

Town of Carrboro, North Carolina

Comprehensive Annual Financial Report

For the Fiscal Year
Ended June 30, 2014

Prepared by:
Finance 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

Bethany Chaney
Michelle Johnson
Ranee Haven-O'Donnell

Sammy Slade
Jacquelyn Gist
Damon Seils

TOWN MANAGER

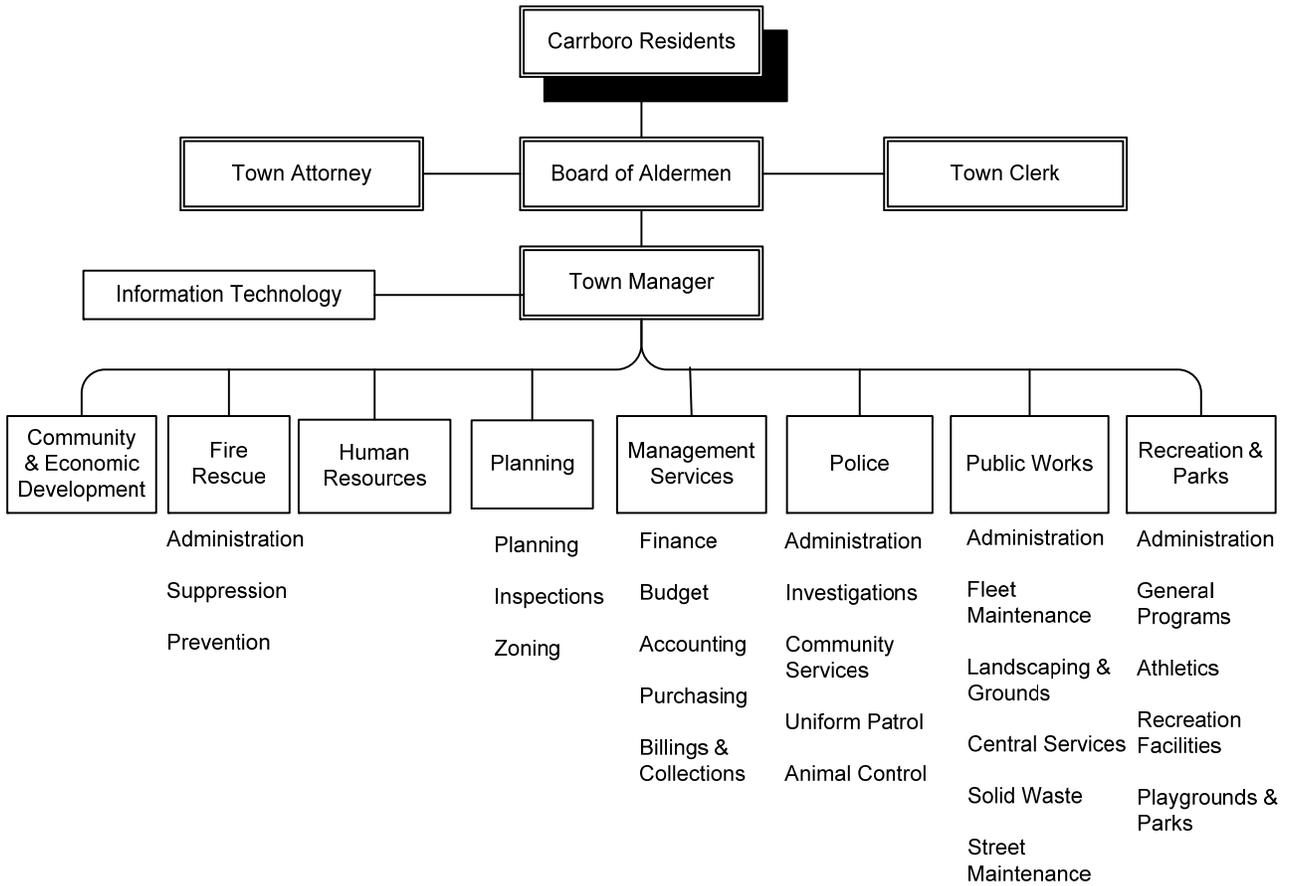
David Andrews

FINANCE 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
Gail Blackwood, Program Support Assistant

Town of Carrboro, North Carolina

ORGANIZATIONAL CHART





TOWN OF CARRBORO

NORTH CAROLINA

WWW.TOWNOFCARRBORO.ORG

October 30, 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, 2014 (FY 2013-14). 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/250/Financial-Documents>.

COMMUNITY AND ORGANIZATIONAL PROFILE

The Town is a small community located within Orange County in the north central portion of North Carolina. Carrboro is situated next to Chapel Hill and the University of North Carolina, and is near the Research Triangle Park. The area's topography is characterized by rolling hills. The Town, incorporated in 1911, now covers an area of 6.35 square miles and has a population of 19,702. 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 29,139 in 2013. 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 accommodations and facilities for bicyclists, as well as efforts to encourage bicycling for fun, fitness, and transportation. 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 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 2012 median household income is \$45,159. The household income levels of Carrboro break roughly into the following: 28% earn less than \$25,000 a year; 27% make between \$25,000 and \$50,000 a year; and 45% make more than \$50,000 a year.

Employment levels in Carrboro reflected national and statewide trends with a decrease in the unemployment rate from 5.9% in 2012 to 4.2% in 2013. The unemployment rate for Orange County was 4.7% in 2012 and decreased to 4.2% in December 2013, well below the state unemployment rate of 6.9%. 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 \$14.6 million, an increase of 4.5% or \$623,657 over the prior year. This increase was primarily due to other post-employment benefits and the first full year of debt service for the \$4.6 million general obligation bonds issued in January 2013. The Town had debt retirement for this fiscal year with principal repayment of \$1,066,150 and debt retirement of \$599,483 related to vehicles and equipment debt. The additions to debt during 2014 total \$498,822 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

As noted above, the Board of Aldermen has established 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 constructed 22 sidewalks covering 7.72 miles, completed construction of the Wilson Park Multi-Use Path, and completed design of the Homestead-Chapel Hill High School Multi-Use Path. Town residents approved \$4.6 million of general obligation bonds in a referendum in November 2003 to construct sidewalks and greenways throughout the Town to increase the safety and convenience of walking.
- The Town has been awarded a Silver Award by the League of American Bicyclists as a Bicycle-Friendly Community (BFC). The award is presented to communities that are committed to bicycling, provide safe accommodations 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 received a Clean Fuel Advanced Technology Grant from the North Carolina Solar Center at North Carolina State University to assist with the purchase of a hybrid solid waste truck.
- 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 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 has been awarded a Community Development Block Grant - Small Business and Entrepreneurial Program grant by the North Carolina Department of Commerce for construction of the Roberson Street Sewer Project and business training and education activities. Matching funds for this grant are provided by the Town and Orange County.
- 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 29th year.
- The Town has completed a grant from the Southeast Energy Efficiency Alliance, funded by the U.S. Department of Energy for an energy efficiency retrofit program for single-family residents, a multi-family residential energy pilot program, and creation of 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 Town Manager may set aside an amount in assigned fund balance for transfer to Capital Reserves 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 year ended June 30, 2014 the General Fund unassigned fund balance is 43% of total General Fund expenditures. This is a reflection of management’s conservative approach to revenue projections in an uncertain recovering economy showing marginal 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 reducing less vital operating expenses, increasing emphasis on economic development activities, and re-prioritizing or delaying capital expenditures.

Standard and Poor's Financial Services recently upgraded the Town's general obligation bond rating from AA+ to AAA. This is the highest credit rating indicating extremely strong creditworthiness and ability to meet financial obligations.

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

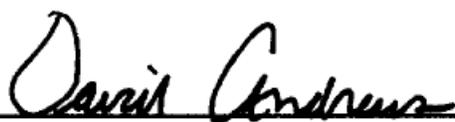
North Carolina General Statutes Chapter 15, the Local Government Budget and Fiscal Control Act, requires that units of local government have an annual audit by independent certified public accountants. The accounting firm of Dixon Hughes Goodman LLP was selected by the Board and performed this audit. The auditors' report on the basic financial statements, and combining and individual fund statements and other 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 tenth 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 2012-13. 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 we will submit our CAFR for the fiscal year ended June 30, 2014 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 that 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 Finance Department 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, 2013

Executive Director/CEO

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DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

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, the discretely presented component unit, 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, 2014, and the related notes to the financial statements, which collectively comprise the Town of Carrboro'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. The financial statements of the Carrboro Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Carrboro as of June 30, 2014, 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 15 and 63 through 66, 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 October 30, 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

*High Point, North Carolina
October 30, 2014*

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**TOWN OF CARRBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014**

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, 2014. 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 and deferred inflows of resources at the close of the fiscal year by \$37,844,290 (net position).
- Total net position increased by \$337,525 due to increases in the net position of the governmental-type activities.
- At June 30, 2014, the Town's governmental funds had combined ending fund balances of \$18,403,302, an increase of \$185,142 in comparison with the prior year. Approximately 43.2% or \$7,947,693 of this total amount is available for spending at the government's discretion (*unassigned fund balance*).
- Unassigned fund balance for the General Fund was \$7,988,424 or 42.6% of total General Fund expenditures of \$18,754,925 at the end of the fiscal year.
- Total long-term liabilities for the Town increased by 4.5% or \$623,657 from \$14,062,963 at June 30, 2013 to \$14,686,620 at June 30, 2014 primarily due to the increase in other post-employment benefits and the first full year of debt service for the general obligation bonds issued in January 2013.
- The Town holds an AAA credit rating with Standard and Poor's, maintains an 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):

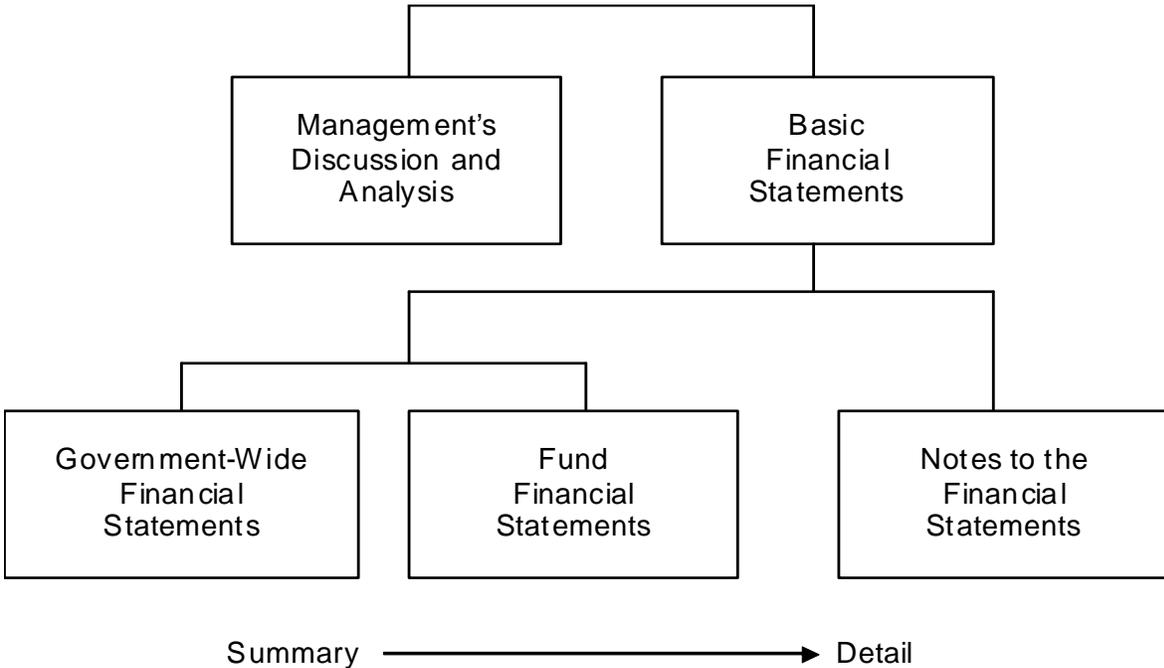
- 1) Government-wide financial statements,
- 2) Fund financial statements, and
- 3) Notes to the financial statements.

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, 2014**

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. Exhibit 1 presents the Statement of Net Position and Exhibit 2 presents the Statement of Activities. They provide information about the Town's current financial position.

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, supplementary 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, 2014**

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, liabilities and deferred inflows of resources, with the difference 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 19 and 20 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 21 of this report.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and 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, 2014**

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 25 through 60 of this report.

Supplementary 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 63 of this report.

Government-Wide Financial Analysis

The Town of Carrboro's Net Position

Figure 2

	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 21,737,803	\$ 21,244,809
Capital assets	<u>33,422,456</u>	<u>32,564,427</u>
Total assets	<u>55,160,259</u>	<u>53,809,236</u>
Other liabilities	3,659,969	3,454,374
Long-term liabilities outstanding	<u>13,525,351</u>	<u>12,741,621</u>
Total liabilities	<u>17,185,320</u>	<u>16,195,995</u>
Deferred inflows of resources	<u>130,649</u>	<u>106,470</u>
Net position:		
Net investment in capital assets	28,835,361	26,139,301
Restricted - stabilization by state statute	1,918,028	1,902,041
Unrestricted	<u>7,090,901</u>	<u>9,465,423</u>
Total net position	<u>\$ 37,844,290</u>	<u>\$ 37,506,765</u>

**TOWN OF CARRBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014**

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 \$37,844,290 as of June 30, 2014. This is an increase of \$337,525 over the prior fiscal year. The largest portion of net position (76%) 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 (\$1,918,028) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,090,901 (18.7%) is unrestricted.

The Town of Carrboro's Changes in Net Position

Figure 3

	<u>Governmental Activities 2014</u>	<u>Governmental Activities 2013</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,640,420	\$ 1,151,144
Operating grants and contributions	707,636	750,082
Capital grants and contributions	865,182	954,131
General revenues:		
Property taxes	11,715,062	11,807,199
Taxes	4,883,999	3,888,732
Grants and contributions not restricted to specific programs	982,040	952,397
Other	<u>13,443</u>	<u>46,482</u>
Total revenues	<u>20,807,782</u>	<u>19,550,167</u>
Expenses:		
General government	4,571,146	3,978,378
Public safety	6,925,676	6,778,893
Planning	1,153,138	1,107,377
Transportation	1,396,423	1,286,714
Public works	4,035,886	4,072,606
Parks and recreation	1,553,686	1,453,991
Economic and physical development	623,220	170,695
Interest on long-term debt	<u>211,082</u>	<u>186,898</u>
Total expenses	<u>20,470,257</u>	<u>19,035,552</u>
Increase in net position	337,525	514,615
Net position, July 1	<u>37,506,765</u>	<u>36,992,150</u>
Net position, June 30	<u>\$ 37,844,290</u>	<u>\$ 37,506,765</u>

**TOWN OF CARRBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014**

Governmental Activities. Governmental activities increased the Town's net position by \$337,525. Key elements of this change are as follows:

- Ad valorem property tax revenue decreased slightly by \$92,137 from \$11,807,199 last year to \$11,715,062 this fiscal year, which represents less than a 1.0% decrease from the prior year. Other taxes revenue increased by \$995,267 (26%) from \$3,888,732, to \$4,883,999. This increase is due primarily to the switch in September 2013 by the State to a new registered motor vehicle property tax collection system known as "Tag & Tax Together." Under this new system, motor vehicle property taxes are collected at time of registration or renewal of license. Previously there was a three-month lag between registration or renewal and billing of motor vehicle taxes.
- Capital grants and contributions decreased by \$88,949, from \$954,131 last year to \$865,182 this fiscal year, compared to an increase of \$547,613 between 2012 and 2013. Capital grants and contributions revenues vary from year to year depending upon the completion and commencement of various capital projects.
- Operating grants and contributions revenues increased from \$320,304 in 2013 to \$707,636 in 2014.
- Local option sales tax revenue increased by \$139,445 or 4.1%, from \$3,427,678 last year to \$3,567,123 this fiscal year.
- Expenses for total governmental activities increased by \$1,434,705 or 7.5%, from \$19,035,552 in 2013 to \$20,470,257 in 2014.
- Expense for interest on long-term debt increased by \$24,184, from \$186,898 last year to \$211,082 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 \$7,988,424, an increase of 9.5% from \$7,296,945 in 2013. The total general fund balance for 2014 was \$13,764,901, a 7.4% increase over the 2013 amount of \$12,810,981. This increase in fund balance is due primarily to an increase in revenues over the prior year, particularly charges for services and other taxes. 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 42.6% of total General Fund expenditures of \$18,754,925. Total fund balance represents 73.4% of total General Fund expenditures.

At June 30, 2014, the governmental funds of the Town of Carrboro reported a combined fund balance of \$18,403,302. The reported combined fund balance of the governmental funds includes a fund balance within the Bond Fund of \$1,647,129; and a fund balance within the Capital Projects Fund of \$2,431,256. These fund balances are either restricted or committed for capital project purposes.

**TOWN OF CARRBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014**

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 budgeted expenditures were increased by \$712,613 (3.5%) from an original appropriation of \$20,598,952 to a final appropriation of \$21,311,565.

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 \$1,128,057.

Revenues from taxes (i.e., property, local option sales, and other) represent 83% of the total revenues. Property, sales, and other taxes accounted for roughly 5% of the revenue above budget projections. Property, sales and other taxes were \$834,382 above budget projections. While property taxes were 1.6% below budget projects, sales taxes were \$241,307 (6.8%) and other taxes were \$780,830 (59.3%) above budget projection.

Permits and fees exceeded budget projections by \$16,024. Total revenue for permits and fees this year was \$1,249,319, a 1.3% increase above budget projection. Compared to revenues in 2013, this is \$6,611 (less than 1%) less than last year's \$1,255,930. This is due to a number of approved private developments that began or completed construction last year. Revenues from sales and services, investment, and other exceeded budget projections by \$48,247.

The unrestricted intergovernmental revenue receipts exceeded budget projections by \$94,895 for electric franchise, piped natural gas, video sales programming, telecommunication, and wine and beer licenses or taxes. These revenues totaled \$982,040 for 2014 compared to the prior year amount of \$952,397.

Expenditures, as required by budget ordinance, should not exceed appropriated levels. Total expenditures were \$18,754,925, which was \$2,556,640 less than the final budget of \$21,311,565. All spending by function was in compliance with budgetary requirements.

While all expenditures were less than final budget at June 30, 2014, they were 3% more than the prior year. Expenditures for general government were 18% higher than the prior year due to recruitments and temporary staffing costs to replace some senior staff that retired. Actual expenditures for public safety and recreation and parks were greater than the prior year, 5.9% and 6.8%, respectively. Transportation expenditures increased by 8.5% over the prior year due to increased operating costs. Public works expenditures decreased by 19.1% from the prior year. Debt service expenditures increased by 9.3% over the prior year. This is due to the debt service for the first full year of the general obligations issued in January 2013, and acquisition of vehicles and equipment.

**TOWN OF CARRBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014**

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental-type activities as of June 30, 2014 totaled \$33,422,456 (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: replacement of police vehicles and solid waste equipment.

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

	Governmental Activities	
	2014	2013
Land	\$ 14,608,393	\$ 14,608,393
Construction-in-progress	1,122,048	325,179
Buildings and systems	5,349,239	4,955,816
Improvements other than buildings	404,618	427,950
Machinery and equipment	643,664	846,485
Infrastructure	9,621,349	9,604,006
Vehicles and motorized equipment	1,673,145	1,796,598
Total	\$ 33,422,456	\$ 32,564,427

Additional information on the Town's capital assets can be found in on pages 31 to 32 and 39 to 40 of this report.

Long-Term Debt. As of June 30, 2014, the Town of Carrboro had the following long-term liabilities:

The Town of Carrboro's Outstanding Debt

Figure 5

	Governmental Activities	
	2014	2013
Government obligation bonds	\$ 4,350,000	\$ 4,600,000
Premium on bonds	85,162	90,028
Installment purchases	3,127,109	3,444,436
Compensated absences	557,456	556,377
Other postemployment benefits obligation	6,218,861	4,984,883
Law enforcement officers' net pension obligation	348,032	387,238
Total	\$ 14,686,620	\$ 14,062,962

**TOWN OF CARRBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014**

Total long-term liabilities for the Town increased by \$623,658 (4.4%) during fiscal year 2014 primarily due to other post-employment benefit and the first full year of debt service for general obligation bonds issued in January 2013. The Town had debt retirement for this fiscal year with the principal repayment of \$1,066,150. This includes retirement of debt for vehicles and equipment totaling \$599,483. Additions to debt during 2014 total \$498,822.

As mentioned in the financial highlights section of this document, the Town currently holds an AAA bond rating from Standard and Poor's and maintains Aa2 bond rating from Moody's Investor Service. 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 \$159,604,018. The Town has no general obligation bonds authorized but unissued at June 30, 2014.

Additional information regarding the Town's long-term debt can be found beginning on page 104 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 4.2% was well below the state average of 6.9% as of December 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.
- Tax reform legislation enacted or pending in the General Assembly is being closely monitored for any potential adverse impact on local governments. For example, the method of distribution for electricity and piped natural gas has been changed with 2015 serving as the baseline for future distributions by the state. Previously, sales tax did not apply to these utility sales and revenues were distributed based on service delivery within municipal boundaries.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities: The Town has approved a General Fund budget in the amount of \$21,313,803 for fiscal year 2015, which is a 3.4% increase over the original adopted fiscal year 2014 budget. As the economy continued to show signs of improvement, it was incumbent upon management to continue its disciplined approach and not become too optimistic in projecting revenues.

**TOWN OF CARRBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014**

The primary focus in preparing the fiscal year 2015 budget was to develop one that:

1. Reflected the Board's strategic priorities;
2. Managed costs while improving services to citizens;
3. Avoided increasing the tax burden for Town residents and local businesses; and,
4. Provided salary adjustments for Town employees.

The two largest sources of revenues, property taxes and sales taxes, are projected to increase. Property taxes are projected to increase by 1.6% due to increase in 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 2014.

Sales tax revenues over the past year continue to show signs of recovery and are anticipated to grow by a modest 1.4% over the 2013-14 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 2.5% increase in personnel and benefits costs, including 9.7% increase for health insurance premiums, a 2.0% 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 (LGERS). The Town will also provide merit pay for employees and implement a housing wage strategy. Merit pay will be provided to employees in the form of a fixed-dollar amount to be added to the employee's base salary, based on the employee's Annual Performance Review rating and whether the employee is earning below or above the Minimum Housing Wage annual salary.

Other operating expense increases in the General Fund are expected to be \$124,111 or 1.5% more than last year. In addition to maintaining existing services, funds are budgeted for new activities, including: matching funds for a parking study (\$30,000); Town Hall renovation study (\$60,000); traffic calming (\$53,000); relocation of mulch pile to comply with state requirements (\$73,000); and flood control engineering (\$20,000).

Capital outlays will increase by 8.5%, from \$937,495 in 2014 to \$1,016,896 in 2015. In addition to vehicles and equipment purchases, capital outlays include: resurfacing of tennis and basketball court at Anderson Park (\$21,222); Baldwin Park basketball court renovation (\$50,039); in-car video cameras for eight patrol vehicles; Digital Divide Capital Infrastructure (\$30,753); and replacement of the large format scanner for GIS in the planning department (\$17,000).

The budget for debt service in 2015 is \$1,214,891 compared to \$1,353,143 in 2014. This is due to the payoff in 2013 of some older debt with higher interest rates and Town efforts to level out debt financing in future years.

**TOWN OF CARRBORO, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014**

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>.

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BASIC FINANCIAL STATEMENTS

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TOWN OF CARRBORO, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2014

Exhibit 1

	<u>Primary Government</u>	<u>Component Unit</u>
ASSETS	Governmental Activities	Carrboro Tourism Development Authority
Current assets		
Cash and investments	\$ 17,136,426	\$ 46,696
Receivables		
Taxes receivable, net	309,591	-
Accrued interest receivable, property taxes	45,015	-
Accounts receivable, net	26,081	-
Due from other governments	1,685,617	-
Due from primary government	-	41,773
Inventories	108,794	-
Prepays	185,849	-
Restricted cash	1,826,474	-
Total current assets	<u>21,323,847</u>	<u>88,469</u>
Non-current assets		
Notes receivable	413,956	-
Capital assets		
Land	14,608,393	-
Construction-in-progress	1,122,048	-
Other capital assets, net of depreciation	17,692,015	-
Total capital assets	<u>33,422,456</u>	<u>-</u>
Total non-current assets	<u>33,836,412</u>	<u>-</u>
Total assets	<u>55,160,259</u>	<u>88,469</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,838,331	-
Payable from restricted assets, customer deposits and performance bonds	539,908	-
Accrued interest payable	78,688	-
Due to component unit	41,773	-
Current portion of long-term liabilities	1,161,269	-
Total current liabilities	<u>3,659,969</u>	<u>-</u>
Long-term liabilities		
Due in more than one year	13,525,351	-
Total long-term liabilities	<u>13,525,351</u>	<u>-</u>
Total liabilities	<u>17,185,320</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	<u>130,649</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	28,835,361	-
Restricted for:		
Stabilization by State Statute	1,918,028	41,773
Unrestricted	7,090,901	46,696
Total net position	<u>\$ 37,844,290</u>	<u>\$ 88,469</u>

The accompanying notes are an integral part of this statement.

**TOWN OF CARRBORO, NORTH CAROLINA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014**

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Carrboro Tourism Development Authority
Primary government:						
Governmental activities:						
General government	\$ 4,571,146	\$ 531,812	\$ 427,164	\$ -	\$ (3,612,170)	\$ -
Public safety	6,925,676	655,664	157,093	500	(6,112,419)	-
Planning	1,153,138	65,823	17,779	-	(1,069,536)	-
Transportation	1,396,423	-	-	487,937	(908,486)	-
Public works	4,035,886	107,622	12,317	376,745	(3,539,202)	-
Parks and recreation	1,553,686	279,499	45,698	-	(1,228,489)	-
Economic and physical development	623,220	-	47,585	-	(575,635)	-
Interest on long-term debt	211,082	-	-	-	(211,082)	-
Total governmental activities	<u>\$ 20,470,257</u>	<u>\$ 1,640,420</u>	<u>\$ 707,636</u>	<u>\$ 865,182</u>	<u>(17,257,019)</u>	<u>-</u>
Component unit:						
Tourism Development Authority						
	\$ 12,082	\$ -	\$ -	\$ -	-	(12,082)
Total component unit	<u>\$ 12,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(12,082)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes					11,715,062	-
Local option sales taxes					3,567,123	-
Other taxes					1,316,876	-
Unrestricted intergovernmental revenues					982,040	-
Unrestricted investment earnings					11,757	-
Payment from Town of Carrboro					-	100,551
Miscellaneous					1,686	-
Total general revenues					<u>17,594,544</u>	<u>100,551</u>
Change in net position					337,525	88,469
Net position, beginning					<u>37,506,765</u>	<u>-</u>
Net position, ending					<u>\$ 37,844,290</u>	<u>\$ 88,469</u>

The accompanying notes are an integral part of this statement.

**TOWN OF CARRBORO, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014**

Exhibit 3

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General Fund	Revolving Loan Fund	Bond Fund	Capital Projects Fund	Grants Administration Fund		
ASSETS							
Cash and cash equivalents	\$ 12,875,863	\$ 324,577	\$ 1,688,610	\$ 1,749,160	\$ 298,613	\$ 199,603	\$ 17,136,426
Taxes receivable, net	309,591	-	-	-	-	-	309,591
Accounts receivable, net	26,081	-	-	-	-	-	26,081
Due from other governments	1,593,772	-	-	-	91,845	-	1,685,617
Notes receivable, net	-	300,013	-	-	-	113,943	413,956
Inventories	108,794	-	-	-	-	-	108,794
Prepaid items	185,849	-	-	-	-	-	185,849
Restricted cash	1,096,206	-	-	730,268	-	-	1,826,474
Total assets	\$ 16,196,156	\$ 624,590	\$ 1,688,610	\$ 2,479,428	\$ 390,458	\$ 313,546	\$ 21,692,788
LIABILITIES							
Accounts payable and accrued liabilities	\$ 1,409,334	\$ -	\$ 41,481	\$ 48,172	\$ 339,344	\$ -	\$ 1,838,331
Payable from restricted assets, customer deposits and performance bonds	539,908	-	-	-	-	-	539,908
Due to component unit	41,773	-	-	-	-	-	41,773
Total liabilities	1,991,015	-	41,481	48,172	339,344	-	2,420,012
DEFERRED INFLOWS OF RESOURCES	440,240	300,013	-	-	15,278	113,943	869,474
FUND BALANCES							
Nonspendable:							
Inventories	108,794	-	-	-	-	-	108,794
Prepaid Items	185,849	-	-	-	-	-	185,849
Restricted:							
Stabilization by state statute	1,841,461	-	-	-	76,567	-	1,918,028
Capital equipment	556,298	-	-	-	-	-	556,298
Capital projects	-	-	1,647,129	730,268	-	-	2,377,397
Committed:							
Economic development	-	324,577	-	-	-	125,000	449,577
Capital projects	-	-	-	1,700,988	-	-	1,700,988
Affordable housing	-	-	-	-	-	28,707	28,707
Energy efficiency	-	-	-	-	-	45,896	45,896
Assigned:							
Subsequent year's expenditures	1,084,075	-	-	-	-	-	1,084,075
Capital projects	2,000,000	-	-	-	-	-	2,000,000
Unassigned	7,988,424	-	-	-	(40,731)	-	7,947,693
Total fund balances	13,764,901	324,577	1,647,129	2,431,256	35,836	199,603	18,403,302
Total liabilities, deferred inflows of resources and fund balances	\$ 16,196,156	\$ 624,590	\$ 1,688,610	\$ 2,479,428	\$ 390,458	\$ 313,546	

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.	33,422,456
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.	45,015
Liabilities for earned revenues are considered deferred inflows of resources in fund statements.	738,825
Some liabilities, including long-term obligations, are not due and payable in the current period, and therefore are not reported in the funds.	(14,686,620)
Other long-term liabilities (accrued interest) are not due and payable in the current period, and therefore are not reported in the funds.	(78,688)
Net position of governmental activities	\$ 37,844,290

The accompanying notes are an integral part of this statement.

TOWN OF CARRBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2014

Exhibit 4
Page 1 of 2

	Major Funds						Total Governmental Funds
	General Fund	Revolving Loan Fund	Bond Fund	Capital Projects Fund	Grants Administration	Nonmajor Funds	
Revenues							
Ad valorem taxes	\$ 11,792,234	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,792,234
Local option sales taxes	3,567,123	-	-	-	-	-	3,567,123
Other taxes and licenses	1,316,876	-	-	-	-	-	1,316,876
Unrestricted							
intergovernmental	982,040	-	-	-	-	-	982,040
Restricted							
intergovernmental	775,418	-	204,908	13,338	494,176	-	1,487,840
Permits and fees	1,249,319	-	-	-	-	-	1,249,319
Sales and services	283,611	-	-	-	-	-	283,611
Investment earnings	2,149	6,703	227	-	-	2,678	11,757
Other	129,605	68,734	-	-	-	9,332	207,671
Total revenues	20,098,375	75,437	205,135	13,338	494,176	12,010	20,898,471
Expenditures							
General government	3,964,409	-	-	-	-	-	3,964,409
Public safety	6,019,294	-	-	-	-	-	6,019,294
Planning	1,150,603	-	-	-	-	-	1,150,603
Transportation	1,396,423	-	-	-	-	-	1,396,423
Public works	3,260,291	-	-	-	-	-	3,260,291
Economic and physical development	-	50,000	-	-	564,220	9,000	623,220
Parks and recreation	1,378,862	-	-	-	-	-	1,378,862
Capital outlay	292,559	-	519,999	1,319,375	555	-	2,132,488
Debt service:							
Principal	1,066,150	-	-	-	-	-	1,066,150
Interest and other charges	226,334	-	-	-	-	-	226,334
Total expenditures	18,754,925	50,000	519,999	1,319,375	564,775	9,000	21,218,074
Excess of revenues over (under) expenditures	1,343,450	25,437	(314,864)	(1,306,037)	(70,599)	3,010	(319,603)
Other financing sources (uses)							
Transfers from other funds	477,945	-	-	1,141,080	81,140	150,000	1,850,165
Transfers to other funds	(1,372,220)	-	-	(477,945)	-	-	(1,850,165)
Sale of capital assets	5,923	-	-	-	-	-	5,923
Installment purchase obligations issued	498,822	-	-	-	-	-	498,822
Total other financing sources (uses)	(389,530)	-	-	663,135	81,140	150,000	504,745
Net change in fund balances	953,920	25,437	(314,864)	(642,902)	10,541	153,010	185,142
Fund balances, beginning of year	12,810,981	299,140	1,961,993	3,074,158	25,295	46,593	18,218,160
Fund balances, end of year	\$ 13,764,901	\$ 324,577	\$ 1,647,129	\$ 2,431,256	\$ 35,836	\$ 199,603	\$ 18,403,302

The accompanying notes are an integral part of this statement.

TOWN OF CARRBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2014

Exhibit 4
Page 2 of 2

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

Total net change in fund balances - governmental funds \$ 185,142

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	\$ 2,132,488	
Depreciation expense for governmental assets	<u>(1,270,222)</u>	862,266

Cost of capital asset disposed of during the year, not recognized on modified accrual basis.

Proceeds on disposal of fixed assets under modified accrual basis	(5,923)	
Gain on sale of fixed assets recognized under full accrual basis	<u>1,686</u>	(4,237)

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	19,386	
Change in deferred revenues, property taxes	(96,558)	
Change in deferred revenues	<u>(15,203)</u>	(92,375)

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	(498,822)	
Principal payments on long-term debt	<u>1,066,150</u>	567,328

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	4,866	
Change in accrued interest payable on long-term debt	10,386	
Change in compensated absences	(1,079)	
Change in net pension obligation	39,206	
Change in other postemployment benefits	<u>(1,233,978)</u>	<u>(1,180,599)</u>

Total changes in net position of governmental activities **\$ 337,525**

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, 2014

Exhibit 5

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Revenues				
Ad valorem taxes	\$ 11,979,989	\$ 11,979,989	\$ 11,792,234	\$ (187,755)
Local option sales taxes	3,325,816	3,325,816	3,567,123	241,307
Other taxes and licenses	536,046	536,046	1,316,876	780,830
Unrestricted intergovernmental	887,145	887,145	982,040	94,895
Restricted intergovernmental	604,909	640,909	775,418	134,509
Permits and fees	1,226,295	1,233,295	1,249,319	16,024
Sales and services	233,145	233,145	283,611	50,466
Investment earnings	7,036	7,036	2,149	(4,887)
Other revenues	76,373	126,937	129,605	2,668
Total revenues	<u>18,876,754</u>	<u>18,970,318</u>	<u>20,098,375</u>	<u>1,128,057</u>
Expenditures				
Current:				
General government	4,145,439	4,495,813	4,002,856	492,957
Public safety	6,193,599	6,350,312	6,239,303	111,009
Planning	1,261,904	1,312,666	1,150,603	162,063
Transportation	1,396,423	1,396,423	1,396,423	-
Public works	4,151,362	4,362,579	3,272,503	1,090,076
Parks and recreation	1,505,496	1,566,592	1,400,753	165,839
General services	591,586	474,037	-	474,037
Debt service	1,353,143	1,353,143	1,292,484	60,659
Total expenditures	<u>20,598,952</u>	<u>21,311,565</u>	<u>18,754,925</u>	<u>2,556,640</u>
Excess of revenues over (under) expenditures	<u>(1,722,198)</u>	<u>(2,341,247)</u>	<u>1,343,450</u>	<u>3,684,697</u>
Other financing sources (uses)				
Transfers from other funds	176,945	477,945	477,945	-
Transfers to other funds	(136,704)	(1,372,220)	(1,372,220)	-
Sale of capital assets	70,733	70,733	5,923	(64,810)
Installment purchase obligation issued	745,176	745,176	498,822	(246,354)
Total other financing sources (uses)	<u>856,150</u>	<u>(78,366)</u>	<u>(389,530)</u>	<u>(311,164)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(866,048)</u>	<u>(2,419,613)</u>	<u>953,920</u>	<u>3,373,533</u>
Fund balance appropriated	<u>866,048</u>	<u>2,419,613</u>	<u>-</u>	<u>(2,419,613)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>953,920</u>	<u>\$ 953,920</u>
Fund balance, beginning of year			<u>12,810,981</u>	
Fund balance, end of year			<u>\$ 13,764,901</u>	

The accompanying notes are an integral part of this statement.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Carrboro (the "Town") and its discretely presented component unit 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. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Carrboro Tourism Development Authority

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") which is a public authority under the Local Government Budget and Fiscal Control Act. The three members of the CTDA are appointed by the Town's Board of Aldermen. The CTDA receives revenue through the occupancy tax, which is levied and collected by the Town and remitted to the CTDA net of administration fees on a quarterly basis. The CTDA shall use at least two-thirds of the funds remitted to promote travel and tourism in the Town, and shall use the remainder for tourism-related expenditures. The CTDA, which has a June 30 year end, is presented as if it were a proprietary fund (discrete presentation). Requests for complete financial statements for the CTDA may be directed to the Finance Officer, c/o Carrboro Tourism Development Authority, 301 West Main Street, Carrboro, North Carolina 27510.

B. Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. 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.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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.

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. The primary revenue source consists of principal and interest repayments made on these loans. The Town has elected to report this fund as major.

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.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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.

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

The Town reports the following non-major governmental funds:

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.

Business Loan Fund - The Business Loan Fund was established to attract locally owned sustainable business enterprises that are environmentally and socially responsible. The business must be located within the town limits of Carrboro and business owners must reside in Orange County.

C. Measurement Focus and Basis of Accounting

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

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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. Non-exchange 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.

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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the state of North Carolina is responsible for the billing and collecting of the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements, and are offset by deferred inflows of resources.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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 are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted 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 Grants Administration Fund, the Affordable Housing Fund, the Energy Efficiency Revolving Loan Fund, and the Business 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 and the CTDA are made in Board-designated official depositories and are secured as required by state law [G. S. 159-31]. The Town and the CTDA may designate as an official depository any bank or savings association whose principal office is located in North Carolina. Also, the Town and the CTDA may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments (Continued)

State law [G. S. 159-30(c)] authorizes the Town and the CTDA 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 non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Town's and the CTDA'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.

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 \$1,286,566 are classified as restricted cash because their use is completely restricted to the purpose for which the installment purchase agreements were issued. Credit deposits in the amount of \$539,908 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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2013. 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.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventory of the Town is valued at 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 rather than when purchased.

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, 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.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

7. Capital Assets (Continued)

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

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: property 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: cell tower revenue, dumpster fees, privilege licenses, and parks and recreational programs and facilities.

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, 2014

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.

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:

Non-spendable 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.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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)

Non-Spendable Fund Balance (Continued)

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 when 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 that is 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.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by the government through majority vote of the Town's governing body - the Board of Aldermen (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

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.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 (Continued)

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.

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%.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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.

At June 30, 2014, the Town's deposits had a carrying amount of \$10,256,153 and a bank balance of \$11,024,964. Of the bank balance, \$529,798 was covered by federal depository insurance and the remainder of \$10,495,166 was covered by collateral under the pooling method. The carrying amount of deposits for the CTDA was \$46,696 and the bank balance was \$48,496. All of the bank balance was covered by federal depository insurance. At June 30, the Town's petty cash fund totaled \$1,905.

2. Investments

At June 30, 2014, the Town had \$8,704,842 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.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 2. Detail Notes on All Funds Continued

A. Assets (Continued)

3. Receivables

Due from Other Governments

Amounts due from other governments consist of the following:

	County	State	Total
<i>General Fund</i>			
Local option sales tax	\$ -	\$ 1,018,515	\$ 1,018,515
Sales tax refunds	77,022	135,191	212,213
Utilities franchise, piped natural gas, telecommunications and solid waste disposal tax	-	222,166	222,166
NCVTS tag and tax proceeds	-	140,878	140,878
	77,022	1,516,750	1,593,772
<i>Grants Administration Fund</i>			
Other receivables	15,278	-	15,278
Grant reimbursements	-	76,567	76,567
	15,278	76,567	91,845
Total	\$ 92,300	\$ 1,593,317	\$ 1,685,617

Notes Receivable

The Revolving Loan Fund was established for the purpose of making loans to numerous local businesses. As of June 30, 2014, the Revolving Loan Fund notes receivable balance was \$300,013, net of a \$70,000 allowance.

The following is a summary of notes receivable of the Revolving Loan Fund at June 30, 2014:

	Interest Rate	Balance
Alphabet Soup	6.00	\$ 18,351
Bryan's Guitar	3.00	50,613
Art in a Pickle	2.00	42,573
The Beehive	3.00	19,135
Carrboro Creative Coworking	2.00	51,309
Original Ornament	3.00	70,000
Carrboro Citizen	2.00	23,447
PTA Thrift Store	3.00	16,490
Second Wind Juice Bar	3.00	33,723
Cameron's	2.00	44,372
		370,013
Less allowance		(70,000)
Total		\$ 300,013

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 2. Detail Notes on All Funds (Continued)

A. Assets (Continued)

3. Receivables (Continued)

Notes Receivable (Continued)

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, 2014, the Energy Efficiency Revolving Loan Fund notes receivable balance was \$88,379.

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, 2014, the Affordable Housing Fund notes receivable balance was \$25,564.

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.

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	<u>\$ 97,550</u>

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 2. Detail Notes on All Funds (Continued)

A. Assets (Continued)

5. Capital Assets

Capital asset activity for the year ended June 30, 2014 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	\$ 14,608,393	\$ -	\$ -	\$ 14,608,393
Construction-in-progress	<u>325,179</u>	<u>1,839,922</u>	<u>(1,043,053)</u>	<u>1,122,048</u>
Total capital assets not being depreciated	<u>14,933,572</u>	<u>1,839,922</u>	<u>(1,043,053)</u>	<u>15,730,441</u>
Capital assets being depreciated:				
Buildings and improvements	8,087,667	634,210	-	8,721,877
Land improvements	608,431	-	-	608,431
Infrastructure	11,285,096	408,843	-	11,693,939
Equipment and heavy equipment	3,662,793	63,147	(38,981)	3,686,959
Vehicles	<u>5,684,663</u>	<u>229,419</u>	<u>-</u>	<u>5,914,082</u>
Total capital assets being depreciated	<u>29,328,650</u>	<u>1,335,619</u>	<u>(38,981)</u>	<u>30,625,288</u>
Less accumulated depreciation for:				
Buildings and improvements	3,131,851	240,787	-	3,372,638
Land improvements	180,481	23,332	-	203,813
Infrastructure	1,681,090	391,500	-	2,072,590
Equipment and heavy equipment	2,816,308	261,731	(34,744)	3,043,295
Vehicles	<u>3,888,065</u>	<u>352,872</u>	<u>-</u>	<u>4,240,937</u>
Total accumulated depreciation	<u>11,697,795</u>	<u>\$ 1,270,222</u>	<u>\$ (34,744)</u>	<u>12,933,273</u>
Total capital assets being depreciated, net	<u>17,630,855</u>			<u>17,692,015</u>
Governmental activity capital assets, net	<u>\$ 32,564,427</u>			<u>\$ 33,422,456</u>

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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	\$ 35,962
Public safety	347,922
Planning	6,304
Public works	716,997
Parks and recreation	<u>163,037</u>
Total depreciation expense	<u>\$ 1,270,222</u>

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at the government-wide level at June 30, 2014 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General	\$ 872,933	\$ 536,401	\$ 1,409,334
Other governmental	<u>428,997</u>	<u>-</u>	<u>428,997</u>
Total governmental activities	<u>\$ 1,301,930</u>	<u>\$ 536,401</u>	<u>\$ 1,838,331</u>

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 7.07% and 7.28%, 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, 2014, 2013 and 2012 were \$538,005, \$512,215, and \$514,578, 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, 2014

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, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	8
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	<u>38</u>
Total	<u><u>46</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, 2014

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, 2013 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, 2013 was 17 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	\$ 110,704
Interest on net pension obligation	19,362
Adjustment to annual required contribution	<u>(31,549)</u>
Annual pension cost	98,517
Contributions made	<u>137,723</u>
Decrease in net pension obligation	(39,026)
Net pension obligation, beginning of year	<u>387,238</u>
Net pension obligation, end of year	<u>\$ 348,032</u>

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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>
6/30/2012	\$ 91,808	85.60%	\$ 372,766
6/30/2013	103,880	86.07%	387,238
6/30/2014	98,517	139.80%	348,032

Funded Status and Funding Process: As of December 31, 2013, 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 \$1,254,013. The covered payroll (annual payroll of active employees covered by the plan) was \$1,775,157, and the ratio of the UAAL to the covered payroll was 70.64%.

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, 2014

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, 2014 were \$467,112, which consisted of \$259,595 from the Town and \$207,517 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 administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). As of July 1, 2007, this plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System and have at least ten years of creditable service with the Town. The Town pays a percentage of the insurance premium paid to private insurers based on the table below. Employees have the option of purchasing dependent coverage at the Town's group rates. Employees hired on or after July 1, 2007 who retire with a minimum of ten years of creditable service also have the option of purchasing coverage for themselves and dependents at the Town's group rate. For those employees, the Town pays a percentage of the stipend based on the table below. The stipend is based on the Employee Only insurance premium as of July 1, 2007 (\$417.46) and increases based on changes in the consumer price index. Employees hired on or after July 1, 2007 who retire with less than ten years of service are not eligible for postemployment coverage. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The Board of Aldermen may amend the benefit provisions. A separate report was not issued for the plan.

<u>Retired Employee's Years of Creditable Service</u>	<u>Retiree Contribution %</u>	<u>Town Contribution %</u>
Less than 10 years	Not eligible for coverage	Not eligible for coverage
10 to 14 years	50%	50%
15 to 19 years	25%	75%
20 years and up	0%	100%

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

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

Membership of the 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>

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, 2014, the Town made payments for post-retirement health premiums of \$204,961. The Town has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current annual required contribution (ARC) rate is 19.7% of annual covered payroll. For the current year, the Town contributed \$204,961, or 2.8% 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 \$51,581. 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.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

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

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>(204,961)</u>
Increase in net OPEB obligation	1,233,978
Net OPEB obligation, beginning of year	<u>4,984,883</u>
Net OPEB obligation, end of year	<u>\$ 6,218,861</u>

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, 2014 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>
2014	\$ 1,438,939	14.24%	\$ 6,218,861
2013	1,438,939	10.79%	4,984,883
2012	1,438,939	14.67%	3,701,243

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.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

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

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.

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.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

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 postemployment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

For the fiscal year ended June 30, 2014, the Town made contributions to the State for death benefits of \$0. The Town's required contributions for employees not engaged in law enforcement represented 0.00% and 0.00% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

Number of Years Contributing	Year Relief	FY Contributions Resume
Less than 10	1	2014
10 to 20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. The Town of Carrboro will have a three-year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

4. Other Employment Benefits (Continued)

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.

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	\$ 309,591	\$ -
Notes receivable, net	413,956	-
Due from other governments	15,278	-
Prepaid tower revenue	-	43,505
Prepaid parks and recreation program	-	48,454
Prepaid parks and recreation facility	-	14,101
Prepaid dumpster revenue	-	5,023
Prepaid privilege license	-	19,566
	<u>\$ 738,825</u>	<u>\$ 130,649</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.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

6. Risk Management (Continued)

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.

In accordance with G.S. 159-29, the Town's employees who 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 who have access to funds are bonded under a blanket bond for \$1,000,000.

The CTDA did not obtain insurance coverage during the current fiscal year due to the limited activity, as the CTDA experienced only a partial year of operations. The CTDA has since obtained separate insurance coverage which goes into effect July 1, 2014 and covers general liability of \$1 million per occurrence, as well as public officials' liability of \$1 million per claim up to \$3 million in annual aggregate.

7. Long-Term Obligations

a. General Obligation Indebtedness

The Town's general obligation bonds serviced by the governmental funds were issued to provide long-term financing for the construction of sidewalks and greenways utilized in the operations of the Bond Fund. These bonds were issued to refinance the previous Bond Anticipation Notes acquired for the same purpose. 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, 2014

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

7. Long-Term Obligations (Continued)

a. General Obligation Indebtedness (Continued)

Bonds payable at June 30, 2014, is comprised of the following individual issue:

General Obligation Bonds

\$4,600,000 Sidewalk and Greenway Series 2013 Bonds, requiring principal payment on February 1 each year in the amount of \$250,000 with a final principal payment of \$100,000 due upon maturity (February 1, 2032); interest payments are due August 1 and February 1 each year. Interest rates vary between 2.0% and 3.5% over the life of the loan. The bonds contain certain redemption provisions that grant the Town the option to redeem the bonds in whole or in \$5,000 increments prior to the maturity date, but not before February 1, 2024, provided advanced notice is given.

\$ 4,350,000

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2015	\$ 250,000	\$ 100,000
2016	250,000	95,000
2017	250,000	90,000
2018	250,000	82,500
2019	250,000	77,500
2020 - 2024	1,250,000	312,500
2025 - 2029	1,250,000	178,250
2030 - 2032	600,000	32,375
	<u>\$ 4,350,000</u>	<u>\$ 968,125</u>

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

7. Long-Term Obligations (Continued)

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, 2014, are as follows:

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. \$ 96,738

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. 120,472

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. 238,363

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 finance contract requires an annual level payment of \$102,286 due June 30, including interest of 1.26%. The financing institution holds a security interest in all or a portion of the property purchased or improved. Payments are due beginning June 30, 2014, and annually thereafter, with a final payment of all outstanding principal and accrued and unpaid interest due on June 30, 2018.

\$ 396,536

Total

\$ 852,109

Annual debt service payments of the installment purchases as of June 30, 2014 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2015	\$ 332,145	\$ 11,715
2016	238,670	6,947
2017	180,284	3,638
2018	<u>101,010</u>	<u>1,277</u>
Total	<u>\$ 852,109</u>	<u>\$ 23,577</u>

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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, 2014, is 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%. Payments are due annually beginning July 15, 2009, and annually thereafter, with a final payment of all outstanding principal and accrued and unpaid interest due on July 15, 2024. 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.

\$ 2,275,000

Annual debt service payments of the installment purchase as of June 30, 2014 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 216,667	\$ 90,388
2016	216,667	81,570
2017	216,667	72,751
2018	216,667	63,933
2019	216,667	55,115
2020 - 2024	1,083,332	143,298
2025	<u>108,333</u>	<u>2,204</u>
Total	<u>\$ 2,275,000</u>	<u>\$ 509,259</u>

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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, 2014, the following changes occurred in long-term and short-term obligations:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion of Balance
Governmental activities:					
General obligation - bonds	\$ 4,600,000	\$ -	\$ (250,000)	\$ 4,350,000	\$ 250,000
Premium on bond	90,028	-	(4,866)	85,162	4,866
Long-term debt					
Installment purchases - improvements	2,491,667	-	(216,667)	2,275,000	216,667
Installment purchases - equipment	952,770	498,822	(599,483)	852,109	332,145
Compensated absences	556,377	358,670	(357,591)	557,456	357,591
Other postemployment benefits	4,984,883	1,438,939	(204,961)	6,218,861	-
Net pension obligation	<u>387,238</u>	<u>98,517</u>	<u>(137,723)</u>	<u>348,032</u>	<u>-</u>
Total long-term obligations	<u>\$ 14,062,963</u>	<u>\$ 2,394,948</u>	<u>\$ (1,771,291)</u>	<u>\$ 14,686,620</u>	<u>\$ 1,161,269</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, 2014 was \$159,604,018.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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, 2014 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) \$4,000 to support the Fleet Feet office condo roof, (3) \$386,993 to support the purchase of a fire truck and equipment, (4) \$100,000 to support LED street lights, (5) \$168,087 to support the Wilson Park tennis court replacement.	\$ 1,109,080
From the General Fund to the Business Loan Fund to support the creation of the business loan program.	125,000
From the General Fund to the Grants Administration Fund in the amounts of (1) \$40,000 to support the National Endowment for the Arts Our Town grant, (2) \$1,750 to provide local matching for the NCDENR recycling grant for recycling expenditures, (3) \$39,390 to support the Roberson Sewer Street Project.	81,140
From the General Fund to the Capital Reserve Fund in the amounts of (1) \$30,000 to support the Adams Tract Pedestrian Bridge, (2) \$2,000 to support the Culbreth Sidewalk Project.	32,000
From the General Fund to the Affordable Housing Fund to support future housing programs.	25,000
From the Capital Reserve Fund to the General Fund to support the street resurfacing.	<u>477,945</u>
	<u>\$ 1,850,165</u>

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 2. Detail Notes on All Funds (Continued)

D. Net Investment in Capital Assets

Capital assets	\$ 33,422,456
Less: related debt	
General obligation bonds	(4,350,000)
Premium on bond issuance	(85,162)
Installment purchases - improvements	(2,275,000)
Installment purchases - equipment	(852,109)
Add: unexpended debt proceeds	<u>2,975,176</u>
Net investment in capital assets	<u>\$ 28,835,361</u>

E. 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	\$ 13,764,901
Less:	
Inventories	108,794
Prepaid items	185,849
Stabilization by state statute	1,841,461
Capital equipment	556,298
Appropriated fund balance in 2014 budget	1,084,075
Capital projects	<u>2,000,000</u>
Unassigned fund balance	7,988,424
Working capital/fund balance policy	<u>4,795,606</u>
Remaining fund balance	<u>\$ 3,192,818</u>

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

General Fund	\$ <u>221,788</u>
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TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 to 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 \$37,851 for employment security benefits during the current fiscal year.

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. Related-Party Transactions

The Town collected occupancy tax proceeds in the amount of \$103,661. Of this amount, 3%, or \$3,110, was withheld as administration fees in the General Fund for the collection of the tax, with the remaining \$100,551 due to the CTDA. Amounts are remitted from the Town to the CTDA on a quarterly basis during the following month after the quarter end; therefore, there exists a payable to the CTDA (component unit) and a receivable from the Town (primary government) for the fourth quarter (April through June) collections to be remitted in the amount of \$41,773.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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:

2015	\$ 139,757
2016	141,597
2017	143,491
2018	86,934
2019	<u>43,347</u>
	<u>\$ 555,126</u>

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)
12/31/2004	\$ -	\$ 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%
12/31/2013	-	1,254,013	1,254,013	0.00%	1,775,157	70.64%

**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>Percentage Contributed</u>
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%
2014	110,704	124.41%

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, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 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>Percentage Contributed</u>
2012	\$ 1,425,359	14.81%
2013	1,425,359	10.90%
2014	1,425,359	14.38%

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, 2014

Schedule 1
Page 1 of 5

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad valorem taxes			
Taxes	\$ 11,956,266	\$ 11,730,405	\$ (225,861)
Penalties and interest	23,723	61,829	38,106
Total	<u>11,979,989</u>	<u>11,792,234</u>	<u>(187,755)</u>
Local option sales taxes			
Article 39, 1%	1,109,267	1,222,387	113,120
Article 40, ½%	813,378	859,156	45,778
Article 42, ½%	567,565	613,742	46,177
Article 44, ½%	667	2,300	1,633
City hold harmless	834,939	869,538	34,599
Total	<u>3,325,816</u>	<u>3,567,123</u>	<u>241,307</u>
Other taxes and licenses			
Room occupancy tax	114,618	103,661	(10,957)
Motor vehicle license fees	341,055	1,142,948	801,893
Privilege licenses	80,373	70,267	(10,106)
Total	<u>536,046</u>	<u>1,316,876</u>	<u>780,830</u>
Unrestricted intergovernmental			
NC DOT reimbursement	-	4,388	4,388
Utility franchise tax	440,287	435,524	(4,763)
Piped natural gas tax	33,647	60,862	27,215
Video sales programming tax	174,884	205,794	30,910
Telecommunications sales tax	208,460	187,290	(21,170)
Beer and wine tax	29,867	88,182	58,315
Total	<u>887,145</u>	<u>982,040</u>	<u>94,895</u>
Restricted intergovernmental			
Powell Bill	482,757	487,937	5,180
Solid waste disposal tax distribution	10,538	12,317	1,779
Planning work grant	14,506	17,779	3,273
Firefighter grant	10,410	-	(10,410)
Orange County Arts Commission grant	1,500	1,500	-
ABC Board grant	13,300	15,000	1,700
Supplemental PEG channel support	72,000	47,894	(24,106)
U.S. Department of Justice seizure funds	-	153,712	153,712
U.S. Department of Justice block grant	-	3,381	3,381
Recreation municipal supplement	35,898	35,898	-
Total	<u>640,909</u>	<u>775,418</u>	<u>134,509</u>

**TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2014**

Schedule 1
Page 2 of 5

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Fees and permits			
Fire district fees	\$ 446,280	\$ 509,684	\$ 63,404
Fire permitting fees	10,566	11,056	490
Building permits	135,973	83,463	(52,510)
Electrical permits	71,923	73,046	1,123
Mechanical permits	54,641	61,111	6,470
Plumbing permits	46,199	48,710	2,511
Refuse collection fees	91,257	88,810	(2,447)
Development review	45,450	32,456	(12,994)
Engineering fees	26,058	17,462	(8,596)
Technical review	21,210	15,905	(5,305)
Tower fees	126,364	137,494	11,130
Parking and animal violations	5,735	8,970	3,235
School resource officer contract fees	107,624	111,664	4,040
Recycling fees	13,556	11,494	(2,062)
Miscellaneous fees	30,459	37,994	7,535
Total	<u>1,233,295</u>	<u>1,249,319</u>	<u>16,024</u>
Sales and services			
Recreation fees	158,513	200,861	42,348
Town Center fees	72,470	78,638	6,168
Miscellaneous	2,162	4,112	1,950
Total	<u>233,145</u>	<u>283,611</u>	<u>50,466</u>
Investment earnings			
Interest on investments	<u>7,036</u>	<u>2,149</u>	<u>(4,887)</u>
Other revenues			
Rental income	52,958	55,622	2,664
Donations	17,278	22,115	4,837
Miscellaneous	56,701	51,868	(4,833)
Total	<u>126,937</u>	<u>129,605</u>	<u>2,668</u>
Total revenues	<u>18,970,318</u>	<u>20,098,375</u>	<u>1,128,057</u>

TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2014

Schedule 1
Page 3 of 5

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures			
General government			
Mayor and Board of Aldermen			
Personnel services	\$ 88,149	\$ 93,848	\$ (5,699)
Operations	169,694	148,556	21,138
Total	<u>257,843</u>	<u>242,404</u>	<u>15,439</u>
Advisory boards			
Operations	18,427	5,065	13,362
Total	<u>18,427</u>	<u>5,065</u>	<u>13,362</u>
Governmental support			
Operations	525,922	450,471	75,451
Total	<u>525,922</u>	<u>450,471</u>	<u>75,451</u>
Town Manager			
Personnel services	254,437	250,296	4,141
Operations	18,233	13,710	4,523
Capital outlay	1,000	-	1,000
Total	<u>273,670</u>	<u>264,006</u>	<u>9,664</u>
Economic and community development			
Personnel services	118,141	121,120	(2,979)
Operations	137,393	125,245	12,148
Total	<u>255,534</u>	<u>246,365</u>	<u>9,169</u>
Town Clerk			
Personnel services	104,121	93,767	10,354
Operations	20,400	14,167	6,233
Total	<u>124,521</u>	<u>107,934</u>	<u>16,587</u>
Management services			
Personnel services	525,987	508,444	17,543
Operations	558,279	493,514	64,765
Total	<u>1,084,266</u>	<u>1,001,958</u>	<u>82,308</u>
Personnel			
Personnel services	535,010	445,777	89,233
Operations	86,039	72,508	13,531
Total	<u>621,049</u>	<u>518,285</u>	<u>102,764</u>
Information technology			
Personnel services	255,851	260,714	(4,863)
Operations	998,260	867,207	131,053
Capital outlay	80,470	38,447	42,023
Total	<u>1,334,581</u>	<u>1,166,368</u>	<u>168,213</u>
Total general government	<u>4,495,813</u>	<u>4,002,856</u>	<u>492,957</u>

TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2014

Schedule 1
Page 4 of 5

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety			
Police department			
Personnel services	\$ 2,865,328	\$ 2,869,822	\$ (4,494)
Operations	489,047	444,027	45,020
Capital outlay	252,591	220,009	32,582
Total	<u>3,606,966</u>	<u>3,533,858</u>	<u>73,108</u>
Fire department			
Personnel services	2,413,815	2,410,629	3,186
Operations	326,531	294,816	31,715
Capital outlay	3,000	-	3,000
Total	<u>2,743,346</u>	<u>2,705,445</u>	<u>37,901</u>
Total public safety	<u>6,350,312</u>	<u>6,239,303</u>	<u>111,009</u>
Planning			
Personnel services	1,048,873	1,017,655	31,218
Operations	263,793	132,948	130,845
Total planning	<u>1,312,666</u>	<u>1,150,603</u>	<u>162,063</u>
Transportation			
Operations	1,396,423	1,396,423	-
Total transportation	<u>1,396,423</u>	<u>1,396,423</u>	<u>-</u>
Public works			
Public works department			
Personnel services	1,933,607	1,842,060	91,547
Operations	1,692,171	1,418,231	273,940
Capital outlay	736,801	12,212	724,589
Total public works	<u>4,362,579</u>	<u>3,272,503</u>	<u>1,090,076</u>
Parks and recreation			
Recreation department			
Personnel services	1,099,442	1,032,750	66,692
Operations	445,896	346,112	99,784
Capital outlay	21,254	21,891	(637)
Total parks and recreation	<u>1,566,592</u>	<u>1,400,753</u>	<u>165,839</u>
General services			
Operations	474,037	-	474,037
Total general services	<u>474,037</u>	<u>-</u>	<u>474,037</u>

TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2014

Schedule 1
Page 5 of 5

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service			
Principal retirement	\$ 1,117,143	\$ 1,066,150	\$ 50,993
Interest and fees	236,000	226,334	9,666
Total debt service	<u>1,353,143</u>	<u>1,292,484</u>	<u>60,659</u>
Total expenditures	<u>21,311,565</u>	<u>18,754,925</u>	<u>2,556,640</u>
Revenues over (under) expenditures	<u>(2,341,247)</u>	<u>1,343,450</u>	<u>3,684,697</u>
Other financing sources (uses)			
Transfers from other funds			
From Capital Reserve Fund	477,945	477,945	-
Transfers to other funds			
To Affordable Housing Fund	(25,000)	(25,000)	-
To Business Loan Fund	(125,000)	(125,000)	-
To Capital Projects Fund	(1,109,080)	(1,109,080)	-
To Capital Reserve Fund	(32,000)	(32,000)	-
To Grant Administration Fund	(81,140)	(81,140)	-
Sale of capital assets	70,733	5,923	(64,810)
Installment purchase obligations issued	745,176	498,822	(246,354)
Total other financing uses	<u>(78,366)</u>	<u>(389,530)</u>	<u>(311,164)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(2,419,613)	953,920	3,373,533
Appropriated fund balance	<u>2,419,613</u>	<u>-</u>	<u>(2,419,613)</u>
Net change in fund balance	<u>\$ -</u>	<u>953,920</u>	<u>\$ 953,920</u>
Fund balance, beginning of year		<u>12,810,981</u>	
Fund balance, end of year		<u>\$ 13,764,901</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, 2014

Schedule 2
Page 1 of 2

	Project Authorization	Actual			Total to Date	Variance Positive (Negative)
		Prior Years	Closed Loans	Current Year		
Revenues						
Investment earnings						
Interest on investments	\$ 232,018	\$ 232,018	\$ -	\$ -	\$ 232,018	\$ -
Interest repayments	584,026	577,379	(56)	6,703	584,026	-
Total investment earnings	816,044	809,397	(56)	6,703	816,044	-
Revolving loan repayments						
Alphabet Soup	48,000	27,130	-	2,519	29,649	(18,351)
Bryan's Guitar	90,000	39,066	-	321	39,387	(50,613)
Blue Icon Hairstylists	-	18,131	(18,131)	-	-	-
Cycling Specifics	-	44,813	(44,813)	-	-	-
Art in a Pickle	105,000	59,234	-	3,193	62,427	(42,573)
Carrboro Coworking	90,000	32,571	-	6,120	38,691	(51,309)
Original Ornament	70,000	-	-	-	-	(70,000)
The Beehive	50,000	24,518	-	6,347	30,865	(19,135)
The Kind Coffee	-	28,275	(57,000)	28,725	-	-
The Carrboro Citizen	50,000	20,439	-	6,114	26,553	(23,447)
Second Wind Juice Bar	45,000	7,556	-	3,721	11,277	(33,723)
Cameron's	50,000	-	-	5,628	5,628	(44,372)
PTA Thrift Store	25,000	2,464	-	6,046	8,510	(16,490)
Total revolving loan payments	623,000	304,197	(119,944)	68,734	252,987	(370,013)
Total revenues	1,439,044	1,113,594	(120,000)	75,437	1,069,031	(370,013)
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, 2014

Schedule 2
Page 2 of 2

	Project Authorization	Actual			Total to Date	Variance Positive (Negative)
		Prior Years	Closed Loans	Current Year		
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)	-	-	-
Cycling Specifics	-	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)	-	-	-
The Carrboro Citizen	50,000	50,000	-	-	50,000	-
Second Wind Juice Bar	45,000	45,000	-	-	45,000	-
Cameron's	50,000	-	-	50,000	50,000	-
PTA Thrift Store	25,000	25,000	-	-	25,000	-
Total economic and physical development	<u>623,000</u>	<u>693,000</u>	<u>(120,000)</u>	<u>50,000</u>	<u>623,000</u>	<u>-</u>
Total expenditures	<u>649,679</u>	<u>710,454</u>	<u>\$ (120,000)</u>	<u>50,000</u>	<u>640,454</u>	<u>9,225</u>
Revenues over expenditures	<u>789,365</u>	<u>403,140</u>	<u>-</u>	<u>25,437</u>	<u>428,577</u>	<u>(360,788)</u>
Other financing sources (uses)						
Transfers from (to) other funds						
From General Fund	80,000	80,000	-	-	80,000	-
To Energy Efficiency Fund	(45,000)	(45,000)	-	-	(45,000)	-
To General Fund	(139,000)	(139,000)	-	-	(139,000)	-
Total other financing uses	<u>(104,000)</u>	<u>(104,000)</u>	<u>-</u>	<u>-</u>	<u>(104,000)</u>	<u>-</u>
Revenues and other financing sources over expenditures and other financing uses	685,365	299,140	-	25,437	324,577	(360,788)
Appropriated to fund balance	<u>(685,365)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>685,365</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 299,140</u>	<u>\$ -</u>	<u>25,437</u>	<u>\$ 324,577</u>	<u>\$ 324,577</u>
Fund balance, beginning of year				<u>299,140</u>		
Fund balance, end of year				<u>\$ 324,577</u>		

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - PROJECT AUTHORIZATION
AND ACTUAL - BOND FUND
From Project Inception and for the Year Ended June 30, 2014

Schedule 3

	Project Authorization	Actual			Total to Date	Variance Positive (Negative)
		Prior Years	Closed Out Projects	Current Year		
Revenues						
General revenues						
Federal STP-DA funds	\$ 2,070,295	\$ 356,163	\$ -	\$ 204,908	\$ 561,071	\$ (1,509,224)
ARRA Federal Grant	-	273,643	(273,643)	-	-	-
Safe Routes to School Grant	293,641	293,641	-	-	293,641	-
NCDENR Grant	75,000	75,000	-	-	75,000	-
Bolin Creek Co-Housing	88,644	88,644	-	-	88,644	-
Payment in lieu	48,046	-	-	-	-	(48,046)
Donations	2,100	2,100	-	-	2,100	-
Interest earnings	155,757	127,738	-	227	127,965	(27,792)
Miscellaneous	7,863	7,863	-	-	7,863	-
Total revenues	<u>2,741,346</u>	<u>1,224,792</u>	<u>(273,643)</u>	<u>205,135</u>	<u>1,156,284</u>	<u>(1,585,062)</u>
Expenditures						
Capital outlay						
General expenditures (non-project)	743,329	60,316	-	-	60,316	683,013
Morgan Creek Greenway	608,971	124,479	-	134,204	258,683	350,288
Bolin Creek Greenway	992,730	214,740	-	9,217	223,957	768,773
Bolin Forest Sidewalk	54,901	54,901	-	-	54,901	-
Quail Roost Sidewalk	145,999	145,999	-	-	145,999	-
Lisa Drive Sidewalk	127,800	127,800	-	-	127,800	-
Hannah Street Sidewalk	210,867	210,867	-	-	210,867	-
N. Greensboro Street Sidewalk	348,864	348,864	-	-	348,864	-
Williams Street Sidewalk	31,555	31,555	-	-	31,555	-
Lloyd Street Sidewalk	10,855	10,855	-	-	10,855	-
Jones Ferry Sidewalk	15,918	15,918	-	-	15,918	-
Fowler Street Sidewalk	16,535	16,535	-	-	16,535	-
S. Greensboro Street Sidewalk	43,153	43,153	-	-	43,153	-
Phase 1B Bond Sidewalks	1,257,900	1,163,071	-	27,264	1,190,335	67,565
NCDOT Enhancement Sidewalks	126,849	126,849	-	-	126,849	-
Ashe/Bim Sidewalks	-	260,579	(273,643)	13,064	-	-
Wilson Park Multi-Use Path	438,615	356,583	-	14,700	371,283	67,332
Davie Street Sidewalk	294,014	35,757	-	280,261	316,018	(22,004)
Pine Street Sidewalk	286,826	286,756	-	70	286,826	-
Rogers Road Sidewalk	1,371,658	52,463	-	41,219	93,682	1,277,976
Elm Street Sidewalk	370,530	370,530	-	-	370,530	-
Total capital outlay	<u>7,497,869</u>	<u>4,058,570</u>	<u>(273,643)</u>	<u>519,999</u>	<u>4,304,926</u>	<u>3,192,943</u>
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	<u>7,497,869</u>	<u>4,111,783</u>	<u>(273,643)</u>	<u>519,999</u>	<u>4,358,139</u>	<u>3,139,730</u>
Revenues under expenditures	<u>(4,756,523)</u>	<u>(2,886,991)</u>	-	<u>(314,864)</u>	<u>(3,201,855)</u>	<u>1,554,668</u>
Other financing sources						
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	<u>4,756,523</u>	<u>4,848,984</u>	-	-	<u>4,848,984</u>	<u>92,461</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,961,993</u>	<u>\$ -</u>	<u>(314,864)</u>	<u>\$ 1,647,129</u>	<u>\$ 1,647,129</u>
Fund balance, beginning of year				<u>1,961,993</u>		
Fund balance, end of year				<u>\$ 1,647,129</u>		

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - PROJECT AUTHORIZATION
AND ACTUAL - CAPITAL PROJECTS FUND
From Project Inception and for the Year Ended June 30, 2014

Schedule 4

	Project Authorization	Prior Years	Actual		Total to Date	Variance Positive (Negative)
			Closed Out Projects	Current Year		
Revenues						
General revenues						
Federal STP-DA funds	\$ 30,000	\$ -	\$ -	\$ 13,338	\$ 13,338	\$ (16,662)
ARRA Federal Grant	-	75,977	(75,977)	-	-	-
OWASA reimbursement	-	399,039	-	-	399,039	399,039
Interest earnings	22,232	32,714	-	-	32,714	10,482
Miscellaneous	-	5,440	-	-	5,440	5,440
Total revenues	52,232	513,170	(75,977)	13,338	450,531	398,299
Expenditures						
Capital outlay						
Fire Substation #2 project	3,417,795	2,727,861	-	647,430	3,375,291	42,504
Fire Substation #2 fiber optics	298,198	191,773	-	91,383	283,156	15,042
Weaver Street reconstruction	1,476,270	1,358,739	-	-	1,358,739	117,531
Public Works facility	767,000	756,486	-	-	756,486	10,514
Bus shelter	-	74,513	(75,977)	1,464	-	-
Bicycle loop detectors	37,500	16,673	-	1,852	18,525	18,975
Rogers Road remediation	900,000	-	-	-	-	900,000
S. Greensboro Street	605,000	601,395	-	-	601,395	3,605
Fleet Feet office condo	572,000	-	-	567,966	567,966	4,034
Storm water management	80,000	-	-	-	-	80,000
Anderson Park bathroom renovation	251,459	-	-	3,700	3,700	247,759
Anderson Park MP field renovation	148,566	-	-	5,580	5,580	142,986
Smith Level Road	62,562	-	-	-	-	62,562
Wilson Park tennis court	168,087	-	-	-	-	168,087
LED street lights	100,000	-	-	-	-	100,000
Total capital outlay	8,884,437	5,727,440	(75,977)	1,319,375	6,970,838	1,913,599
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	1,500,000	1,499,363	-	-	1,499,363	637
Total expenditures	10,384,437	7,226,803	(75,977)	1,319,375	8,470,201	1,914,236
Revenues under expenditures	(10,332,205)	(6,713,633)	-	(1,306,037)	(8,019,670)	2,312,535
Other financing sources (uses)						
Transfers from (to) other funds						
From General Fund	5,448,521	4,223,823	-	1,109,080	5,332,903	(115,618)
From Capital Reserve Fund	913,239	739,969	-	-	739,969	(173,270)
To General Fund	(20,000)	(20,000)	-	-	(20,000)	-
To Capital Reserve Fund	(26,555)	(26,555)	-	-	(26,555)	-
Installment purchase obligations issued	4,017,000	4,017,000	-	-	4,017,000	-
Total other financing sources	10,332,205	8,934,237	-	1,109,080	10,043,317	(288,888)
Net change in fund balance	\$ -	\$ 2,220,604	\$ -	(196,957)	\$ 2,023,647	\$ 2,023,647
Fund balance, beginning of year				2,220,604		
Fund balance, end of year				2,023,647		
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				32,000		
Transfers out - Capital Reserve Fund				(477,945)		
Fund balance, beginning (Capital Reserve Fund)				703,774		
Fund balance, beginning (Payment in Lieu Reserve Fund)				149,780		
Fund balance, ending (Consolidated Capital Projects Fund)				\$ 2,431,256		

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - CAPITAL RESERVE FUND
Year Ended June 30, 2014

Schedule 5

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transfers from (to) other funds			
From General Fund	\$ 32,000	\$ 32,000	\$ -
To General Fund	<u>(301,000)</u>	<u>(477,945)</u>	<u>(176,945)</u>
Total other financing sources (uses)	(269,000)	(445,945)	(176,945)
Fund balance appropriated	<u>269,000</u>	<u>-</u>	<u>(269,000)</u>
Net change in fund balance	<u>\$ -</u>	(445,945)	<u>\$ (445,945)</u>
Fund balance, beginning of year		<u>703,774</u>	
Fund balance, end of year		<u>\$ 257,829</u>	

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - PROJECT AUTHORIZATION
AND ACTUAL - GRANTS ADMINISTRATION FUND
From Project Inception and for the Year Ended June 30, 2014

Schedule 6

	Project Authorization	Prior Years	Actual		Total to Date	Variance Positive (Negative)
			Closed Out Projects	Current Year		
Revenues						
U.S. Department of Commerce Community Development Block Grant (CDBG)	\$ 171,700	\$ 18,353	\$ -	\$ 143,221	\$ 161,574	\$ (10,126)
U.S. Department of Energy Watershed restoration	205,000	200,332	-	-	200,332	(4,668)
Southeast Energy Efficiency Alliance	302,742	231,976	-	70,766	302,742	-
U.S. Department of Health and Human Services Physical Activity FIT grant	-	15,453	(16,642)	1,189	-	-
U.S. Department of Homeland Security Fire Fighters Program grant	67,950	59,117	-	500	59,617	(8,333)
U.S. Department of Justice Fingerprinting grant	82,515	70,756	-	-	70,756	(11,759)
U.S. Department of Transportation Safe route to school (non-infrastructure)	12,864	10,004	-	-	10,004	(2,860)
N.C. Department of Environment and Natural Resources Recycling grant	8,750	-	-	7,016	7,016	(1,734)
Curbside recycling carts grant	75,000	-	-	75,000	75,000	-
N.C. State University Solar Center Clean Fuel Advanced Technology grant	97,297	-	-	-	-	(97,297)
Orange County Roberson Street sewer grant	29,950	-	-	-	-	(29,950)
Roberson Street sewer grant program income	7,000	7,000	-	-	7,000	-
Curbside recycling carts inter-local agreement	167,865	-	-	186,684	186,684	18,819
Transportation demand management	-	491	-	-	491	491
Orange County Arts Commission Grant	-	1,500	-	-	1,500	1,500
Strowd Roses Grant	9,800	-	-	9,800	9,800	-
Investment earnings	-	20	-	-	20	20
Total revenues	1,238,433	615,002	(16,642)	494,176	1,092,536	(145,897)
Expenditures						
Watershed restoration	205,000	200,332	-	-	200,332	4,668
Southeast Energy Efficiency Alliance	282,514	148,849	-	79,521	228,370	54,144
Fingerprinting	82,515	56,556	-	-	56,556	25,959
Physical activity	-	15,550	(16,642)	1,092	-	-
Safe route to school (non-infrastructure)	12,864	10,004	-	-	10,004	2,860
Recycling grant expenditures	10,500	-	-	9,354	9,354	1,146
Curbside rollout carts	242,865	-	-	243,428	243,428	(563)
Roberson Street sewer project	277,990	25,352	-	227,840	253,192	24,798
Orange County Arts Capital outlay	49,800	-	-	2,985	2,985	46,815
Fire sprinkler system	75,500	65,686	-	555	66,241	9,259
Solid waste vehicle	395,000	-	-	-	-	395,000
Total expenditures	1,634,548	522,329	(16,642)	564,775	1,070,462	564,086
Revenue over (under) expenditures	(396,115)	92,673	-	(70,599)	22,074	418,189
Other financing sources (uses)						
Transfer to the Energy Efficiency Fund	(28,128)	(83,128)	-	-	(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	394,293	-	-	81,140	81,140	(313,153)
Total other financing sources (uses)	396,115	(67,378)	-	81,140	13,762	(382,353)
Net change in fund balance	\$ -	\$ 25,295	\$ -	10,541	\$ 35,836	\$ 35,836
Fund balance, beginning of year				25,295		
Fund balance, end of year				<u>\$ 35,836</u>		

**TOWN OF CARRBORO, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2014**

Schedule 7

	<u>Affordable Housing Fund</u>	<u>Energy Efficiency Revolving Loan Fund</u>	<u>Business Loan Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets				
Cash and investments	\$ 28,707	\$ 45,896	\$ 125,000	\$ 199,603
Notes receivable	<u>25,564</u>	<u>88,379</u>	<u>-</u>	<u>113,943</u>
Total assets	<u>\$ 54,271</u>	<u>\$ 134,275</u>	<u>\$ 125,000</u>	<u>\$ 313,546</u>
Deferred inflows of resources				
	<u>\$ 25,564</u>	<u>\$ 88,379</u>	<u>\$ -</u>	<u>\$ 113,943</u>
Fund balances				
Committed				
Affordable housing	28,707	-	-	28,707
Economic development	-	-	125,000	125,000
Energy efficiency	<u>-</u>	<u>45,896</u>	<u>-</u>	<u>45,896</u>
Total fund balances	<u>28,707</u>	<u>45,896</u>	<u>125,000</u>	<u>199,603</u>
Total deferred inflows of resources and fund balances	<u>\$ 54,271</u>	<u>\$ 134,275</u>	<u>\$ 125,000</u>	<u>\$ 313,546</u>

TOWN OF CARRBORO, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE FOR NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2014

Schedule 8

	<u>Affordable Housing Fund</u>	<u>Energy Efficiency Revolving Loan Fund</u>	<u>Business Loan Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues				
Loan repayments	\$ -	\$ 9,332	\$ -	\$ 9,332
Interest earnings	-	2,678	-	2,678
Total revenues	<u>-</u>	<u>12,010</u>	<u>-</u>	<u>12,010</u>
Expenditures				
Economic and physical development	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>9,000</u>
Total expenditures	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>9,000</u>
Revenues over (under) expenditures	(9,000)	12,010	-	3,010
Other financing sources				
Transfer from General Fund	<u>25,000</u>	<u>-</u>	<u>125,000</u>	<u>150,000</u>
Net change in fund balance	16,000	12,010	125,000	153,010
Fund balance, beginning of year	<u>12,707</u>	<u>33,886</u>	<u>-</u>	<u>46,593</u>
Fund balance, end of year	<u>\$ 28,707</u>	<u>\$ 45,896</u>	<u>\$ 125,000</u>	<u>\$ 199,603</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, 2014

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	<u>-</u>	<u>920</u>	<u>-</u>	<u>920</u>	<u>920</u>
Expenditures					
Deferred loan expense	73,000	36,213	9,000	45,213	27,787
Revenue under expenditures	(73,000)	(35,293)	(9,000)	(44,293)	28,707
Other financing sources					
Transfer from General Fund	73,000	48,000	25,000	73,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 12,707</u>	16,000	<u>\$ 28,707</u>	<u>\$ 28,707</u>
Fund balance, beginning of year			<u>12,707</u>		
Fund balance, end of year			<u>\$ 28,707</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, 2014

Schedule 10

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Interest repayments	\$ -	\$ 3,469	\$ 2,678	\$ 6,147	\$ 6,147
Revolving loan repayments					
The Arts Center	28,128	-	2,516	2,516	(25,612)
Dispute Settlement Center	35,000	3,917	3,223	7,140	(27,860)
LB Bradley Properties	7,000	728	633	1,361	(5,639)
Sophie Piesse Architect	7,000	729	687	1,416	(5,584)
Surplus Sid's	30,000	4,043	2,273	6,316	(23,684)
Total revolving loan payments	107,128	9,417	9,332	18,749	(88,379)
Total revenues	107,128	12,886	12,010	24,896	(82,232)
Expenditures					
Economic and physical development					
The Arts Center	28,128	28,128	-	28,128	-
Dispute Settlement Center	35,000	35,000	-	35,000	-
LB Bradley Properties	7,000	7,000	-	7,000	-
Sophie Piesse Architect	7,000	7,000	-	7,000	-
Surplus Sid's	30,000	30,000	-	30,000	-
Total expenditures	107,128	107,128	-	107,128	-
Revenues over (under) expenditures	-	(94,242)	12,010	(82,232)	(82,232)
Other financing sources					
Transfer from Grant Fund	28,128	83,128	-	83,128	55,000
Transfer from Revolving Loan Fund	45,000	45,000	-	45,000	-
Total other financing sources	73,128	128,128	-	128,128	55,000
Revenues and other financing sources over expenditures	73,128	33,886	12,010	45,896	(27,232)
Appropriated to fund balance	(73,128)	-	-	-	73,128
Net change in fund balance	\$ -	\$ 33,886	12,010	\$ 45,896	\$ 45,896
Fund balance, beginning of year			33,886		
Fund balance, end of year			\$ 45,896		

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - PROJECT AUTHORIZATION
AND ACTUAL - BUSINESS LOAN FUND
From Project Inception and for the Year Ended June 30, 2014

Schedule 11

	<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					
Transfer from General Fund	\$ 125,000	\$ -	\$ 125,000	\$ 125,000	\$ -
Total other financing sources	125,000	-	125,000	125,000	-
Appropriated to fund balance	(125,000)	-	-	-	125,000
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	125,000	<u>\$ 125,000</u>	<u>\$ 125,000</u>
Fund balance, beginning of year			-		
Fund balance, end of year			<u>\$ 125,000</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, 2014

Schedule 12

<u>Year of Levy</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013 - 2014	\$ -	\$ 12,868,792	\$ 12,741,993	\$ 126,799
2012 - 2013	247,490	-	162,399	85,091
2011 - 2012	69,263	-	19,512	49,751
2011 and prior	183,911	-	38,411	145,500
	<u>\$ 500,664</u>	<u>\$ 12,868,792</u>	<u>\$ 12,962,315</u>	<u>407,141</u>
Less: allowance for uncollectible accounts:				
General Fund				(97,550)
Ad valorem taxes receivables - net				<u>\$ 309,591</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund				\$ 11,730,405
Motor vehicle license fees - General Fund				1,142,948
Total revenues				12,873,353
Reconciling items:				
Penalties and interest				61,829
Adjustments				27,133
				<u>\$ 12,962,315</u>

TOWN OF CARRBORO, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY
Year Ended June 30, 2014

Schedule 13

	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	\$ 2,070,255,322	0.5894	\$ 12,202,085	\$ 11,252,384	\$ 949,701
Motor vehicles taxed at prior year's rate	18,258,765	0.5894	107,617	-	107,617
Penalties and interest	-		2,827	2,827	-
 Total property valuation	 <u>\$ 2,088,514,087</u>		 12,312,529	 11,255,211	 1,057,318
 Vehicle tag fees			 <u>556,263</u>	 -	 <u>556,263</u>
 Total gross levy			 12,868,792	 11,255,211	 1,613,581
 Uncollected taxes at June 30, 2014			 <u>126,799</u>	 <u>80,397</u>	 <u>46,402</u>
 Current year's taxes collected			 <u>\$ 12,741,993</u>	 <u>\$ 11,174,814</u>	 <u>\$ 1,567,179</u>
 Current levy collection percentage			 <u>99.01%</u>	 <u>99.29%</u>	 <u>97.12%</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.	92
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.	97
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.	104
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.	109
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.	113

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

Financial Trends Information

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

Table 1

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 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	\$ 28,835,361
Restricted	-	18,851	-	-	-	-	2,625,784	1,877,720	1,902,041	1,918,028
Unrestricted	<u>7,689,017</u>	<u>9,607,945</u>	<u>11,347,696</u>	<u>12,151,591</u>	<u>12,531,183</u>	<u>12,296,387</u>	<u>10,977,854</u>	<u>10,311,263</u>	<u>9,735,451</u>	<u>7,090,901</u>
Total governmental activities net position	<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>	<u>\$ 37,844,290</u>

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

Table 2

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 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	\$ 4,571,146
Public Safety	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	6,925,676
Planning	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	1,153,138
Transportation	917,900	841,313	962,714	970,617	1,033,837	1,032,835	1,184,975	1,058,859	1,286,714	1,396,423
Public Works	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	4,035,886
Parks and Recreation	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	1,553,686
Economic and Community Development	140,405	63,000	37,850	231,808	413,790	50,543	185,874	275,681	170,695	623,220
Interest on long-term debt	170,476	180,274	222,372	284,025	265,285	327,037	292,766	301,772	186,898	211,082
Total governmental activities expenses	<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>	<u>20,470,257</u>
Total primary government expenses	<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>	<u>\$ 20,470,257</u>
Program revenues										
Governmental activities:										
Charges for services:										
General Government	\$ 74,905	\$ 78,685	\$ 97,751	\$ 150,508	\$ 134,473	\$ 134,344	\$ 128,530	\$ 344,239	\$ 546,583	\$ 531,812
Public Safety	423,505	413,970	529,742	608,682	570,840	577,392	573,316	551,792	572,542	655,664
Planning	313,146	365,758	446,710	286,029	274,697	384,667	286,847	483,956	120,171	65,823
Public Works	106,197	88,309	110,746	74,539	97,516	85,779	115,107	126,495	82,458	107,622
Parks and Recreation	247,421	269,006	284,621	305,231	226,141	256,639	254,933	260,225	259,168	279,499
Operating grants and contributions	747,236	723,297	1,008,712	847,507	1,370,387	786,375	791,842	871,613	320,304	707,636
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	865,182
Total governmental activities program revenues	<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>	<u>3,213,238</u>
Total primary government program revenues	<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>	<u>\$ 3,213,238</u>
Net expense										
Governmental activities	<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>	<u>\$ (17,257,019)</u>
Total primary government net expense	<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>	<u>\$ (17,257,019)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes	\$ 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	\$ 16,599,061
Unrestricted intergovernmental revenues	531,121	608,951	691,784	874,786	943,578	870,613	951,820	946,091	952,397	982,040
Miscellaneous and unrestricted investment earnings	146,056	307,424	534,953	712,153	212,091	49,175	63,320	47,980	46,482	13,443
Total governmental activities	<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>	<u>17,594,544</u>
Total primary government	<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>	<u>\$ 17,594,544</u>
Change in Net Position										
Governmental activities	<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>	<u>\$ 337,525</u>

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

Table 3

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund										
Reserved	\$ 1,612,492	\$ 2,795,270	\$ 2,049,578	\$ 3,265,631	\$ 1,482,537	\$ 2,062,813	N/A	N/A	N/A	N/A
Unreserved, designated	894,434	1,182,684	1,120,725	2,544,847	1,081,717	933,608	N/A	N/A	N/A	N/A
Unreserved, undesignated	4,667,033	5,337,052	7,116,388	6,956,301	8,563,125	9,950,620	N/A	N/A	N/A	N/A
Non-spendable	N/A	N/A	N/A	N/A	N/A	N/A	\$ 213,743	\$ 403,022	\$ 98,336	\$ 294,643
Restricted	N/A	N/A	N/A	N/A	N/A	N/A	2,459,812	2,527,603	2,549,652	2,397,759
Committed	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	2,712,163	2,787,316	2,866,048	3,084,075
Unassigned	N/A	N/A	N/A	N/A	N/A	N/A	8,354,128	9,804,868	7,296,945	7,988,424
Total general fund	<u>7,173,959</u>	<u>9,315,006</u>	<u>10,286,691</u>	<u>12,766,779</u>	<u>11,127,379</u>	<u>12,947,041</u>	<u>13,739,846</u>	<u>15,522,809</u>	<u>12,810,981</u>	<u>13,764,901</u>
All other governmental funds										
Reserved	27,644	560,080	249,183	144,013	94,281	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	1,004,601	1,182,811	1,687,061	1,350,616	(118,563)	(436,507)	-	-	-	-
Capital projects funds	162,378	(942,995)	(1,163,714)	(1,334,116)	716,763	2,464,956	-	-	-	-
Non-spendable	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	1,414,404	1,076,370	791,699	2,453,964
Committed	N/A	N/A	N/A	N/A	N/A	N/A	2,369,833	1,404,374	4,652,528	2,225,168
Assigned	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	(2,466,051)	(2,606,994)	(37,048)	(40,731)
Total all other governmental funds	<u>1,194,623</u>	<u>799,896</u>	<u>772,530</u>	<u>160,513</u>	<u>692,481</u>	<u>2,028,449</u>	<u>1,318,186</u>	<u>(126,250)</u>	<u>5,407,179</u>	<u>4,638,401</u>
Total, all governmental funds	<u>\$ 8,368,582</u>	<u>\$ 10,114,902</u>	<u>\$ 11,059,221</u>	<u>\$ 12,927,292</u>	<u>\$ 11,819,860</u>	<u>\$ 14,975,490</u>	<u>\$ 15,058,032</u>	<u>\$ 15,396,559</u>	<u>\$ 18,218,160</u>	<u>\$ 18,403,302</u>

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Ad valorem taxes	\$ 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	\$ 11,792,234
Local option sales taxes	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	3,567,123
Other taxes and licenses	439,840	460,350	420,065	355,295	428,654	508,344	438,229	449,628	461,054	1,316,876
Unrestricted intergovernmental	549,086	613,183	691,784	874,786	947,801	875,129	951,820	946,091	952,397	982,040
Restricted intergovernmental	552,907	565,374	1,039,979	778,193	903,072	731,165	1,075,884	1,095,408	1,179,461	1,487,840
Permits and fees	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	1,249,319
Sales and services	236,134	258,309	276,599	270,543	260,829	256,639	254,934	260,225	261,373	283,611
Investment earnings	130,270	291,873	534,956	525,462	201,829	49,174	63,320	47,980	25,954	11,757
Other	444,023	157,549	209,087	487,963	189,840	148,927	539,189	287,534	135,078	207,671
Total revenues	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	20,898,471
Expenditures										
General government	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	3,964,409
Public Safety	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	6,019,294
Planning	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	1,150,603
Transportation	917,900	841,313	962,714	970,617	1,033,837	1,032,835	1,032,825	1,032,825	1,286,714	1,396,423
Public Works	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	3,260,291
Parks and recreation	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	1,378,862
Economic and community development	140,000	63,000	-	-	413,790	47,825	132,826	275,681	1,276,064	623,220
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	2,132,488
Debt service										
Interest	162,707	176,902	206,475	259,935	326,311	263,461	1,217,736	292,041	2,503,013	226,334
Principal	1,019,472	939,841	1,046,466	1,100,962	1,101,591	1,214,257	293,894	1,068,046	232,596	1,066,150
Total expenditures	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	21,218,074
Excess of revenues over (under) expenditures	(524,947)	653,474	(189,869)	199,132	(1,107,432)	(712,745)	(393,857)	39,677	(2,288,708)	(319,603)
Other Financing Sources (Uses)										
Proceeds from borrowing	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	498,822
Premium on borrowing	-	-	-	-	-	-	-	-	92,461	-
Sale of capital assets	-	-	-	-	-	-	-	-	20,528	5,923
Transfers in	699,528	705,992	310,000	1,321,914	-	975,923	531,428	-	4,424,133	1,850,165
Transfers out	(699,528)	(705,992)	(310,000)	(1,321,914)	1,634,299	(975,923)	(531,428)	-	(4,424,133)	(1,850,165)
Total other financing sources	1,100,280	1,092,846	1,134,188	1,668,939	-	3,867,955	476,399	298,850	5,110,309	504,745
Net change in fund balances	\$ 575,333	\$ 1,746,320	\$ 944,319	\$ 1,868,071	\$ (1,107,432)	\$ 3,155,210	\$ 82,542	\$ 338,527	\$ 2,821,601	\$ 185,142
Capital outlay included in expenditures above	\$ 1,610,364	\$ 1,106,998	\$ 2,676,218	\$ 2,208,378	\$ 2,556,751	\$ 2,474,729	\$ 2,373,015	\$ 1,840,865	\$ 2,717,113	\$ 2,132,488
Debt service as a percentage of noncapital expenditures	8.9%	8.5%	8.4%	8.8%	8.7%	9.1%	8.9%	7.8%	14.4%	6.8%

Revenue Capacity Information

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

Table 5

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function/program										
Governmental activities:										
General Government	\$ 100,447	\$ 146,775	\$ 124,752	\$ 288,116	\$ 251,669	\$ 148,995	\$ 221,913	\$ 250,719	\$ 714,449	\$ 958,976
Public Safety	455,520	433,218	609,234	620,852	800,903	700,807	755,276	644,867	916,576	813,257
Planning	343,545	371,758	540,057	325,666	381,452	427,535	299,022	521,028	141,086	83,602
Public Works and Transportation	1,640,413	1,977,871	1,132,819	816,891	1,661,709	828,263	1,212,175	1,150,348	710,883	984,621
Economic and Physical Development	113,241	66,066	-	244,243	337,894	42,179	-	181,753	74,926	47,585
Parks and Recreation	390,193	335,807	339,541	368,196	296,123	314,311	309,703	296,123	297,437	325,197
Total primary government	\$ 3,043,359	\$ 3,331,495	\$ 2,746,403	\$ 2,663,964	\$ 3,729,750	\$ 2,462,090	\$ 2,798,089	\$ 3,044,838	\$ 2,855,357	\$ 3,213,238

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>
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
2014	11,792,234
Change 2005 - 2014	43.3%

^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 the 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
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%
2014	2013	1,879,514,863	193,640,289	15,358,935	2,088,514,087	0.5894	2,088,514,087	100%

Source: Orange County, North Carolina, Tax Assessor.

Note: Property in the Town of Carrboro is assessed and collected by Orange County, North Carolina.

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
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
2014	0.5894	0.8580

Source: Orange County, North Carolina, Tax Assessor.

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

Table 9

<u>Fiscal Year Ended June 30,</u>	<u>Tax Year</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected Within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
			<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
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%	159,067	11,949,772	99.59%
2013	2012	12,184,632	11,937,142	97.97%	162,399	12,099,541	99.30%
2014	2013	12,868,792	12,741,993	99.01%	-	12,741,993	99.01%

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

Table 10

Taxpayer	2014			2005		
	2013 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	2004 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Autumn Woods LLC	\$ 20,324,236	1	1.02%	\$ 17,406,522	2	1.51%
Carr Mill Mall Limited, Partnership	16,417,310	2	0.82%	12,663,232	5	1.10%
Landmark at Chelsea Commons LP	16,048,280	3	0.80%			
GS Villages of Chapel Hill, LLC	16,006,656	4	0.80%	16,022,081	3	1.39%
Wesdale Poplar Place LLC	14,964,922	5	0.75%			
RP Barnes LLC	14,215,453	6	0.71%			
Carrboro Shopping Center, Inc.	13,223,400	7	0.66%			
Alcort Carrboro LLC	11,687,859	8	0.58%			
188 Claremont, LLC	10,711,684	9	0.54%			
100 Rock Haven, LLC	9,996,255	10	0.50%			
Vac Limited Partnership	-		-	22,757,820	1	1.97%
Crit NC III, LLC	-		-	15,100,181	4	1.31%
Atlantic Multifamily	-		-	12,236,065	6	1.06%
Carolina Spring Limited	-		-			
Zell Samuel Trustee	-		-	10,231,986	7	0.89%
Sterling Brook Apartments, LLC	-		-	8,973,012	8	0.78%
CAJF Associates LLC	-		-	8,820,437	9	0.77%
UDRT of North Carolina, LLC	-		-	8,600,133	10	0.75%
Total	<u>\$ 143,596,055</u>		<u>7.18%</u>	<u>\$ 132,811,469</u>		<u>11.53%</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

<u>Fiscal Year</u>	<u>Governmental Activities</u>			<u>Total Primary Government</u>	<u>Per Capita</u>
	<u>General Obligation Bonds</u>	<u>Installment Purchase Agreements</u>	<u>Bond Anticipation Notes Payable</u>		
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	6,996,943	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
2014	4,350,000	3,127,109	-	7,477,109	379.51

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			
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
2014	4,350,000	4,350,000	2,088,514,087	0.000	220.79

TOWN OF CARRBORO
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2014

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	\$ 4,350,000	100.00%	\$ 4,350,000
Overlapping (Bonded) Debt - Orange County			
Overlapping debt - Orange County	207,728,454	12.58%	<u>26,132,240</u>
Total direct and overlapping debt			<u><u>\$ 30,482,240</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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 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	\$ 167,081,127
Total net debt applicable to limit	<u>4,699,832</u>	<u>4,852,837</u>	<u>4,940,559</u>	<u>5,508,535</u>	<u>4,406,943</u>	<u>7,060,641</u>	<u>6,319,304</u>	<u>5,405,219</u>	<u>8,044,437</u>	<u>7,477,109</u>
Legal debt margin	<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>	<u>\$ 159,604,018</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>5.10%</u>	<u>4.42%</u>	<u>3.87%</u>	<u>4.48%</u>	<u>3.48%</u>	<u>4.61%</u>	<u>4.07%</u>	<u>3.55%</u>	<u>5.02%</u>	<u>4.48%</u>

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

Year	Population	Per Capita Personal Income	Median Age	Chapel Hill and Carrboro Schools Public School Enrollment	Carrboro Schools Only Public School Enrollment	Unemployment Rate
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%
2014	19,702	32,198	30.1	12,353	1,490	4.2%

Notes:

Orange County unemployment rate is used.

Population for 2011- 2014 is based on last actual value calculated in 2010 from the U.S. Census Bureau.

Per capita personal income is based on last actual value calculated in 2010 from the U.S. 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 from the Chapel Hill-Carrboro Schools FY 2015 budget.

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

2014				2005			
Employer	Average # Employees	Rank	Percentage of Total Town Employment	Employer	Average # Employees	Rank	Percentage of Total City Employment
Town of Carrboro	229	1	1.96%	Information	Information	Information	Information
Chapel Hill-Carrboro City Schools	216	2	1.85%	Not	Not	Not	Not
Kaplan College	160	3	1.37%	Available	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 Economic Development Commission is no longer operational, and reliable information for 2014 is not readily available. However, historically there has been little change in the principal employers for the Town.

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

Table 17

<u>Function/Program</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>	<u>2014</u>
General government										
Mayor and Board of Aldermen	-	-	-	-	-	-	-	-	-	-
Town Manager	2	2	2	2	2	2	4	5	5	5.0
Economic Development	1	1	1	1	1	1	1	2	2	1.5
Town Clerk	1	1	1	1	1	1	1	1	1	1.5
Management Services	8	8	8	8	8	8	6	7	7	6.5
Human Resources	2	2	2	2	2	2	2	2	2	2.0
Public Safety										
Police	40	42	41	42	42	44	44	42	41	41.0
Fire	28	28	33	36	36	36	36	37	37	36.5
Planning	14	14	14	14	14	14	14	14	14	14.0
Public Works	35	35	36	36	36	36	36	34	35	35.0
Parks and Recreation	10	10	10	11	11	11	11	13	13	12.5
Total	<u>141</u>	<u>143</u>	<u>148</u>	<u>153</u>	<u>153</u>	<u>155</u>	<u>155</u>	<u>155</u>	<u>155</u>	<u>155.5</u>

Source: Annual operating budget

Operating Information

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

Table 18

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Revolving loan inquiries	25	31	39	42	40	50	50	5	6	6
Small business counseling referrals	38	37	32	45	40	29	40	10	12	10
Privilege licenses issued	763	944	925	917	1,115	1,253	1,158	948	1,203	720
Public Safety										
Police										
Major crimes	1,259	1,174	1,275	972	814	750	716	746	599	625
Criminal arrests	833	762	713	881	881	830	767	830	1,082	829
Motor vehicle accidents	546	524	540	466	573	494	479	476	476	490
Narcotics arrests	70	55	56	107	132	204	157	150	105	243
Fire										
Fire and EMS responses	872	920	1,397	1,480	1,576	1,530	1,392	1,406	1,517	1,520
Inspections	363	400	633	486	955	998	1,006	1,045	1,070	1,090
Planning										
Annexations	2	2	2	1	-	-	-	1	-	-
Zoning permits	246	110	129	119	66	89	88	86	89	90
Building permits for new residential	57	41	71	55	54	77	50	92	92	60
Building permits for new commercial	7	22	1	7	3	78	4	6	11	12
Value of building permits issued	\$ 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	\$ 18,000,000
Public Works										
Paved streets maintained (miles)	35	37	37	39	39	39	42	42	44	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	425	425	405	390	400
Residential refuse collection (tons annually)	2,500	2,635	2,611	3,250	3,483	3,765	3,645	3,971	4,277	3,666
Multi-family & commercial refuse collection	4,710	4,600	3,521	4,379	4,146	2,865	3,098	3,595	2,534	2,823
Bus shelters maintained	18	18	20	20	20	22	23	23	23	23
Parks and Recreation										
Athletic activities offered	43	46	54	46	61	48	50	48	48	44
Athletic activity participants	2,694	2,470	2,442	2,904	3,229	2,760	2,909	2,763	2,872	2,533
Athletic activity hours	868	864	1,000	1,003	1,111	952	934	882	878	885
Other activities offered	198	213	255	276	333	284	263	364	393	405
Other activity participants	21,482	20,255	25,015	25,111	27,517	26,122	17,476	30,056	31,667	32,252
Century Center rentals (a)	1,052	1,351	1,957	2,211	418	139	127	105	116	
Park rentals (a)	519	560	856	1,008	234	203	181	201	199	196

Sources: Town departments

Notes:

N/A - Information was not collected/available.
(a) One rental contract can be for more than one event.

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

Table 19

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	42	42	41	43	42	42	43	43	43	43
Fire stations	1	1	1	1	1	1	2	2	2	2
Fire trucks	5	5	5	5	6	6	6	6	6	6
Public Works										
Refuse collection trucks	8	8	8	7	7	7	7	7	7	7
Replacement refuse collection trucks	3	3	1	1	1	1	1	1	1	1
Streets (miles)	39	38	38.70	38.79	39.35	39.35	43.27	43.27	43.27	43.27
Bike paths (miles)	3	3	3.32	3.32	3.32	3.32	3.32	3.32	3.32	3.32
Streetlights	781	803	869	962	968	968	986	986	986	986
Parks and recreation										
Parkland (acres)	95.7	95.7	112	112	112	112	112	112	112	112
Parks (quantity)	9	9	10	10	10	10	10	10	10	10
Hiking trails	5	5	5	5	6	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	6	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	7	7	8	8	8	8	8	8
Picnic shelters	5	5	5	4	4	4	5	5	5	5

Sources:

Town Departments

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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
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITORS' REPORT

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, the discretely presented component unit, 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, 2014, 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 October 30, 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

*High Point, North Carolina
October 30, 2014*



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

INDEPENDENT AUDITORS' REPORT

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, 2014. 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, 2014.

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

*High Point, North Carolina
October 30, 2014*

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

Schedule 13
Page 1 of 2

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported
- Noncompliance material to financial statements noted? Yes No

State Awards

Internal control over major state programs:

- Material weaknesses identified? Yes No
 - Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported
- Noncompliance material to state awards? Yes 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 No

Identification of major state program(s):

<u>State Number</u>	<u>Name of Program</u>
32570	Powell Bill

II. Financial Statement Findings

There were no findings related to the financial statements for the fiscal year ended June 30, 2014.

III. State Awards Findings and Questioned Costs

There were no findings related to state awards for the fiscal year ended June 30, 2014.

TOWN OF CARRBORO, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2014

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, 2014

Schedule 15

Grantor/Program Title	Federal CFDA Number	Grant ID/ Project Award Number	Federal and Pass-Through Expenditures	State Expenditures
FEDERAL AWARDS				
U.S. Department of Energy				
Passed through N.C. State Energy Office: Southeast Energy Efficiency Alliance - AARA funding	81.128	DE-EE0003575	\$ 79,521	\$ -
Total U.S. Department of Energy			<u>79,521</u>	<u>-</u>
U.S. Department of Commerce				
Passed through N.C. Department of Commerce Roberson Street Sewer Grant	14.228	11-C-2342	143,221	-
Total U.S. Department of Commerce			<u>143,221</u>	<u>-</u>
U.S. Department of Transportation				
STP-DA funding				
Passed through N.C. Department of Transportation				
Morgan Creek Greenway	20.205-2	402451.1	27,424	-
Wilson Park Multi-Use Path	20.205-1	36268.3.4	14,700	-
Rogers Road	20.205-1	36268.1.25	40,780	-
Bolin Creek Greenway	20.205-1	36268.1.26	7,238	-
Bike loop detectors	20.205-1	36268.1.27	13,338	-
Passed through the City of Durham:				
Regional Planning Work Program	20-205-8	Sec 104(F) DCHC	17,780	-
Total U.S. Department of Transportation			<u>121,260</u>	<u>-</u>
Total federal awards			<u>344,002</u>	<u>-</u>
STATE AWARDS				
N.C. Alcohol and Beverage Board				
NC ABC Board Grant		N/A	-	9,211
N.C. Department of Environmental and Natural Resources				
NC DENR Recycling Grant		3383	-	7,016
NC DENR Curbside Rollout Carts		1194	-	75,000
			<u>-</u>	<u>82,016</u>
N.C. Department of Transportation				
Powell Bill		32570	-	487,937
Total state awards			<u>-</u>	<u>579,164</u>
TOTAL ASSISTANCE			<u>\$ 344,002</u>	<u>\$ 579,164</u>

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.