>\$ 242,435</u> | <u>\$ 21,219,180</u> |
| LIABILITIES | | | | | | |
| Accounts payable and accrued liabilities | \$ 1,217,061 | \$ - | \$ 50,763 | \$ 162,014 | \$ 44,857 | \$ 1,474,695 |
| Customer deposits and performance bonds | 569,263 | - | - | - | - | 569,263 |
| Total liabilities | <u>1,786,324</u> | <u>-</u> | <u>50,763</u> | <u>162,014</u> | <u>44,857</u> | <u>2,043,958</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>512,625</u> | <u>318,747</u> | <u>-</u> | <u>-</u> | <u>125,690</u> | <u>957,062</u> |
| FUND BALANCES | | | | | | |
| Nonspendable: | | | | | | |
| Inventories | 62,240 | - | - | - | - | 62,240 |
| Prepaid Items | 36,096 | - | - | - | - | 36,096 |
| Restricted: | | | | | | |
| Stabilization by state statute | 1,839,698 | - | - | - | 62,343 | 1,902,041 |
| Capital equipment | 709,954 | - | - | - | - | 709,954 |
| Capital projects | - | - | - | 729,356 | - | 729,356 |
| Committed: | | | | | | |
| Economic development | - | 299,140 | - | - | - | 299,140 |
| Capital projects | - | - | 1,961,993 | 2,344,802 | - | 4,306,795 |
| Affordable housing | - | - | - | - | 12,707 | 12,707 |
| Energy efficiency | - | - | - | - | 33,886 | 33,886 |
| Assigned: | | | | | | |
| Subsequent year's expenditures | 866,048 | - | - | - | - | 866,048 |
| Capital projects | 2,000,000 | - | - | - | - | 2,000,000 |
| Unassigned | 7,296,945 | - | - | - | (37,048) | 7,259,897 |
| Total fund balances | <u>12,810,981</u> | <u>299,140</u> | <u>1,961,993</u> | <u>3,074,158</u> | <u>71,888</u> | <u>18,218,160</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 15,109,930</u> | <u>\$ 617,887</u> | <u>\$ 2,012,756</u> | <u>\$ 3,236,172</u> | <u>\$ 242,435</u> | |

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

| | |
|---|----------------------|
| Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. | 32,564,427 |
| Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are inflows of resources in the funds. | 25,629 |
| Liabilities for earned revenues considered deferred inflows of resources in fund statements. | 850,586 |
| Some liabilities, including long-term obligations, are not due and payable in the current period and therefore are not reported in the funds. | (14,062,963) |
| Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds. | (89,074) |
| Net position of governmental activities | <u>\$ 37,506,765</u> |

The accompanying notes are an integral part of this statement.

TOWN OF CARRBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS
Year Ended June 30, 2013

Exhibit 4
Page 1 of 2

| | Major Funds | | | | | Total Governmental Funds |
|---|----------------------|----------------------------|---------------------|------------------------------|-----------------------|---------------------------------|
| | General Fund | Revolving Loan Fund | Bond Fund | Capital Projects Fund | Nonmajor Funds | |
| Revenues | | | | | | |
| Ad valorem taxes | \$ 11,754,299 | \$ - | \$ - | \$ - | \$ - | \$ 11,754,299 |
| Local option sales taxes | 3,427,678 | - | - | - | - | 3,427,678 |
| Other taxes and licenses | 461,054 | - | - | - | - | 461,054 |
| Unrestricted intergovernmental | 952,397 | - | - | - | - | 952,397 |
| Restricted intergovernmental | 591,276 | - | 352,721 | - | 235,464 | 1,179,461 |
| Permits and fees | 1,255,930 | - | - | - | - | 1,255,930 |
| Sales and services | 261,373 | - | - | - | - | 261,373 |
| Investment earnings | 11,565 | 7,039 | 481 | - | 6,869 | 25,954 |
| Other | 83,586 | 49,129 | - | 81 | 2,282 | 135,078 |
| Total revenues | 18,799,158 | 56,168 | 353,202 | 81 | 244,615 | 19,453,224 |
| Expenditures | | | | | | |
| General government | 3,345,195 | - | - | - | - | 3,345,195 |
| Public safety | 5,736,675 | - | - | - | - | 5,736,675 |
| Planning | 1,088,802 | - | - | - | - | 1,088,802 |
| Transportation | 1,286,714 | - | - | - | - | 1,286,714 |
| Public works | 3,385,065 | - | - | - | - | 3,385,065 |
| Economic and physical development | - | 25,000 | - | 1,849 | 143,846 | 170,695 |
| Parks and recreation | 1,276,064 | - | - | - | - | 1,276,064 |
| Capital outlay | 899,356 | - | 945,797 | 806,274 | 65,686 | 2,717,113 |
| Debt service: | | | | | | |
| Principal | 1,035,825 | - | - | 1,467,188 | - | 2,503,013 |
| Interest and other charges | 147,208 | - | 53,213 | 32,175 | - | 232,596 |
| Total expenditures | 18,200,904 | 25,000 | 999,010 | 2,307,486 | 209,532 | 21,741,932 |
| Excess of revenues over (under) expenditures | 598,254 | 31,168 | (645,808) | (2,307,405) | 35,083 | (2,288,708) |
| Other financing sources (uses) | | | | | | |
| Transfers from other funds | 176,945 | - | 143,823 | 4,045,287 | 58,078 | 4,424,133 |
| Transfers to other funds | (3,904,875) | - | - | (491,130) | (28,128) | (4,424,133) |
| Sale of capital assets | 20,528 | - | - | - | - | 20,528 |
| General obligation bonds issued | - | - | 4,600,000 | - | - | 4,600,000 |
| Premium on bond issuance | - | - | 92,461 | - | - | 92,461 |
| Installment purchase obligations issued | 397,320 | - | - | - | - | 397,320 |
| Total other financing sources (uses) | (3,310,082) | - | 4,836,284 | 3,554,157 | 29,950 | 5,110,309 |
| Net change in fund balances (deficit) | (2,711,828) | 31,168 | 4,190,476 | 1,246,752 | 65,033 | 2,821,601 |
| Fund balances (deficit), beginning of year | 15,522,809 | 267,972 | (2,228,483) | 1,827,406 | 6,855 | 15,396,559 |
| Fund balances, end of year | \$ 12,810,981 | \$ 299,140 | \$ 1,961,993 | \$ 3,074,158 | \$ 71,888 | \$ 18,218,160 |

The accompanying notes are an integral part of this statement.

TOWN OF CARRBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS
Year Ended June 30, 2013

Exhibit 4
Page 2 of 2

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) to the Statement of Activities:

Total net change in fund balances - governmental funds \$ 2,821,601

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

| | | |
|--|--------------------|-----------|
| Capital outlay expenditures which were capitalized | \$ 2,717,113 | |
| Depreciation expense for governmental assets | <u>(1,224,819)</u> | 1,492,294 |

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

| | | |
|---|---------------|--------|
| Change in accrued interest receivable, property taxes | (2,918) | |
| Change in deferred revenues, property taxes | 55,818 | |
| Change in deferred revenues | <u>23,515</u> | 76,415 |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

| | | |
|---|------------------|-------------|
| New installment purchase obligations issued | (397,320) | |
| New general obligation bonds issued | (4,600,000) | |
| Premium on bonds issued | (92,461) | |
| Principal payments on long-term debt | <u>2,503,013</u> | (2,586,768) |

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.

| | | |
|--|--------------------|--------------------|
| Amortization of bond premiums | 2,433 | |
| Change in prepaid interest on long-term debt | 35,486 | |
| Change in accrued interest payable on long-term debt | 7,779 | |
| Change in compensated absences | (36,513) | |
| Change in net pension obligation | (14,472) | |
| Change in other postemployment benefits | <u>(1,283,640)</u> | <u>(1,288,927)</u> |

Total changes in net position of governmental activities \$ 514,615

The accompanying notes are an integral part of this statement.

TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2013

Exhibit 5

| | Budgeted Amounts | | Actual | Variance with |
|---|-------------------------|--------------------|----------------------|-----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Revenues | | | | |
| Ad valorem taxes | \$ 11,538,637 | \$ 11,538,637 | \$ 11,754,299 | \$ 215,662 |
| Local option sales taxes | 3,287,245 | 3,287,245 | 3,427,678 | 140,433 |
| Other taxes and licenses | 408,490 | 408,490 | 461,054 | 52,564 |
| Unrestricted intergovernmental | 862,737 | 862,737 | 952,397 | 89,660 |
| Restricted intergovernmental | 598,200 | 598,200 | 591,276 | (6,924) |
| Permits and fees | 1,054,151 | 1,054,151 | 1,255,930 | 201,779 |
| Sales and services | 229,845 | 229,845 | 261,373 | 31,528 |
| Investment earnings | 35,000 | 35,000 | 11,565 | (23,435) |
| Other revenues | 35,605 | 40,855 | 83,586 | 42,731 |
| Total revenues | 18,049,910 | 18,055,160 | 18,799,158 | 743,998 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 3,792,087 | 3,900,205 | 3,393,510 | 506,695 |
| Public safety | 5,812,734 | 6,032,682 | 5,893,620 | 139,062 |
| Planning | 1,244,178 | 1,248,618 | 1,088,802 | 159,816 |
| Transportation | 1,240,000 | 1,287,000 | 1,286,714 | 286 |
| Public works | 3,735,232 | 4,289,433 | 4,043,678 | 245,755 |
| Parks and recreation | 1,425,878 | 1,514,093 | 1,311,547 | 202,546 |
| General services | 310,001 | 30,902 | - | 30,902 |
| Debt service | 1,430,681 | 1,430,681 | 1,183,033 | 247,648 |
| Total expenditures | 18,990,791 | 19,733,614 | 18,200,904 | 1,532,710 |
| Excess of revenues over (under) expenditures | (940,881) | (1,678,454) | 598,254 | 2,276,708 |
| Other financing sources (uses) | | | | |
| Transfers from other funds | 176,945 | 176,945 | 176,945 | - |
| Transfers to other funds | (450,700) | (4,054,875) | (3,904,875) | 150,000 |
| Sale of capital assets | 30,000 | 30,000 | 20,528 | (9,472) |
| Installment purchase obligation issued | 397,320 | 397,320 | 397,320 | - |
| Total other financing sources (uses) | 153,565 | (3,450,610) | (3,310,082) | 140,528 |
| Excess of revenues and other financing sources under expenditures and other financing uses | (787,316) | (5,129,064) | (2,711,828) | 2,417,236 |
| Fund balance appropriated | 787,316 | 5,129,064 | - | (5,129,064) |
| Net change in fund balance | \$ - | \$ - | (2,711,828) | \$ (2,711,828) |
| Fund balance, beginning of year | | | 15,522,809 | |
| Fund balance, end of year | | | \$ 12,810,981 | |

The accompanying notes are an integral part of this statement.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Carrboro (the "Town") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town, a political subdivision of Orange County, is governed by an elected mayor and a six-member Board of Aldermen.

Effective March 1, 2013, a 3% hotel and motel room occupancy tax was established by the Board. As part of establishing this tax, the Town formed the Carrboro Tourism Development Authority (CTDA) that is a public authority under the Local Government Budget and Fiscal Control Act. The CTDA qualifies as a component unit of the Town. As of June 30, 2013, the CTDA had no activity as there had been no taxes levied for the aforementioned hotel and motel room occupancy tax.

B. Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The Town reports the following major governmental funds:

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

Revolving Loan Fund - The Revolving Loan Fund is used to account for loans made to various local businesses.

Bond Fund - The Bond Fund accounts for the financial resources to be used for the acquisition or construction of greenways and sidewalks. The Town has elected to report this fund as major.

Capital Projects Fund - The Capital Projects Fund accounts for the financial resources to be used for the acquisition or construction of major capital facilities. Additionally, the Town has legally adopted a Capital Reserve Fund and Payment in Lieu Reserve Fund. The Capital Reserve Fund and Payment in Lieu Reserve Fund are consolidated in the Capital Projects Fund. The budgetary comparisons for the Capital Reserve Fund has been included in the supplemental information. The Capital Reserve Fund accounts for resources to be used for future major capital purchases or projects. The Payment in Lieu Reserve Fund accounts for payments received from developers in lieu of providing on-site recreational areas and open spaces. The funds are held in reserve for use in one of four geographically defined quadrants of the Town (where the residential development is located) for use in acquisition and development of recreational facilities present or future. The Payment in Lieu Reserve Fund had no activity in the current year.

The Town reports the following non-major governmental funds:

Grants Administration Fund - The Grants Administration Fund was established to account for grant funds that are restricted for a particular project.

Affordable Housing Fund - The Affordable Housing Fund was established to advance the Town of Carrboro's goal of increasing the stock of affordable, safe and decent housing within the Town and its planning jurisdiction.

Energy Efficiency Revolving Loan Fund - The Energy Efficiency Revolving Loan Fund was established to advance the Town of Carrboro's goal of increasing energy efficiency in buildings within the Town in cooperation with the Southeast Energy Efficiency Alliance.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

Government-Wide Statements. The 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 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 revenues 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.

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 long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under installment purchase agreements are reported as other financing sources.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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 revenue, because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the subsequent year. Also, as of January 1, 1993, 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, Orange County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Carrboro. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Orange County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset as a deferred inflow 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. Intergovernmental revenues and sales and services are not susceptible to accrual because they are not measurable until received in cash. Grant revenues which are unearned at year end are recorded as deferred inflows of resources. 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 is 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.

As permitted by generally accepted accounting practices, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the Revolving Loan Fund, the Bond Fund, the Capital Projects Fund, the Grant Administration Fund, the Affordable Housing Fund and the Energy Efficiency Revolving Loan Fund. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for multi-year funds. The Finance Officer is authorized to approve intradepartmental transfer requests between appropriation units and between departmental programs within the limits of the approved departmental budget. In the Capital Projects Fund, the Town Manager is allowed to transfer funds under \$10,000 between line items as long as transfers are within the overall project budget. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio and SEC-registered (2a-7) money market mutual fund are valued at fair value, which is the NCCMT's share price.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

2. Cash and Cash Equivalents

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

3. Restricted Assets

The unexpended proceeds from installment purchase agreements in the amount of \$1,439,310 are classified as restricted assets because their use is completely restricted to the purpose for which the installment purchase agreements were issued. Credit deposits in the amount of \$569,263 are considered a liability and classified as restricted cash. The Town requires builders/contractors to pay a credit deposit when, due to circumstances beyond their control, there is uncompleted work on a construction project and the builder/contractor needs to have the Planning Department issue a Certificate of Occupancy for the property. Once the Town has ensured that the work has been satisfactorily completed, the credit deposit funds are released.

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, 2012. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Fund Equity (Continued)

6. Inventory and Prepaid Items

The inventory of the Town is valued at weighted average cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded initially in inventory accounts and charged as expenditures when used.

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

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental 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 amount and an estimated useful life in excess of two years.

Minimum capitalization costs are as follows:

| | <u>Cost</u> |
|-----------------------------------|-------------|
| Land | \$ 1 |
| Buildings and improvements | 20,000 |
| Vehicles, furniture and equipment | 5,000 |
| Infrastructure | 100,000 |

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at time of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

| | <u>Useful Life</u> |
|---|--------------------|
| Land improvements and infrastructure | 20 to 40 years |
| Furniture, fixtures, equipment, heavy equipment, and vehicles | 5 to 10 years |
| Computer equipment and software | 3 years |

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Fund Equity (Continued)

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has items that meet the criterion for this category: taxes receivable, motor vehicle taxes receivable, and notes receivable which are net of allowance. In addition, the Town has unearned revenue items that meet this criterion for this category: R&P program, R&P facility, dumpster fees, and privilege licenses.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of applicable bond premiums or discount. Bond 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 the fund financial statements, governmental fund types recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources. Issuance costs, whether or not held from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Fund Equity (Continued)

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of annual vacation leave without any applicable maximum until December 31 of each calendar year. However, if an employee separates from service, payment for accumulated annual vacation leaves shall not exceed 240 hours (14 duty days for shift fire personnel). On December 31 of each calendar year, any employee with more than 240 hours (14 duty days for shift fire personnel) of accumulated leave shall have the excess accumulation converted to sick leave so that only 240 hours (14 duty days for shift fire personnel) are carried forward to January 1 of the next calendar year. 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 in the government-wide financial statements.

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

11. Net Position/Fund Balances

Net Position

Net position in government-wide 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.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Fund Equity (Continued)

11. Net Position/Fund Balances (Continued)

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.

Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepaid items - charges entered into accounts for benefits not yet received and are regularly recurring costs of operations such as unexpired insurance premiums. They are recognized as an asset when paid and recognized as an expenditure is incurred.

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 - portion of fund balance restricted by State Statute [G.S. 159-8(a)].

Restricted for capital equipment - portion of fund balance that represents unspent debt proceeds that are restricted for the purchase of certain equipment.

Restricted for capital projects - portion of fund balance that represents unspent debt proceeds that are restricted for the construction of certain capital projects.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Fund Equity (Continued)

11. Net Position/Fund Balances (Continued)

Fund Balances (Continued)

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by the government through formal action (Ordinances and Resolutions) at the highest level of decision making authority (Board of Aldermen). These commitments can only be overturned by a like action.

Economic development - portion of fund balance committed by the Board for economic development through the use of loans to various businesses.

Capital projects - portion of fund balance committed by the Board for completion of capital projects.

Affordable housing - portion of fund balance committed by the Board for providing safe and decent housing within the Town.

Energy efficiency - portion of fund balance committed by the Board for the goal of increasing energy efficiency in buildings within the Town.

Assigned Fund Balance - portion of fund balance that the Town 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; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

Capital projects - portion of fund balance assigned by Town management for future capital projects.

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

The Town has a revenue spending policy that provides policy for programs with multiple revenue sources. The Town will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-Town funds, Town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, finally, unassigned fund balance. The Town has the authority to deviate from this policy if it is in the best interest of the Town.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Fund Equity (Continued)

11. Net Position/Fund Balances (Continued)

Fund Balances (Continued)

The Board has adopted a policy of maintaining an unassigned fund balance within a range of 22.5% to 35% of budgeted appropriations. This policy also provides for the transfer of funds to Capital Projects when the unassigned fund balance exceeds 35%.

Note 2. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's 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 Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial risks 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.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Detail Notes on All Funds Continued

A. Assets (Continued)

1. Deposits (Continued)

At June 30, 2013, the Town's deposits had a carrying amount of \$8,484,398 and a bank balance of \$8,471,930. Of the bank balance, \$500,000 was covered by federal depository insurance and \$5,738,660 was covered under the Pooling Method. The Town had \$1,870 of petty cash on hand at June 30, 2013.

2. Investments

At June 30, 2013, the Town had \$10,453,690 invested with the North Carolina Capital Management Trust Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

There were no realized or unrealized gains or losses on the Town's investments during the fiscal year ended June 30, 2013.

3. Receivables

Due from Governmental Agencies

Amounts due from other governments consist of the following:

| | <u>County</u> | <u>State</u> | <u>Total</u> |
|---|------------------|---------------------|---------------------|
| <i>General Fund</i> | | | |
| Local option sales tax | \$ - | \$ 742,297 | \$ 742,297 |
| Sales tax refunds | 35,765 | 62,982 | 98,747 |
| Utilities franchise, piped natural gas and telecommunications tax | - | 422,771 | 422,771 |
| <i>Other Funds</i> | | | |
| Grants | - | 62,343 | 62,343 |
| <i>Total</i> | <u>\$ 35,765</u> | <u>\$ 1,290,393</u> | <u>\$ 1,326,158</u> |

Notes Receivable

The Revolving Loan Fund was established for the purpose of making loans to numerous local businesses. As of June 30, 2013, the Revolving Loan Fund notes receivable balance was \$318,747, net of a \$70,000 allowance.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Detail Notes on All Funds (Continued)

A. Assets (Continued)

3. Receivables (Continued)

Notes Receivable (Continued)

The following is a summary of notes receivable of the Revolving Loan Fund at June 30, 2013:

| | <u>Interest Rate</u> | <u>Balance</u> |
|-----------------------------|--------------------------|-------------------|
| Alphabet Soup | 6.00 | \$ 20,870 |
| Bryan's Guitar | 3.00 | 50,933 |
| Art in a Pickle | 2.00 | 45,766 |
| The Beehive | 3.00 | 25,482 |
| Carrboro Creative Coworking | 2.00 | 57,429 |
| Original Ornament | 3.00 | 70,000 |
| Kind Coffee | 3.00 | 28,725 |
| Carrboro Citizen | 2.00 | 29,561 |
| PTA Thrift Store | 3.00 | 22,536 |
| Second Wind Juice Bar | 3.00 | <u>37,444</u> |
| | | 388,746 |
| Less allowance | | <u>(70,000)</u> |
| Total | | <u>\$ 318,747</u> |

The Energy Efficiency Revolving Loan Fund was created to advance the Town's goal of increasing energy efficiency in buildings within the Town in cooperation with Southeast Energy Efficiency Alliance. As of June 30, 2013, the Energy Efficiency Revolving Loan Fund notes receivable balance was \$97,709.

The Affordable Housing Fund was created to advance the Town's goal of increasing the stock of affordable, safe and decent housing within the Town and its planning jurisdiction. As of June 30, 2013, the Affordable Housing Fund notes receivable balance was \$27,981.

4. Receivables - Allowance for Doubtful Accounts

The Town provides, as an allowance for uncollectible accounts, a percentage of its receivables which it does not expect to collect based on historical collection rates.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Detail Notes on All Funds (Continued)

A. Assets (Continued)

4. Receivables - Allowance for Doubtful Accounts (Continued)

The amounts presented in Exhibit 3, the governmental funds balance sheet, are net of the following allowances for doubtful accounts:

General Fund
Property taxes, including motor vehicle \$ 94,515

5. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|---|-------------------------------|---------------------|---------------------|----------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 14,208,393 | \$ 400,000 | \$ - | \$ 14,608,393 |
| Construction-in-progress | 664,777 | 318,856 | (658,454) | 325,179 |
| Total capital assets not being depreciated | <u>14,873,170</u> | <u>718,856</u> | <u>(658,454)</u> | <u>14,933,572</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 7,696,349 | 391,318 | - | 8,087,667 |
| Land improvements | 608,431 | - | - | 608,431 |
| Infrastructure | 9,531,715 | 1,753,381 | - | 11,285,096 |
| Equipment and heavy equipment | 3,441,562 | 361,467 | (140,236) | 3,662,793 |
| Vehicles | 5,676,730 | 150,545 | (142,612) | 5,684,663 |
| Total capital assets being depreciated | <u>26,954,787</u> | <u>2,656,711</u> | <u>(282,848)</u> | <u>29,328,650</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 2,904,226 | 227,625 | - | 3,131,851 |
| Land improvements | 157,148 | 23,333 | - | 180,481 |
| Infrastructure | 1,355,791 | 325,299 | - | 1,681,090 |
| Equipment and heavy equipment | 2,717,622 | 238,922 | (140,236) | 2,816,308 |
| Vehicles | 3,621,037 | 409,640 | (142,612) | 3,888,065 |
| Total accumulated depreciation | <u>10,755,824</u> | <u>\$ 1,224,819</u> | <u>\$ (282,848)</u> | <u>11,697,795</u> |
| Total capital assets being depreciated, net | <u>16,198,963</u> | | | <u>17,630,855</u> |
| Governmental activity capital assets, net | <u>\$ 31,072,133</u> | | | <u>\$ 32,564,427</u> |

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Detail Notes on All Funds (Continued)

A. Assets (Continued)

5. Capital Assets (Continued)

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

| | |
|----------------------------|---------------------|
| General government | \$ 43,280 |
| Public safety | 390,760 |
| Planning | 6,304 |
| Public works | 623,294 |
| Parks and recreation | <u>161,180</u> |
| Total depreciation expense | <u>\$ 1,224,819</u> |

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at the government-wide level at June 30, 2013 were as follows:

| | <u>Vendors</u> | <u>Salaries and Benefits</u> | <u>Other</u> | <u>Total</u> |
|-------------------------------|---------------------|----------------------------------|-----------------|---------------------|
| Governmental activities: | | | | |
| General | \$ 777,863 | \$ 436,040 | \$ 3,158 | \$ 1,217,061 |
| Other governmental | <u>257,634</u> | <u>-</u> | <u>-</u> | <u>257,634</u> |
| Total governmental activities | <u>\$ 1,035,497</u> | <u>\$ 436,040</u> | <u>\$ 3,158</u> | <u>\$ 1,474,695</u> |

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the state of North Carolina. The state's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute 6% of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 7.77%, respectively, of annual covered payroll. The contribution requirements of members and of the Town are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2013, 2012 and 2011 were \$512,215, \$514,578, and \$476,399, respectively. The contributions made by the Town equaled the required contributions for each year.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

Law Enforcement Officers' Special Separation Allowance

Plan Description. The Town administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2012, the Separation Allowance's membership consisted of:

| | |
|---|------------------|
| Retirees receiving benefits | 5 |
| Terminated plan members entitled to, but not yet receiving benefits | - |
| Active plan members | <u>42</u> |
| Total | <u><u>47</u></u> |

A separate report was not issued for the plan.

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.

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

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

Law Enforcement Officers' Special Separation Allowance (Continued)

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.

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) a 5% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3%. The assumptions did not include postretirement benefit increases. The unfunded actuarial accrued liability is being amortized on a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2012 was 18 years.

Annual Pension Cost and Net Pension Obligation: The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

| | |
|--|------------------------------|
| Annual required contribution | \$ 108,440 |
| Interest on net pension obligation | 18,638 |
| Adjustment to annual required contribution | <u>(23,198)</u> |
| Annual pension cost | 103,880 |
| Contributions made | <u>89,408</u> |
| Increase in net pension obligation | 14,472 |
| Net pension obligation, beginning of year | <u>372,766</u> |
| Net pension obligation, end of year | <u><u>\$ 387,238</u></u> |

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

Law Enforcement Officers' Special Separation Allowance (Continued)

Three-Year Trend Information:

| <u>Fiscal Year Ended</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|----------------------------------|--|--|---------------------------------------|
| 6/30/11 | \$ 89,794 | 58.39% | \$ 359,949 |
| 6/30/12 | 91,808 | 85.60% | 372,766 |
| 6/30/13 | 103,880 | 86.07% | 387,238 |

Funded Status and Funding Process: As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UALL) was \$1,099,249. The covered payroll (annual payroll of active employees covered by the plan) was \$1,894,654, and the ratio of the UAAL to the covered payroll was 58.02%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Supplemental Retirement Income Plan

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the state of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

Supplemental Retirement Income Plan (Continued)

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each law enforcement officer's salary, and all amounts contributed are vested immediately. The Town has elected to contribute each month an amount equal to 3% of each participating general employee's salary. Also, the participants may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2013 were \$422,128, which consisted of \$257,115 from the Town and \$165,013 from the employees.

Additionally, the Town has elected to include all permanent, full-time employees under this plan.

3. Other Post-Employment Benefits (OPEB)

Plan Description. In addition to providing pension benefits, the Town has elected to provide post-retirement health benefits to retirees of the Town who participate in the North Carolina Local Governmental Employees' Retirement System. The benefits are provided to any employees who retire with ten years or more of continuous service to the Town. The benefits vary based on years of continuous service at retirement and based on date of hire. The Board of Aldermen may amend the benefit provisions.

Membership of the Healthcare Benefits (HCB) Plan consisted of the following at December 31, 2011, the date of the latest actuarial valuation:

| | <u>General Employees</u> | <u>Law Enforcement Officers</u> |
|--|------------------------------|---|
| Retirees and dependents receiving benefits | 17 | 10 |
| Terminated plan members entitled to but not yet receiving benefits | - | - |
| Active plan members | <u>117</u> | <u>38</u> |
| Total | <u><u>134</u></u> | <u><u>48</u></u> |

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

3. Other Post-Employment Benefits (OPEB) (Continued)

Funding Policy. The Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees. Also, retirees who have their dependents covered at the time of retirement may continue to cover dependents if they elect to pay the premiums. Currently, 27 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2013, the Town made payments for post-retirement health premiums of \$155,299. The Town has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current annual required contribution (ARC) rate is 17.22% of annual covered payroll. For the current year, the Town contributed \$155,299 or 2.1% of annual covered payroll. The Town obtains healthcare coverage through private insurers. The Town's required contributions, under a Town resolution, for employees not engaged in law enforcement and for law enforcement officers represented 13.00% and 5.00% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$67,356. The Town's obligation to contribute to HBC Plan is established and may be amended by the Town's Board.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation. The Town's annual OPEB cost (expense) is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

| | |
|--|----------------------------|
| Annual required contribution | \$ 1,425,359 |
| Interest on net OPEB obligation | 98,938 |
| Adjustment to annual required contribution | <u>(85,358)</u> |
| Annual OPEB cost | 1,438,939 |
| Contributions made | <u>(155,299)</u> |
| Increase in net OPEB obligation | 1,283,640 |
| Net OPEB obligation, beginning of year | <u>3,701,243</u> |
| Net OPEB obligation, end of year | <u><u>\$ 4,984,883</u></u> |

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

3. Other Post-Employment Benefits (Continued)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2013 were as follows:

| <u>For Year Ended June 30</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|-----------------------------------|-----------------------------|---|--------------------------------|
| 2013 | \$ 1,438,939 | 10.79% | \$ 4,984,883 |
| 2012 | 1,438,939 | 14.67% | 3,701,243 |
| 2011 | 1,324,193 | 6.42% | 2,473,455 |

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$13,603,239. The covered payroll (annual payroll of active employees covered by the plan) was \$7,223,608, and the ratio of the UAAL to the covered payroll was 188.3%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends.

Amounts are determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members), and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

3. Other Post-Employment Benefits (Continued)

In the December 31, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 9.50% to 5.00% annually. The investment rate included a 3.00% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011, was 30 years.

4. Other Employment Benefits

The Town has elected to provide death benefits to local law enforcement 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 local law enforcement employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit 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. The Town considers these contributions to be immaterial.

The Town provides additional group term life insurance through American United Life Insurance Company. The death benefit provided by the Town is \$15,000. Employees may purchase additional supplemental insurance. The supplemental amounts are available in increments of \$25,000, \$50,000, or \$75,000. The premiums for the supplemental insurance are deducted from payroll on an after-tax basis.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

5. Deferred Outflows and Inflows of Resources

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

| | <u>Unavailable Revenues</u> | <u>Unearned Revenues</u> |
|---------------------------------------|---------------------------------|------------------------------|
| Taxes receivable, net | \$ 406,149 | \$ - |
| Notes receivable, net | 444,437 | - |
| Prepaid parks and recreation program | - | 41,836 |
| Prepaid parks and recreation facility | - | 12,391 |
| Prepaid dumpster revenue | - | 16,384 |
| Prepaid privilege license | <u>-</u> | <u>35,865</u> |
| | <u>\$ 850,586</u> | <u>\$ 106,476</u> |

6. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability of \$2 million per occurrence and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and unlimited lifetime employee health coverage. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property liability in excess of \$500,000 and \$100,000 statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries commercial coverage for police liability and public officials' liability. 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 Town does not carry flood insurance.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

6. Risk Management (Continued)

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$1,000,000.

7. Short-Term Obligation

Bond Anticipation Notes

The Town issued bond anticipation notes (BAN) for sidewalk and greenway trail improvements in the amount of \$2,590,000 on October 27, 2010, which matured on July 20, 2011. The BAN was renewed at the same face value and matured on April 18, 2012. In 2013, the Town issued general obligation bonds authorized by an order adopted on November 3, 2003 entitled, "Bond Order Authorizing the Issuance of \$4,600,000 Sidewalk and Greenway Trail Bonds of the Town of Carrboro" to pay off the BAN.

Changes in Short-Term Obligations

| | Balance July 1, 2012 | Increases | Decreases | Balance June 30, 2013 | Current Portion of Balance |
|------------------------------|-------------------------|-----------|----------------|--------------------------|----------------------------------|
| Governmental activities: | | | | | |
| Bond anticipation note | \$ 2,590,000 | \$ - | \$ (2,590,000) | \$ - | \$ - |
| Total short-term obligations | \$ 2,590,000 | \$ - | \$ (2,590,000) | \$ - | \$ - |

8. Long-Term Obligations

a. General Obligation Indebtedness

The Town's general obligation bonds serviced by the governmental funds were issued to refinance Bond Anticipation Notes. Those general obligation bonds issued to refinance the Bond Anticipation Notes are reported as long-term debt in the Bond Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

8. Long-Term Obligations (Continued)

a. General Obligation Indebtedness (Continued)

Bonds payable at June 30, 2013, is comprised of the following individual issue:

General Obligation Bonds

The bond contract requires principal payment of serial bonds on February 1 in the amount of \$250,000. Interest payments are due August 1 and February 2 at an interest rate of 2.0% through 2023 after which the interest rate will change. \$ 4,600,000

Annual debt service requirements to maturity for long-term obligation are as follows:

| Year Ending June 30 | <u>Governmental Activities</u> | |
|------------------------|--------------------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2014 | \$ 250,000 | \$ 109,667 |
| 2015 | 250,000 | 100,000 |
| 2016 | 250,000 | 95,000 |
| 2017 | 250,000 | 90,000 |
| 2018 | 250,000 | 82,500 |
| 2019-2023 | 1,250,000 | 337,500 |
| 2024-2028 | 1,250,000 | 206,625 |
| 2029-2032 | <u>850,000</u> | <u>56,500</u> |
| | <u>\$ 4,600,000</u> | <u>\$ 1,077,792</u> |

b. Installment Purchase Agreements - Equipment - General Fund

The Town has installment purchase agreements for the purchase and/or improvement of personal property including vehicles and equipment. The installment purchase notes payable at June 30, 2013, are as follows:

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

7. Long-Term Obligations (Continued)

b. Installment Purchase Agreements - Equipment - General Fund (Continued)

The financing contract requires an annual level payment of \$143,970 due June 16, including interest at 3.19%. The financing institution holds a security interest in all or a portion of the property purchased or improved. Payments are due beginning June 24, 2008, and annually thereafter, with a final payment of all outstanding principal and accrued and unpaid interest due on June 24, 2014.

\$ 139,519

The financing contract requires an annual level payment of \$129,114 due June 23, including interest at 2.235%. The financing institution holds a security interest in all or a portion of the property purchased or improved. Payments are due beginning June 23, 2010, and annually thereafter, with a final payment of all outstanding principal and accrued and unpaid interest due on June 23, 2014.

126,291

The financing contract requires an annual level payment of \$98,243 due June 24, including interest at 1.555%. The financing institution holds a security interest in all or a portion of the property purchased or improved. Payments are due beginning June 24, 2011, and annually thereafter, with a final payment of all outstanding principal and accrued and unpaid interest due on June 24, 2015.

191,995

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

7. Long-Term Obligations (Continued)

b. Installment Purchase Agreements - Equipment - General Fund (Continued)

The financing contract requires an annual level payment of \$61,694 due June 21, including interest at 1.61%. The financing institution holds a security interest in all or a portion of the property purchased or improved. Payments are due beginning June 21, 2012, and annually thereafter, with a final payment of all outstanding principal and accrued and unpaid interest due on June 21, 2016. \$ 179,280

The finance contract requires an annual level payment of \$81,636 due June 21, including interest of 1.37%. The financing institution holds a security interest in all or a portion of the property purchased or improved. Payments are due beginning June 21, 2013, and annually thereafter, with a final payment of all outstanding principal and accrued and unpaid interest due on June 21, 2017. 315,684

Total \$ 952,769

Annual debt service payments of the installment purchases as of June 30, 2013 are as follows:

| <u>Year Ending June 30</u> | <u>Governmental Activities</u> | |
|--------------------------------|--------------------------------|-------------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2014 | \$ 500,697 | \$ 17,461 |
| 2015 | 234,871 | 6,702 |
| 2016 | 140,166 | 3,165 |
| 2017 | <u>77,035</u> | <u>1,100</u> |
| Total | <u><u>\$ 952,769</u></u> | <u><u>\$ 28,428</u></u> |

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

7. Long-Term Obligations (Continued)

c. Installment Purchase Agreement - Improvements - General Fund

The Town has installment purchase agreement for improvements. The installment purchase note payable at June 30, 2013, are as follows:

Installment purchase agreement to finance the construction of the fire substation. The financing contract requires semi-annual payments of \$108,333 due July 15 and January 15, plus interest at 4.07%. The financing institution holds a first lien security interest on the property and first priority security interest in any and all fixtures used in connection with the operation of the property.

\$ 2,491,667

Annual debt service payments of the installment purchase as of June 30, 2013 are as follows:

| <u>Year Ending June 30</u> | <u>Governmental Activities</u> | |
|--------------------------------|--------------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2014 | \$ 216,667 | \$ 99,206 |
| 2015 | 216,667 | 90,388 |
| 2016 | 216,667 | 81,570 |
| 2017 | 216,667 | 72,752 |
| 2018 | 216,667 | 63,933 |
| 2019 - 2023 | 1,083,332 | 187,389 |
| 2024 - 2026 | <u>325,000</u> | <u>33,068</u> |
| Total | <u>\$ 2,491,667</u> | <u>\$ 628,306</u> |

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

7. Long-Term Obligations (Continued)

d. Changes in Long-Term Debt Obligations

During the year ended June 30, 2013, the following changes occurred in long-term and short-term obligations:

| | Balance July 1, 2012 | Increases | Decreases | Balance June 30, 2013 | Current Portion of Balance |
|--------------------------|-------------------------|---------------------|-----------------------|--------------------------|----------------------------------|
| Governmental activities: | | | | | |
| General Obligation- | | | | | |
| Bonds | \$ - | \$ 4,600,000 | \$ - | \$ 4,600,000 | \$ 250,000 |
| Premium on bond | - | 92,461 | (2,433) | 90,028 | 4,623 |
| Long-term debt | | | | | |
| Installment purchases - | | | | | |
| improvements | 4,354,221 | - | (1,862,554) | 2,491,667 | 216,667 |
| Installment purchases - | | | | | |
| equipment | 1,050,998 | 397,320 | (495,548) | 952,770 | 500,697 |
| Compensated absences | 519,865 | 390,490 | (353,978) | 556,377 | 349,355 |
| Other post-employment | | | | | |
| benefits | 3,701,243 | 1,438,939 | (155,299) | 4,984,883 | - |
| Net pension obligation | <u>372,766</u> | <u>103,880</u> | <u>(89,408)</u> | <u>387,238</u> | - |
| Total long-term | | | | | |
| obligations | <u>\$ 9,999,093</u> | <u>\$ 7,023,090</u> | <u>\$ (2,959,220)</u> | <u>\$ 14,062,963</u> | <u>\$ 1,321,342</u> |

Compensated absences, net pension obligation and other post-employment benefits have typically been liquidated in the General Fund.

The Town's legal debt margin at June 30, 2013 was \$152,209,360.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Detail Notes on All Funds (Continued)

C. Interfund Balances and Activity

Transfers to/from other funds:

Transfers to/from other funds at June 30, 2013 consist of the following:

| | |
|--|---------------------|
| From the General Fund to the Capital Projects Fund in the amounts of (1) \$450,000 to support Rogers Road remediation, (2) \$80,000 to support stormwater management, (3) \$251,459 to support Anderson Park bathroom renovations, (4) \$148,566 to support Anderson Park multi-purpose field renovations, (5) \$1,500,000 to support debt service, (6) \$1,173,000 to support the acquisition of property, (7) \$1,150 to support bicycle loop detection. | \$ 3,604,175 |
| From the General Fund to the Capital Reserve Fund to support street resurfacing. | 300,700 |
| From the Grant Administration Fund to the Energy Efficiency Revolving Loan Fund to support the Artcenter. | 28,128 |
| From the Capital Reserve Fund to the Capital Projects Fund in the amounts of (1) \$79,000 to support fiber optics on Smith Level Road and (2) \$61,412 to support sidewalks and fire hydrants. | 140,412 |
| From the Capital Reserve Fund to the General Fund to support debt service. | 176,945 |
| From Capital Reserve Fund to the Grant Administration Fund to support the Roberson Street Sewer Project. | 29,950 |
| From the Capital Reserve Fund to the Bond Fund to support the Rogers Road project. | <u>143,823</u> |
| | <u>\$ 4,424,133</u> |

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Detail Notes on All Funds (Continued)

D. 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 - General Fund | <u>\$ 12,810,981</u> |
| Less: | |
| Inventories | \$ 62,240 |
| Prepaid items | 36,096 |
| Stabilization by state statute | 1,839,698 |
| Capital equipment | 709,954 |
| Subsequent year's expenditures | 866,048 |
| Capital projects | 2,000,000 |
| Working capital/fund balance policy | 2,822,470 |
| Remaining fund balance | 7,296,945 |

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

| | |
|--------------|------------|
| General Fund | \$ 571,741 |
|--------------|------------|

Note 3. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Employment Security Benefits

The Town has elected to pay the direct cost of employment security benefits in lieu of unemployment payroll taxes. A liability for such payments could accrue in the period following the discharge of an employee. The Town made payments of \$945 for employment security benefits during the current fiscal year.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 3. Summary Disclosure of Significant Contingencies (Continued)

Claims and Contingent Liabilities

The Town is at times involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on the Town's financial position or results of operations.

Note 4. Change in Accounting Principles

The Town implemented Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position, and Statement 65, Items Previously Reported as Assets and Liabilities, in the fiscal year ended June 30, 2013. In accordance with GASB Statement 63, The Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified as Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position. The implementation of these standards had no impact on fund balance or net position as previously reported.

Note 5. Future Expected Annual Cell Tower Revenue

The Town entered into contractual arrangements with four wireless communication service providers. The lease contracts have staggering maturity dates.

The Town has allowed these providers to have equipment on the Town-owned cell towers and has allowed service provider equipment on the Town's site. The lessee is responsible for keeping in full force and effect a comprehensive general liability insurance policy of at least \$2,000,000 from any one occurrence in respect to bodily injury (including death) and damage to property. The lessee agrees that no part of the equipment, building or improvements constructed, erected or placed by the lessee on the tower or site shall be considered as being affixed or part of the tower or site, and will be removed by the lessee upon termination of the contractual agreement.

The expected annual cell tower revenues are as follows:

| | |
|------|-------------------|
| 2014 | \$ 134,379 |
| 2015 | 136,165 |
| 2016 | 138,004 |
| 2017 | 139,898 |
| 2018 | 86,934 |
| 2019 | <u>43,347</u> |
| | <u>\$ 678,727</u> |

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 6. Subsequent Events

On August 30, 2013, Town purchased an office condo at 110 East Main Street for \$537,898 and leased the condo to Fleet Fee, Incorporated for a term of 24 months at \$4,502 per month.

The Town previously entered into a lease with Main Street Properties in March 2011, whereby it would lease parking spaces within a parking garage. The lease went into effect on September 9, 2013 at the completion of the construction of the parking garage. The lease is for 5 years at a maximum annual rate of \$90,000 per year. Payments are made by the Town on a quarterly basis.

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REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Funding Progress for Other Postemployment Benefits.
- Schedule of Employer Contributions for Other Postemployment Benefits.
- Notes to the Required Schedules for Other Postemployment Benefits.

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TOWN OF CARRBORO, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Exhibit A-1

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Projected Unit Credit (b) | Unfunded AAL (UAAL) (b) - (a) | Funded Ratio (a) ÷ (b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b) - (a)) ÷ (c) |
|---|--|--|--|---------------------------------------|------------------------------------|--|
| 12/31/2003 | \$ - | \$ 423,271 | \$ 423,271 | 0.00% | \$ 1,375,349 | 30.78% |
| 12/31/2004 | - | 460,887 | 460,887 | 0.00% | 1,523,125 | 30.26% |
| 12/31/2005 | - | 412,323 | 412,323 | 0.00% | 1,560,379 | 26.42% |
| 12/31/2006 | - | 534,900 | 534,900 | 0.00% | 1,752,714 | 30.52% |
| 12/31/2007 | - | 557,745 | 557,745 | 0.00% | 1,718,362 | 32.46% |
| 12/31/2008 | - | 654,656 | 654,656 | 0.00% | 1,848,527 | 35.42% |
| 12/31/2009 | - | 889,339 | 889,339 | 0.00% | 1,965,368 | 45.25% |
| 12/31/2010 | - | 901,763 | 901,763 | 0.00% | 1,893,173 | 47.63% |
| 12/31/2011 | - | 1,117,731 | 1,117,731 | 0.00% | 1,764,435 | 63.35% |
| 12/31/2012 | - | 1,099,249 | 1,099,249 | 0.00% | 1,894,654 | 58.02% |

TOWN OF CARRBORO, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Exhibit A-2

| <u>Year Ended June 30</u> | <u>Annual Required Contribution</u> | <u>Annual Percentage Contributed</u> |
|-----------------------------------|---|--|
| 2004 | \$ 44,347 | 48.60% |
| 2005 | 47,919 | 44.98% |
| 2006 | 53,533 | 40.26% |
| 2007 | 48,581 | 44.37% |
| 2008 | 58,804 | 61.64% |
| 2009 | 61,335 | 75.28% |
| 2010 | 73,193 | 64.09% |
| 2011 | 90,934 | 57.66% |
| 2012 | 95,280 | 82.48% |
| 2013 | 108,440 | 82.45% |

Notes to the Required Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | |
|-------------------------------|-----------------------------|
| Valuation date | December 31, 2012 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level percent of pay closed |
| Remaining amortization period | 18 years |
| Asset valuation method | Market value |
| Actuarial assumptions | |
| Investment rate of return | 5.00% |
| Projected salary increases | 4.25% - 7.85% |
| Includes inflation at | 3.00% |
| Cost of living adjustments | None |

**TOWN OF CARRBORO, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

Exhibit B-1

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Projected Unit Credit (b) | Unfunded AAL (UAAL) (b) - (a) | Funded Ratio (a) ÷ (b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b) - (a)) ÷ (c) |
|---|--|--|--|---------------------------------------|------------------------------------|--|
| 12/31/2008 | \$ - | \$ 13,138,991 | \$ 13,138,991 | 0.00% | \$ 7,108,351 | 184.84% |
| 12/31/2011 | - | 13,603,239 | 13,603,239 | 0.00% | 7,223,608 | 188.32% |

**TOWN OF CARRBORO, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Exhibit B-2

| <u>Year Ended June 30</u> | <u>Annual Required Contribution</u> | <u>Annual Percentage Contributed</u> |
|-----------------------------------|---|--|
| 2011 | \$ 1,324,183 | 6.42% |
| 2012 | 1,425,359 | 14.81% |
| 2013 | 1,425,359 | 10.90% |

Notes to the Required Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | |
|-------------------------------|---------------------------|
| Valuation date | December 31, 2011 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level percent of pay open |
| Remaining amortization period | 30 years |
| Asset valuation method | Market value |
| Actuarial assumptions | |
| Investment rate of return | 4.00% |
| Medical cost trend rate | |
| Pre-Medicare trend rate | 9.5% - 5.0% |
| Post-Medicare trend rate | 7.0% - 5.0% |
| Year of ultimate trend rate | 2018 |
| Includes inflation at | 3.00% |

SUPPLEMENTARY INFORMATION

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TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2013

Schedule 1
Page 1 of 5

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|-------------------------|-------------------|---|
| Revenues | | | |
| Ad valorem taxes | | | |
| Taxes | \$ 11,514,637 | \$ 11,728,563 | \$ 213,926 |
| Penalties and interest | 24,000 | 25,736 | 1,736 |
| Total | <u>11,538,637</u> | <u>11,754,299</u> | <u>215,662</u> |
| Local option sales taxes | | | |
| Article 39, 1% | 1,100,863 | 1,183,608 | 82,745 |
| Article 40, ½% | 826,555 | 818,605 | (7,950) |
| Article 42, ½% | 550,432 | 598,598 | 48,166 |
| Article 44, ½% | 809,395 | 826,867 | 17,472 |
| Total | <u>3,287,245</u> | <u>3,427,678</u> | <u>140,433</u> |
| Other taxes and licenses | | | |
| Motor vehicle license fees | 326,750 | 359,763 | 33,013 |
| Privilege licenses | 81,740 | 101,291 | 19,551 |
| Total | <u>408,490</u> | <u>461,054</u> | <u>52,564</u> |
| Unrestricted intergovernmental | | | |
| North Carolina Department of Transportation reimbursement | 4,200 | - | (4,200) |
| Utilities franchise and telecommunications tax | 828,966 | 872,031 | 43,065 |
| Beer and wine tax | 29,571 | 80,366 | 50,795 |
| Total | <u>862,737</u> | <u>952,397</u> | <u>89,660</u> |
| Restricted intergovernmental | | | |
| Powell bill | 461,696 | 477,977 | 16,281 |
| Solid waste disposal tax distribution | 10,434 | 11,213 | 779 |
| Planning work grant | 22,740 | 20,915 | (1,825) |
| Firefighter grant | 10,410 | - | (10,410) |
| Orange County Arts Commission grant | 1,500 | - | (1,500) |
| ABC Board grant | 12,500 | 13,300 | 800 |
| Supplemental PEG channel support | 32,520 | 23,999 | (8,521) |
| US Department of Justice seizure funds | - | 3,057 | 3,057 |
| NC Department of Revenue seizure funds | 10,502 | 2,546 | (7,956) |
| Recreation municipal supplement | 35,898 | 38,269 | 2,371 |
| Total | <u>598,200</u> | <u>591,276</u> | <u>(6,924)</u> |
| Fees and permits | | | |
| Fire district fees | \$ 420,878 | \$ 429,778 | \$ 8,900 |
| Building permits | 65,000 | 151,058 | 86,058 |
| Electrical permits | 55,000 | 82,996 | 27,996 |
| Mechanical permits | 45,000 | 59,839 | 14,839 |
| Re-inspection fees | 2,100 | 1,958 | (142) |
| Plumbing permits | 36,000 | 49,654 | 13,654 |
| Refuse collection fees | 96,500 | 71,942 | (24,558) |
| Development review | 25,000 | 72,671 | 47,671 |

TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2013

Schedule 1
Page 2 of 5

| | Final Budget | Actual | Variance Positive (Negative) |
|---------------------------------------|-----------------|------------|------------------------------------|
| Engineering fees | 26,000 | 12,640 | (13,360) |
| Technical review | 12,000 | 34,860 | 22,860 |
| Tower fees | 125,113 | 130,463 | 5,350 |
| Dog fees | 5,000 | 5,568 | 568 |
| Sign permits | 700 | 1,200 | 500 |
| Street closing | 500 | 2,586 | 2,086 |
| Street cuts | 500 | 720 | 220 |
| Street signs | - | 45 | 45 |
| Parking violations | 3,800 | 7,029 | 3,229 |
| Court officer fees | 3,000 | 4,165 | 1,165 |
| School resource officer contract fees | 107,624 | 110,852 | 3,228 |
| Recycling fees | 4,800 | 2,148 | (2,652) |
| Time Warner PEG Access Fee | 8,900 | - | (8,900) |
| Fire permitting fees | 8,000 | 10,718 | 2,718 |
| Miscellaneous fees | 2,736 | 13,040 | 10,304 |
| Total | 1,054,151 | 1,255,930 | 201,779 |
| Sales and services | | | |
| Recreation fees | 156,943 | 186,731 | 29,788 |
| Town Center fees | 71,752 | 72,437 | 685 |
| Miscellaneous | 1,150 | 2,205 | 1,055 |
| Total | 229,845 | 261,373 | 31,528 |
| Investment earnings | | | |
| Interest on investments | 35,000 | 11,565 | (23,435) |
| Other revenues | | | |
| Banner revenues | 3,750 | 3,150 | (600) |
| Sale of lots | 6,000 | 17,925 | 11,925 |
| Refuse cart sales | 4,200 | 4,963 | 763 |
| Yard waste container sales | 2,600 | 3,405 | 805 |
| Farmers' market rent | 2,370 | 2,370 | - |
| Donations | 15,235 | 19,967 | 4,732 |
| Miscellaneous | 6,700 | 31,806 | 25,106 |
| Total | 40,855 | 83,586 | 42,731 |
| Total revenues | 18,055,160 | 18,799,158 | 743,998 |
| Expenditures | | | |
| General government | | | |
| Mayor and Board of Aldermen | | | |
| Personnel services | \$ 127,097 | \$ 113,606 | \$ 13,491 |
| Operations | 180,650 | 160,548 | 20,102 |
| Total | 307,747 | 274,154 | 33,593 |
| Advisory boards | | | |
| Operations | 13,597 | 6,178 | 7,419 |
| Total | 13,597 | 6,178 | 7,419 |
| Governmental support | | | |

TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2013

Schedule 1
Page 3 of 5

| | Final Budget | Actual | Variance Positive (Negative) |
|------------------------------------|-----------------|--------------|------------------------------------|
| Operations | 340,296 | 279,275 | 61,021 |
| Total | 340,296 | 279,275 | 61,021 |
| Town Manager | | | |
| Personnel services | 243,651 | 249,531 | (5,880) |
| Operations | 30,150 | 17,100 | 13,050 |
| Total | 273,801 | 266,631 | 7,170 |
| Economic and community development | | | |
| Personnel services | 118,995 | 118,992 | 3 |
| Operations | 47,793 | 32,150 | 15,643 |
| Total | 166,788 | 151,142 | 15,646 |
| Town Clerk | | | |
| Personnel services | 73,740 | 74,273 | (533) |
| Operations | 18,450 | 10,633 | 7,817 |
| Total | 92,190 | 84,906 | 7,284 |
| Management services | | | |
| Personnel services | 483,918 | 360,305 | 123,613 |
| Operations | 544,034 | 566,281 | (22,247) |
| Total | 1,027,952 | 926,586 | 101,366 |
| Personnel | | | |
| Personnel services | 428,986 | 348,162 | 80,824 |
| Operations | 83,720 | 65,900 | 17,820 |
| Total | 512,706 | 414,062 | 98,644 |
| Information technology | | | |
| Personnel services | 262,779 | 248,637 | 14,142 |
| Operations | 853,848 | 693,624 | 160,224 |
| Capital outlay | 48,501 | 48,315 | 186 |
| Total | 1,165,128 | 990,576 | 174,552 |
| Total general government | 3,900,205 | 3,393,510 | 506,695 |
| Public safety | | | |
| Police department | | | |
| Personnel services | \$ 2,800,709 | \$ 2,800,389 | \$ 320 |
| Operations | 417,570 | 332,801 | 84,769 |
| Capital outlay | 141,120 | 127,788 | 13,332 |
| Total | 3,359,399 | 3,260,978 | 98,421 |
| Fire department | | | |
| Personnel services | 2,355,384 | 2,362,344 | (6,960) |
| Operations | 286,299 | 241,141 | 45,158 |
| Capital outlay | 31,600 | 29,157 | 2,443 |
| Total | 2,673,283 | 2,632,642 | 40,641 |
| Total public safety | 6,032,682 | 5,893,620 | 139,062 |

TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2013

Schedule 1
Page 4 of 5

| | Final Budget | Actual | Variance Positive (Negative) |
|---|-----------------|--------------|------------------------------------|
| Planning | | | |
| Personnel services | 1,028,236 | 962,314 | 65,922 |
| Operations | 211,192 | 126,488 | 84,704 |
| Capital outlay | 9,190 | - | 9,190 |
| Total planning | 1,248,618 | 1,088,802 | 159,816 |
| Transportation | | | |
| Operations | 1,287,000 | 1,286,714 | 286 |
| Total transportation | 1,287,000 | 1,286,714 | 286 |
| Public works | | | |
| Public works department | | | |
| Personnel services | 1,886,628 | 1,854,205 | 32,423 |
| Operations | 1,690,167 | 1,530,860 | 159,307 |
| Capital outlay | 712,638 | 658,613 | 54,025 |
| Total public works | 4,289,433 | 4,043,678 | 245,755 |
| Parks and recreation | | | |
| Recreation department | | | |
| Personnel services | 1,065,571 | 998,137 | 67,434 |
| Operations | 370,401 | 277,927 | 92,474 |
| Capital outlay | 78,121 | 35,483 | 42,638 |
| Total parks and recreation | 1,514,093 | 1,311,547 | 202,546 |
| General services | | | |
| Operations | 30,902 | - | 30,902 |
| Total general services | 30,902 | - | 30,902 |
| Debt service | | | |
| Principal retirement | \$ 1,190,563 | \$ 1,035,825 | \$ 154,738 |
| Interest and fees | 240,118 | 147,208 | 92,910 |
| Total debt service | 1,430,681 | 1,183,033 | 247,648 |
| Total expenditures | 19,733,614 | 18,200,904 | 1,532,710 |
| Revenues over (under) expenditures | (1,678,454) | 598,254 | 2,276,708 |
| Other financing sources (uses) | | | |
| Transfers from (to) other funds | | | |
| From Capital Reserve Fund | 176,945 | 176,945 | - |
| To Revolving Loan Fund | (150,000) | - | 150,000 |
| To Capital Projects Fund | (3,604,175) | (3,604,175) | - |
| To Capital Reserve Fund | (300,700) | (300,700) | - |
| Sale of capital assets | 30,000 | 20,528 | (9,472) |
| Installment purchase obligations issued | 397,320 | 397,320 | - |

TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2013

Schedule 1
Page 5 of 5

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|-------------------------|----------------------|---|
| Total other financing sources (uses) | <u>(3,450,610)</u> | <u>(3,310,082)</u> | <u>140,528</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | (5,129,064) | (2,711,828) | 2,417,236 |
| Appropriated fund balance | <u>5,129,064</u> | <u>-</u> | <u>(5,129,064)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>(2,711,828)</u> | <u>\$ (2,711,828)</u> |
| Fund balance, beginning of year | | <u>15,522,809</u> | |
| Fund balance, end of year | | <u>\$ 12,810,981</u> | |

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - PROJECT AUTHORIZATION AND
ACTUAL - REVOLVING LOAN FUND
From Project Inception and for the Year Ended June 30, 2013

Schedule 2
Page 1 of 2

| | Project Authorization | Prior Years | Actual | | Total to Date | Variance Positive (Negative) |
|-------------------------------|--------------------------|----------------|-----------------|-----------------|------------------|------------------------------------|
| | | | Closed Loans | Current Year | | |
| Revenues | | | | | | |
| General revenues | | | | | | |
| Investment earnings | | | | | | |
| Interest on investments | \$ 232,018 | \$ 232,018 | \$ - | \$ - | \$ 232,018 | \$ - |
| Interest repayments | 422,742 | 367,786 | - | 7,039 | 374,825 | (47,917) |
| Total investment earnings | 654,760 | 599,804 | - | 7,039 | 606,843 | (47,917) |
| Other general revenues | | | | | | |
| Revolving loan payments | | | | | | |
| Alphabet Soup | 48,000 | 24,662 | - | 2,468 | 27,130 | (20,870) |
| Bryan's Guitar | 90,000 | 37,751 | - | 1,315 | 39,066 | (50,934) |
| Blue Icon | 18,000 | 18,131 | - | - | 18,131 | 131 |
| Cycling Specifics | 45,000 | 38,714 | - | 6,099 | 44,813 | (187) |
| Art in a Pickle | 105,000 | 56,504 | - | 2,730 | 59,234 | (45,766) |
| Carrboro Coworking | 90,000 | 26,276 | - | 6,295 | 32,571 | (57,429) |
| Original Ornament | 70,000 | - | - | - | - | (70,000) |
| The Beehive | 50,000 | 18,336 | - | 6,182 | 24,518 | (25,482) |
| The Kind Coffee | 57,000 | 20,250 | - | 8,025 | 28,275 | (28,725) |
| The Carrboro Citizen | 50,000 | 14,444 | - | 5,995 | 20,439 | (29,561) |
| Second Wind Juice Bar | 45,000 | - | - | 7,556 | 7,556 | (37,444) |
| Cameron's | 50,000 | - | - | - | - | (50,000) |
| PTA Thrift Store | 25,000 | - | - | 2,464 | 2,464 | (22,536) |
| Original loan repayments | - | 202,554 | - | - | 202,554 | 202,554 |
| Total revolving loan payments | 743,000 | 457,622 | - | 49,129 | 506,751 | (236,249) |
| Total revenues | 1,397,760 | 1,057,426 | - | 56,168 | 1,113,594 | (284,166) |
| Expenditures | | | | | | |
| General government | | | | | | |
| Contractual services | 16,679 | 11,433 | - | - | 11,433 | 5,246 |
| Miscellaneous | 10,000 | 6,021 | - | - | 6,021 | 3,979 |
| Total general government | 26,679 | 17,454 | - | - | 17,454 | 9,225 |

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - PROJECT AUTHORIZATION AND
ACTUAL - REVOLVING LOAN FUND
From Project Inception and for the Year Ended June 30, 2013

Schedule 2
Page 2 of 2

| | Project Authorization | Prior Years | Closed Loans | Actual Current Year | Total to Date | Variance Positive (Negative) |
|---|--------------------------|----------------|-----------------|---------------------------|------------------|------------------------------------|
| Economic and physical development: | | | | | | |
| Alphabet Soup | \$ 48,000 | \$ 48,000 | - | \$ - | \$ 48,000 | \$ - |
| Bryan's Guitar | 90,000 | 90,000 | - | - | 90,000 | - |
| Blue Icon Hairstylists | 18,000 | 18,000 | - | - | 18,000 | - |
| Cycling Specifics | 45,000 | 45,000 | - | - | 45,000 | - |
| Art in a Pickle | 105,000 | 105,000 | - | - | 105,000 | - |
| Carrboro Coworking | 90,000 | 90,000 | - | - | 90,000 | - |
| Original Ornament | 70,000 | 70,000 | - | - | 70,000 | - |
| The Beehive | 50,000 | 50,000 | - | - | 50,000 | - |
| The Kind Coffee | 57,000 | 57,000 | - | - | 57,000 | - |
| Carrboro Citizen | 50,000 | 50,000 | - | - | 50,000 | - |
| Second Wind Juice Bar | 45,000 | 45,000 | - | - | 45,000 | - |
| Cameron's | 50,000 | - | - | - | - | 50,000 |
| PTA Thrift Store | 25,000 | - | - | 25,000 | 25,000 | - |
| Total economic and physical development | 743,000 | 668,000 | - | 25,000 | 693,000 | 50,000 |
| Total expenditures | 769,679 | 685,454 | \$ - | 25,000 | 710,454 | 59,225 |
| Revenues over (under) expenditures | 628,081 | 371,972 | - | 31,168 | 403,140 | (224,941) |
| Other financing sources (uses) | | | | | | |
| Transfers from (to) other funds | | | | | | |
| From General Fund | 80,000 | 80,000 | - | - | 80,000 | - |
| To Revolving Loan Fund | (45,000) | (45,000) | - | - | (45,000) | - |
| To General Fund | (139,000) | (139,000) | - | - | (139,000) | - |
| Total other financing uses | (104,000) | (104,000) | - | - | (104,000) | - |
| Revenues and other financing sources over (under) expenditures and other financing uses | 524,081 | 267,972 | - | 31,168 | 299,140 | (224,941) |
| Appropriated fund balance | (524,081) | - | - | - | - | 524,081 |
| Net change in fund balance | \$ - | \$ 267,972 | \$ - | 31,168 | \$ 299,140 | \$ 299,140 |
| Fund balance, beginning of year | | | | 267,972 | | |
| Fund balance, end of year | | | | \$ 299,140 | | |

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE (DEFICIT) - PROJECT AUTHORIZATION
AND ACTUAL - BOND FUND
From Project Inception and for the Year Ended June 30, 2013

Schedule 3
Page 1 of 4

| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Actual Current Year</u> | <u>Total to Date</u> | <u>Variance Positive (Negative)</u> |
|---|----------------------------------|------------------------|------------------------------------|--------------------------|---|
| Revenues | | | | | |
| Morgan Creek Greenway | | | | | |
| Interest earnings | \$ 7,971 | \$ 22,971 | \$ - | \$ 22,971 | \$ 15,000 |
| Federal STP-DA funds | 480,000 | 208,386 | 14,364 | 222,750 | (257,250) |
| Total Morgan Creek Greenway | 487,971 | 231,357 | 14,364 | 245,721 | (242,250) |
| Bolin Creek Greenway | | | | | |
| Interest earnings | 15,000 | - | - | - | (15,000) |
| Federal STP-DA funds | 590,000 | - | 25,015 | 25,015 | (564,985) |
| Total Bolin Creek Greenway | 605,000 | - | 25,015 | 25,015 | (579,985) |
| Bolin Forest Sidewalk | | | | | |
| Federal STP-DA funds | 15,960 | - | - | - | (15,960) |
| Donations | 2,100 | 2,100 | - | 2,100 | - |
| Total Bolin Forest Sidewalk | 18,060 | 2,100 | - | 2,100 | (15,960) |
| Hannah Street Sidewalk | | | | | |
| Federal STP-DA funds | 55,564 | 55,564 | - | 55,564 | - |
| Bolin Creek Co-Housing | 88,644 | 88,644 | - | 88,644 | - |
| Total Hannah Street Sidewalk | 144,208 | 144,208 | - | 144,208 | - |
| Phase IB Bond Sidewalk Projects | | | | | |
| Interest earnings | 132,786 | 104,282 | 481 | 104,763 | (28,023) |
| Miscellaneous | 7,863 | 7,863 | - | 7,863 | - |
| Total Phase IB Bond Sidewalk Projects | 140,649 | 112,145 | 481 | 112,626 | (28,023) |
| Ashe/Bim Sidewalk Projects | | | | | |
| ARRA Federal Grant | 327,300 | 342,802 | - | 342,802 | 15,502 |
| Elm St Sidewalk | | | | | |
| Safe Routes to School Grant | 300,000 | - | 224,481 | 224,481 | (75,519) |
| Rogers Road | | | | | |
| Federal STP-DA funds | 428,960 | - | 13,581 | 13,581 | (415,379) |
| Wilson Park Multi-Use Path Project | | | | | |
| Federal STP-DA funds | 193,987 | 38,973 | 280 | 39,253 | (154,734) |
| NCDENR Grant | 75,000 | - | 75,000 | 75,000 | - |
| Total Wilson Park Multi-Use Path Project | 268,987 | 38,973 | 75,280 | 114,253 | (154,734) |
| Total revenues | 2,721,135 | 871,585 | 353,202 | 1,224,787 | (1,496,348) |
| Expenditures | | | | | |
| General | | | | | |
| Capital projects manager | - | 18,031 | - | 18,031 | (18,031) |
| Professional services | 73,000 | 53,994 | - | 53,994 | 19,006 |
| Miscellaneous | 2,000 | 1,507 | - | 1,507 | 493 |
| Design | 157,636 | 4,466 | - | 4,466 | 153,170 |
| Total General | 232,636 | 77,998 | - | 77,998 | 154,638 |
| Morgan Creek Greenway | | | | | |
| Construction | 257,695 | 41,086 | - | 41,086 | 216,609 |
| Design | 342,305 | 272,621 | 29,577 | 302,198 | 40,107 |
| Contingency | 8,971 | - | - | - | 8,971 |
| Total Morgan Creek | 608,971 | 313,707 | 29,577 | 343,284 | 265,687 |

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE (DEFICIT) - PROJECT AUTHORIZATION
AND ACTUAL - BOND FUND
From Project Inception and for the Year Ended June 30, 2013

Schedule 3
Page 2 of 4

| | Project Authorization | Prior Years | Actual Current Year | Total to Date | Variance Positive (Negative) |
|-------------------------------------|----------------------------------|------------------------|------------------------------------|--------------------------|---|
| Bolin Creek Greenway Project | | | | | |
| Construction | \$ 452,211 | \$ - | \$ - | \$ - | \$ 452,211 |
| Design | 217,449 | - | 50,040 | 50,040 | 167,409 |
| Contingency | 82,840 | - | - | - | 82,840 |
| Total Bolin Creek Greenway | 752,500 | - | 50,040 | 50,040 | 702,460 |
| Bolin Forest Sidewalk | | | | | |
| Construction | 41,087 | - | - | - | 41,087 |
| Design | 13,019 | - | - | - | 13,019 |
| Inspection | 490 | 490 | - | 490 | - |
| Miscellaneous | 305 | 305 | - | 305 | - |
| Total Bolin Forest Sidewalk | 54,901 | 795 | - | 795 | 54,106 |
| Quail Roost Sidewalk | | | | | |
| Engineering inspections | 1,436 | 1,436 | - | 1,436 | - |
| Construction | 129,056 | 129,056 | - | 129,056 | - |
| Design | 15,507 | 15,507 | - | 15,507 | - |
| Total Quail Roost Sidewalk | 145,999 | 145,999 | - | 145,999 | - |
| Lisa Drive Sidewalk | | | | | |
| Engineering inspections | 1,805 | 1,805 | - | 1,805 | - |
| Construction | 112,605 | 112,605 | - | 112,605 | - |
| Design | 13,390 | 13,390 | - | 13,390 | - |
| Total Lisa Drive Sidewalk | 127,800 | 127,800 | - | 127,800 | - |
| Hannah Street Sidewalk | | | | | |
| Engineering inspections | 5,097 | 5,097 | - | 5,097 | - |
| Construction | 188,398 | 188,398 | - | 188,398 | - |
| Design | 17,372 | 17,371 | - | 17,371 | 1 |
| Total Hannah Street Sidewalk | 210,867 | 210,866 | - | 210,866 | 1 |
| N. Greensboro Street Sidewalk | | | | | |
| Engineering inspections | 6,223 | 6,223 | - | 6,223 | - |
| Construction | 302,395 | 302,395 | - | 302,395 | - |
| Design | 40,246 | 40,246 | - | 40,246 | - |
| Total N. Greensboro Street Sidewalk | 348,864 | 348,864 | - | 348,864 | - |
| Williams Street Sidewalk | | | | | |
| Engineering inspections | 388 | 388 | - | 388 | - |
| Construction | 26,208 | 26,208 | - | 26,208 | - |
| Design | 4,959 | 4,959 | - | 4,959 | - |
| Total Williams Street Sidewalk | 31,555 | 31,555 | - | 31,555 | - |
| Lloyd Street Sidewalk | | | | | |
| Engineering inspections | 97 | 97 | - | 97 | - |
| Construction | 8,267 | 8,267 | - | 8,267 | - |
| Design | 2,491 | 2,491 | - | 2,491 | - |
| Total Lloyd Street Sidewalk | 10,855 | 10,855 | - | 10,855 | - |
| Jones Ferry Sidewalk | | | | | |
| Engineering inspections | 146 | 146 | - | 146 | - |
| Construction | 11,933 | 11,933 | - | 11,933 | - |
| Design | 3,839 | 3,838 | - | 3,838 | 1 |
| Total Jones Ferry Sidewalk | 15,918 | 15,917 | - | 15,917 | 1 |

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE (DEFICIT) - PROJECT AUTHORIZATION
AND ACTUAL - BOND FUND
From Project Inception and for the Year Ended June 30, 2013

Schedule 3
Page 3 of 4

| | Project Authorization | Prior Years | Actual Current Year | Total to Date | Variance Positive (Negative) |
|--|--------------------------|----------------|---------------------------|------------------|------------------------------------|
| Fowler Street Sidewalk | | | | | |
| Engineering inspections | \$ 146 | \$ 146 | \$ - | \$ 146 | \$ - |
| Construction | 12,996 | 12,995 | - | 12,995 | 1 |
| Design | 3,393 | 3,393 | - | 3,393 | - |
| Total Fowler Street Sidewalk | 16,535 | 16,534 | - | 16,534 | 1 |
| S. Greensboro Street Sidewalk | | | | | |
| Engineering inspections | 486 | 486 | - | 486 | - |
| Construction | 36,915 | 36,915 | - | 36,915 | - |
| Design | 5,752 | 5,752 | - | 5,752 | - |
| Total S. Greensboro Street Sidewalk | 43,153 | 43,153 | - | 43,153 | - |
| Phase IB Bond Sidewalk Projects | | | | | |
| Professional services | 4,312 | 4,312 | - | 4,312 | - |
| Temporary salary | 77,924 | - | 47,494 | 47,494 | 30,430 |
| FICA | 6,393 | - | 3,633 | 3,633 | 2,760 |
| Retirement | 5,683 | - | 3,210 | 3,210 | 2,473 |
| Engineering inspections | 17,807 | 16,391 | - | 16,391 | 1,416 |
| Construction | 749,398 | 749,397 | - | 749,397 | 1 |
| Design | 381,790 | 320,602 | - | 320,602 | 61,188 |
| ROW/Easement | 12,728 | - | - | - | 12,728 |
| Contingency | 1,865 | - | - | - | 1,865 |
| Total Phase IB Bond Sidewalk Projects | 1,257,900 | 1,090,702 | 54,337 | 1,145,039 | 112,861 |
| NCDOT Enhancement Sidewalk Projects | | | | | |
| Engineering inspections | 10,744 | 10,744 | - | 10,744 | - |
| Construction | 111,033 | 111,033 | - | 111,033 | - |
| Design | 5,072 | 5,072 | - | 5,072 | - |
| Total NCDOT Enhancement Sidewalk Projects | 126,849 | 126,849 | - | 126,849 | - |
| Ashe/Bim Sidewalk Projects | | | | | |
| Engineering inspections | 43,198 | 43,058 | 140 | 43,198 | - |
| Construction | 363,578 | 363,578 | - | 363,578 | - |
| Design | 19,716 | 19,716 | - | 19,716 | - |
| ROW/Easement | 4,360 | 4,360 | - | 4,360 | - |
| Total Ashe/Bim Sidewalks Projects | 430,852 | 430,712 | 140 | 430,852 | - |
| Wilson Park Multi-Use Path Project | | | | | |
| Construction | 323,139 | - | 302,107 | 302,107 | 21,032 |
| Design | 54,476 | 48,716 | 5,760 | 54,476 | - |
| Contingency | 61,000 | - | - | - | 61,000 |
| Total Wilson Park Multi-Use Path Project | 438,615 | 48,716 | 307,867 | 356,583 | 82,032 |
| Davie Street Sidewalk Project | | | | | |
| Construction | 558,688 | - | 16,029 | 16,029 | 542,659 |
| Design | 20,000 | 8,058 | 12,020 | 20,078 | (78) |
| Total Davie Street Sidewalk Project | 578,688 | 8,058 | 28,049 | 36,107 | 542,581 |
| Pine Street Sidewalk Project | | | | | |
| Engineering Inspections | 21,000 | - | 11,532 | 11,532 | 9,468 |
| Construction | 309,000 | - | 240,977 | 240,977 | 68,023 |
| Design | 32,000 | 28,990 | 5,257 | 34,247 | (2,247) |
| Total Pine Street Sidewalk Project | 362,000 | 28,990 | 257,766 | 286,756 | 75,244 |

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE (DEFICIT) - PROJECT AUTHORIZATION
AND ACTUAL - BOND FUND
From Project Inception and for the Year Ended June 30, 2013

Schedule 3
Page 4 of 4

| | Project Authorization | Prior Years | Actual Current Year | Total to Date | Variance Positive (Negative) |
|---------------------------------------|--------------------------|----------------|---------------------------|------------------|------------------------------------|
| Rogers Road Sidewalk Project | | | | | |
| Construction | \$ 962,392 | \$ - | \$ - | \$ - | \$ 962,392 |
| Design | 107,278 | - | 52,463 | 52,463 | 54,815 |
| Contingency | 18,330 | - | - | - | 18,330 |
| Total Rogers Road Sidewalk Project | 1,088,000 | - | 52,463 | 52,463 | 1,035,537 |
| Elm Street Sidewalk | | | | | |
| Engineering Inspection | 33,478 | - | 14,103 | 14,103 | 19,375 |
| Construction | 288,222 | - | 151,455 | 151,455 | 136,767 |
| Design | 56,141 | 34,698 | - | 34,698 | 21,443 |
| ROW/Easement | 4,359 | - | - | - | 4,359 |
| Total Elm Street Sidewalk | 382,200 | 34,698 | 165,558 | 200,256 | 181,944 |
| Shelton Street Sidewalk Project | | | | | |
| Construction | 204,000 | - | - | - | 204,000 |
| Design | 8,000 | - | - | - | 8,000 |
| Total Shelton Street Sidewalk Project | 212,000 | - | - | - | 212,000 |
| Total Capital Outlay | 7,477,658 | 3,112,768 | 945,797 | 4,058,565 | 3,419,093 |
| Debt service | | | | | |
| Bond issuance costs | - | - | 33,860 | 33,860 | (33,860) |
| Interest and other charges | - | - | 19,353 | 19,353 | (19,353) |
| Total debt service | - | - | 53,213 | 53,213 | (53,213) |
| Total expenditures | 7,477,658 | 3,112,768 | 999,010 | 4,111,778 | 3,365,880 |
| Revenues under expenditures | (4,756,523) | (2,241,183) | (645,808) | (2,886,991) | 1,869,532 |
| Other financing sources (uses) | | | | | |
| Transfers from other funds | | | | | |
| From General Fund | 12,700 | 12,700 | - | 12,700 | - |
| From Capital Reserve Fund | 143,823 | - | 143,823 | 143,823 | - |
| General obligation bonds issued | 4,600,000 | - | 4,600,000 | 4,600,000 | - |
| Premium on bond issuance | - | - | 92,461 | 92,461 | 92,461 |
| Total other financing sources (uses) | 4,756,523 | 12,700 | 4,836,284 | 4,848,984 | 92,461 |
| Net change in fund deficit | \$ - | \$ (2,228,483) | 4,190,476 | \$ 1,961,993 | \$ 1,961,993 |
| Fund deficit, beginning of year | | | (2,228,483) | | |
| Fund balance, end of year | | | \$ 1,961,993 | | |

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - PROJECT AUTHORIZATION
CHANGES AND ACTUAL - CAPITAL PROJECTS FUND
From Project Inception and for the Year Ended June 30, 2013

Schedule 4
Page 1 of 3

| | Project Authorization | Prior Years | Actual Current Year | Total to Date | Variance Positive (Negative) |
|---------------------------------------|--------------------------|----------------|---------------------------|------------------|------------------------------------|
| Revenues | | | | | |
| General revenues | | | | | |
| Interest on investments | \$ 22,232 | \$ 32,717 | \$ - | \$ 32,717 | \$ 10,485 |
| Miscellaneous revenues | - | 5,438 | 81 | 5,519 | 5,519 |
| Total general revenues | 22,232 | 38,155 | 81 | 38,236 | 16,004 |
| Bus shelter | | | | | |
| Federal pass-through grant | 76,296 | 75,977 | - | 75,977 | (319) |
| Weaver Street reconstruction | | | | | |
| OWASA reimbursement | - | 399,039 | - | 399,039 | 399,039 |
| Bike loop detector | | | | | |
| Federal pass-through grant | 30,000 | - | - | - | (30,000) |
| Rogers Road | | | | | |
| Federal pass-through grant | 428,960 | - | - | - | (428,960) |
| Total revenues | 557,488 | 513,171 | 81 | 513,252 | (44,236) |
| Expenditures | | | | | |
| Fire Substation #2 project | | | | | |
| Architectural services | 228,910 | 228,910 | - | 228,910 | - |
| Professional services | 33,600 | 33,600 | - | 33,600 | - |
| Computer and peripherals | 196,852 | 196,852 | - | 196,852 | - |
| Miscellaneous | 55,608 | 55,608 | - | 55,608 | - |
| Equipment | 249,520 | 249,520 | - | 249,520 | - |
| Construction | 1,953,996 | 1,953,996 | - | 1,953,996 | - |
| Construction services | 9,375 | 9,375 | - | 9,375 | - |
| Contingency | 226,763 | - | - | - | 226,763 |
| Total Fire Substation #2 project | 2,954,624 | 2,727,861 | - | 2,727,861 | 226,763 |
| Fire Substation #2 fiber optics | | | | | |
| Equipment | 298,198 | - | 185,429 | 185,429 | 112,769 |
| Computer and peripherals | - | 6,344 | - | 6,344 | (6,344) |
| Total Fire Substation #2 fiber optics | 298,198 | 6,344 | 185,429 | 191,773 | 106,425 |
| Weaver Street reconstruction | | | | | |
| Construction | 1,160,969 | 1,160,969 | - | 1,160,969 | - |
| Design | 260,000 | 193,144 | 4,626 | 197,770 | 62,230 |
| Contingency | - | - | - | - | - |
| Total Weaver Street reconstruction | 1,420,969 | 1,354,113 | 4,626 | 1,358,739 | 62,230 |
| Public Works facility land | | | | | |
| Professional services | 6,068 | 4,355 | - | 4,355 | 1,713 |
| Engineering | 4,051 | 250 | - | 250 | 3,801 |
| Park supplies | 5,000 | - | - | - | 5,000 |
| Land | 751,881 | 751,881 | - | 751,881 | - |
| Total Public Works facility land | 767,000 | 756,486 | - | 756,486 | 10,514 |
| Bus shelter | | | | | |
| Construction | 71,496 | 69,713 | - | 69,713 | 1,783 |
| Design | 4,800 | 4,800 | - | 4,800 | - |
| Total bus shelter | 76,296 | 74,513 | - | 74,513 | 1,783 |

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - PROJECT AUTHORIZATION
CHANGES AND ACTUAL - CAPITAL PROJECTS FUND
From Project Inception and for the Year Ended June 30, 2013

Schedule 4
Page 2 of 3

| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Actual Current Year</u> | <u>Total to Date</u> | <u>Variance Positive (Negative)</u> |
|---|----------------------------------|------------------------|------------------------------------|--------------------------|---|
| Bike loop detector | | | | | |
| Construction | \$ 30,000 | \$ - | \$ 16,673 | \$ 16,673 | \$ 13,327 |
| Engineering | 7,500 | - | - | - | 7,500 |
| Total bike loop detector | <u>37,500</u> | <u>-</u> | <u>16,673</u> | <u>16,673</u> | <u>20,827</u> |
| Rogers Road | | | | | |
| Construction | 400,000 | - | - | - | 400,000 |
| Design | 50,000 | - | - | - | 50,000 |
| Contingency | - | - | - | - | - |
| Total Rogers Road reconstruction | <u>450,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>450,000</u> |
| S. Greensboro Street | | | | | |
| Land | 605,000 | - | 601,395 | 601,395 | 3,605 |
| Total S Greensboro Street | <u>605,000</u> | <u>-</u> | <u>601,395</u> | <u>601,395</u> | <u>3,605</u> |
| Fleet Fleet office condo | | | | | |
| Building Purchase | 568,000 | - | - | - | 568,000 |
| Total Fleet Fleet office condo | <u>568,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>568,000</u> |
| Storm water management | | | | | |
| Design | 80,000 | - | - | - | 80,000 |
| Total Storm water management | <u>80,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>80,000</u> |
| Anderson Park bathroom renovation | | | | | |
| Construction | 201,459 | - | - | - | 201,459 |
| Design | 50,000 | - | - | - | 50,000 |
| Total Anderson Park bathroom renovation | <u>251,459</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>251,459</u> |
| Anderson Park MP field renovation | | | | | |
| Construction | 108,566 | - | - | - | 108,566 |
| Design | 40,000 | - | - | - | 40,000 |
| Total Anderson Park MP field renovation | <u>148,566</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>148,566</u> |
| Smith Level Road | | | | | |
| Construction | 62,562 | - | - | - | 62,562 |
| Total Smith Level Road | <u>62,562</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>62,562</u> |
| Total Capital Outlay | <u>7,720,174</u> | <u>4,919,317</u> | <u>808,123</u> | <u>5,727,440</u> | <u>1,992,734</u> |
| Debt Service: | | | | | |
| Principal retirement | 1,461,248 | - | 1,467,188 | 1,467,188 | (5,940) |
| Interest and other charges | 38,752 | - | 32,175 | 32,175 | 6,577 |
| Total debt service | <u>1,500,000</u> | <u>-</u> | <u>1,499,363</u> | <u>1,499,363</u> | <u>637</u> |
| Total expenditures | <u>9,220,174</u> | <u>4,919,317</u> | <u>2,307,486</u> | <u>7,226,803</u> | <u>1,993,371</u> |
| Revenues under expenditures | <u>(8,662,686)</u> | <u>(4,406,146)</u> | <u>(2,307,405)</u> | <u>(6,713,551)</u> | <u>1,949,135</u> |

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - PROJECT AUTHORIZATION
CHANGES AND ACTUAL - CAPITAL PROJECTS FUND
From Project Inception and for the Year Ended June 30, 2013

Schedule 4
Page 3 of 3

| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Actual Current Year</u> | <u>Total to Date</u> | <u>Variance Positive (Negative)</u> |
|---|----------------------------------|------------------------|------------------------------------|--------------------------|---|
| Other financing sources (uses) | | | | | |
| Transfers from (to) other funds | | | | | |
| From General Fund | \$ 3,604,175 | \$ 616,883 | \$ 3,604,175 | \$ 4,221,058 | \$ 616,883 |
| From Capital Reserve Fund | 1,088,066 | 598,000 | 140,412 | 738,412 | (349,654) |
| To General Fund | (20,000) | (20,000) | - | (20,000) | - |
| To Capital Reserve Fund | (26,555) | (26,555) | - | (26,555) | - |
| To Undesignated Fund Balance | - | 4,240 | - | 4,240 | 4,240 |
| Installment purchase obligations issued | <u>4,017,000</u> | <u>4,017,000</u> | <u>-</u> | <u>4,017,000</u> | <u>-</u> |
| Total other financing sources | <u>8,662,686</u> | <u>5,189,568</u> | <u>3,744,587</u> | <u>8,934,155</u> | <u>271,469</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 783,422</u> | <u>1,437,182</u> | <u>\$ 2,220,604</u> | <u>\$ 2,220,604</u> |
| Fund balance, beginning of year | | | <u>783,422</u> | | |
| Fund balance, end of year | | | 2,220,604 | | |

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

| | |
|---|---------------------|
| Transfers in - Capital Reserve Fund | 300,700 |
| Transfers out - Capital Reserve Fund | (491,130) |
| Fund balance, beginning (Capital Reserve Fund) | 894,204 |
| Fund balance, beginning (Payment in Lieu Reserve Fund) | <u>149,780</u> |
| Fund balance, ending (Consolidated Capital Projects Fund) | <u>\$ 3,074,158</u> |

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - CAPITAL RESERVE FUND
Year Ended June 30, 2013

Schedule 5

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--------------------------------------|-------------------------|--------------------------|---|
| Other financing sources (uses) | | | |
| Transfers from (to) other funds | | | |
| From General Fund | \$ - | \$ 300,700 | \$ 300,700 |
| From Capital Project Fund | 143,823 | - | (143,823) |
| To General Fund | - | (176,945) | (176,945) |
| To Bond Fund | (143,823) | (143,823) | - |
| To Grants Administration Fund | (29,950) | (29,950) | - |
| To Capital Projects Fund | <u>(140,412)</u> | <u>(140,412)</u> | <u>-</u> |
| Total other financing sources (uses) | (170,362) | (190,430) | (20,068) |
| Fund balance appropriated | <u>170,362</u> | <u>-</u> | <u>(170,362)</u> |
| Net change in fund balance | <u><u>\$ -</u></u> | (190,430) | <u><u>\$ (190,430)</u></u> |
| Fund balance, beginning of year | | <u>894,204</u> | |
| Fund balance, end of year | | <u><u>\$ 703,774</u></u> | |

TOWN OF CARRBORO, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2013

Schedule 6

| | Grants Administration Fund | Affordable Housing Fund | Energy Efficiency Revolving Loan Fund | Total Nonmajor Governmental Funds |
|--|---|--|--|--|
| Assets | | | | |
| Cash and cash equivalents | \$ 7,809 | \$ 12,707 | \$ 33,886 | \$ 54,402 |
| Due from other governments | 62,343 | - | - | 62,343 |
| Notes receivable | - | 27,981 | 97,709 | 125,690 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 70,152</u> | <u>\$ 40,688</u> | <u>\$ 131,595</u> | <u>\$ 242,435</u> |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 44,857 | \$ - | \$ - | \$ 44,857 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>44,857</u> | <u>-</u> | <u>-</u> | <u>44,857</u> |
| Deferred inflows of resources | <u>-</u> | <u>27,981</u> | <u>97,709</u> | <u>125,690</u> |
| Fund balances | | | | |
| Restricted | | | | |
| Stabilization by state statute | 62,343 | - | - | 62,343 |
| Committed | | | | |
| Affordable housing | - | 12,707 | - | 12,707 |
| Energy efficiency | - | - | 33,886 | 33,886 |
| Unassigned | (37,048) | - | - | (37,048) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fund balances | <u>25,295</u> | <u>12,707</u> | <u>33,886</u> | <u>71,888</u> |
| | | | | |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 70,152</u> | <u>\$ 40,688</u> | <u>\$ 131,595</u> | <u>\$ 242,435</u> |

TOWN OF CARRBORO, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE (DEFICIT) FOR NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2013

Schedule 7

| | <u>Grants Administration Fund</u> | <u>Affordable Housing Fund</u> | <u>Energy Efficiency Revolving Loan Fund</u> | <u>Total Nonmajor Governmental Funds</u> |
|--|---|--|--|--|
| Revenues | | | | |
| Restricted intergovernmental | \$ 235,464 | \$ - | \$ - | \$ 235,464 |
| Loan repayments | - | - | 2,282 | 2,282 |
| Interest earnings | - | - | 6,869 | 6,869 |
| Total revenues | <u>235,464</u> | <u>-</u> | <u>9,151</u> | <u>244,615</u> |
| Expenditures | | | | |
| Economic and physical development | 115,718 | - | 28,128 | 143,846 |
| Capital outlay | 65,686 | - | - | 65,686 |
| Total expenditures | <u>181,404</u> | <u>-</u> | <u>28,128</u> | <u>209,532</u> |
| Revenues over (under) expenditures | <u>54,060</u> | <u>-</u> | <u>(18,977)</u> | <u>35,083</u> |
| Other financing sources (uses) | | | | |
| Transfer to the Energy Efficiency Revolving Loan Fund | (28,128) | - | - | (28,128) |
| Transfer from the Capital Reserve Fund | 29,950 | - | - | 29,950 |
| Transfer from Grants Administration Fund | - | - | 28,128 | 28,128 |
| Transfer from Revolving Loan Fund | - | - | - | - |
| Total other financing sources | <u>1,822</u> | <u>-</u> | <u>28,128</u> | <u>29,950</u> |
| Net change in fund balance | 55,882 | - | 9,151 | 65,033 |
| Fund balance (deficit), beginning of year | <u>(30,587)</u> | <u>12,707</u> | <u>24,735</u> | <u>6,855</u> |
| Fund balance, end of year | <u>\$ 25,295</u> | <u>\$ 12,707</u> | <u>\$ 33,886</u> | <u>\$ 71,888</u> |

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE (DEFICIT) - PROJECT AUTHORIZATION
AND ACTUAL - GRANTS ADMINISTRATION FUND
From Project Inception and for the Year Ended June 30, 2013

Schedule 8

| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Actual Current Year</u> | <u>Total to Date</u> | <u>Variance Positive (Negative)</u> |
|---|----------------------------------|------------------------|------------------------------------|--------------------------|---|
| Revenues | | | | | |
| U.S. Department of Energy | | | | | |
| Watershed restoration | \$ 205,000 | \$ 161,450 | \$ 38,882 | \$ 200,332 | \$ (4,668) |
| Southeast Energy Efficiency Alliance | 302,742 | 121,364 | 110,612 | 231,976 | (70,766) |
| U.S. Department of Justice | | | | | |
| Fingerprinting grant | 82,515 | 70,756 | - | 70,756 | (11,759) |
| U.S. Department of Health and Human Services | | | | | |
| Physical Activity FIT grant | 24,900 | 15,453 | - | 15,453 | (9,447) |
| Safe route to school (non-infrastructure) | 12,864 | 10,004 | - | 10,004 | (2,860) |
| Transportation demand management | - | 491 | - | 491 | 491 |
| Robeson Street sewer grant revenue (CDBG) | 171,700 | - | 18,353 | 18,353 | (153,347) |
| Robeson Street sewer grant revenue (ORANGE CO) | 29,950 | | | | |
| Robeson Street sewer grant program income | 7,000 | - | 7,000 | 7,000 | - |
| Fire sprinkler system | 67,950 | - | 59,117 | 59,117 | (8,833) |
| Orange County Arts Community Grant | - | - | 1,500 | 1,500 | 1,500 |
| Investment earnings | - | 20 | - | 20 | 20 |
| Total revenues | 904,621 | 379,538 | 235,464 | 615,002 | (259,669) |
| Expenditures | | | | | |
| Watershed restoration | 205,000 | 192,450 | 7,882 | 200,332 | 4,668 |
| Southeast Energy Efficiency Alliance | 282,514 | 66,365 | 82,484 | 148,849 | 133,665 |
| Fingerprinting | 82,515 | 56,556 | - | 56,556 | 25,959 |
| Physical activity | 24,900 | 15,550 | - | 15,550 | 9,350 |
| Safe route to school (non-infrastructure) | 12,864 | 10,004 | - | 10,004 | 2,860 |
| Robeson Street sewer project | 238,600 | - | 25,352 | 25,352 | 213,248 |
| Capital outlay | | | | | |
| Fire sprinkler system | 75,500 | - | 65,686 | 65,686 | 9,814 |
| Total expenditures | 921,893 | 340,925 | 181,404 | 522,329 | 399,564 |
| Revenue over (under) expenditures | (17,272) | 38,613 | 54,060 | 92,673 | 109,945 |
| Other financing uses | | | | | |
| Transfer to the Energy Efficiency Fund | (28,128) | (55,000) | (28,128) | (83,128) | (55,000) |
| Transfer to the General Fund | - | (14,200) | - | (14,200) | (14,200) |
| Transfer from the Capital Reserve Fund | 29,950 | - | 29,950 | 29,950 | - |
| Transfer from the General Fund | 15,450 | - | - | - | (15,450) |
| | 17,272 | (69,200) | 1,822 | (67,378) | (84,650) |
| Net change in fund deficit | \$ - | \$ (30,587) | 55,882 | \$ 25,295 | \$ 25,295 |
| Fund deficit, beginning of year | | | (30,587) | | |
| Fund balance, end of year | | | <u>\$ 25,295</u> | | |

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - PROJECT AUTHORIZATION
AND ACTUAL - AFFORDABLE HOUSING FUND
From Project Inception and for the Year Ended June 30, 2013

Schedule 9

| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Actual Current Year</u> | <u>Total to Date</u> | <u>Variance Positive (Negative)</u> |
|------------------------------------|----------------------------------|------------------------|------------------------------------|--------------------------|---|
| Revenues | | | | | |
| Interest earned | \$ - | \$ 500 | \$ - | \$ 500 | \$ 500 |
| Miscellaneous | - | 420 | - | 420 | 420 |
| Total revenues | - | 920 | - | 920 | 920 |
| Expenditures | | | | | |
| Deferred loan expense | 48,000 | 36,213 | - | 36,213 | 11,787 |
| Revenue under expenditures | (48,000) | (35,293) | - | (35,293) | 12,707 |
| Other financing sources | | | | | |
| Transfer from General Fund | 48,000 | 48,000 | - | 48,000 | - |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 12,707</u> | - | <u>\$ 12,707</u> | <u>\$ 12,707</u> |
| Fund balance, beginning of year | | | <u>12,707</u> | | |
| Fund balance, end of year | | | <u>\$ 12,707</u> | | |

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - PROJECT AUTHORIZATION
AND ACTUAL - ENERGY EFFICIENCY REVOLVING LOAN FUND
From Project Inception and for the Year Ended June 30, 2013

Schedule 10

| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Actual Current Year</u> | <u>Total to Date</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------------|----------------------------------|------------------------|------------------------------------|--------------------------|---|
| Revenues | | | | | |
| Loan repayments | \$ 55,000 | \$ 1,187 | \$ 2,282 | \$ 3,469 | \$ (51,531) |
| Interest earned | - | 2,548 | 6,869 | 9,417 | 9,417 |
| Interest on repayments | - | - | - | - | - |
| Total revenues | <u>55,000</u> | <u>3,735</u> | <u>9,151</u> | <u>12,886</u> | <u>(42,114)</u> |
| Expenditures | | | | | |
| Economic and physical development | <u>128,128</u> | <u>79,000</u> | <u>28,128</u> | <u>107,128</u> | <u>21,000</u> |
| Revenues over (under) expenditures | <u>(73,128)</u> | <u>(75,265)</u> | <u>(18,977)</u> | <u>(94,242)</u> | <u>(21,114)</u> |
| Other financing sources | | | | | |
| Transfer from Grant Fund | 28,128 | 55,000 | 28,128 | 83,128 | 55,000 |
| Transfer from Revolving Loan Fund | <u>45,000</u> | <u>45,000</u> | <u>-</u> | <u>45,000</u> | <u>-</u> |
| Total other financing sources | <u>73,128</u> | <u>100,000</u> | <u>28,128</u> | <u>128,128</u> | <u>55,000</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 24,735</u> | 9,151 | <u>\$ 33,886</u> | <u>\$ 33,886</u> |
| Fund balance, beginning of year | | | <u>24,735</u> | | |
| Fund balance, end of year | | | <u>\$ 33,886</u> | | |

ADDITIONAL FINANCIAL DATA

This section contains additional information on property taxes.

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

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TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2013

Schedule 11

| <u>Year of Levy</u> | <u>Uncollected Balance June 30, 2012</u> | <u>Additions</u> | <u>Collections and Credits</u> | <u>Uncollected Balance June 30, 2013</u> |
|---|--|----------------------|------------------------------------|--|
| 2012 - 2013 | \$ - | \$ 12,184,632 | \$ 11,937,142 | 247,490 |
| 2011 - 2012 | 208,818 | - | 139,555 | 69,263 |
| 2010 - 2011 | 59,938 | - | 18,365 | 41,573 |
| 2010 and prior | 176,090 | - | 33,752 | 142,338 |
| | <u>\$ 444,846</u> | <u>\$ 12,184,632</u> | <u>\$ 12,128,814</u> | <u>500,664</u> |
| Less: allowance for uncollectible accounts: | | | | |
| General Fund | | | | <u>(94,515)</u> |
| Ad valorem taxes receivables - net | | | | <u>\$ 406,149</u> |
| Reconciliation with revenues: | | | | |
| Ad valorem taxes - General Fund | | | \$ 11,728,563 | |
| Motor vehicle license fees - General Fund | | | <u>359,763</u> | |
| Total revenues | | | | 12,088,326 |
| Reconciling items: | | | | |
| Penalties and interest | | | | 25,736 |
| Adjustments | | | | <u>14,752</u> |
| | | | | <u>\$ 12,128,814</u> |

TOWN OF CARRBORO, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY
Year Ended June 30, 2013

Schedule 12

| | Town-Wide | | | Total Levy | |
|--|-------------------------|--------|----------------------|--|---------------------------------|
| | Property Valuation** | Rate | Total Levy* | Property Excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy | | | | | |
| Property taxed at current year's rate | \$ 1,967,568,869 | 0.5894 | \$ 11,596,851 | \$ 11,136,140 | \$ 460,711 |
| Motor vehicles taxed at prior year's rate | 35,603,599 | 0.5894 | 209,848 | - | 209,848 |
| Penalties and interest | - | | 2,112 | 2,112 | - |
| Total property valuation | <u>\$ 2,003,172,468</u> | | 11,808,811 | 11,138,252 | 670,559 |
| Vehicle tag fees | | | 375,821 | - | 375,821 |
| Total gross levy | | | 12,184,632 | 11,138,252 | 1,046,380 |
| Uncollected taxes at June 30, 2013 | | | 247,490 | 113,147 | 134,343 |
| Current year's taxes collected | | | <u>\$ 11,937,142</u> | <u>\$ 11,025,105</u> | <u>\$ 912,037</u> |
| Current levy collection percentage | | | <u>97.97%</u> | <u>98.98%</u> | <u>87.16%</u> |

* Total adjusted levy includes discoveries and abatements.

** Property tax valuation prior to the discoveries and abatements.

SUPPLEMENTARY INFORMATION
STATISTICAL SECTION

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STATISTICAL SECTION

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

| CONTENTS | PAGE |
|---|------|
| FINANCIAL TRENDS INFORMATION - These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time. | 88 |
| REVENUE CAPACITY INFORMATION - these schedules contain information to help the reader assess the Town's most significant local revenue sources, property taxes and water and sewer charges. | 94 |
| DEBT CAPACITY INFORMATION - these schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future. | 101 |
| DEMOGRAPHIC AND ECONOMIC INFORMATION - these schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place. | 106 |
| OPERATING INFORMATION - these schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs. | 110 |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Town implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

Financial Trends Information:

TOWN OF CARRBORO
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

Table 1

| | Fiscal Year | | | | | | | | | |
|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Governmental activities | | | | | | | | | | |
| Net investment in | | | | | | | | | | |
| capital assets | \$ 13,197,169 | \$ 16,174,743 | \$ 17,735,292 | \$ 18,647,239 | \$ 20,377,789 | \$ 22,845,981 | \$ 23,811,827 | \$ 22,800,027 | \$ 24,803,167 | \$ 25,869,273 |
| Restricted | - | - | 18,851 | - | - | - | - | 2,625,784 | 1,877,720 | 1,902,041 |
| Unrestricted | 7,031,287 | 7,689,017 | 9,607,945 | 11,347,696 | 12,151,591 | 12,531,183 | 12,296,387 | 10,977,854 | 10,311,263 | 9,735,451 |
| Total governmental | | | | | | | | | | |
| activities net position | <u>\$ 20,228,456</u> | <u>\$ 23,863,760</u> | <u>\$ 27,362,088</u> | <u>\$ 29,994,935</u> | <u>\$ 32,529,380</u> | <u>\$ 35,377,164</u> | <u>\$ 36,108,214</u> | <u>\$ 36,403,665</u> | <u>\$ 36,992,150</u> | <u>\$ 37,506,765</u> |

TOWN OF CARRBORO
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

Table 2
Page 1 of 2

| | Fiscal Year | | | | | | | | | |
|--|------------------------|------------------------|-----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 2,325,813 | \$ 2,406,566 | \$ 2,568,563 | \$ 2,828,685 | \$ 3,027,301 | \$ 3,099,916 | \$ 3,139,849 | \$ 3,355,221 | \$ 3,493,073 | \$ 3,978,378 |
| Public Safety | 3,970,899 | 4,031,288 | 4,219,432 | 5,098,641 | 5,088,188 | 5,565,460 | 6,087,506 | 6,757,198 | 6,835,304 | 6,778,893 |
| Planning | 906,766 | 1,057,324 | 943,711 | 1,112,435 | 1,195,300 | 1,124,240 | 1,399,817 | 1,232,157 | 1,162,777 | 1,107,377 |
| Transportation | 817,003 | 917,900 | 841,313 | 962,714 | 970,617 | 1,033,837 | 1,032,835 | 1,184,975 | 1,058,859 | 1,286,714 |
| Public Works | 2,775,381 | 1,754,626 | 2,874,392 | 3,296,515 | 3,469,934 | 3,582,740 | 3,614,262 | 3,929,320 | 4,252,251 | 4,072,606 |
| Parks and recreation | 1,182,059 | 1,206,197 | 1,244,258 | 1,212,610 | 1,248,818 | 1,383,873 | 1,833,715 | 1,498,043 | 1,516,336 | 1,453,991 |
| Economic and Community Development | 25,000 | 140,405 | 63,000 | 37,850 | 231,808 | 413,790 | 50,543 | 185,874 | 275,681 | 170,695 |
| Interest on long-term debt | 196,168 | 170,476 | 180,274 | 222,372 | 284,025 | 265,285 | 327,037 | 292,766 | 301,772 | 186,898 |
| Total governmental activities expenses | 12,199,089 | 11,684,782 | 12,934,943 | 14,771,822 | 15,515,991 | 16,469,141 | 17,485,564 | 18,435,554 | 18,896,053 | 19,035,552 |
| Total primary government expenses | <u>\$ 12,199,089</u> | <u>\$ 11,684,782</u> | <u>\$ 12,934,943</u> | <u>\$ 14,771,822</u> | <u>\$ 15,515,991</u> | <u>\$ 16,469,141</u> | <u>\$ 17,485,564</u> | <u>\$ 18,435,554</u> | <u>\$ 18,896,053</u> | <u>\$ 19,035,552</u> |
| Program revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General Government | \$ 73,023 | \$ 74,905 | \$ 78,685 | \$ 97,751 | \$ 150,508 | \$ 134,473 | \$ 134,344 | \$ 128,530 | \$ 344,239 | \$ 546,583 |
| Public Safety | 410,203 | 423,505 | 413,970 | 529,742 | 608,682 | 570,840 | 577,392 | 573,316 | 551,792 | 572,542 |
| Planning | 400,831 | 313,146 | 365,758 | 446,710 | 286,029 | 274,697 | 384,667 | 286,847 | 483,956 | 120,171 |
| Public Works | 111,335 | 106,197 | 88,309 | 110,746 | 74,539 | 97,516 | 85,779 | 115,107 | 126,495 | 82,458 |
| Parks and Recreation | 179,150 | 247,421 | 269,006 | 284,621 | 305,231 | 226,141 | 256,639 | 254,933 | 260,225 | 259,168 |
| Operating grants and contributions | 629,886 | 747,236 | 723,297 | 1,008,712 | 847,507 | 1,370,387 | 786,375 | 791,842 | 871,613 | 320,304 |
| Capital grants and contributions | - | 1,130,949 | 1,392,470 | 196,115 | 391,468 | 1,054,333 | 236,894 | 647,514 | 406,518 | 954,131 |
| Total governmental activities program revenues | 1,804,428 | 3,043,359 | 3,331,495 | 2,674,397 | 2,663,964 | 3,728,387 | 2,462,090 | 2,798,089 | 3,044,838 | 2,855,357 |
| Total primary government program revenues | <u>\$ 1,804,428</u> | <u>\$ 3,043,359</u> | <u>\$ 3,331,495</u> | <u>\$ 2,674,397</u> | <u>\$ 2,663,964</u> | <u>\$ 3,728,387</u> | <u>\$ 2,462,090</u> | <u>\$ 2,798,089</u> | <u>\$ 3,044,838</u> | <u>\$ 2,855,357</u> |
| Net expense | | | | | | | | | | |
| Governmental activities | <u>\$ (10,394,661)</u> | <u>\$ (10,394,661)</u> | <u>\$ (9,603,448)</u> | <u>\$ (12,097,425)</u> | <u>\$ (12,852,027)</u> | <u>\$ (12,740,754)</u> | <u>\$ (15,023,474)</u> | <u>\$ (15,637,465)</u> | <u>\$ (15,851,215)</u> | <u>\$ (16,180,195)</u> |
| Total primary government net expense | <u>\$ (10,394,661)</u> | <u>\$ (10,394,661)</u> | <u>\$ (9,603,448)</u> | <u>\$ (12,097,425)</u> | <u>\$ (12,852,027)</u> | <u>\$ (12,740,754)</u> | <u>\$ (15,023,474)</u> | <u>\$ (15,637,465)</u> | <u>\$ (15,851,215)</u> | <u>\$ (16,180,195)</u> |

TOWN OF CARRBORO
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

Table 2
Page 2 of 2

| | Fiscal Year | | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| General Revenues and Other | | | | | | | | | | |
| Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | \$ 10,909,066 | \$ 10,909,066 | \$ 12,185,361 | \$ 13,503,535 | \$ 13,799,533 | \$ 14,432,869 | \$ 14,834,736 | \$ 14,917,776 | \$ 15,445,629 | \$ 15,695,931 |
| Unrestricted intergovernmental revenues | 531,121 | 531,121 | 608,951 | 691,784 | 874,786 | 943,578 | 870,613 | 951,820 | 946,091 | 952,397 |
| Miscellaneous and unrestricted investment earnings | 146,056 | 146,056 | 307,424 | 534,953 | 712,153 | 212,091 | 49,175 | 63,320 | 47,980 | 46,482 |
| Total governmental activities | <u>11,586,243</u> | <u>11,586,243</u> | <u>13,101,736</u> | <u>14,730,272</u> | <u>15,386,472</u> | <u>15,588,538</u> | <u>15,754,524</u> | <u>15,932,916</u> | <u>16,439,700</u> | <u>16,694,810</u> |
| Total primary government | <u>\$ 11,586,243</u> | <u>\$ 11,586,243</u> | <u>\$ 13,101,736</u> | <u>\$ 14,730,272</u> | <u>\$ 15,386,472</u> | <u>\$ 15,588,538</u> | <u>\$ 15,754,524</u> | <u>\$ 15,932,916</u> | <u>\$ 16,439,700</u> | <u>\$ 16,694,810</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | <u>\$ 1,191,582</u> | <u>\$ 1,191,582</u> | <u>\$ 3,498,288</u> | <u>\$ 2,632,847</u> | <u>\$ 2,534,445</u> | <u>\$ 2,847,784</u> | <u>\$ 731,050</u> | <u>\$ 295,451</u> | <u>\$ 588,485</u> | <u>\$ 514,615</u> |

TOWN OF CARRBORO
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 3

| | Fiscal Year | | | | | | | | | |
|------------------------------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| General fund | | | | | | | | | | |
| Reserved | \$ 1,930,188 | \$ 1,612,492 | \$ 2,795,270 | \$ 2,049,578 | \$ 3,265,631 | \$ 1,482,537 | \$ 2,062,813 | N/A | N/A | N/A |
| Unreserved, designated | 756,958 | 894,434 | 1,182,684 | 1,120,725 | 2,544,847 | 1,081,717 | 933,608 | N/A | N/A | N/A |
| Unreserved, undesignated | 3,595,765 | 4,667,033 | 5,337,052 | 7,116,388 | 6,956,301 | 8,563,125 | 9,950,620 | N/A | N/A | N/A |
| Non-spendable | N/A | N/A | N/A | N/A | N/A | N/A | N/A | \$ 213,743 | \$ 403,022 | \$ 98,336 |
| Restricted | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 2,459,812 | 2,527,603 | 2,549,652 |
| Committed | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | - | - |
| Assigned | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 2,712,163 | 2,787,316 | 2,866,048 |
| Unassigned | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 8,354,128 | 9,804,868 | 7,296,945 |
| Total general fund | 6,282,911 | 7,173,959 | 9,315,006 | 10,286,691 | 12,766,779 | 11,127,379 | 12,947,041 | 13,739,846 | 15,522,809 | 12,810,981 |
| All other governmental funds | | | | | | | | | | |
| Reserved | 2,463 | 27,644 | 560,080 | 249,183 | 144,013 | 94,281 | - | N/A | N/A | N/A |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 1,317,854 | 1,004,601 | 1,182,811 | 1,687,061 | 1,350,616 | (118,563) | (436,507) | N/A | N/A | N/A |
| Capital projects funds | 190,021 | 162,378 | (942,995) | (1,163,714) | (1,334,116) | 716,763 | 2,464,956 | N/A | N/A | N/A |
| Non-spendable | N/A | N/A | N/A | N/A | N/A | N/A | N/A | - | - | - |
| Restricted | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 1,414,404 | 1,076,370 | 791,699 |
| Committed | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 2,369,833 | 1,404,374 | 4,652,528 |
| Assigned | N/A | N/A | N/A | N/A | N/A | N/A | N/A | - | - | - |
| Unassigned | N/A | N/A | N/A | N/A | N/A | N/A | N/A | (2,466,051) | (2,606,994) | (37,048) |
| Total all other governmental funds | 1,510,338 | 1,194,623 | 799,896 | 772,530 | 160,513 | 692,481 | 2,028,449 | 1,318,186 | (126,250) | 5,407,179 |
| Total, all governmental funds | \$ 7,793,249 | \$ 8,368,582 | \$ 10,114,902 | \$ 11,059,221 | \$ 12,927,292 | \$ 11,819,860 | \$ 14,975,490 | \$ 15,058,032 | \$ 15,396,559 | \$ 18,218,160 |

N/A - Not applicable prior to and subsequent to the implementation of GASB Statement No. 54.

TOWN OF CARRBORO
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 4

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues | | | | | | | | | | |
| Ad valorem taxes | \$ 7,791,921 | \$ 8,227,622 | \$ 8,578,222 | \$ 9,672,841 | \$ 10,041,553 | \$ 10,824,131 | \$ 11,213,669 | \$ 11,386,243 | \$ 11,708,787 | \$ 11,754,299 |
| Local option sales taxes | 2,705,076 | 2,874,741 | 3,089,493 | 3,353,665 | 3,382,770 | 3,137,836 | 3,039,931 | 3,113,356 | 3,308,060 | 3,427,678 |
| Other taxes and licenses | 428,338 | 439,840 | 460,350 | 420,065 | 355,295 | 428,654 | 508,344 | 438,229 | 449,628 | 461,054 |
| Unrestricted intergovernmental | 531,121 | 549,086 | 613,183 | 691,784 | 874,786 | 947,801 | 875,129 | 951,820 | 946,091 | 952,397 |
| Restricted intergovernmental | 629,886 | 552,907 | 565,374 | 1,039,979 | 778,193 | 903,072 | 731,165 | 1,075,884 | 1,095,408 | 1,179,461 |
| Permits and fees | 995,392 | 917,919 | 955,371 | 1,223,918 | 1,074,762 | 1,062,027 | 1,175,313 | 1,090,101 | 1,308,544 | 1,255,930 |
| Sales and services | 179,150 | 236,134 | 258,309 | 276,599 | 270,543 | 260,829 | 256,639 | 254,934 | 260,225 | 261,373 |
| Investment earnings | 51,269 | 130,270 | 291,873 | 534,956 | 525,462 | 201,829 | 49,174 | 63,320 | 47,980 | 25,954 |
| Other | 129,649 | 444,023 | 157,549 | 209,087 | 487,963 | 189,840 | 148,927 | 539,189 | 287,534 | 135,078 |
| Total revenues | 13,441,802 | 14,372,542 | 14,969,723 | 17,422,894 | 17,791,327 | 17,956,019 | 17,998,291 | 18,913,076 | 19,412,257 | 19,453,224 |
| Expenditures | | | | | | | | | | |
| General government | 2,409,684 | 2,421,531 | 2,543,543 | 3,003,404 | 3,222,136 | 3,029,383 | 2,980,135 | 3,162,592 | 3,350,244 | 3,345,195 |
| Public Safety | 3,945,853 | 4,025,778 | 4,257,421 | 5,555,899 | 5,144,593 | 5,279,145 | 5,397,502 | 5,624,076 | 5,795,546 | 5,736,675 |
| Planning | 911,521 | 1,071,142 | 956,304 | 1,110,467 | 1,179,139 | 1,110,797 | 1,098,192 | 1,132,203 | 1,045,854 | 1,088,802 |
| Transportation | 817,003 | 917,900 | 841,313 | 962,714 | 970,617 | 1,033,837 | 1,032,835 | 1,032,825 | 1,032,825 | 1,286,714 |
| Public Works | 3,008,021 | 3,073,794 | 3,033,855 | 3,776,477 | 3,642,698 | 3,004,354 | 2,958,684 | 3,100,603 | 3,397,396 | 3,385,065 |
| Parks and recreation | 1,130,239 | 1,035,472 | 1,171,889 | 1,211,738 | 1,208,191 | 1,207,492 | 1,243,416 | 1,237,163 | 1,274,082 | 170,695 |
| Economic and community development | 25,000 | 140,000 | 63,000 | - | - | 413,790 | 47,825 | 132,826 | 275,681 | 1,276,064 |
| Capital outlay | - | 1,029,693 | 332,181 | 739,123 | 863,924 | 2,556,751 | 2,474,729 | 2,373,015 | 1,840,865 | 2,717,113 |
| Debt service | | | | | | | | | | |
| Interest | 224,737 | 162,707 | 176,902 | 206,475 | 259,935 | 326,311 | 263,461 | 1,217,736 | 292,041 | 2,503,013 |
| Principal | 893,239 | 1,019,472 | 939,841 | 1,046,466 | 1,100,962 | 1,101,591 | 1,214,257 | 293,894 | 1,068,046 | 232,596 |
| Total expenditures | 13,365,297 | 14,897,489 | 14,316,249 | 17,612,763 | 17,592,195 | 19,063,451 | 18,711,036 | 19,306,933 | 19,372,580 | 21,741,932 |
| Excess of revenues over (under) expenditures | <u>76,505</u> | <u>(524,947)</u> | <u>653,474</u> | <u>(189,869)</u> | <u>199,132</u> | <u>(1,107,432)</u> | <u>(712,745)</u> | <u>(393,857)</u> | <u>39,677</u> | <u>(2,288,708)</u> |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Proceeds from borrowing | 543,192 | 1,100,280 | 1,092,846 | 1,134,188 | 1,668,939 | (1,634,299) | 3,867,955 | 476,399 | 298,850 | 4,997,320 |
| fPremium on borrowing | - | - | - | - | - | - | - | - | - | 92,461 |
| fSale of capital assets | - | - | - | - | - | - | - | - | - | 20,528 |
| Transfers in | 604,723 | 699,528 | 705,992 | 310,000 | 1,321,914 | - | 975,923 | 531,428 | - | 4,424,133 |
| Transfers out | (604,723) | (699,528) | (705,992) | (310,000) | (1,321,914) | 1,634,299 | (975,923) | (531,428) | - | (4,424,133) |
| Total other financing sources | 543,192 | 1,100,280 | 1,092,846 | 1,134,188 | 1,668,939 | - | 3,867,955 | 476,399 | 298,850 | 5,110,309 |
| Net change in fund balances | \$ 619,697 | \$ 575,333 | \$ 1,746,320 | \$ 944,319 | \$ 1,868,071 | \$ (1,107,432) | \$ 3,155,210 | \$ 82,542 | \$ 338,527 | \$ 2,821,601 |
| Capital outlay included in expenditures above | <u>\$ 135,046</u> | <u>\$ 1,610,364</u> | <u>\$ 1,106,998</u> | <u>\$ 2,676,218</u> | <u>\$ 2,208,378</u> | <u>\$ 2,556,751</u> | <u>\$ 2,474,729</u> | <u>\$ 2,373,015</u> | <u>\$ 1,840,865</u> | <u>\$ 2,717,113</u> |
| Debt service as a percentage of noncapital expenditures | 8.5% | 8.9% | 8.5% | 8.4% | 8.8% | 8.7% | 9.1% | 8.9% | 7.8% | 14.4% |

Revenue Capacity Information:

TOWN OF CARRBORO
PROGRAM REVENUES BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(accrual basis of accounting)

Table 5

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Function/Program | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General Government | \$ 164,477 | \$ 100,447 | \$ 146,775 | \$ 124,752 | \$ 288,116 | \$ 251,669 | \$ 148,995 | \$ 221,913 | \$ 250,719 | \$ 714,449 |
| Public Safety | 465,312 | 455,520 | 433,218 | 609,234 | 620,852 | 800,903 | 700,807 | 755,276 | 644,867 | 916,576 |
| Planning | 423,781 | 343,545 | 371,758 | 540,057 | 325,666 | 381,452 | 427,535 | 299,022 | 521,028 | 141,086 |
| Public Works and Transportation | 535,810 | 1,640,413 | 1,977,871 | 1,132,819 | 816,891 | 1,661,709 | 828,263 | 1,212,175 | 1,150,348 | 710,883 |
| Economic and Physical Development | - | 113,241 | 66,066 | - | 244,243 | 337,894 | 42,179 | - | 181,753 | 74,926 |
| Parks and Recreation | 215,048 | 390,193 | 335,807 | 339,541 | 368,196 | 296,123 | 314,311 | 309,703 | 296,123 | 297,437 |
| Total primary government | <u>\$ 1,804,428</u> | <u>\$ 3,043,359</u> | <u>\$ 3,331,495</u> | <u>\$ 2,746,403</u> | <u>\$ 2,663,964</u> | <u>\$ 3,729,750</u> | <u>\$ 2,462,090</u> | <u>\$ 2,798,089</u> | <u>\$ 3,044,838</u> | <u>\$ 2,855,357</u> |

TOWN OF CARRBORO
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS ^a
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 6

| <u>Fiscal Year</u> | <u>Property Taxes</u> |
|------------------------|-----------------------|
| 2004 | \$ 7,791,921 |
| 2005 | 8,227,662 |
| 2006 | 8,578,222 |
| 2007 | 9,672,841 |
| 2008 | 10,041,553 |
| 2009 | 10,824,131 |
| 2010 | 11,213,669 |
| 2011 | 11,386,243 |
| 2012 | 11,708,787 |
| 2013 | 11,754,299 |
| Change 2004 - 2013 | 50.9% |

^a This table presents the Town's most significant own source of revenues. All other taxes and revenues are either comparatively insignificant or levied by another governmental entity besides Town of Carrboro.

TOWN OF CARRBORO
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Table 7

| Fiscal Year Ended June 30, | Tax Year | Real Property | Personal Property | Public Service Companies | Total Taxable Assessed Value | Direct Tax Rate (\$100 of Assessed Value) | Estimated Actual Taxable Value | Taxable Assessed Value as Percentage of Actual Taxable Value |
|---|-----------------|--------------------------|------------------------------|-------------------------------------|---|--|---|---|
| 2004 | 2003 | \$ 1,005,282,825 | \$ 108,676,566 | \$ 14,505,050 | \$ 1,128,464,441 | 0.6582 | \$ 1,128,464,441 | 100% |
| 2005 | 2004 | 1,029,610,609 | 108,489,664 | 14,468,769 | 1,152,569,042 | 0.7148 | 1,152,569,042 | 100% |
| 2006 | 2005 | 1,252,027,870 | 105,636,174 | 14,737,286 | 1,372,401,330 | 0.6244 | 1,372,401,330 | 100% |
| 2007 | 2006 | 1,462,675,049 | 120,737,680 | 13,425,570 | 1,596,838,299 | 0.6244 | 1,596,838,299 | 100% |
| 2008 | 2007 | 1,400,382,686 | 124,823,950 | 13,379,348 | 1,538,585,984 | 0.6537 | 1,538,585,984 | 100% |
| 2009 | 2008 | 1,445,628,863 | 121,818,472 | 14,519,342 | 1,581,966,677 | 0.6863 | 1,581,966,677 | 100% |
| 2010 | 2009 | 1,784,120,826 | 116,231,101 | 15,520,866 | 1,915,872,793 | 0.5894 | 1,915,872,793 | 100% |
| 2011 | 2010 | 1,808,720,407 | 116,141,072 | 14,264,582 | 1,939,126,061 | 0.5894 | 1,939,126,061 | 100% |
| 2012 | 2011 | 1,833,640,649 | 124,209,262 | 14,927,885 | 1,972,777,796 | 0.5894 | 1,972,777,796 | 100% |
| 2013 | 2012 | 1,840,579,388 | 147,215,525 | 15,377,555 | 2,003,172,468 | 0.5894 | 2,003,172,468 | 100% |

Source: Orange County, North Carolina, Tax Assessor.

Note: Property in the Town of Carrboro is assessed and collected by Orange County, North Carolina. Property is assessed every four years at 100% actual value.

TOWN OF CARRBORO
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(rate per \$100 of assessed value)

Table 8

| Fiscal Year | Town of Carrboro | Orange County |
|----------------|------------------|------------------|
| | Direct Rate | Overlapping Rate |
| 2004 | 0.6852 | 0.8450 |
| 2005 | 0.7148 | 0.8800 |
| 2006 | 0.6244 | 0.8430 |
| 2007 | 0.6244 | 0.9030 |
| 2008 | 0.6537 | 0.9500 |
| 2009 | 0.6863 | 0.9471 |
| 2010 | 0.5894 | 0.8580 |
| 2011 | 0.5894 | 0.8580 |
| 2012 | 0.5894 | 0.8580 |
| 2013 | 0.5894 | 0.8580 |

Source: Orange County, North Carolina, Tax Assessor.

**TOWN OF CARRBORO
PROPERTY TAX LEVIES COLLECTIONS
Last Ten Fiscal Years**

Table 9

| Fiscal Year Ended June 30, | Tax Year | Taxes Levied for the Fiscal Year | Collected Within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|-------------------------------------|----------|--|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
| | | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2004 | 2003 | \$ 7,988,802 | \$ 7,874,710 | 98.57% | \$ 79,095 | \$ 7,953,805 | 99.56% |
| 2005 | 2004 | 8,479,108 | 8,361,431 | 98.61% | 77,410 | 8,438,841 | 99.53% |
| 2006 | 2005 | 8,820,233 | 8,695,718 | 98.59% | 73,180 | 8,768,898 | 99.42% |
| 2007 | 2006 | 9,892,881 | 9,784,087 | 98.90% | 97,043 | 9,881,130 | 99.88% |
| 2008 | 2007 | 10,303,874 | 10,177,986 | 98.78% | 102,561 | 10,280,547 | 99.77% |
| 2009 | 2008 | 11,167,691 | 11,014,097 | 98.62% | 144,204 | 11,158,301 | 99.92% |
| 2010 | 2009 | 11,686,026 | 11,470,312 | 98.15% | 182,495 | 11,652,807 | 99.72% |
| 2011 | 2010 | 11,792,820 | 11,578,630 | 98.18% | 154,252 | 11,732,882 | 99.49% |
| 2012 | 2011 | 11,999,523 | 11,790,705 | 98.26% | 139,555 | 11,930,260 | 99.42% |
| 2013 | 2012 | 12,184,632 | 11,937,142 | 97.97% | - | 11,937,142 | 97.97% |

TOWN OF CARRBORO
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Ten Years Ago

Table 10

| Taxpayer | 2013 | | | 2004 | | |
|-------------------------------------|--------------------------------------|------|---|--------------------------------------|------|---|
| | 2012 Taxable Assessed Value | Rank | Percentage of Total Town Taxable Assessed Value | 2003 Taxable Assessed Value | Rank | Percentage of Total Town Taxable Assessed Value |
| VAC Limited Partnership | \$ 23,628,424 | 1 | 1.20% | \$ 22,759,668 | 1 | 2.02% |
| Fairfield Autumn Woods, LLC | 20,073,200 | 2 | 1.02% | 17,410,777 | 2 | 1.54% |
| Carr Mill Mall Limited, Partnership | 16,417,310 | 3 | 0.84% | 12,507,022 | 5 | 1.11% |
| CRIT NC III, LLC | 16,048,280 | 4 | 0.82% | 15,100,181 | 4 | 1.34% |
| GS Villages of Chapel Hill, LLC | 16,006,656 | 5 | 0.82% | 16,023,837 | 3 | 1.42% |
| Wesdale Poplar Place LLC | 14,959,843 | 6 | 0.76% | - | - | - |
| Carrboro Shopping Center, Inc. | 13,223,400 | 7 | 0.67% | - | - | - |
| Lucas Investments LTD | 10,690,077 | 8 | 0.54% | - | - | - |
| 188 Claremont, LLC | 10,688,340 | 9 | 0.54% | - | - | - |
| 100 Rock Haven, LLC | 9,996,255 | 10 | 0.51% | - | - | - |
| Atlantic Multifamily | - | - | - | 12,236,065 | 6 | 1.08% |
| Carolina Spring Limited | - | - | - | 11,899,876 | 7 | 1.05% |
| Zell Samuel Trustee | - | - | - | 10,231,986 | 8 | 0.91% |
| Sterling Brook Apartments, LLC | - | - | - | 8,973,012 | 9 | 0.80% |
| CAJF Associates LLC | - | - | - | 8,824,520 | 10 | 0.78% |
| Total | <u>\$ 151,731,784</u> | | <u>7.73%</u> | <u>\$ 135,966,944</u> | | <u>12.05%</u> |

Source: Orange County Tax Assessor Office.

Debt Capacity Information:

TOWN OF CARRBORO
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Table 11

| Fiscal Year | Governmental Activities | | | Total Primary Government | Per Capita |
|------------------------|---|--|--|---|-----------------------|
| | General Obligation Bonds | Installment Purchase Agreements | Bond Anticipation Notes Payable | | |
| 2004 | \$ 575,393 | \$ 4,043,591 | \$ - | \$ 4,618,984 | \$ 261.73 |
| 2005 | 433,536 | 4,266,256 | - | 4,699,792 | 264.08 |
| 2006 | 331,679 | 4,521,157 | 1,230,000 | 6,082,836 | 337.94 |
| 2007 | 229,822 | 4,710,738 | 2,590,000 | 7,530,560 | 413.77 |
| 2008 | 127,964 | 5,380,571 | 2,590,000 | 8,098,535 | 435.15 |
| 2009 | 26,107 | 4,380,836 | 2,590,000 | 6,996,944 | 359.20 |
| 2010 | - | 7,060,641 | 2,590,000 | 9,650,641 | 485.18 |
| 2011 | - | 6,319,304 | 2,590,000 | 8,909,304 | 454.97 |
| 2012 | - | 5,405,219 | 2,590,000 | 7,995,219 | 408.29 |
| 2013 | 4,600,000 | 3,444,437 | - | 8,044,437 | 410.81 |

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

TOWN OF CARRBORO
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Table 12

| Fiscal Year | General Bonded Debt Outstanding | | Actual Taxable Value of Property | Percentage of Actual Taxable Value of Property | Per Capita |
|----------------|---------------------------------|------------|--|---|---------------|
| | General Obligation Bonds | Total | | | |
| 2004 | \$ 575,393 | \$ 575,393 | \$ 1,128,465,441 | 0.050 | \$ 32.60 |
| 2005 | 433,536 | 433,536 | 1,152,569,042 | 0.040 | 24.36 |
| 2006 | 331,679 | 331,679 | 1,372,401,330 | 0.020 | 18.43 |
| 2007 | 229,822 | 229,822 | 1,596,838,299 | 0.010 | 12.63 |
| 2008 | 127,964 | 127,964 | 1,538,585,984 | 0.010 | 6.88 |
| 2009 | 26,107 | 26,107 | 1,581,966,677 | 0.010 | 1.34 |
| 2010 | - | - | 1,915,872,793 | 0.000 | 0.00 |
| 2011 | - | - | 1,939,126,061 | 0.000 | 0.00 |
| 2012 | - | - | 1,972,777,796 | 0.000 | 0.00 |
| 2013 | 4,600,000 | 4,600,000 | 2,003,172,468 | 0.002 | 234.91 |

TOWN OF CARRBORO
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2013

Table 13

| <u>Town of Carrboro</u> | <u>Total Outstanding</u> | <u>Percentage Applicable to Town</u> | <u>Amount Applicable to Town</u> |
|--|------------------------------|--|--|
| General Obligation Debt | | | |
| Town of Carrboro general debt obligation | \$ 4,600,000 | 100.00% | <u>\$ 4,600,000</u> |
| Overlapping (bonded) Debt - Orange County | | | |
| Overlapping debt - Orange County | 86,205,000 | 12.46% | <u>10,741,712</u> |
| Subtotal, overlapping debt | | | <u>10,741,712</u> |
| Total direct and overlapping debt | | | <u><u>\$ 15,341,712</u></u> |

Sources:

Budgeted revenues used to estimate applicable percentages. Debt outstanding provided by Orange County, NC Finance Dept.

**TOWN OF CARRBORO
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years**

Table 14

| | Fiscal Year | | | | | | | | | |
|--|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Debt limit | \$ 90,277,235 | \$ 92,205,523 | \$ 109,792,106 | \$ 127,517,242 | \$ 123,086,879 | \$ 126,557,334 | \$ 153,269,823 | \$ 155,130,085 | \$ 152,417,005 | \$ 160,253,797 |
| Total net debt applicable to limit | 4,618,984 | 4,699,832 | 4,852,837 | 4,940,559 | 5,508,535 | 4,406,943 | 7,060,641 | 6,319,304 | 5,405,219 | 8,044,437 |
| Legal debt margin | <u>\$ 85,658,251</u> | <u>\$ 87,505,691</u> | <u>\$ 104,939,269</u> | <u>\$ 122,576,683</u> | <u>\$ 117,578,344</u> | <u>\$ 122,150,391</u> | <u>\$ 146,209,182</u> | <u>\$ 148,810,781</u> | <u>\$ 147,011,786</u> | <u>\$ 152,209,360</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 5.12% | 5.10% | 4.42% | 3.87% | 4.48% | 3.48% | 4.61% | 4.07% | 3.55% | 5.02% |

Note: Under State Finance law, the Town's outstanding general obligation debt should not exceed 8% of total assessed property value.

Demographic and Economic Information:

**TOWN OF CARRBORO
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years**

Table 15

| <u>Year</u> | <u>Population</u> | <u>Per Capita Personal Income</u> | <u>Median Age</u> | <u>Chapel Hill and Carrboro Schools Public School Enrollment</u> | <u>Carrboro Schools Only Public School Enrollment</u> | <u>Unemployment Rate</u> |
|-------------|-------------------|---|-----------------------|--|---|------------------------------|
| 2004 | 17,648 | \$ 35,191 | 28.1 | 10,699 | 562 | 4.5% |
| 2005 | 17,797 | 39,380 | 28.1 | 10,958 | 596 | 4.3% |
| 2006 | 18,000 | 39,380 | 28.1 | 11,018 | 582 | 3.2% |
| 2007 | 18,200 | 39,380 | 28.1 | 11,389 | 535 | 3.9% |
| 2008 | 18,611 | 39,380 | 28.1 | 11,630 | 1,140 | 4.6% |
| 2009 | 19,479 | 39,380 | 28.1 | 11,618 | 1,591 | 7.0% |
| 2010 | 19,891 | 39,380 | 28.1 | 11,657 | 1,611 | 6.4% |
| 2011 | 19,582 | 32,198 | 30.1 | 11,892 | 1,663 | 7.2% |
| 2012 | 19,582 | 32,198 | 30.1 | 11,885 | 1,449 | 6.5% |
| 2013 | 19,582 | 32,198 | 30.1 | 12,094 | 1,490 | 5.7% |

Notes:

Orange County unemployment rate is used.

Population for 2011- 2013 is based on last actual value calculated in 2010 from the US Census Bureau.

Per capita personal income is based on last actual value calculated in 2010 from the US Census Bureau for Orange County.

Information for Carrboro was not available.

Median age is estimated from the 2000 and 2010 Census of Population.

Public school enrollment is based on information received from Chapel Hill-Carrboro Schools for FY2003 through FY2013.

Schools that have a Carrboro mailing address are included in this demographic, which are Carrboro Elementary and Carrboro High School. Carrboro High School opened in 2007.

**TOWN OF CARRBORO
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago**

Table 16

| 2013 | | | | 2004 | | | |
|-----------------------------------|------------------------|------|---|-------------|-------------|------|---|
| Employer | Average # Employees | Rank | Percentage of Total Town Employment | Employer | Employees | Rank | Percentage of Total City Employment |
| Town of Carrboro | 229 | 1 | 1.96% | Information | Information | | Information |
| Chapel Hill-Carrboro City Schools | 216 | 2 | 1.85% | Not | Not | | Not |
| Kaplan College | 160 | 3 | 1.37% | Available | Available | | Available |
| Orange Water & Sewer Authority | 119 | 4 | 1.02% | | | | |
| Food Lion | 112 | 5 | 0.96% | | | | |
| Harris Teeter | 94 | 6 | 0.80% | | | | |
| Weaver Street Market | 75 | 7 | 0.64% | | | | |
| Piedmont Health Services | 69 | 8 | 0.60% | | | | |
| Tyler's Restaurant & Tap Room | 50 | 9 | 0.43% | | | | |
| Acme Food | 46 | 10 | 0.39% | | | | |
| Total | 1,170 | | 10.02% | | - | | - |

Source:

Orange County Economic Development Commission, average number of employees 3rd quarter 2012 from Employment Security Commission

Note:

Orange County was unable to determine the number of employees in Carrboro only for the Chapel-Hill City Schools for 2003.

TOWN OF CARRBORO
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYERS
BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Table 17

| <u>Function/Program</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| General government | | | | | | | | | | |
| Mayor and Board of Aldermen | - | - | - | - | - | - | - | - | 1 | 1 |
| Town Manager | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 4 | 5 | 5 |
| Economic Development | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 |
| Town Clerk | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Management Services | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 6 | 7 | 7 |
| Human Resources | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Public Safety | | | | | | | | | | |
| Police | 40 | 40 | 42 | 41 | 42 | 42 | 44 | 44 | 42 | 41 |
| Fire | 28 | 28 | 28 | 33 | 36 | 36 | 36 | 36 | 37 | 37 |
| Planning | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| Public Works | 35 | 35 | 35 | 36 | 36 | 36 | 36 | 36 | 34 | 35 |
| Parks and Recreation | 10 | 10 | 10 | 10 | 11 | 11 | 11 | 11 | 13 | 13 |
| Total | <u><u>141</u></u> | <u><u>141</u></u> | <u><u>143</u></u> | <u><u>148</u></u> | <u><u>153</u></u> | <u><u>153</u></u> | <u><u>155</u></u> | <u><u>155</u></u> | <u><u>158</u></u> | <u><u>158</u></u> |

Source: Annual operating budget.

Operating Information:

TOWN OF CARRBORO
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Table 18

| Function/Program | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| General Government | | | | | | | | | | |
| Revolving loan inquiries | 26 | 25 | 31 | 39 | 42 | 40 | 50 | 50 | 5 | 6 |
| Small business counseling referrals | 33 | 38 | 37 | 32 | 45 | 40 | 29 | 40 | 10 | 12 |
| Privilege licenses issued | 788 | 763 | 944 | 925 | 917 | 1,115 | 1,253 | 1,158 | 948 | 1,203 |
| Public Safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Major crimes | 1,409 | 1,259 | 1,174 | 1,275 | 972 | 814 | 750 | 716 | 746 | 599 |
| Criminal arrests | 656 | 833 | 762 | 713 | 881 | 881 | 830 | 767 | 830 | 1,082 |
| Motor vehicle accidents | 541 | 546 | 524 | 540 | 466 | 573 | 494 | 479 | 476 | 476 |
| Narcotics arrests | 70 | 70 | 55 | 56 | 107 | 132 | 204 | 157 | 150 | 105 |
| Fire | | | | | | | | | | |
| Fire and EMS responses | 874 | 872 | 920 | 1,397 | 1,480 | 1,576 | 1,530 | 1,392 | 1,406 | 1,517 |
| Inspections | 420 | 363 | 400 | 633 | 486 | 955 | 998 | 1,006 | 1,045 | 1,070 |
| Planning | | | | | | | | | | |
| Annexations | 2 | 2 | 2 | 2 | 1 | - | - | - | 1 | - |
| Zoning permits | 121 | 246 | 110 | 129 | 119 | 66 | 89 | 88 | 86 | 89 |
| Building permits for new residential | 72 | 57 | 41 | 71 | 55 | 54 | 77 | 50 | 92 | 92 |
| Building permits for new commercial | 38 | 7 | 22 | 1 | 7 | 3 | 78 | 4 | 6 | 11 |
| Value of building permits issued | \$ 23,102,327 | \$ 18,598,016 | \$ 41,510,253 | \$ 34,883,581 | \$ 15,634,025 | \$ 15,313,066 | \$ 29,410,835 | \$ 18,883,628 | \$ 30,184,969 | \$ 18,978,343 |
| Public Works | | | | | | | | | | |
| Paved streets maintained (miles) | 35 | 35 | 37 | 37 | 39 | 39 | 39 | 42 | 42 | 44 |
| Unpaved streets maintained (miles) | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Paved bikeways maintained (miles) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Litter collection (hours annually) | 400 | 400 | 400 | 400 | 400 | 400 | 425 | 425 | 405 | 390 |
| Residential refuse collection (tons annually) | 2,480 | 2,500 | 2,635 | 2,611 | 3,250 | 3,483 | 3,765 | 3,645 | 3,971 | 4,277 |
| Multi-family & commercial refuse collection | 4,470 | 4,710 | 4,600 | 3,521 | 4,379 | 4,146 | 2,865 | 3,098 | 3,595 | 2,534 |
| Bus shelters maintained | 18 | 18 | 18 | 20 | 20 | 20 | 22 | 23 | 23 | 23 |
| Parks and Recreation | | | | | | | | | | |
| Athletic activities offered | 37 | 43 | 46 | 54 | 46 | 61 | 48 | 50 | 48 | 48 |
| Athletic activity participants | 2,507 | 2,694 | 2,470 | 2,442 | 2,904 | 3,229 | 2,760 | 2,909 | 2,763 | 2,872 |
| Athletic activity hours | 882 | 868 | 864 | 1,000 | 1,003 | 1,111 | 952 | 934 | 882 | 878 |
| Other activities offered | 187 | 198 | 213 | 255 | 276 | 333 | 284 | 263 | 364 | 393 |
| Other activity participants | 17,708 | 21,482 | 20,255 | 25,015 | 25,111 | 27,517 | 26,122 | 17,476 | 30,056 | 31,667 |
| Century Center rentals (a) | 1,269 | 1,052 | 1,351 | 1,957 | 2,211 | 418 | 139 | 127 | 105 | 116 |
| Park rentals (b) | 284 | 519 | 560 | 856 | 1,008 | 234 | 203 | 181 | 201 | 199 |

Sources: Town departments

Notes:

N/A - Information was not collected/available.

(a) One rental contract can be for more than one event. The 105 Century Center rentals covered 375 events.

(b) One rental contract can be for more than one event. The 201 Park rentals covered 462 events.

TOWN OF CARRBORO
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Table 19

| Function/Program | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Public Safety | | | | | | | | | | |
| Police stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 42 | 42 | 42 | 41 | 43 | 42 | 42 | 43 | 43 | 43 |
| Fire stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 |
| Fire trucks | 5 | 5 | 5 | 5 | 5 | 6 | 6 | 6 | 6 | 6 |
| Public Works | | | | | | | | | | |
| Refuse collection trucks | 8 | 8 | 8 | 8 | 7 | 7 | 7 | 7 | 7 | 7 |
| Replacement refuse collection trucks | 3 | 3 | 3 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Streets (miles) | 37 | 39 | 38 | 38.70 | 38.79 | 39.35 | 39.35 | 43.27 | 43.27 | 43.27 |
| Bike paths (miles) | 3 | 3 | 3 | 3.32 | 3.32 | 3.32 | 3.32 | 3.32 | 3.32 | 3.32 |
| Streetlights | 742 | 781 | 803 | 869 | 962 | 968 | 968 | 986 | 986 | 986 |
| Parks and recreation | | | | | | | | | | |
| Parkland (acres) | 95.7 | 95.7 | 95.7 | 112 | 112 | 112 | 112 | 112 | 112 | 112 |
| Parks (quantity) | 8 | 9 | 9 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Hiking trails | 2 | 5 | 5 | 5 | 5 | 6 | 6 | 6 | 6 | 6 |
| Dog parks | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Soccer fields | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Baseball/softball fields | 5 | 5 | 5 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Basketball courts | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Tennis courts | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Volleyball courts | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Multi-purpose fields | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Fishing ponds | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Playgrounds | 5 | 5 | 5 | 7 | 7 | 8 | 8 | 8 | 8 | 8 |
| Picnic shelters | 5 | 5 | 5 | 5 | 4 | 4 | 4 | 5 | 5 | 5 |

Sources:
Town Departments

SUPPLEMENTARY INFORMATION:
COMPLIANCE SECTION

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

To the Honorable Mayor and
Members of the Board of Aldermen
Town of Carrboro, North Carolina

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Carrboro, North Carolina as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Carrboro's basic financial statements, and have issued our report thereon dated January 14, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Carrboro's internal control over financial reporting (internal control) to determine the 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 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 over financial reporting 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 may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Dixon Hughes Goodman LLP

January 14, 2014

**REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
IN ACCORDANCE WITH OMB CIRCULAR A-133; AND THE
STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Honorable Mayor and
Members of the Board of Aldermen
Town of Carrboro, North Carolina

Report on Compliance for The Major Federal Program

We have audited the Town of Carrboro, North Carolina's (the Town) compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on the Major Federal Program

In our opinion, the Town 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, 2013.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's 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 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 the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

January 14, 2014

**REPORT ON COMPLIANCE FOR THE MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
IN ACCORDANCE WITH OMB CIRCULAR A-133; AND THE
STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Honorable Mayor and
Members of the Board of Aldermen
Town of Carrboro, North Carolina

Report on Compliance for the Major State Program

We have audited Town of Carrboro, 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 its major state program for the year ended June 30, 2013. The Town's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of the Town's major state program based on our audit of the types of compliance requirements referred to above. 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; applicable sections of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state program. However, our audit does not provide a legal determination on the Town of Carrboro's compliance.

Opinion on the Major State Program

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

January 14, 2014

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Schedule 13
Page 1 of 3

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to federal awards? _____ Yes X No

Type of auditors' report issued on compliance for the major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major federal program:

| CFDA Number | Name of Federal Program or Cluster |
|-------------|---|
| 20.205 | Highway Planning and Construction (Federal-Aid Highway Program) |

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Schedule 13
Page 2 of 3

I. Summary of Auditors' Results (Continued)

Federal Awards (Continued)

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

State Awards

Internal control over major state
programs:

• Material weaknesses identified? Yes X No

• Significant deficiencies identified that
are not considered to be material
weaknesses? Yes X None reported

Noncompliance material to State awards? Yes X No

Type of auditors' report issued on
compliance for major state program: Unmodified

Any audit findings disclosed that are
required to be reported in accordance
with Section 510(a) of Circular A-133 and
the State Single Audit Implementation
Act? Yes X No

Identification of major state program(s):

| <u>State Number</u> | <u>Name of Program</u> |
|---------------------|------------------------|
| DOT 4 | Powell Bill |

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2013

Schedule 13
Page 3 of 3

II. Financial Statement Findings

There were no findings related to the financial statements for the fiscal year ended June 30, 2013.

III. Federal Awards Findings and Questioned Costs

There were no findings related to federal awards for the fiscal year ended June 30, 2013.

IV. State Awards Findings and Questioned Costs

There were no findings related to state awards for the fiscal year ended June 30, 2013.

TOWN OF CARRBORO, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2013

Schedule 14

There were no prior year audit findings.

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2013

Schedule 15

| Grantor/Program Title | Federal CFDA Number | Grant ID/ Project Award Number | Federal and Pass-Through Expenditures | State Expenditures |
|--|---------------------------|--------------------------------------|---|-----------------------|
| FEDERAL AWARDS | | | | |
| <i>U.S. Department of Homeland Security</i> | | | | |
| Fire Fighters Program Grant | 97.044 | EMW-2011-FO-02907 | \$ 59,117 | \$ - |
| Total U.S. Department of Homeland Security | | | 59,117 | - |
| <i>U.S. Department of Energy</i> | | | | |
| Passed through N.C. State Energy Office: Southeast Energy Efficiency Alliance- AARA funding | 81.128 | DE-EE0003575 | 110,612 | - |
| Total U.S. Department of Energy | | | 110,612 | - |
| <i>U.S. Environmental Protection Agency</i> | | | | |
| Passed through N.C. Department of Environment and Natural Resources Division of Water Quality: Grant 319 - watershed restoration | 66.460 | 2870 | 38,882 | - |
| Total U.S. Environmental Protection Agency | | | 38,882 | - |
| <i>U.S. Department of Commerce</i> | | | | |
| Passed through N.C. Department of Commerce Robeson Street Sewer Grant | 14.228 | 11-C-2342 | 18,353 | - |
| Total U.S. Department of Commerce | | | 18,353 | - |
| <i>U.S. Department of Transportation</i> | | | | |
| Passed through N.C. Department of Transportation Safe route to school | 20.205-7 | 40924.3.30 | 224,481 | - |
| STP-DA funding | | | | |
| Passed through N.C. Department of Transportation | | | | |
| Morgan Creek Greenway | 20.205-2 | 402451.1 | 14,364 | - |
| Wilson Park Multi-Use Path | 20.205 | U-4726DC | 280 | - |
| Rogers Road | 20.205-1 | 36268 | 13,581 | - |
| Bolin Creek Greenway | 20.205-1 | 36268.1.26 | 25,015 | - |
| Total U.S. Department of Transportation | | | 277,721 | - |
| Total federal awards | | | 504,685 | - |
| STATE AWARDS | | | | |
| <i>N.C. Department of Environmental and Natural Resources</i> | | | | |
| NC Recreational Trails Program | | 3383 | - | 75,000 |
| <i>N.C. Department of Transportation</i> | | | | |
| Powell Bill | | 32570 | - | 477,977 |
| Total N.C. Department of Transportation | | | - | 477,977 |
| Total state awards | | | - | 552,977 |
| TOTAL ASSISTANCE | | | \$ 504,685 | \$ 552,977 |

Note to the Schedule of Expenditures of Federal and State Awards

Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Town of Carrboro, North Carolina, and is presented on the modified accrual basis of accounting. The information in this schedule is in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act.