

Town of Carrboro, North Carolina

Comprehensive Annual Financial Report

For the Fiscal Year
Ended June 30, 2012

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Town of Carrboro, North Carolina

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Town of Carrboro, North Carolina

PRINCIPAL OFFICIALS

BOARD OF ALDERMEN

Mark Chilton, Mayor

Dan Coleman
Michelle Johnson
Randee Haven-O'Donnell

Lydia Lavelle
Sammy Slade
Jacquelyn Gist

TOWN MANAGER

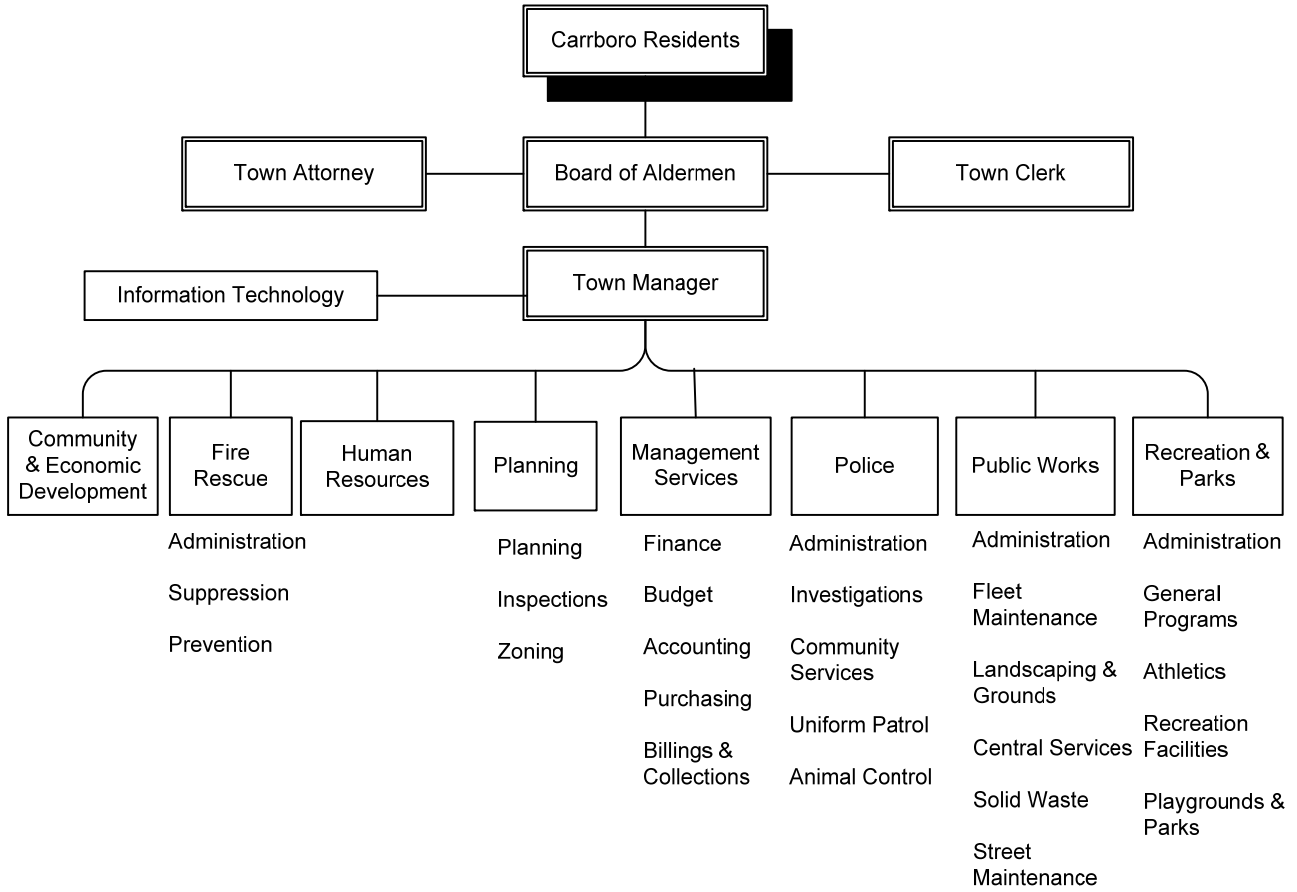
David Andrews

MANAGEMENT SERVICES DEPARTMENT

Arche L. McAdoo, Finance Director
Earlene Hicks, Assistant to the Finance Director
Sandy Svoboda, Purchasing Officer
Jane Bowden, Accounting Technician
Diana Chase, Program Support Assistant

Town of Carrboro, North Carolina

ORGANIZATIONAL CHART





TOWN OF CARRBORO

NORTH CAROLINA

WWW.TOWNOFCARRBORO.ORG

October 31, 2012

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, 2012 (FY 2011-12). As required by North Carolina General Statutes (NCGS), the CAFR includes financial statements that have been audited by an independent certified public accounting firm. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Town. To the best of our knowledge and belief, the enclosed data accurately presents the financial position and the results of operations of the Town as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditors section. Other documents that are helpful in understanding the Town's budget and financial planning include the Town's annual operating budget and capital improvements plan documents. These documents, along with the annual audit report, are posted on the Town's website at <http://www.townofcarrboro.org/docs.htm>.

COMMUNITY AND ORGANIZATIONAL PROFILE

The Town is a small community located within Orange County in the north central portion of North Carolina. The area's topography is characterized by rolling hills. Carrboro is situated next to Chapel Hill and the University of North Carolina, and is near the Research Triangle Park. The Town was incorporated in 1911, now covers an area of 6.35 square miles, and has a population of 19,582. The Town is distinctive in having one of the highest population density (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 29,137 in 2011. It is anticipated that expansion will continue to occur in University-related health facilities such as the University of North Carolina Hospitals and with the proposed development of the Carolina North campus.

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

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

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

The Town commits over one million dollars annually to provide fare-free transit for Town residents in an effort to reduce reliance on automobiles and to promote public transit, walking, and biking. Carrboro is one of 27 communities in the nation that has been awarded the Silver Level Bicycle-Friendly Community designation by the League of American Bicyclists in recognition of its commitment to providing safe accommodation and facilities for bicyclists, as well as efforts to encourage bicycling for fun, fitness, and transportation. The award, valid through 2012, also recognized Town efforts to include bike lanes on all state road improvement projects. Additionally, the Town has amended its street standards to require bike lanes on all collector roads. According to the latest census, 5.2% of residents in Carrboro bike to work. The community approved a \$4.6 million bond referendum in November 2003 to construct sidewalks and greenways to increase the safety and convenience of walking throughout the Town's neighborhoods, including to schools, bus stops, shopping areas, and recreational facilities.

GOVERNANCE

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

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

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

ECONOMIC CONDITION AND OUTLOOK

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

In 2005-2009, employment levels in Carrboro reflected national and statewide trends with an increase in the unemployment rate from 3.6% in 2000 to 5.9% in 2009. The unemployment rate for Orange County was 2.9% in 2006 and climbed to 6.1% in December 2011, well below the state unemployment rate of 10.4%. As of August 2012 the unemployment rate for Orange County is 6.5% compared to the statewide rate of 9.6%. With the University of North Carolina at Chapel Hill, the University of North Carolina Health Care System, and Research Triangle Park in close proximity to the Town, the local employment base is relatively stable and contributes to the Town's economic state.

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

Long-term debt for the Town is currently \$8.7 million, which includes financing for construction of fire station #2, renovations to the Century Center, land purchases for future Town use, and annual replacement of vehicles and equipment. Within the next year, the Town expects to issue \$4.6 million of general obligation bonds for the permanent financing of sidewalk and greenway construction projects authorized by the citizens in 2003. For a more comprehensive analysis of the Town's capital needs and future financing, please consult the Town's Capital Improvements Program available on the Town's website. The potential impact on property tax rates of capital projects will be affected by the timing of the implementation of the proposed projects, availability of other revenue sources, and/or cost savings to fund the projects.

MAJOR TOWN INITIATIVES

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

- The Town 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 was awarded a Bicycle Planning Grant from the North Carolina Department of Transportation in May 2007. The grant allowed the Town to develop a comprehensive bicycle plan for a connected, accessible and safe network of bicycle facilities. These facilities will be used for commuting, recreation, and as a viable alternative to the automobile. The plan was reviewed and approved by the Board March 24, 2009, and plan implementation is underway.
- The Town has been awarded a Silver Award by the League of American Bicyclists as a Bicycle-Friendly Community (BFC). The award is presented only to communities that are committed to bicycling, provide safe accommodation and facilities for bicyclists, and encourage bicycling for fun, fitness, and transportation. This award is valid through 2012.
- The Town applied for and received a grant from the North Carolina Division of Water Quality and the U.S. Environmental Protection Agency to continue with watershed restoration efforts. The three-year grant, approved in FY 2009-10, covers watershed restoration efforts for a stream restoration project on Dry Gulch, continued monitoring of runoff from Pacifica, and a demonstration rain garden and cistern at McDougle Elementary/ Middle School.
- In FY 2007-08, the Town enlisted in the North Carolina League of Municipalities "Green Challenge," agreeing to participate in the Greenhouse Gas Emission Inventory and Reduction effort to reduce the carbon footprint; and agreeing to assess the Town's energy efficiency through the U.S. Environmental Protection Agency's "Energy Star Challenge" that involves reviewing and reducing utility consumption in Town facilities, streetlights, and fuel usage. The Town continues to make improvements in this area and has been moved to a higher level designation known as a "Green Challenge Advanced" municipality.

- The Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award has been awarded to the Town for its FY 2011-12 budget document. It is the highest form of recognition in governmental budgeting. The Town has submitted its FY 2012-13 budget document for evaluation for this recognition.
- In 2012, the Town's continued commitment to the environment was rewarded with its national designation as a Tree City USA Town for the 27th year. The Town received an Erosion and Sedimentation Control Award from the North Carolina Sedimentation Control Commission.
- Town residents approved a \$4.6 million bond referendum in November 2003 to construct sidewalks and greenways throughout Town to increase the safety and convenience of walking. The sidewalks and greenway trails are under construction and design and planning is underway for additional sidewalks and greenways.
- The Town has been awarded a grant from the Southeast Energy Efficiency Alliance, funded by the U.S. Department of Energy to undertake an energy efficiency retrofit program for single-family residents, a multi-family residential energy pilot program, and create an Energy Efficiency Revolving Loan Fund for local businesses.

FINANCIAL INFORMATION

General Fund Balance

The Board has adopted a policy of maintaining a General Fund unassigned fund balance within a range of 22.5% to 35% of budgeted appropriations. When the General Fund unassigned fund balance exceeds 35%, the manager may set aside an amount in assigned fund balance for transfer to 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 past five years, the unassigned fund balance as a percentage of total audited expenditures has increased from 44.3% for the year ended June 30, 2007, to 54.8% for the year ended June 30, 2012. This is a reflection of the conservative approach to revenue estimates in an uncertain recovering economy showing little, slow or no growth. It is also a reflection of the numerous actions taken by the Town to adapt its operating budget, capital plans and financing to existing and anticipated financial challenges. The steps taken in this regard include freezing vacant positions, reducing less vital operating expenses, and re-prioritizing or delaying capital projects.

Budget Control

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

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

Internal Controls

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

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

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

OTHER INFORMATION

Independent Audit

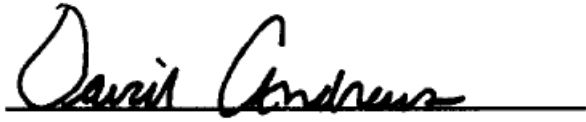
North Carolina General Statutes Chapter 15, the Local Government Budget and Fiscal Control Act, requires that units of local government have an annual audit by independent certified public accountants. The accounting firm of Dixon Hughes Goodman LLP was selected by the Board and performed this audit.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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded, for the eighth 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 2010-11. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to GFOA program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements and will be submitting our CAFR for the fiscal year ended June 30, 2012 to the GFOA to determine its eligibility for another year. The Certificate Program managed by the GFOA was established in 1945, and is designed to recognize and encourage excellence in financial reporting by state and local governments. Further information about the Certificate Program can be obtained by visiting GFOA's website at: www.gfoa.org. The GFOA reports a growing awareness that the annual financial report should be management's report to its governing body, constituents, oversight bodies, resource providers, investors, and creditors. We agree with this direction and, in keeping with our past practice, have made available a copy of this report to each of you, Town departments, bond rating agencies, the North Carolina Local Government Commission, and other financial institutions which have expressed an interest in the Town's financial affairs.

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



**David L. Andrews, ICMA-CM
Town Manager**



**Arche L. McAdoo
Finance Officer**

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Danson

President

Jeffrey R. Egan

Executive Director

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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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Carrboro, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Carrboro's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Carrboro as of June 30, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2012 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 the 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*, and should be read in conjunction with this report in considering the results of our audit.

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's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions on pages 3 through 13 and 59 through 62, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United State of America, which consisted of inquiries of management about the methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Carrboro, North Carolina. The introductory information, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules and the statistical tables are presented for purposes of additional analysis, and are not a required part of the basic financial statements. Such information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules have 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 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 nonmajor fund financial statements, budgetary schedules, and other schedules 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 express no opinion nor provide any assurance on them.

Dixon Hughes Goodman LLP

October 31, 2012

TOWN OF CARRBORO, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2012

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, 2012. Readers should review this information in conjunction with the transmittal letter and basic financial statements to enhance their understanding of the Town's financial condition and performance.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$36,992,150 (net assets).
- Total net assets increased by \$588,485 due to increases in the net assets of the governmental-type activities.
- At June 30, 2012, the Town's governmental funds had combined ending fund balances of \$15,396,559, an increase of \$338,527 in comparison with the prior year. Approximately 46.7% or \$7,197,874 of this total amount is available for spending at the government's discretion (*unassigned fund balance*).
- Unassigned fund balance for the General Fund was \$9,804,868 or 54.8% of total General Fund expenditures at the end of the fiscal year.
- Total long-term liabilities for the Town increased slightly by \$348,204 from \$8,415,543 in 2011 to \$8,763,747 at June 30, 2012 (1.0%) primarily due to additional debt for vehicles and equipment.
- The Town has maintained and currently holds credit ratings of A+ with Standard and Poor's, A1 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):

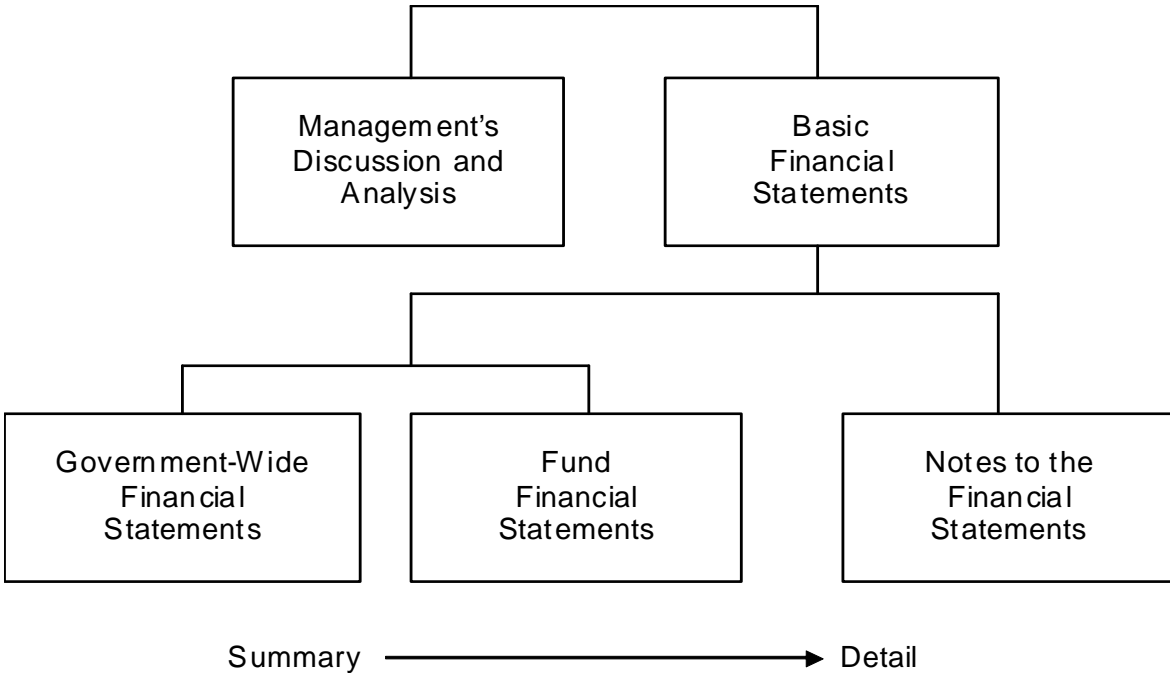
- 1) Government-wide financial statements,
- 2) Fund financial statements, and
- 3) Notes to the financial statements.

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, 2012

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

TOWN OF CARRBORO, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2012

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 assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets and how they have changed. Net assets reported on the *statement of net assets* are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town's financial condition. The *statement of activities* presents information showing how the Town's net assets have changed during the fiscal year.

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

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

Fund Financial Statements

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

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements are focused on a detailed, short-term view that helps the reader determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Assets 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, 2012

The Town adopts an annual budget for its General Fund, as required by the North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. Exhibit 5 shows four columns: (1) the original budget as adopted by the Board; (2) the final budget as amended by the Board; (3) the actual resources, charges to appropriations, and ending balances in the General Fund; and (4) the difference or variance between the final budget and the actual resources and charges.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 23 through 55 of this report.

Supplemental Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 59 of this report.

TOWN OF CARRBORO, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Government-Wide Financial Analysis

The Town of Carrboro's Net Assets

Figure 2

	2012	2011
Current and other assets	\$ 20,676,191	\$ 19,515,294
Capital assets	<u>31,072,133</u>	<u>30,460,922</u>
Total assets	<u>51,748,324</u>	<u>49,976,216</u>
Other liabilities	5,992,427	5,157,008
Long-term liabilities outstanding	<u>8,763,747</u>	<u>8,415,543</u>
Total liabilities	<u>14,756,174</u>	<u>13,572,551</u>
Net assets:		
Invested in capital assets, net of related debt	24,803,167	22,800,027
Restricted - stabilization by state statute	1,877,720	2,625,784
Unrestricted	<u>10,311,263</u>	<u>10,977,854</u>
Total net assets	<u>\$ 36,992,150</u>	<u>\$ 36,403,665</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities by \$36,992,150 as of June 30, 2012. This is an increase of \$588,485 over the prior fiscal year. The largest portion of net assets (67%) 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 assets (\$1,877,720) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,311,263 (27.9%) is unrestricted.

TOWN OF CARRBORO, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2012

The Town of Carrboro's Changes in Net Assets

Figure 3

	<u>Governmental</u> <u>Activities</u> <u>2012</u>	<u>Governmental</u> <u>Activities</u> <u>2011</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 1,766,707	\$ 1,358,733
Operating grants and contributions	871,613	791,842
Capital grants and contributions	406,518	647,514
General revenues:		
Property taxes	11,687,941	11,366,191
Taxes	3,757,688	3,551,585
Grants and contributions not restricted to specific programs	946,091	951,820
Other	<u>47,980</u>	<u>63,320</u>
Total revenues	<u>19,484,538</u>	<u>18,731,005</u>
Expenses:		
General government	3,493,073	3,355,221
Public safety	6,835,304	6,757,198
Planning	1,162,777	1,232,157
Transportation	1,058,859	1,184,975
Public works	4,252,251	3,929,320
Parks and recreation	1,516,336	1,498,043
Economic and physical development	275,681	185,874
Interest on long-term debt	<u>301,772</u>	<u>292,766</u>
Total expenses	<u>18,896,053</u>	<u>18,435,554</u>
Increase in net assets	588,485	295,451
Net assets, July 1	<u>36,403,665</u>	<u>36,108,214</u>
Net assets, June 30	<u>\$ 36,992,150</u>	<u>\$ 36,403,665</u>

Governmental Activities. Governmental activities increased the Town's net assets by \$588,485. Key elements of this change are as follows:

- Ad valorem property tax revenue increased by \$321,750 from \$11,366,191 last year to \$11,687,941 this fiscal year, which represents a 2.8% increase over the prior year. There was a slight increase in the tax collection rate from the prior year, and growth in the tax base and tax levies. The tax valuation for this fiscal year remained the same from the last fiscal year.

TOWN OF CARRBORO, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2012

- Sales tax revenue increased by \$194,704, from \$3,113,356 last year to \$3,308,060 this fiscal year, compared to last year, when the Town experienced an increase of \$73,425.
- The Town continued with financing bond-funded sidewalk construction to promote open space preservation goals and walkable access through the Town, and provided for ongoing maintenance of facilities, replacement of computer network and desktop infrastructure, as well as vehicles and equipment. This fiscal year, the Town spent \$1,840,865 for capital outlay, which included the completion of Weaver Street reconstruction, Wilson Park bathroom upgrade and the purchase of new vehicles and equipment.

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 \$9,804,868, while total fund balance reached \$15,522,809. 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 54.8% of total General Fund expenditures.

At June 30, 2012, the governmental funds of the Town of Carrboro reported a combined fund balance of \$15,396,559, a 2.2% increase over last year. The primary factor for this increase in fund balance is due to an increase in actual revenues received and reduction in budgeted expenses. The reported combined fund balance of the governmental funds includes a deficit fund balance of \$2,228,483 within the Bond Fund. This deficit fund balance is due to the fact that bond anticipation notes are required to be reported in this fund as a current liability. The Town anticipates that these bond anticipation notes will eventually be refinanced by long-term general obligation bonds approved by a 2003 Bond Referendum.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the General Fund budget on several occasions. Generally, these amendments fall into one of three categories: (1) to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) to recognize new funding amounts from external sources, such as federal and state grants; or (3) increase appropriations that become necessary to maintain services. The General Fund budget was increased by \$945,269 (5.1%) from an original appropriation of \$18,477,939 to a final appropriation of \$19,423,208.

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 \$1,362,873. Property and sales taxes accounted for roughly 59% of the revenue above budget projections. Property taxes were \$462,754 (34%) above budget projections and sales.

TOWN OF CARRBORO, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Permits and fees exceeded budget projections by \$293,306. Total revenue for permits and fees this year was \$1,308,544, a 20% increase over last year's actual of \$1,090,101. This is due to a number of approved private developments beginning or nearing the construction phase. While revenues from sales and services, investment, and other exceeded budget projections by \$56,976, these revenues were slightly less than those received for the prior year.

The unrestricted intergovernmental revenue shows receipts exceeding budget projections by \$96,560 for electric franchise, piped natural gas, video sales programming, telecommunication, and wine and beer licenses or taxes. These revenues totaled \$946,091 for 2012 compared to the prior year amount of \$951,820.

Expenditures, as required by budget ordinance, should not exceed appropriated levels. Total expenditures were \$17,898,963, which was \$1,524,245 less than the final budget of \$19,423,208. All spending by function was in compliance with budgetary requirements.

While all expenditures were less than budget at June 30, 2012, they were slightly higher at 1.7% over the prior year. Actual Expenditures for Planning and Public Works were less than that of the prior year and decreased by 7.6% and 6.9%, respectively. This is due mostly to a freeze on filling vacant positions and delay of capital purchases. Parks and Recreation expenditures, on the other hand, were 13.4% higher than the prior year due to the completion of bathroom facilities and replacement of playground equipment at Wilson Park. Debt service expenditures decreased by 10% over the prior year. This is due to the retirement of prior years' debt for vehicles and equipment and financing a lesser amount in 2012.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental-type activities as of June 30, 2012, totaled \$31,072,133 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, and vehicles. Major capital asset transactions during the year include the following additions:

- Completion of Weaver Street Reconstruction
- Replacement of police vehicles
- Upgrade to Wilson Park bathroom

TOWN OF CARRBORO, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2012

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

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
Land	\$ 14,208,393	\$ 14,208,393
Construction-in-progress	664,777	1,079,248
Buildings and systems	4,792,123	4,650,868
Improvements other than buildings	451,283	474,615
Machinery and equipment	723,937	764,653
Infrastructure	8,175,924	7,057,896
Vehicles and motorized equipment	<u>2,055,693</u>	<u>2,225,249</u>
Total	<u>\$ 31,072,133</u>	<u>\$ 30,460,922</u>

Additional information on the Town's capital assets can be found in on page 28 and 36 of this report.

Long-Term Debt. As of June 30, 2012, the Town of Carrboro had no outstanding bonded debt.

The Town of Carrboro's Outstanding Debt

Figure 5

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Bond anticipation note	\$ 2,590,000	\$ 2,590,000
Installment purchases	5,405,219	6,319,304
Compensated absences	519,865	593,906
Other postemployment benefits obligation	3,701,243	2,473,455
Net pension obligation	<u>372,766</u>	<u>359,549</u>
Total	<u>\$ 12,589,093</u>	<u>\$ 12,336,214</u>

Total debt for the Town increased by \$252,879 (2%) during the past fiscal year primarily due to vehicle and equipment installment purchase financing. The Town had normal debt retirement for this fiscal year with the principal repayment of \$1,212,935.

As mentioned in the financial highlights section of this document, the Town currently holds and has maintained its A1 bond rating from Moody's Investor Service and A+ rating from Standard and Poor's Corporation. These bond ratings are a clear indication of the Town's sound financial condition.

TOWN OF CARRBORO, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2012

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is \$152,417,005. The Town has \$4,600,000 in General Obligation bonds authorized, but unissued at June 30, 2012.

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

Economic Factors and Next Year's Budget and Rates

The following key economic indicators will impact the Town.

- Low unemployment. The Town's low unemployment rate (as reflected in the county-wide Orange County rate) of 6.5% is well below the state average of 9.6% as of August 2012. This trend is expected to continue for the next year.
- Stable property tax base. The Town expects to continue to collect property taxes at a rate in excess of 98%.
- Continued property and sales tax growth is expected to continue into the next fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2013

Governmental Activities: The Town has approved a General Fund budget in the amount of \$19,441,491 for fiscal year 2013, which is a \$951,552 or 5.1% increase over the original adopted fiscal year 2012 budget. As the economy showed some signs of improvement, it was incumbent upon management to continue its disciplined approach and not become too optimistic in projecting revenues. The primary focus in preparing the fiscal year 2013 budget was to develop one that:

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

The two largest sources of revenues, property taxes and sales taxes, are projected to increase. Property taxes are projected to increase by 2% due to increased valuations and private developments. The tax rate for real property equals 58.94 cents per one hundred dollars (0.5894), which remained unchanged from fiscal year 2011-2012.

Sales taxes revenue over the past year are showing signs of recovery and anticipated to grow by 3% over the 2011-12 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 the 3% across-the-board COLA for employees, restoration of the \$300,700 set aside for street resurfacing, transfer of \$150,000 to the Revolving Loan Fund to spur new initiatives, and increased funding for human services grants and community outreach.

TOWN OF CARRBORO, NORTH CAROLINA
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Through re-prioritization of requests, capital outlays for vehicles and equipment were reduced to \$397,320 from the \$1,118,880 included in the six-year capital improvement plan. Other capital investments include Century Center drapes and installation of LCD TVs, replacement of information technology servers and peripherals, and replacement of miscellaneous small equipment/tools in public works.

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 ASSETS
June 30, 2012

Exhibit 1

ASSETS	Governmental Activities
Current assets	
Cash and investments	\$ 15,628,120
Receivables	
Taxes receivable, net	350,331
Accrued interest receivable, property taxes	28,547
Accounts receivable, net	6,420
Due from other governments	1,330,559
Notes receivable	389,922
Inventories	65,783
Prepays	156,843
Restricted cash	2,719,666
Total current assets	<u>20,676,191</u>
Noncurrent assets	
Capital assets	
Land	14,208,393
Construction-in-progress	664,777
Other capital assets, net of depreciation	16,198,963
Total noncurrent assets	<u>31,072,133</u>
Total assets	<u>\$ 51,748,324</u>
 LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	\$ 962,678
Customer deposits and performance bonds	993,413
Unearned revenues	114,137
Accrued interest payable	96,853
Bond anticipation note payable	2,590,000
Current portion of long-term liabilities	1,235,346
Total current liabilities	<u>5,992,427</u>
Long-term liabilities	
Due in more than one year	8,763,747
Total liabilities	<u>14,756,174</u>
 NET ASSETS	
Invested in capital assets, net of related debt	24,803,167
Restricted for:	
Stabilization by State Statute	1,877,720
Unrestricted	10,311,263
Total net assets	<u>\$ 36,992,150</u>

The accompanying notes are an integral part of this statement.

TOWN OF CARRBORO, NORTH CAROLINA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Exhibit 2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>for Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Assets</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities:					
General government	\$ 3,493,073	\$ 162,486	\$ 88,233	\$ -	\$ (3,242,354)
Public safety	6,835,304	551,792	93,075	-	(6,190,437)
Planning	1,162,777	483,956	37,072	-	(641,749)
Transportation	1,058,859	-	-	-	(1,058,859)
Public works	4,252,251	126,495	617,335	406,518	(3,101,903)
Parks and recreation	1,516,336	260,225	35,898	-	(1,220,213)
Economic and physical development	275,681	181,753	-	-	(93,928)
Interest on long-term debt	301,772	-	-	-	(301,772)
Total governmental activities	<u>\$ 18,896,053</u>	<u>\$ 1,766,707</u>	<u>\$ 871,613</u>	<u>\$ 406,518</u>	<u>(15,851,215)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					11,687,941
Local option sales taxes					3,308,060
Other taxes					449,628
Unrestricted intergovernmental revenues					946,091
Investment earnings, unrestricted					47,980
Total general revenues					<u>16,439,700</u>
Change in net assets					588,485
Net assets - beginning					<u>36,403,665</u>
Net assets - ending					<u>\$ 36,992,150</u>

The accompanying notes are an integral part of this statement.

**TOWN OF CARRBORO, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012**

Exhibit 3

ASSETS	Major Funds					Total Governmental Funds
	General Fund	Revolving Loan Fund	Bond Fund	Capital Projects Fund	Nonmajor Funds	
Cash and cash equivalents	\$ 14,077,110	\$ 269,322	\$ 145,216	\$ 1,099,030	\$ 37,442	\$ 15,628,120
Taxes receivable, net	350,331	-	-	-	-	350,331
Accounts receivable, net	6,420	-	-	-	-	6,420
Due from other governments	1,173,336	-	76,223	-	81,000	1,330,559
Notes receivable, net	-	283,073	-	-	106,849	389,922
Inventories	65,783	-	-	-	-	65,783
Prepaid Items	337,239	-	-	-	-	337,239
Restricted cash	1,769,519	-	221,701	728,446	-	2,719,666
Total assets	\$ 17,779,738	\$ 552,395	\$ 443,140	\$ 1,827,476	\$ 225,291	\$ 20,828,040
 LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 802,684	\$ 1,350	\$ 81,623	\$ 70	\$ 76,951	\$ 962,678
Customer deposits and performance bonds	993,413	-	-	-	-	993,413
Deferred revenues	350,331	283,073	-	-	137,849	771,253
Unearned revenues	110,501	-	-	-	3,636	114,137
Short-term debt	-	-	2,590,000	-	-	2,590,000
Total liabilities	2,256,929	284,423	2,671,623	70	218,436	5,431,481
Fund balances (deficit):						
Nonspendable:						
Inventories	65,783	-	-	-	-	65,783
Prepaid Items	337,239	-	-	-	-	337,239
Restricted:						
Stabilization by State Statute	1,751,497	-	76,223	-	50,000	1,877,720
Capital equipment	776,106	-	-	-	-	776,106
Capital projects	-	-	221,701	728,446	-	950,147
Committed:						
Economic development	-	267,972	-	-	-	267,972
Capital projects	-	-	-	1,098,960	-	1,098,960
Affordable housing	-	-	-	-	12,707	12,707
Energy efficiency	-	-	-	-	24,735	24,735
Assigned:						
Subsequent year's expenditures	787,316	-	-	-	-	787,316
Capital projects	2,000,000	-	-	-	-	2,000,000
Unassigned	9,804,868	-	(2,526,407)	-	(80,587)	7,197,874
Total fund balances (deficit)	15,522,809	267,972	(2,228,483)	1,827,406	6,855	15,396,559
Total liabilities and fund balances	\$ 17,779,738	\$ 552,395	\$ 443,140	\$ 1,827,476	\$ 225,291	

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

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	31,072,133
Prepaid expenses in the fund statements for debt service payments that represent a reduction of long-term obligations in governmental activities.	(180,396)
Liabilities for earned but deferred revenues in fund statements, including accrued interest receivable on property taxes.	799,800
Some liabilities, including long-term obligations, are not due and payable in the current period and therefore are not reported in the funds.	(9,999,093)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	(96,853)
Net assets of governmental activities	\$ 36,992,150

The accompanying notes are an integral part of this statement.

TOWN OF CARRBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS
Year Ended June 30, 2012

Exhibit 4
Page 1 of 2

	Major Funds					Total Governmental Funds
	General Fund	Revolving Loan Fund	Bond Fund	Capital Projects Fund	Nonmajor Funds	
Revenues						
Ad valorem taxes	\$ 11,708,787	\$ -	\$ -	\$ -	\$ -	\$ 11,708,787
Local option sales taxes	3,308,060	-	-	-	-	3,308,060
Other taxes and licenses	449,628	-	-	-	-	449,628
Unrestricted intergovernmental	946,091	-	-	-	-	946,091
Restricted intergovernmental	685,120	-	214,786	304	195,198	1,095,408
Permits and fees	1,308,544	-	-	-	-	1,308,544
Sales and services	260,225	-	-	-	-	260,225
Investment earnings	38,283	7,521	130	984	1,062	47,980
Other	49,152	86,078	-	128,428	2,548	266,206
Total revenues	18,753,890	93,599	214,916	129,716	198,808	19,390,929
Expenditures						
Current:						
General government	3,350,244	-	-	-	-	3,350,244
Public safety	5,795,546	-	-	-	-	5,795,546
Planning	1,045,854	-	-	-	-	1,045,854
Transportation	1,032,825	-	-	-	-	1,032,825
Public works	3,397,396	-	-	-	-	3,397,396
Economic and physical development	-	45,000	-	-	230,681	275,681
Parks and recreation	1,274,082	-	-	-	-	1,274,082
Capital outlay	642,929	-	375,022	822,914	-	1,840,865
Debt service:						
Principal	1,068,046	-	-	-	-	1,068,046
Interest and other charges	292,041	-	-	-	-	292,041
Total expenditures	17,898,963	45,000	375,022	822,914	230,681	19,372,580
Excess of revenues over (under) expenditures	854,927	48,599	(160,106)	(693,198)	(31,873)	18,349
Other financing sources (uses)						
Transfers from other funds	607,858	-	-	-	-	607,858
Transfers to other funds	-	-	-	(607,858)	-	(607,858)
Sale of capital assets	21,328	-	-	-	-	21,328
Installment purchase obligations issued	298,850	-	-	-	-	298,850
Total other financing sources (uses)	928,036	-	-	(607,858)	-	320,178
Net change in fund balances (deficit)	1,782,963	48,599	(160,106)	(1,301,056)	(31,873)	338,527
Fund balances (deficit), beginning of year	13,739,846	219,373	(2,068,377)	3,128,462	38,728	15,058,032
Fund balances (deficit), ending	\$ 15,522,809	\$ 267,972	\$ (2,228,483)	\$ 1,827,406	\$ 6,855	\$ 15,396,559

The accompanying notes are an integral part of this statement.

**TOWN OF CARRBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS
Year Ended June 30, 2012**

Exhibit 4
Page 2 of 2

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

Total net change in fund balances - governmental funds	\$ 338,527
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays (\$1,840,865) as expenditures. However, in the statement of activities, the cost of estimated useful lives is reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation (\$1,229,654) in the current period.	611,211
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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	(3,756)
Change in deferred revenues, property taxes	(17,090)
Change in deferred revenues	67,093

The issuance of long-term debt (\$298,850) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$1,068,046) consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. 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.	769,196
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued and prepaid interest on general long-term debt	(9,731)
Change in compensated absences	74,040
Change in net pension obligation	(13,217)
Change in other postemployment benefits	(1,227,788)

Changes in net assets of governmental activities	\$ 588,485
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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 BALANCES (DEFICIT) - BUDGET AND ACTUAL
Year Ended June 30, 2012

Exhibit 5

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Ad valorem taxes	\$ 11,246,033	\$ 11,246,033	\$ 11,708,787	\$ 462,754
Local option sales taxes	2,966,054	2,966,054	3,308,060	342,006
Other taxes and licenses	406,076	406,076	449,628	43,552
Unrestricted intergovernmental	849,531	849,531	946,091	96,560
Restricted intergovernmental	509,765	617,401	685,120	67,719
Permits and fees	1,015,238	1,015,238	1,308,544	293,306
Sales and services	229,845	229,845	260,225	30,380
Investment earnings	25,000	25,000	38,283	13,283
Other revenues	34,439	35,839	49,152	13,313
Total revenues	17,281,981	17,391,017	18,753,890	1,362,873
Expenditures				
Current:				
General government	3,340,406	3,622,883	3,371,834	251,049
Public safety	5,761,536	6,302,376	6,161,520	140,856
Planning	1,192,020	1,198,749	1,045,854	152,895
Transportation	1,064,150	1,064,150	1,032,825	31,325
Public works	3,794,880	4,149,631	3,506,849	642,782
Parks and recreation	1,428,198	1,648,308	1,419,994	228,314
General services	494,638	35,000	-	35,000
Debt service	1,402,111	1,402,111	1,360,087	42,024
Total expenditures	18,477,939	19,423,208	17,898,963	1,524,245
Excess of revenues over (under) expenditures	<u>(1,195,958)</u>	<u>(2,032,191)</u>	<u>854,927</u>	<u>2,887,118</u>
Other financing sources (uses)				
Transfers from other funds	176,945	607,858	607,858	-
Transfers to other funds	(12,000)	(34,950)	-	34,950
Sale of capital assets	20,000	20,000	21,328	1,328
Installment purchase obligation issued	298,850	298,850	298,850	-
Total other financing sources	483,795	891,758	928,036	36,278
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(712,163)	(1,140,433)	1,782,963	2,923,396
Fund balance appropriated	<u>712,163</u>	<u>1,140,433</u>	<u>-</u>	<u>(1,140,433)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,782,963	<u>\$ 1,782,963</u>
Fund balance, beginning of year			<u>13,739,846</u>	
Fund balance, ending			<u>\$ 15,522,809</u>	

The accompanying notes are an integral part of this statement.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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 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.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The Town reports the following major governmental funds (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 and the Payment in Lieu Reserve Fund have 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 Town has elected to report this fund as major.

The Town reports the following non-major governmental funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the subsequent year. Also, as of January 1, 1993, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Orange County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Carrboro. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Orange County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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 revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

D. Budgetary Data

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

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

E. Assets, Liabilities and Fund Equity

1. Deposits and Investments

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

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

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

1. Deposits and Investments (Continued)

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

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 \$1,504,552 are classified as restricted assets because their use is completely restricted to the purpose for which the installment purchase agreements were issued. The unexpended bond anticipation note proceeds in the amount of \$221,701 are classified as restricted assets of the Bond Fund because their use is completely restricted to the purpose for which the bond anticipation notes were issued. Credit deposits in the amount of \$993,413 are considered a liability and classified as restricted cash. The Town requires builders/contractors to pay a credit deposit when, due to circumstances beyond their control, there is uncompleted work on a construction project and the builder/contractor needs to have the Planning Department issue a Certificate of Occupancy for the property. Once the Town has ensured that the work has been satisfactorily completed, the credit deposit funds are released.

4. Ad Valorem Taxes Receivable

In accordance with state law [G. S. 105-347 and G. S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2011. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

6. Inventory and Prepaid Items

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

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

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than a certain amount and an estimated useful life in excess of two years.

Minimum capitalization costs are as follows:

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

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

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

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

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

8. 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 assets.

9. 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.

10. Net Assets/Fund Balances

Net assets in government-wide financial statements are classified as invested in capital assets, net of related debt, restricted, and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through state statute.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

10. Net Assets/Fund Balances (Continued)

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted Fund Balance - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for stabilization by state statute - portion of fund balance restricted by State Statute [G.S. 159-8(a)].

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

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

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

10. Net Assets/Fund Balances (Continued)

Fund Balances

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Carrboro's Board of Aldermen. Any changes or removal of specific purpose requires majority action by the Board.

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

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

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

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

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

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

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

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

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

10. Net Assets/Fund Balances (Continued)

Fund Balances (Continued)

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

Note 2. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance of Individual Funds

At June 30, 2012, the Bond Fund has a deficit fund balance of \$2,228,483. This deficit fund balance is primarily the result of bond anticipation notes that are required to be reported in this fund as a current liability. The Town anticipates that these bond anticipation notes will eventually be refinanced by long-term general obligation bonds approved by a 2003 Bond Referendum (see Note 3.B.7). Also at June 30, 2012, the Grants Administration Fund had a deficit fund balance of \$30,587. The deficit fund balance is primarily related to the deferral of grant-related revenues that were not both measurable and available.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. 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, 2012, the Town's deposits had a carrying amount of \$7,535,525 and a bank balance of \$7,779,778. Of the bank balance, \$750,000 was covered by federal depository insurance and \$7,029,778 was covered under the Pooling Method. The Town had \$1,700 of petty cash on hand at June 30, 2012.

2. Investments

At June 30, 2012, the Town had \$10,810,561 invested with the North Carolina Capital Management Trust Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

There were no realized or unrealized gains or losses on the Town's investments during the fiscal year ended June 30, 2012.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. Detail Notes on All Funds (Continued)

A. Assets (Continued)

3. Receivables

Due from Governmental Agencies

Amounts due from other governments consist of the following:

	County	State	Total
<i>General Fund</i>			
Local option sales tax	\$ -	\$ 874,931	\$ 874,931
Sales tax refunds	30,162	58,711	88,873
Utilities franchise, piped natural gas and telecommunications tax	-	209,532	209,532
<i>Other Funds</i>			
Grants	-	157,223	157,223
<i>Total</i>	\$ 30,162	\$ 1,300,397	\$ 1,330,559

Notes Receivable

The Revolving Loan Fund was established for the purpose of making loans to numerous local businesses. As of June 30, 2012, the Revolving Loan Fund notes receivable balance was \$283,073, net of a \$129,803 allowance.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. Detail Notes on All Funds (Continued)

A. Assets (Continued)

3. Receivables (Continued)

Notes Receivable (Continued)

The following is a summary of notes receivable of the Revolving Loan Fund at June 30, 2012:

	Interest Rate	Balance
Alphabet Soup	6.00	\$ 23,338
Cycling Specifics	5.00	6,099
Bryan's Guitar	3.00	52,248
Art in a Pickle	2.00	48,496
The Beehive	3.00	31,663
Carrboro Creative Coworking	2.00	63,725
Original Ornament	3.00	70,000
Kind Coffee	3.00	36,750
Carrboro Citizen	2.00	35,557
Second Wind Juice Bar	3.00	45,000
		412,876
Less allowance		(129,803)
Total		\$ 283,073

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, 2012, the Energy Efficiency Revolving Loan Fund notes receivable balance was \$76,452.

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, 2012, the Affordable Housing Fund notes receivable balance was \$30,397.

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	\$ 94,515

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. Detail Notes on All Funds (Continued)

A. Assets (Continued)

5. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 14,208,393	\$ -	\$ -	\$ 14,208,393
Construction-in-progress	<u>1,079,248</u>	<u>1,343,846</u>	<u>1,758,317</u>	<u>664,777</u>
Total capital assets not being depreciated	<u>15,287,641</u>	<u>1,343,846</u>	<u>1,758,317</u>	<u>14,873,170</u>
Capital assets being depreciated:				
Buildings and improvements	7,338,608	357,741	-	7,696,349
Land improvements	608,431	-	-	608,431
Infrastructure	8,131,139	1,400,576	-	9,531,715
Equipment and heavy equipment	3,167,187	274,375	-	3,441,562
Vehicles	<u>5,631,711</u>	<u>222,644</u>	<u>177,625</u>	<u>5,676,730</u>
Total capital assets being depreciated	<u>24,877,076</u>	<u>2,255,336</u>	<u>177,625</u>	<u>26,954,787</u>
Less accumulated depreciation for:				
Buildings and improvements	2,687,740	216,486	-	2,904,226
Land improvements	133,816	23,332	-	157,148
Infrastructure	1,073,243	282,548	-	1,355,791
Equipment and heavy equipment	2,402,534	315,088	-	2,717,622
Vehicles	<u>3,406,462</u>	<u>392,200</u>	<u>177,625</u>	<u>3,621,037</u>
Total accumulated depreciation	<u>9,703,795</u>	<u>\$ 1,229,654</u>	<u>\$ 177,625</u>	<u>10,755,824</u>
Total capital assets being depreciated, net	<u>15,173,281</u>			<u>16,198,963</u>
Governmental activity capital assets, net	<u>\$ 30,460,922</u>			<u>\$ 31,072,133</u>

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. 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	\$	47,677
Public safety		427,271
Planning		6,304
Public works		592,129
Parks and recreation		<u>156,273</u>
Total depreciation expense		<u>\$ 1,229,654</u>

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at the government-wide level at June 30, 2012 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	\$ 236,787	\$ 565,576	\$ 321	\$ 802,684
Other governmental	<u>111,378</u>	<u>-</u>	<u>48,616</u>	<u>159,994</u>
Total governmental activities	<u>\$ 348,165</u>	<u>\$ 565,576</u>	<u>\$ 48,937</u>	<u>\$ 962,678</u>

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations

Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute 6% of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.95% and 7.05%, 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, 2012, 2011 and 2010 were \$514,578, \$476,399, and \$365,545, 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, 2012

Note 3. 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, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	<u>38</u>
Total	<u><u>43</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, 2012

Note 3. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

Law Enforcement Officers' Special Separation Allowance (Continued)

Contribution: 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, 2011 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, 2011 was 19 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	\$ 95,280
Interest on net pension obligation	17,977
Adjustment to annual required contribution	<u>(21,449)</u>
Annual pension cost	91,808
Contributions made	<u>78,591</u>
Increase in net pension obligation	13,217
Net pension obligation, beginning of year	<u>359,549</u>
Net pension obligation, end of year	<u>\$ 372,766</u>

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. 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>
6/30/10	\$ 75,980	61.74%	\$ 322,184
6/30/11	89,794	58.39%	359,949
6/30/12	91,808	85.60%	372,766

Funded Status and Funding Process: As of December 31, 2011, 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 \$1,117,731. The covered payroll (annual payroll of active employees covered by the plan was \$1,764,435, and the ratio of the UAAL to the covered payroll was 63.35%.

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, 2012

Note 3. 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, 2012 were \$409,686, which consisted of \$254,245 from the Town and \$155,441 from the employees.

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

3. Other Post-Employment Benefits (OPEB)

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

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

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

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

3. Other Post-Employment Benefits (Continued)

Funding Policy. The Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees. Also, retirees who have their dependents covered at the time of retirement may continue to cover dependents if they elect to pay the premiums. Currently, 27 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2012, the Town made payments for post-retirement health premiums of \$137,076. The Town has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current annual required contribution (ARC) rate is 19.73% of annual covered payroll. For the current year, the Town contributed \$211,151 or 2.92% 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 \$19,487. The Town's obligation to contribute to HBC Plan is established and may be amended by the Town's Board.

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

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

Annual required contribution	\$ 1,425,359
Interest on net OPEB obligation	98,938
Adjustment to annual required contribution	<u>(85,358)</u>
Annual OPEB cost	1,438,939
Contributions made	<u>(211,151)</u>
Increase in net OPEB obligation	1,227,788
Net OPEB obligation, beginning of year	<u>2,473,455</u>
Net OPEB obligation, end of year	<u>\$ 3,701,243</u>

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

3. Other Post-Employment Benefits (Continued)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2012 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>
2012	\$ 1,438,939	14.67%	\$ 3,701,243
2011	1,324,193	6.42%	2,473,455
2010	1,324,193	6.79%	1,234,293

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

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

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

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

3. Other Post-Employment Benefits (Continued)

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

4. Other Employment Benefits

The Town has elected to provide death benefits to local law enforcement employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those local law enforcement employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

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

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

5. Deferred/Unearned Revenues

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. The balances in deferred revenues in the fund financial statements (includes both the deferred and unearned amounts disclosed below) and unearned revenues in the government-wide financial statements at year end are comprised of the following elements:

	<u>Deferred Revenues</u>	<u>Unearned Revenues</u>
Property taxes receivable, net	\$ 350,331	\$ -
Notes receivable, net	389,922	-
Prepaid privilege license	-	17,250
Other receivables	31,000	-
Parks and recreation program and facility reservations	-	53,396
Grant proceeds not yet earned	-	3,636
Other unearned revenues received	-	<u>39,855</u>
Total	<u>\$ 771,253</u>	<u>\$ 114,137</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, 2012

Note 3. 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 carries flood insurance through the National Flood Insurance Plan (NFIP). The Town has been designated an area X by the Federal Emergency Management Agency. For all buildings and contents located in the NFIP flood zone X, the flood deductible is \$50,000 per occurrence with a \$5,000,000 aggregate limit.

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

7. Short-Term Obligations

Bond Anticipation Notes - Bond Fund (Short-Term Debt)

The Town issued bond anticipation notes (BAN) for sidewalk and greenway trail improvements in the amount of \$2,590,000 on October 27, 2010, which matured on July 20, 2011. The BAN was renewed at the same face value and matured on April 18, 2012. The Town renewed again at the same face value of \$2,590,000. The note bears interest at a stated rate of 1.00 % per annum. The bond anticipation notes do not meet the criteria for classification as general long-term debt as set forth in ASC 470; thus, the accounting for these bonds is maintained in the Bond Fund. The Town anticipates the issuance of general obligation bonds authorized by an order adopted on November 3, 2003 entitled, "Bond Order Authorizing the Issuance of \$4,600,000 Sidewalk and Greenway Trail Bonds of the Town of Carrboro."

**TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

Note 3. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

7. Short-Term Obligations (Continued)

Changes in Short-Term Debt Obligations

During the year ended June 30, 2012, the following changes occurred in short-term obligations:

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Short-term debt					
Bond anticipation note	\$ 2,590,000	\$ 5,180,000	\$ (5,180,000)	\$ 2,590,000	\$ 2,590,000
Total debt	<u>\$ 2,590,000</u>	<u>\$ 5,180,000</u>	<u>\$ (5,180,000)</u>	<u>\$ 2,590,000</u>	<u>\$ 2,590,000</u>

8. Long-Term Obligations

a. 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, 2012, are as follows:

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

\$ 278,776

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

8. Long-Term Obligations (Continued)

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

The financing contract requires an annual level payment of \$129,114 due June 23, including interest at 2.235%. The financing institution holds a security interest in all or a portion of the property purchased or improved. Payments are due beginning June 23, 2010, and annually thereafter, with a final payment of all outstanding principal and accrued and unpaid interest due on June 23, 2014. \$ 249,272

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. 285,794

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. 237,156

Total \$ 1,050,998

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

8. Long-Term Obligations (Continued)

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

Annual debt service payments of the installment purchase as of June 30, 2012, including \$40,176 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 410,411	\$ 22,610
2014	423,376	13,145
2015	156,493	3,444
2016	60,718	977
Total	\$ 1,050,998	\$ 40,176

b. Installment Purchase Agreements - Improvements - General Fund

The Town has installment purchase agreements for improvements. The installment purchase notes payable at June 30, 2012, are as follows:

Installment purchase agreement for the purchase and renovation of a facility for the Carrboro Century Center and for improvements to the Town Hall Municipal Building. The financing contract requires semi-annual payments of \$114,939 due July 3 and January 3, including interest at 3.75%. The financing institution holds a first priority lien on the property and a first priority security interest in any and all fixtures used in connection with the operation of the property.

\$ 1,026,492

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

8. Long-Term Obligations (Continued)

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

Installment purchase agreement to partially finance the purchase of land for a park. The financing contract requires semi-annual payments of \$12,336 due July 1 and January 1, including interest at 3.99%. The financing institution holds a first lien security interest on the property and to any improvements to the real estate. \$ 58,156

Installment purchase agreement to finance the purchase of land for construction of a new Public Works building in the future. The financing contract requires semi-annual payments of \$25,567 due August 1 and February 1, plus interest at 3.96%. The financing institution holds a first lien security interest on the property and to any improvements to the real estate. 281,240

Installment purchase agreement to finance the purchase of land for preservation. The financing contract requires annual principal payments of \$40,000 plus interest accrued at 4.1% due July 1. The financing institution holds a first lien security interest on the property and to any improvements to the real estate. 280,000

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

8. Long-Term Obligations (Continued)

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

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

\$ 2,708,333

Total

\$ 4,354,221

Annual debt service payments of the installment purchases as of June 30, 2012, including \$962,343 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 519,558	\$ 174,743
2014	527,627	154,131
2015	536,004	133,243
2016	519,764	111,747
2017	519,764	111,747
2018-2022	1,327,259	243,663
2023-2025	<u>404,245</u>	<u>33,069</u>
Total	<u>\$ 4,354,221</u>	<u>\$ 962,343</u>

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

8. Long-Term Obligations (Continued)

c. Changes in Long-Term Debt Obligations

During the year ended June 30, 2012, the following changes occurred in long-term and short-term obligations:

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Long-term debt					
Installment purchases - improvements	\$ 5,010,912	\$ -	\$ 656,691	\$ 4,354,221	\$ 519,558
Installment purchases - equipment	1,308,392	298,850	556,244	1,050,998	410,411
Compensated absences	593,906	231,336	305,377	519,865	305,377
Other post-employment benefits	2,473,455	1,438,939	211,151	3,701,243	-
Net pension obligation	<u>359,549</u>	<u>91,808</u>	<u>78,591</u>	<u>372,766</u>	<u>-</u>
Total long-term obligations	<u>\$ 9,746,214</u>	<u>\$ 2,060,933</u>	<u>\$ 1,808,054</u>	<u>\$ 9,999,093</u>	<u>\$ 1,235,346</u>

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

The Town has \$4,600,000 in bonds authorized, but unissued at June 30, 2012. The Town's legal debt margin at June 30, 2012 was \$152,417,005.

C. Interfund Balances and Activity

Transfers to/from other funds:

Transfers to/from other funds at June 30, 2012 consist of the following:

From the General Fund to the Capital Projects Fund for future capital projects expenditures	<u>\$ 607,858</u>
Total	<u>\$ 607,858</u>

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. Detail Notes on All Funds (Continued)

D. Fund Balance

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

Total fund balance - General Fund	\$ 15,522,809
Less:	
Inventories	65,783
Prepaid items	337,239
Stabilization by state statute	1,751,497
Capital equipment	776,106
Subsequent year's expenditures	787,316
Capital projects	2,000,000
Working capital/fund balance policy	<u>6,804,522</u>
Remaining fund balance	<u>\$ 3,003,346</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>\$ 571,741</u>
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Note 4. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Employment Security Benefits

The Town has elected to pay the direct cost of employment security benefits in lieu of unemployment payroll taxes. A liability for such payments could accrue in the period following the discharge of an employee. The Town made payments of \$21,758 for employment security benefits during the current fiscal year.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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:

2013	\$ 126,795
2014	134,379
2015	<u>136,165</u>
	<u>\$ 397,339</u>

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REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

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

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

Exhibit A-1

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) ÷ (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b) - (a)) ÷ (c)
12/31/02	\$ -	\$ 403,085	\$ 403,085	0.00%	\$ 1,311,158	30.74%
12/31/03	-	423,271	423,271	0.00%	1,375,349	30.78%
12/31/04	-	460,887	460,887	0.00%	1,523,125	30.26%
12/31/05	-	412,323	412,323	0.00%	1,560,379	26.42%
12/31/06	-	534,900	534,900	0.00%	1,752,714	30.52%
12/31/07	-	557,745	557,745	0.00%	1,718,362	32.46%
12/31/08	-	654,656	654,656	0.00%	1,848,527	35.42%
12/31/09	-	889,339	889,339	0.00%	1,965,368	45.25%
12/31/10	-	901,763	901,763	0.00%	1,893,173	47.63%
12/31/11	-	1,117,731	1,117,731	0.00%	1,764,435	63.35%

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

Exhibit A-2

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Annual Percentage Contributed</u>
2003	\$ 40,896	50.83%
2004	44,347	48.60%
2005	47,919	44.98%
2006	53,533	40.26%
2007	48,581	44.37%
2008	58,804	61.64%
2009	61,335	75.28%
2010	73,193	64.09%
2011	90,934	57.66%
2012	95,280	82.48%

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 closed
Remaining amortization period:	19 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

Year Ended June 30	Annual Required Contribution	Annual Percentage Contributed
2010	\$ 1,324,183	6.79%
2011	1,324,183	6.42%
2012	1,425,359	14.81%

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, 2012

Schedule 1
Page 1 of 5

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad valorem taxes			
Taxes	\$ 11,222,626	\$ 11,668,586	\$ 445,960
Penalties and interest	23,407	40,201	16,794
Total	<u>11,246,033</u>	<u>11,708,787</u>	<u>462,754</u>
Local option sales taxes			
Article 39, 1%	1,110,855	1,116,295	5,440
Article 40, ½%	742,622	794,602	51,980
Article 42, ½%	658,907	551,464	(107,443)
Article 44, ½%	453,670	845,699	392,029
Total	<u>2,966,054</u>	<u>3,308,060</u>	<u>342,006</u>
Other taxes and licenses			
Motor vehicle license fees	326,000	364,806	38,806
Privilege licenses	80,076	84,822	4,746
Total	<u>406,076</u>	<u>449,628</u>	<u>43,552</u>
Unrestricted intergovernmental			
North Carolina Department of Transportation reimbursement	4,200	3,057	(1,143)
Utilities franchise and telecommunications tax	815,760	857,831	42,071
Beer and wine tax	29,571	85,203	55,632
Total	<u>849,531</u>	<u>946,091</u>	<u>96,560</u>
Restricted intergovernmental			
Powell Bill	431,943	461,696	29,753
Solid Waste Disposal Tax Distribution	10,434	10,040	(394)
Planning Work Grant	22,740	37,027	14,287
NC Risk Mgmt. Agency Grant	-	750	750
Byrne JAG - K9 Grant	-	8,597	8,597
SAFER Grant - Fire Department	41,268	41,268	-
Orange County Arts Commission Grant	2,250	3,500	1,250
ABC Board Grant	12,500	12,500	-
North Carolina Department of Revenue seizure funds	-	11,476	11,476
Recreation municipal supplement	35,898	35,898	-
Retiree reinsurance revenue	60,368	60,368	-
Strowd Roses Grant	-	2,000	2,000
Total	<u>617,401</u>	<u>685,120</u>	<u>67,719</u>

TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2012

Schedule 1
Page 2 of 5

	Final Budget	Actual	Variance Positive (Negative)
Fees and permits			
Fire district fees	\$ 420,878	\$ 426,563	\$ 5,685
Building permits	55,000	135,763	80,763
Electrical permits	50,000	107,848	57,848
Mechanical permits	40,000	73,191	33,191
Re-inspection fees	600	3,125	2,525
Plumbing permits	36,000	80,410	44,410
Refuse collection fees	90,288	100,226	9,938
Development review	20,000	40,354	20,354
Engineering fees	26,000	24,255	(1,745)
Technical review - future equipment	10,000	19,010	9,010
Tower fees	125,112	125,185	73
Dog fees	5,000	7,315	2,315
Sign permits	500	1,038	538
Street closing	500	240	(260)
Street cuts	-	487	487
Street signs	-	341	341
Parking violations	3,500	3,700	200
Court officer fees	3,000	3,853	853
School resource officer contract fees	107,624	107,624	-
Recycling fees	4,800	17,338	12,538
Time Warner PEG Access Fee	8,900	-	(8,900)
Supplemental PEG Channel support	-	16,260	16,260
Car seat sales	-	1,038	1,038
Fire permitting fees	5,000	10,052	5,052
Miscellaneous fees	2,536	3,328	792
Total	<u>1,015,238</u>	<u>1,308,544</u>	<u>293,306</u>
Sales and services			
Recreation fees	156,943	183,326	26,383
Town Center fees	71,752	73,208	1,456
Miscellaneous	1,150	3,691	2,541
Total	<u>229,845</u>	<u>260,225</u>	<u>30,380</u>
Investment earnings			
Interest on investments	<u>25,000</u>	<u>38,283</u>	<u>13,283</u>
Other revenues			
Sale of lots	6,000	6,550	550
Refuse cart sales	3,500	5,065	1,565
Yard waste container sales	2,600	2,341	(259)
Farmers' market rent	2,370	2,370	-
Donations	15,169	16,911	1,742
Miscellaneous	6,200	15,915	9,715
Total	<u>35,839</u>	<u>49,152</u>	<u>13,313</u>
Total revenues	<u>17,391,017</u>	<u>18,753,890</u>	<u>1,362,873</u>

TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2012

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	\$ 126,443	\$ 126,194	\$ 249
Operations	<u>179,150</u>	<u>146,662</u>	<u>32,488</u>
Total	<u>305,593</u>	<u>272,856</u>	<u>32,737</u>
Advisory boards			
Operations	<u>15,363</u>	<u>8,323</u>	<u>7,040</u>
Total	<u>15,363</u>	<u>8,323</u>	<u>7,040</u>
Governmental support			
Operations	<u>254,876</u>	<u>262,399</u>	<u>(7,523)</u>
Total	<u>254,876</u>	<u>262,399</u>	<u>(7,523)</u>
Town Manager			
Personnel services	189,506	180,439	9,067
Operations	<u>52,553</u>	<u>41,664</u>	<u>10,889</u>
Total	<u>242,059</u>	<u>222,103</u>	<u>19,956</u>
Economic and community development			
Personnel services	111,124	112,086	(962)
Operations	<u>40,979</u>	<u>37,012</u>	<u>3,967</u>
Total	<u>152,103</u>	<u>149,098</u>	<u>3,005</u>
Town Clerk			
Personnel services	72,284	74,175	(1,891)
Operations	<u>18,473</u>	<u>12,034</u>	<u>6,439</u>
Total	<u>90,757</u>	<u>86,209</u>	<u>4,548</u>
Management services			
Personnel services	475,415	452,818	22,597
Operations	<u>541,935</u>	<u>544,118</u>	<u>(2,183)</u>
Total	<u>1,017,350</u>	<u>996,936</u>	<u>20,414</u>
Personnel			
Personnel services	464,916	372,522	92,394
Operations	<u>57,670</u>	<u>53,090</u>	<u>4,580</u>
Total	<u>522,586</u>	<u>425,612</u>	<u>96,974</u>
Information technology			
Personnel services	178,870	180,100	(1,230)
Operations	792,161	746,608	45,553
Capital outlay	<u>51,165</u>	<u>21,590</u>	<u>29,575</u>
Total	<u>1,022,196</u>	<u>948,298</u>	<u>73,898</u>
Total general government	<u>3,622,883</u>	<u>3,371,834</u>	<u>251,049</u>

**TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2012**

Schedule 1
Page 4 of 5

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety			
Police department			
Personnel services	\$ 2,889,803	\$ 2,832,427	\$ 57,376
Operations	385,677	367,646	18,031
Capital outlay	<u>241,225</u>	<u>222,644</u>	<u>18,581</u>
Total	<u>3,516,705</u>	<u>3,422,717</u>	<u>93,988</u>
Fire department			
Personnel services	2,374,894	2,358,612	16,282
Operations	267,447	236,861	30,586
Capital outlay	<u>143,330</u>	<u>143,330</u>	<u>-</u>
Total	<u>2,785,671</u>	<u>2,738,803</u>	<u>46,868</u>
Total public safety	<u>6,302,376</u>	<u>6,161,520</u>	<u>140,856</u>
Planning			
Personnel services	976,457	934,187	42,270
Operations	<u>222,292</u>	<u>111,667</u>	<u>110,625</u>
Total planning	<u>1,198,749</u>	<u>1,045,854</u>	<u>152,895</u>
Transportation			
Operations	<u>1,064,150</u>	<u>1,032,825</u>	<u>31,325</u>
Total transportation	<u>1,064,150</u>	<u>1,032,825</u>	<u>31,325</u>
Public works			
Public works department			
Personnel services	1,886,310	1,875,075	11,235
Operations	2,118,681	1,522,321	596,360
Capital outlay	<u>144,640</u>	<u>109,453</u>	<u>35,187</u>
Total public works	<u>4,149,631</u>	<u>3,506,849</u>	<u>642,782</u>
Parks and recreation			
Recreation department			
Personnel services	1,066,740	995,170	71,570
Operations	422,690	278,912	143,778
Capital outlay	<u>158,878</u>	<u>145,912</u>	<u>12,966</u>
Total parks and recreation	<u>1,648,308</u>	<u>1,419,994</u>	<u>228,314</u>
General services			
Operations	<u>35,000</u>	<u>-</u>	<u>35,000</u>
Total general services	<u>35,000</u>	<u>-</u>	<u>35,000</u>

**TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2012**

Schedule 1
Page 5 of 5

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service			
Principal retirement	\$ 1,107,059	\$ 1,068,046	\$ 39,013
Interest and fees	295,052	292,041	3,011
Total debt service	<u>1,402,111</u>	<u>1,360,087</u>	<u>42,024</u>
Total expenditures	<u>19,423,208</u>	<u>17,898,963</u>	<u>1,524,245</u>
Revenues over (under) expenditures	<u>(2,032,191)</u>	<u>854,927</u>	<u>2,887,118</u>
Other financing sources (uses)			
Transfers from (to) other funds			
From Capital Reserve Fund	607,858	607,858	-
To Grants Administration Fund	(15,450)	-	15,450
To Capital Projects Fund	(7,500)	-	7,500
To Capital Reserve Fund	(12,000)	-	12,000
Sale of capital assets	20,000	21,328	1,328
Installment purchase obligations issued	298,850	298,850	-
Total other financing sources	<u>891,758</u>	<u>928,036</u>	<u>36,278</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,140,433)</u>	<u>1,782,963</u>	<u>2,923,396</u>
Appropriated fund balance	<u>1,140,433</u>	<u>-</u>	<u>(1,140,433)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,782,963</u>	<u>\$ 1,782,963</u>
Fund balance, beginning of year		<u>13,739,846</u>	
Fund balance, ending		<u>\$ 15,522,809</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, 2012

Schedule 2
Page 1 of 2

	Project Authorization	Actual			Total to Date	Variance Positive (Negative)
		Prior Years	Closed Loans	Current Year		
Revenues						
General revenues						
Investment earnings						
Interest on investments	\$ 232,018	\$ 232,018	\$ -	\$ -	\$ 232,018	\$ -
Interest repayments	360,265	360,265	-	7,521	367,786	7,521
Total investment earnings	592,283	592,283	-	7,521	599,804	7,521
Other general revenues						
Revolving loan payments						
Alphabet Soup	22,441	22,441	-	2,221	24,662	2,221
Science Technologies	22,114	22,114	(35,000)	12,886	-	(22,114)
Bryan's Guitar	34,546	34,546	-	3,205	37,751	3,205
Blue Icon	18,131	18,131	-	-	18,131	-
Cycling Specifics	36,891	36,891	-	1,823	38,714	1,823
Art in a Pickle	42,246	42,246	-	14,258	56,504	14,258
Carrboro Coworking	10,933	10,933	-	15,343	26,276	15,343
Cycle 9	51,892	51,892	(68,540)	16,648	-	(51,892)
The Beehive	12,343	12,343	-	5,993	18,336	5,993
The Kind Coffee	12,421	12,421	-	7,829	20,250	7,829
The Carrboro Citizen	8,572	8,572	-	5,872	14,444	5,872
Original loan repayments	273,087	273,087	-	-	273,087	-
Total revolving loan payments	545,617	545,617	(103,540)	86,078	528,155	(17,462)
Total revenues	1,137,900	1,137,900	(103,540)	93,599	1,127,959	(9,941)
Expenditures						
Current:						
General government						
Contractual services	16,680	11,433	-	-	11,433	5,247
Miscellaneous	10,000	6,021	-	-	6,021	3,979
Total current	26,680	17,454	-	-	17,454	9,226
Economic and physical development:						
Alphabet Soup	48,000	48,000	-	-	48,000	-
Science Technologies	35,000	35,000	(35,000)	-	-	35,000
Bryan's Guitar	90,000	90,000	-	-	90,000	-
Blue Icon Hairstylists	18,000	18,000	-	-	18,000	-
Cycling Specifics	45,000	45,000	-	-	45,000	-
Art in a Pickle	105,000	105,000	-	-	105,000	-
Carrboro Coworking	90,000	90,000	-	-	90,000	-
Original Ornament	70,000	70,000	-	-	70,000	-
Cycle 9	68,540	68,540	(68,540)	-	-	68,540
The Beehive	50,000	50,000	-	-	50,000	-
The Kind Coffee	57,000	57,000	-	-	57,000	-
Carrboro Citizen	50,000	50,000	-	-	50,000	-
Second Wind Juice Bar	45,000	-	-	45,000	45,000	-
East Main Street Sewer Project	60,000	-	-	-	-	60,000
Loss on loans	70,533	70,533	-	-	70,533	-
Unexpended reserves	150,147	-	-	-	-	150,147
Total economic and physical development	1,052,220	797,073	(103,540)	45,000	738,533	313,687

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, 2012

	Project Authorization	Actual			Total to Date	Variance Positive (Negative)
		Prior Years	Closed Loans	Current Year		
Total expenditures	\$ 1,078,900	\$ 814,527	\$ (103,540)	\$ 45,000	\$ 755,987	\$ 322,913
Revenues over expenditures	59,000	323,373	-	48,599	371,972	312,972
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	(104,000)	(104,000)	-	-	(104,000)	-
Revenues and other financing sources over (under) expenditures and other financing uses	(45,000)	219,373	-	48,599	267,972	312,972
Appropriated fund balance	45,000	-	-	-	-	(45,000)
Net change in fund balance	\$ -	\$ 219,373	\$ -	48,599	\$ 267,972	\$ 267,972
Fund balance, beginning of year				219,373		
Fund balance, end of year				\$ 267,972		

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE (DEFICIT) - PROJECT AUTHORIZATION
AND ACTUAL - BOND FUND
From Project Inception and for the Year Ended June 30, 2012

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Bond projects					
Morgan Creek/Bolin Creek/Bolin Forest					
Interest earnings	\$ 22,971	\$ 22,971	\$ -	\$ 22,971	\$ -
Federal STP-DA funds	1,085,960	111,191	97,195	208,386	(877,574)
Donations	2,100	2,100	-	2,100	-
Total Morgan Creek/Bolin Creek/ Bolin Forest	<u>1,111,031</u>	<u>136,262</u>	<u>97,195</u>	<u>233,457</u>	<u>(877,574)</u>
Hannah Street Sidewalk					
Federal STP-DA funds	55,564	55,564	-	55,564	-
Bolin Creek Co-Housing	88,644	88,644	-	88,644	-
Total Hannah Street Sidewalk	<u>144,208</u>	<u>144,208</u>	<u>-</u>	<u>144,208</u>	<u>-</u>
Phase IB Bond Sidewalk Projects					
Interest earnings	143,326	104,152	130	104,282	(39,044)
Miscellaneous	7,863	7,863	-	7,863	-
Total Phase IB Bond Sidewalk Projects	<u>151,189</u>	<u>112,015</u>	<u>130</u>	<u>112,145</u>	<u>(39,044)</u>
Ashe/Bim/Elm Sidewalk Projects					
ARRA Federal Grant	627,300	264,184	78,618	342,802	(284,498)
Wilson Park Multi-Use Path Project					
Federal STP-DA funds	193,987	-	38,973	38,973	(155,014)
NCDENR Grant	75,000	-	-	-	(75,000)
Total Wilson Park Multi-Use Path Project	<u>268,987</u>	<u>-</u>	<u>38,973</u>	<u>38,973</u>	<u>(230,014)</u>
Total revenues	<u>2,302,715</u>	<u>656,669</u>	<u>214,916</u>	<u>871,585</u>	<u>(1,431,130)</u>
Expenditures					
General					
Capital Projects manager	90,000	-	18,031	18,031	71,969
Professional services	73,000	53,994	-	53,994	19,006
Miscellaneous	2,000	1,507	-	1,507	493
Design	261,188	1,945	2,521	4,466	256,722
Total General	<u>426,188</u>	<u>57,446</u>	<u>20,552</u>	<u>77,998</u>	<u>348,190</u>
Morgan Creek/Bolin Creek/Bolin Forest					
Engineering inspections	490	490	-	490	-
Construction	750,992	41,086	-	41,086	709,906
Design	566,809	135,398	137,223	272,621	294,188
Contingency	97,775	-	-	-	97,775
Miscellaneous	305	305	-	305	-
Total Morgan Creek/Bolin Creek/ Bolin Forest	<u>1,416,371</u>	<u>177,279</u>	<u>137,223</u>	<u>314,502</u>	<u>1,101,869</u>
Quail Roost Sidewalk					
Engineering inspections	1,436	1,436	-	1,436	-
Construction	129,056	129,056	-	129,056	-
Design	15,507	15,507	-	15,507	-
Total Quail Roost Sidewalk	<u>145,999</u>	<u>145,999</u>	<u>-</u>	<u>145,999</u>	<u>-</u>
Lisa Drive Sidewalk					
Engineering inspections	1,805	1,805	-	1,805	-
Construction	112,605	112,605	-	112,605	-
Design	13,390	13,390	-	13,390	-
Total Lisa Drive Sidewalk	<u>127,800</u>	<u>127,800</u>	<u>-</u>	<u>127,800</u>	<u>-</u>

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE (DEFICIT) - PROJECT AUTHORIZATION
AND ACTUAL - BOND FUND
From Project Inception and for the Year Ended June 30, 2012

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Hannah Street Sidewalk					
Engineering inspections	\$ 5,097	\$ 5,097	\$ -	\$ 5,097	\$ -
Construction	188,398	188,398	-	188,398	-
Design	17,372	17,371	-	17,371	1
Total Hannah Street Sidewalk	210,867	210,866	-	210,866	1
N. Greensboro Street Sidewalk					
Engineering inspections	6,223	6,223	-	6,223	-
Construction	302,395	302,395	-	302,395	-
Design	40,246	40,246	-	40,246	-
Total N. Greensboro Street Sidewalk	348,864	348,864	-	348,864	-
Williams Street Sidewalk					
Engineering inspections	388	388	-	388	-
Construction	26,208	26,208	-	26,208	-
Design	4,959	4,959	-	4,959	-
Total Williams Street Sidewalk	31,555	31,555	-	31,555	-
Lloyd Street Sidewalk					
Engineering inspections	97	97	-	97	-
Construction	8,267	8,267	-	8,267	-
Design	2,491	2,491	-	2,491	-
Total Lloyd Street Sidewalk	10,855	10,855	-	10,855	-
Jones Ferry Sidewalk					
Engineering inspections	146	146	-	146	-
Construction	11,933	11,933	-	11,933	-
Design	3,839	3,838	-	3,838	1
Total Jones Ferry Sidewalk	15,918	15,917	-	15,917	1
Fowler Street Sidewalk					
Engineering inspections	146	146	-	146	-
Construction	12,996	12,995	-	12,995	1
Design	3,393	3,393	-	3,393	-
Total Fowler Street Sidewalk	16,535	16,534	-	16,534	1
S. Greensboro Street Sidewalk					
Engineering inspections	486	486	-	486	-
Construction	36,915	36,915	-	36,915	-
Design	5,752	5,752	-	5,752	-
Total S. Greensboro Street Sidewalk	43,153	43,153	-	43,153	-
Phase IB Bond Sidewalk Projects					
Professional services	4,312	4,312	-	4,312	-
Engineering inspections	17,807	16,391	-	16,391	1,416
Construction	749,398	749,397	-	749,397	1
Design	381,790	347,404	32,111	379,515	2,275
ROW/Easement	12,728	-	-	-	12,728
Contingency	12,405	-	-	-	12,405
Total Phase IB Bond Sidewalk Projects	1,178,440	1,117,504	32,111	1,149,615	28,825
NCDOT Enhancement Sidewalk Projects					
Engineering inspections	10,744	10,744	-	10,744	-
Construction	111,033	111,033	-	111,033	-
Design	5,072	5,072	-	5,072	-
Total NCDOT Enhancement Sidewalk Projects	126,849	126,849	-	126,849	-

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE (DEFICIT) - PROJECT AUTHORIZATION
AND ACTUAL - BOND FUND
From Project Inception and for the Year Ended June 30, 2012

Schedule 3
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	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Ashe/Bim/Elm Sidewalk Projects					
Engineering inspections	\$ 76,778	\$ 34,599	\$ 8,459	\$ 43,058	\$ 33,720
Construction	602,222	236,076	127,502	363,578	238,644
Design	26,141	980	18,736	19,716	6,425
ROW/Easement	4,360	-	4,360	4,360	-
Total Ashe/Bim/Elm Sidewalks Projects	<u>709,501</u>	<u>271,655</u>	<u>159,057</u>	<u>430,712</u>	<u>278,789</u>
Wilson Park Multi-Use Path Project					
Construction	303,139	-	-	-	303,139
Design	54,476	35,470	13,246	48,716	5,760
Contingency	61,000	-	-	-	61,000
Total Wilson Park Multi-Use Path Project	<u>418,615</u>	<u>35,470</u>	<u>13,246</u>	<u>48,716</u>	<u>369,899</u>
Davie Street Sidewalk Project					
Construction	583,688	-	-	-	583,688
Design	12,000	-	8,033	8,033	3,967
ROW/Easement	3,000	-	-	-	3,000
Total Davie Street Sidewalk Project	<u>598,688</u>	<u>-</u>	<u>8,033</u>	<u>8,033</u>	<u>590,655</u>
Pine Street Sidewalk Project					
Construction	350,000	-	-	-	350,000
Design	12,000	-	4,800	4,800	7,200
Total Pine Street Sidewalk Project	<u>362,000</u>	<u>-</u>	<u>4,800</u>	<u>4,800</u>	<u>357,200</u>
Rogers Road Sidewalk Project					
Construction	493,217	-	-	-	493,217
Design	22,000	-	-	-	22,000
Total Rogers Road Sidewalk Project	<u>515,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>515,217</u>
Shelton Street Sidewalk Project					
Construction	204,000	-	-	-	204,000
Design	8,000	-	-	-	8,000
Total Shelton Street Sidewalk Project	<u>212,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,000</u>
Total expenditures	<u>6,915,415</u>	<u>2,737,746</u>	<u>375,022</u>	<u>3,112,768</u>	<u>3,802,647</u>
Revenues under expenditures	<u>(4,612,700)</u>	<u>(2,081,077)</u>	<u>(160,106)</u>	<u>(2,241,183)</u>	<u>2,371,517</u>
Other financing sources					
Transfers from other funds					
From General Fund	12,700	12,700	-	12,700	-
Bond proceeds	4,600,000	-	-	-	(4,600,000)
Total other financing sources	<u>4,612,700</u>	<u>12,700</u>	<u>-</u>	<u>12,700</u>	<u>(4,600,000)</u>
Net change in fund deficit	<u>\$ -</u>	<u>\$ (2,068,377)</u>	<u>(160,106)</u>	<u>\$ (2,228,483)</u>	<u>\$ (2,228,483)</u>
Fund deficit, beginning of year			(2,068,377)		
Fund deficit, end of year			<u>\$ (2,228,483)</u>		

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - PROJECT AUTHORIZATION
CHANGES AND ACTUAL - CAPITAL PROJECTS FUND
From Project Inception and for the Year Ended June 30, 2012

Schedule 4
Page 1 of 2

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
General revenues					
Interest on investments	\$ 22,232	\$ 31,733	\$ 984	\$ 32,717	\$ 10,485
Miscellaneous revenues	-	5,438	-	5,438	5,438
Total general revenues	<u>22,232</u>	<u>37,171</u>	<u>984</u>	<u>38,155</u>	<u>15,923</u>
Bus shelter					
Federal pass-through grant	76,296	75,977	-	75,977	(319)
Weaver Street reconstruction					
OWASA reimbursement	-	270,611	128,428	399,039	399,039
Bike loop detector					
Federal pass-through grant	30,000	-	-	-	(30,000)
Rogers Road					
Federal pass-through grant	428,960	-	304	304	(428,656)
Total revenues	<u>557,488</u>	<u>383,759</u>	<u>129,716</u>	<u>513,475</u>	<u>(44,013)</u>
Expenditures					
Fire Substation #2 project					
Architectural services	230,000	228,303	607	228,910	1,090
Professional services	39,022	32,699	901	33,600	5,422
Computer and peripherals	210,602	196,852	-	196,852	13,750
Miscellaneous	58,500	55,608	-	55,608	2,892
Equipment	346,000	249,520	-	249,520	96,480
Construction	2,000,020	1,778,690	175,306	1,953,996	46,024
Construction services	9,375	9,375	-	9,375	-
Contingency	137,283	-	-	-	137,283
Total Fire Substation #2 project	<u>3,030,802</u>	<u>2,551,047</u>	<u>176,814</u>	<u>2,727,861</u>	<u>302,941</u>
Fire Substation #2 Fiber Optics					
Computer and peripherals	219,198	3,326	3,018	6,344	212,854
Total Fire Substation #2 Fiber Optics	<u>219,198</u>	<u>3,326</u>	<u>3,018</u>	<u>6,344</u>	<u>212,854</u>
Weaver Street reconstruction					
Construction	1,206,270	571,198	589,771	1,160,969	45,301
Design	260,000	140,218	52,926	193,144	66,856
Contingency	10,000	-	-	-	10,000
Total Weaver Street reconstruction	<u>1,476,270</u>	<u>711,416</u>	<u>642,697</u>	<u>1,354,113</u>	<u>122,157</u>
Public Works facility land					
Professional services	6,068	4,355	-	4,355	1,713
Engineering	4,051	250	-	250	3,801
Park supplies	5,000	-	-	-	5,000
Land	751,881	751,881	-	751,881	-
Total Public Works facility land	<u>767,000</u>	<u>756,486</u>	<u>-</u>	<u>756,486</u>	<u>10,514</u>

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - PROJECT AUTHORIZATION
CHANGES AND ACTUAL - CAPITAL PROJECTS FUND
From Project Inception and for the Year Ended June 30, 2012

Schedule 4
Page 2 of 2

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Bus shelter					
Construction	\$ 71,496	\$ 69,713	\$ -	\$ 69,713	\$ 1,783
Design	4,800	4,800	-	4,800	-
Total bus shelter	<u>76,296</u>	<u>74,513</u>	<u>-</u>	<u>74,513</u>	<u>1,783</u>
Bike loop detector					
Construction	30,000	-	-	-	30,000
Engineering	7,500	-	-	-	7,500
Total bike loop detector	<u>37,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,500</u>
Rogers Road					
Construction	469,175	-	-	-	469,175
Design	67,025	-	385	385	66,640
Contingency	36,583	-	-	-	36,583
Total Rogers Road reconstruction	<u>572,783</u>	<u>-</u>	<u>385</u>	<u>385</u>	<u>572,398</u>
Total expenditures	<u>6,179,849</u>	<u>4,096,788</u>	<u>822,914</u>	<u>4,919,702</u>	<u>1,260,147</u>
Revenues under expenditures	<u>(5,622,361)</u>	<u>(3,713,029)</u>	<u>(693,198)</u>	<u>(4,406,227)</u>	<u>1,216,134</u>
Other financing sources (uses)					
Transfers from (to) other funds					
From General Fund	732,500	616,883	-	616,883	(115,617)
From Capital Reserve Fund	915,093	598,000	-	598,000	(317,093)
To General Fund	(20,000)	(20,000)	-	(20,000)	-
To Capital Reserve Fund	(26,555)	(26,555)	-	(26,555)	-
To Undesignated Fund Balance	4,323	4,321	-	4,321	(2)
Installment purchase obligations issued	4,017,000	4,017,000	-	4,017,000	-
Total other financing sources	<u>5,622,361</u>	<u>5,189,649</u>	<u>-</u>	<u>5,189,649</u>	<u>(432,712)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,476,620</u>	<u>(693,198)</u>	<u>\$ 783,422</u>	<u>\$ 783,422</u>
Fund balance, beginning of year			1,476,620		
Fund balance, end of year			<u>\$ 783,422</u>		

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 out - Capital Reserve Fund	\$ (607,858)
Fund balance, beginning (Capital Reserve Fund)	1,502,062
Fund balance, beginning (Payment in Lieu Reserve Fund)	149,780
Fund balance, ending (Consolidated Capital Projects Fund)	<u>\$ 1,827,406</u>

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - CAPITAL RESERVE FUND
Year Ended June 30, 2012

Schedule 5

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing uses			
Transfer to General Fund	\$ (607,858)	\$ (607,858)	\$ -
Fund balance appropriated	<u>607,858</u>	<u>-</u>	<u>(607,858)</u>
Net change in fund balance	<u>\$ -</u>	<u>(607,858)</u>	<u>\$ (607,858)</u>
Fund balance, beginning of year		<u>1,502,062</u>	
Fund balance, end of year		<u>\$ 894,204</u>	

**TOWN OF CARRBORO, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2012**

Schedule 6

	<u>Grants Administration Fund</u>	<u>Affordable Housing Fund</u>	<u>Energy Efficiency Revolving Loan Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ -	\$ 12,707	\$ 24,735	\$ 37,442
Due from other governments	81,000	-	-	81,000
Notes receivable	-	30,397	76,452	106,849
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 81,000</u>	<u>\$ 43,104</u>	<u>\$ 101,187</u>	<u>\$ 225,291</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 76,951	\$ -	\$ -	\$ 76,951
Deferred revenue	31,000	30,397	76,452	137,849
Unearned revenue	3,636	-	-	3,636
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>111,587</u>	<u>30,397</u>	<u>76,452</u>	<u>218,436</u>
Fund balances:				
Restricted				
Stabilization by state statute	50,000	-	-	50,000
Committed				
Affordable housing	-	12,707	-	12,707
Energy efficiency	-	-	24,735	24,735
Unassigned	(80,587)	-	-	(80,587)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficit)	<u>(30,587)</u>	<u>12,707</u>	<u>24,735</u>	<u>6,855</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances (deficit)	<u>\$ 81,000</u>	<u>\$ 43,104</u>	<u>\$ 101,187</u>	<u>\$ 225,291</u>

TOWN OF CARRBORO, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE (DEFICIT) FOR NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2012

Schedule 7

	<u>Grants Administration Fund</u>	<u>Affordable Housing Fund</u>	<u>Energy Efficiency Revolving Loan Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues				
Restricted intergovernmental	\$ 195,198	\$ -	\$ -	\$ 195,198
Loan repayments	-	-	2,548	2,548
Interest earnings	-	-	1,062	1,062
Total revenues	<u>195,198</u>	<u>-</u>	<u>3,610</u>	<u>198,808</u>
Expenditures				
Economic and physical development	<u>151,681</u>	-	<u>79,000</u>	<u>230,681</u>
Total expenditures	<u>151,681</u>	<u>-</u>	<u>79,000</u>	<u>230,681</u>
Revenues over (under) expenditures	<u>43,517</u>	-	<u>(75,390)</u>	<u>(31,873)</u>
Net change in fund balance	43,517	-	(75,390)	(31,873)
Fund balance (deficit), beginning of year	<u>(74,104)</u>	<u>12,707</u>	<u>100,125</u>	<u>38,728</u>
Fund balance (deficit), end of year	<u>\$ (30,587)</u>	<u>\$ 12,707</u>	<u>\$ 24,735</u>	<u>\$ 6,855</u>

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE (DEFICIT) - PROJECT AUTHORIZATION
AND ACTUAL - GRANTS ADMINISTRATION FUND
From Project Inception and for the Year Ended June 30, 2012

Schedule 8

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
U.S. Department of Energy					
Watershed restoration	\$ 205,000	\$ 98,450	\$ 63,000	\$ 161,450	\$ (43,550)
Southeast Energy Efficiency					
Alliance	235,000	6,255	115,109	121,364	(113,636)
U.S. Department of Justice					
Fingerprinting grant	82,515	70,756	-	70,756	(11,759)
U.S. Department of Health and					
Human Services					
Physical Activity FIT grant	24,900	7,714	7,739	15,453	(9,447)
Safe route to school					
(non-infrastructure)	12,864	654	9,350	10,004	(2,860)
Recreational trails program	75,000	-	-	-	(75,000)
Transportation demand					
management	-	491	-	491	491
Investment earnings	-	20	-	20	20
Total revenues	<u>635,279</u>	<u>184,340</u>	<u>195,198</u>	<u>379,538</u>	<u>(255,741)</u>
Expenditures					
Watershed restoration	205,000	119,450	73,000	192,450	12,550
Southeast Energy Efficiency					
Alliance	180,000	6,255	60,110	66,365	113,635
Fingerprinting	68,315	56,556	-	56,556	11,759
Physical activity	24,900	5,825	9,725	15,550	9,350
Safe route to school					
(non-infrastructure)	12,864	1,158	8,846	10,004	2,860
Recreational trails program	75,000	-	-	-	75,000
Total expenditures	<u>566,079</u>	<u>189,244</u>	<u>151,681</u>	<u>340,925</u>	<u>225,154</u>
Revenue over					
(under) expenditures	<u>69,200</u>	<u>(4,904)</u>	<u>43,517</u>	<u>38,613</u>	<u>(30,587)</u>
Other financing uses					
Transfer to the Energy Efficiency					
Fund	(55,000)	(55,000)	-	(55,000)	-
Transfer to the General Fund	(14,200)	(14,200)	-	(14,200)	-
	<u>(69,200)</u>	<u>(69,200)</u>	<u>-</u>	<u>(69,200)</u>	<u>-</u>
Net change in fund deficit	<u>\$ -</u>	<u>\$ (74,104)</u>	43,517	<u>\$ (30,587)</u>	<u>\$ (30,587)</u>
Fund deficit, beginning of year			(74,104)		
Fund deficit, end of year			<u>\$ (30,587)</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, 2012

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	48,000	36,213	-	36,213	11,787
Revenue under expenditures	(48,000)	(35,293)	-	(35,293)	12,707
Other financing sources					
Transfer from General Fund	48,000	48,000	-	48,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 12,707</u>	<u>-</u>	<u>\$ 12,707</u>	<u>\$ 12,707</u>
Fund balance, beginning of year			<u>12,707</u>		
Fund balance, end of year			<u>\$ 12,707</u>		

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - PROJECT AUTHORIZATION
AND ACTUAL - ENERGY EFFICIENCY REVOLVING LOAN FUND
From Project Inception and for the Year Ended June 30, 2012

Schedule 10

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
Loan repayments	\$ -	\$ 125	\$ 2,548	\$ 1,187	\$ 1,187
Interest earned	-	-	1,062	2,548	2,548
Total revenues	<u>-</u>	<u>125</u>	<u>3,610</u>	<u>3,735</u>	<u>3,735</u>
Expenditures					
Economic and physical development	100,000	-	79,000	79,000	21,000
Revenues over (under) expenditures	<u>(100,000)</u>	<u>125</u>	<u>(75,390)</u>	<u>(75,265)</u>	<u>24,735</u>
Other financing sources					
Transfer from Grant Fund	55,000	55,000	-	55,000	-
Transfer from Revolving Loan Fund	45,000	45,000	-	45,000	-
Total other financing sources	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 100,125</u>	<u>(75,390)</u>	<u>\$ 24,735</u>	<u>\$ 24,735</u>
Fund balance, beginning of year			<u>100,125</u>		
Fund balance, end of year			<u>\$ 24,735</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, 2012

Schedule 11

<u>Year of Levy</u>	<u>Uncollected Balance July 1, 2011</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2012</u>
2011-2012	\$ -	\$ 11,999,523	\$ 11,790,705	\$ 208,818
2010-2011	214,190	-	154,252	59,938
2009-2010	91,725	-	58,506	33,219
2009 and prior	169,473	-	26,602	142,871
	475,388	<u>\$ 11,999,523</u>	<u>\$ 12,030,065</u>	444,846
Less allowance for uncollectible accounts	<u>(107,967)</u>			<u>(94,515)</u>
Receivables, net	<u>\$ 367,421</u>			<u>\$ 350,331</u>
Reconciliation of revenues with collections:				
General Fund				\$ 11,668,586
General Fund vehicle license fees				<u>364,806</u>
Total revenues				12,033,392
Reconciling items:				
Adjustments				(43,528)
Penalties and interest				<u>40,201</u>
				<u>\$ 12,030,065</u>

TOWN OF CARRBORO, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY
Year Ended June 30, 2012

Schedule 12

	<u>Property Valuation**</u>	<u>Town-Wide Rate</u>	<u>Total Levy*</u>	<u>Total Levy</u>	
				<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy					
Property taxed at current year's rate	\$ 1,939,125,890	0.5894	\$ 11,429,208	\$ 11,004,131	\$ 425,077
Motor vehicles taxed at prior year's rate	33,651,906	0.5894	198,344	-	198,344
Penalties and interest	-		844	844	-
Total property valuation	<u>\$ 1,972,777,796</u>		11,628,396	11,004,975	623,421
Vehicle tag fees			371,127	-	371,127
Total gross levy			11,999,523	11,004,975	994,548
Uncollected taxes at June 30, 2012			208,818	92,968	115,850
Current year's taxes collected			<u>\$ 11,790,705</u>	<u>\$ 10,912,007</u>	<u>\$ 878,698</u>
Current levy collection percentage			<u>98.26%</u>	<u>99.16%</u>	<u>88.35%</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.

<u>Contents</u>	<u>Page</u>
Financial Trends Information	88
<i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</i>	
Revenue Capacity Information	94
<i>These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.</i>	
Debt Capacity Information	101
<i>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.</i>	
Demographic and Economic Information	106
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</i>	
Operating Information	110
<i>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.</i>	

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Town implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.*

Financial Trends Information:

Town of Carrboro
Net Assets by Component
Last Nine Fiscal Years
(accrual basis of accounting)

Table 1

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities									
Invested in capital assets, net of related debt	\$ 13,197,169	\$ 16,174,743	\$ 17,735,292	\$ 18,647,239	\$ 20,377,789	\$ 22,845,981	\$ 23,811,827	\$ 22,800,027	\$ 24,803,167
Restricted	-	-	18,851	-	-	-	-	2,625,784	1,877,720
Unrestricted	<u>7,031,287</u>	<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>
Total governmental activities net assets	<u>\$ 20,228,456</u>	<u>\$ 23,863,760</u>	<u>\$ 27,362,088</u>	<u>\$ 29,994,935</u>	<u>\$ 32,529,380</u>	<u>\$ 35,377,164</u>	<u>\$ 36,108,214</u>	<u>\$ 36,403,665</u>	<u>\$ 36,992,150</u>

Town of Carrboro
Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)

Table 2

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

Town of Carrboro
Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)

Table 2

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

Town of Carrboro
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 3

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Reserved	\$ 1,085,035	\$ 1,930,188	\$ 1,612,492	\$ 2,795,270	\$ 2,049,578	\$ 3,265,631	\$ 1,482,537	\$ 2,062,813	N/A	N/A
Unreserved, designated	877,347	756,958	894,434	1,182,684	1,120,725	2,544,847	1,081,717	933,608	N/A	N/A
Unreserved, undesignated	3,417,726	3,595,765	4,667,033	5,337,052	7,116,388	6,956,301	8,563,125	9,950,620	N/A	N/A
Non-spendable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 213,743	\$ 403,022
Restricted	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,459,812	2,527,603
Committed	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-
Assigned	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,712,163	2,787,316
Unassigned	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8,354,128	9,804,868
Total general fund	<u>5,380,108</u>	<u>6,282,911</u>	<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>
All other governmental funds										
Reserved	-	2,463	27,644	560,080	249,183	144,013	94,281	-	N/A	N/A
Unreserved, reported in:										
Special revenue funds	1,382,960	1,317,854	1,004,601	1,182,811	1,687,061	1,350,616	(118,563)	(436,507)	N/A	N/A
Capital projects funds	268,001	190,021	162,378	(942,995)	(1,163,714)	(1,334,116)	716,763	2,464,956	N/A	N/A
Non-spendable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-
Restricted	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,414,404	1,076,370
Committed	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,369,833	1,404,374
Assigned	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-
Unassigned	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(2,466,051)	(2,606,994)
Total all other governmental funds	<u>1,650,961</u>	<u>1,510,338</u>	<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>
Total, all governmental funds	<u>\$ 7,031,069</u>	<u>\$ 7,793,249</u>	<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>

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Ad valorem taxes	\$ 7,324,513	\$ 7,791,921	\$ 8,227,622	\$ 8,578,222	\$ 9,672,841	\$ 10,041,553	\$ 10,824,131	\$ 11,213,669	\$ 11,386,243	\$ 11,708,787
Local option sales taxes	2,278,779	2,705,076	2,874,741	3,089,493	3,353,665	3,382,770	3,137,836	3,039,931	3,113,356	3,308,060
Other taxes and licenses	387,152	428,338	439,840	460,350	420,065	355,295	428,654	508,344	438,229	449,628
Unrestricted intergovernmental	564,687	531,121	549,086	613,183	691,784	874,786	947,801	875,129	951,820	946,091
Restricted intergovernmental	689,984	629,886	552,907	565,374	1,039,979	778,193	903,072	731,165	1,075,884	1,095,408
Permits and fees	747,441	995,392	917,919	955,371	1,223,918	1,074,762	1,062,027	1,175,313	1,090,101	1,308,544
Sales and services	195,494	179,150	236,134	258,309	276,599	270,543	260,829	256,639	254,934	260,225
Investment earnings	78,616	51,269	130,270	291,873	534,956	525,462	201,829	49,174	63,320	47,980
Other	167,324	129,649	444,023	157,549	209,087	487,963	189,840	148,927	539,189	287,534
Total revenues	12,433,990	13,441,802	14,372,542	14,969,723	17,422,894	17,791,327	17,956,019	17,998,291	18,913,076	19,412,257
Expenditures										
General government	1,923,071	2,409,684	2,421,531	2,543,543	3,003,404	3,222,136	3,029,383	2,980,135	3,162,592	3,350,244
Public safety	3,442,054	3,945,853	4,025,778	4,257,421	5,555,899	5,144,593	5,279,145	5,397,502	5,624,076	5,795,546
Planning	922,863	911,521	1,071,142	956,304	1,110,467	1,179,139	1,110,797	1,098,192	1,132,203	1,045,854
Transportation	747,737	817,003	917,900	841,313	962,714	970,617	1,033,837	1,032,835	1,032,825	1,032,825
Public works	2,919,627	3,008,021	3,073,794	3,033,855	3,776,477	3,642,698	3,004,354	2,958,684	3,100,603	3,397,396
Parks and recreation	994,878	1,130,239	1,035,472	1,171,889	1,211,738	1,208,191	1,207,492	1,243,416	1,237,163	1,274,082
Economic and community development	138,041	25,000	140,000	63,000	-	-	413,790	47,825	132,826	275,681
Capital outlay	-	-	1,029,693	332,181	739,123	863,924	2,556,751	2,474,729	2,373,015	1,840,865
Debt service										
Interest	300,630	224,737	162,707	176,902	206,475	259,935	326,311	263,461	1,217,736	292,041
Principal	848,478	893,239	1,019,472	939,841	1,046,466	1,100,962	1,101,591	1,214,257	293,894	1,068,046
Total expenditures	12,237,379	13,365,297	14,897,489	14,316,249	17,612,763	17,592,195	19,063,451	18,711,036	19,306,933	19,372,580
Excess of revenues over (under) expenditures	196,611	76,505	(524,947)	653,474	(189,869)	199,132	(1,107,432)	(712,745)	(393,857)	39,677
Other Financing Sources (Uses)										
Proceeds from borrowing	1,105,139	543,192	1,100,280	1,092,846	1,134,188	1,668,939	(1,634,299)	3,867,955	476,399	298,850
Proceeds from refunding	637,250	-	-	-	-	-	-	-	-	-
Payments to escrow agent	(622,000)	-	-	-	-	-	-	-	-	-
Transfers in	332,474	604,723	699,528	705,992	310,000	1,321,914	-	975,923	531,428	-
Transfers out	(292,474)	(604,723)	(699,528)	(705,992)	(310,000)	(1,321,914)	1,634,299	(975,923)	(531,428)	-
Total other financing sources	1,160,389	543,192	1,100,280	1,092,846	1,134,188	1,668,939	-	3,867,955	476,399	298,850
Net change in fund balances	\$ 1,357,000	\$ 619,697	\$ 575,333	\$ 1,746,320	\$ 944,319	\$ 1,868,071	\$ (1,107,432)	\$ 3,155,210	\$ 82,542	\$ 338,527
Capital outlay included in expenditures above	\$ 938,741	\$ 135,046	\$ 1,610,364	\$ 1,106,998	\$ 2,676,218	\$ 2,208,378	\$ 2,556,751	\$ 2,474,729	\$ 2,373,015	\$ 1,840,865
Debt service as a percentage of noncapital expenditures	10.2%	8.5%	8.9%	8.5%	8.4%	8.8%	8.7%	9.1%	8.9%	7.8%

Revenue Capacity Information:

Town of Carrboro
Program Revenues by Function/Program
Last Nine Fiscal Years
(accrual basis of accounting)

Table 5

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

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>
2003	\$ 7,324,513
2004	7,791,921
2005	8,227,662
2006	8,578,222
2007	9,672,841
2008	10,041,553
2009	10,824,131
2010	11,213,669
2011	11,386,243
2012	11,708,787
Change 2003-2012	59.9%

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

**Town of Carrboro
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years**

Table 7

Fiscal Year Ended June 30,	Tax Year	Real Property	Personal Property	Public Service Companies	Total Taxable Assessed Value	Direct Tax Rate (<u>\$100 of Assessed Value</u>)	Estimated Actual Taxable Value	Taxable Assessed Value as Percentage of Actual Taxable Value
2003	2002	\$ 952,750,323	\$ 105,406,710	\$ 14,015,046	\$ 1,072,172,079	\$ 0.6852	\$ 1,072,172,079	100%
2004	2003	1,005,282,825	108,676,566	14,505,050	1,128,464,441	0.6582	1,128,464,441	100%
2005	2004	1,029,610,609	108,489,664	14,468,769	1,152,569,042	0.7148	1,152,569,042	100%
2006	2005	1,252,027,870	105,636,174	14,737,286	1,372,401,330	0.6244	1,372,401,330	100%
2007	2006	1,462,675,049	120,737,680	13,425,570	1,596,838,299	0.6244	1,596,838,299	100%
2008	2007	1,400,382,686	124,823,950	13,379,348	1,538,585,984	0.6537	1,538,585,984	100%
2009	2008	1,445,628,863	121,818,472	14,519,342	1,581,966,677	0.6863	1,581,966,677	100%
2010	2009	1,784,120,826	116,231,101	15,520,866	1,915,872,793	0.5894	1,915,872,793	100%
2011	2010	1,808,720,407	116,141,072	14,264,582	1,939,126,061	0.5894	1,972,777,796	100%
2012	2011	1,833,640,649	124,209,262	14,927,885	1,972,777,796	0.5894	1,972,777,796	100%

Source: Orange County, North Carolina, Tax Assessor.

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

Town of Carrboro
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$100 of assessed value)

Table 8

Fiscal Year	Town of Carrboro	Orange County
	Direct Rate	Overlapping Rate
2003	0.6852	0.8300
2004	0.6852	0.8450
2005	0.7148	0.8800
2006	0.6244	0.8430
2007	0.6244	0.9030
2008	0.6537	0.9500
2009	0.6863	0.9471
2010	0.5894	0.8580
2011	0.5894	0.8580
2012	0.5894	0.8580

Source: Orange County, North Carolina, Tax Assessor.

**Town of Carrboro
Property Tax Levies and 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>
2003	2002	\$ 7,551,366	\$ 7,433,914	98.44%	\$ 93,910	\$ 7,527,824	99.69%
2004	2003	7,988,802	7,874,710	98.57%	79,095	7,953,805	99.56%
2005	2004	8,479,108	8,361,431	98.61%	77,410	8,438,841	99.53%
2006	2005	8,820,233	8,695,718	98.59%	73,180	8,768,898	99.42%
2007	2006	9,892,881	9,784,087	98.90%	97,043	9,881,130	99.88%
2008	2007	10,303,874	10,177,986	98.78%	102,561	10,280,547	99.77%
2009	2008	11,167,691	11,014,097	98.62%	144,204	11,158,301	99.92%
2010	2009	11,686,026	11,470,312	98.15%	182,495	11,652,807	99.72%
2011	2010	11,792,820	11,578,630	98.18%	154,252	11,732,882	99.49%
2012	2011	11,999,523	11,790,705	98.26%	-	11,790,705	98.26%

**Town of Carrboro
Principal Property Tax Payers
Current Year and Nine Years Ago**

Table 10

Taxpayer	2012			2003		
	2011 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	2002 Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
VAC Limited Partnership	\$ 23,672,699	1	1.20%	Information		Information
Fairfield Autumn Woods Apartments, Inc.	20,458,649	2	1.04%	Not		Not
Villages of Chapel Hill	16,056,152	3	0.81%	Available		Available
CRIT NC III, LLC	16,048,280	4	0.81%			
Westdale Poplar Place LLC	14,966,607	5	0.76%			
Carrboro Shopping Center, Inc.	13,223,588	6	0.67%			
Lucas Investments LTD	10,859,123	7	0.55%			
188 Claremont LLC	10,714,591	8	0.54%			
100 Rock Haven LLC	10,052,453	9	0.51%			
G & I VI Ramsgate LP	8,216,194	10	0.42%			
Total	<u>\$ 144,268,336</u>		<u>7.31%</u>	<u>\$ -</u>		<u>0.00%</u>

Source: Orange County Tax Assessor Office.

Note: Per Orange County, the 2003 Taxable Assessed Value was not available.

Debt Capacity Information:

Town of Carrboro
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Table 11

Fiscal Year	Governmental Activities			Total Primary Government	Per Capita
	General Obligation Bonds	Installment Purchase Agreements	Bond Anticipation Notes Payable		
2003	\$ 737,250	\$ 4,231,781	\$ -	\$ 4,969,031	\$ 282.57
2004	575,393	4,043,591	-	4,618,984	261.73
2005	433,536	4,266,256	-	4,699,792	264.08
2006	331,679	4,521,157	1,230,000	6,082,836	337.94
2007	229,822	4,710,738	2,590,000	7,530,560	413.77
2008	127,964	5,380,571	2,590,000	8,098,535	435.15
2009	26,107	4,380,836	2,590,000	6,996,944	359.20
2010	-	7,060,641	2,590,000	9,650,641	485.18
2011	-	6,319,304	2,590,000	8,909,304	454.97
2012	-	5,405,219	2,590,000	7,995,219	408.29

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			
2003	\$ 737,250	\$ 737,250	\$ 1,072,172,079	0.07	\$ 41.92
2004	575,393	575,393	1,128,465,441	0.05	32.60
2005	433,536	433,536	1,152,569,042	0.04	24.36
2006	331,679	331,679	1,372,401,330	0.02	18.43
2007	229,822	229,822	1,596,838,299	0.01	12.63
2008	127,964	127,964	1,538,585,984	0.01	6.88
2009	26,107	26,107	1,581,966,677	0.01	1.34
2010	-	-	1,915,872,793	0.00	0.00
2011	-	-	1,939,126,061	0.00	0.00
2012	-	-	1,972,777,796	0.00	0.00

Town of Carrboro
Direct and Overlapping Governmental Activities Debt
As of June 30, 2012

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	\$ 5,405,219	100.00%	\$ 5,405,219
Overlapping (bonded) debt - Orange County			
Overlapping debt - Orange County	95,520,000	12.41%	<u>11,852,200</u>
Subtotal, overlapping debt			<u>11,852,200</u>
Total direct and overlapping debt			<u><u>\$ 17,257,419</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							Legal Debt Margin Calculation for Fiscal Year 2012
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Debt limit	\$ 85,773,766	\$ 90,277,235	\$ 92,205,523	\$ 109,792,106	\$ 127,517,242	\$ 123,086,879	\$ 126,557,334	\$ 153,269,823	\$ 155,130,085	\$ 152,417,005	\$ 1,972,777,796
Total net debt applicable to limit	<u>4,969,031</u>	<u>4,618,984</u>	<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>157,822,224</u>
Legal debt margin	<u>\$ 80,804,735</u>	<u>\$ 85,658,251</u>	<u>\$ 87,505,691</u>	<u>\$ 104,939,269</u>	<u>\$ 122,576,683</u>	<u>\$ 117,578,344</u>	<u>\$ 122,150,391</u>	<u>\$ 146,209,182</u>	<u>\$ 148,810,781</u>	<u>\$ 147,011,786</u>	<u>\$ 152,417,005</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>5.79%</u>	<u>5.12%</u>	<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>	

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

Demographic and Economic Information:

**Town of Carrboro
Demographic and Economic Statistics
Last Ten Calendar Years**

Table 15

<u>Year</u>	<u>Population</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Chapel Hill and Carrboro Schools Public School Enrollment</u>	<u>Carrboro Schools Only Public School Enrollment</u>	<u>Unemployment Rate</u>
2003	17,585	\$ 34,182	28.1	10,592	535	5.0%
2004	17,648	35,191	28.1	10,699	562	4.5%
2005	17,797	39,380	28.1	10,958	596	4.3%
2006	18,000	39,380	28.1	11,018	582	3.2%
2007	18,200	39,380	28.1	11,389	535	3.9%
2008	18,611	39,380	28.1	11,630	1,140	4.6%
2009	19,479	39,380	28.1	11,618	1,591	7.0%
2010	19,891	39,380	28.1	11,657	1,611	6.4%
2011	19,582	32,198	30.1	11,892	1,663	7.2%
2012	19,582	32,198	30.1	11,885	1,449	6.5%

Notes:

Orange County unemployment rate is used.

Population for 2011 and 2012 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 received from Chapel Hill-Carrboro Schools for FY2003 through FY2012.

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

2012				2003			
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Carrboro Elementary School	218	1	1.98%	Chapel Hill-Carrboro City Schools	1,500	1	13.64%
Town of Carrboro	155	2	1.41%	Orange Water & Sewer Authority	148	2	1.35%
Orange Water & Sewer Authority	112	3	1.02%	Town of Carrboro	134	3	1.22%
Piedmont Health Services	104	4	0.95%	Residential Services, Inc.	103	4	0.94%
Elmo's Diner	101	5	0.92%	Elmo's Diner	90	5	0.82%
Food Lion	97	6	0.88%	Triem, Inc.	87	6	0.79%
Harris Teeter	88	7	0.80%	Fitches Lumber	45	7	0.41%
Weaver Street Market	72	8	0.65%	Carolina Cleaners	43	8	0.39%
Tylers Restaurant & Tap Room	51	9	0.46%	Willow Springs Long Term Care	40	9	0.36%
Crescent Green of Carrboro	48	10	0.44%	Acme Food & Beverage Company	32	10	0.29%
Total	<u>1,046</u>		<u>9.51%</u>		<u>2,222</u>		<u>20.20%</u>

Source:

Orange County Economic Development Commission

Note:

Percentages based on estimated Town employment of 11,000.

Town of Carrboro
Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

Table 17

Full-Time Equivalent Employees as of June 30										
Function/Program	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General government										
Mayor and Board of Aldermen	0	0	0	0	0	0	0	0	0	0.5
Town Manager	2	2	2	2	2	2	2	2	2	4
Economic Development	1	1	1	1	1	1	1	1	1	1.5
Town Clerk	1	1	1	1	1	1	1	1	1	1
Management Services	7	8	8	8	8	8	8	8	6	6.5
Human Resources	2	2	2	2	2	2	2	2	2	2
Public Safety										
Police	37	40	40	42	41	42	42	44	44	42
Fire	28	28	28	28	33	36	36	36	36	36.5
Planning	14	14	14	14	14	14	14	14	14	14
Public Works	35	35	35	35	36	36	36	36	36	34
Parks and Recreation	<u>9</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>12.5</u>
Total	<u>136</u>	<u>141</u>	<u>141</u>	<u>143</u>	<u>148</u>	<u>153</u>	<u>153</u>	<u>155</u>	<u>155</u>	<u>155.50</u>

Source: Annual operating budget.

Operating Information:

**Town of Carrboro
Operating Indicators by Function/Program
Last Ten Fiscal Years**

Table 18

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Revolving loan inquiries	21	26	25	31	39	42	40	50	50	5
Small business counseling referrals	31	33	38	37	32	45	40	29	40	10
Privilege licenses issued	671	788	763	944	925	917	1,115	1,253	1,158	948
Public Safety										
Police										
Major crimes	1,964	1,409	1,259	1,174	1,275	972	814	750	716	746
Criminal arrests	615	656	833	762	713	881	881	830	767	830
Motor vehicle accidents	498	541	546	524	540	466	573	494	479	476
Narcotics arrests	42	70	70	55	56	107	132	204	157	150
Fire										
Fire and EMS responses	836	874	872	920	1,397	1,480	1,576	1,530	1,392	1,406
Inspections	259	420	363	400	633	486	955	998	1,006	1,045
Planning										
Annexations	6	2	2	2	2	1	-	-	-	1
Zoning permits	121	121	246	110	129	119	66	89	88	86
Building permits for new residential	61	72	57	41	71	55	54	77	50	92
Building permits for new commercial	4	38	7	22	1	7	3	78	4	6
Value of building permits issued	\$ 19,365,209	\$ 23,102,327	\$ 18,598,016	\$ 41,510,253	\$ 34,883,581	\$ 15,634,025	\$ 15,313,066	\$ 29,410,835	\$ 18,883,628	\$ 30,184,969
Public works										
Paved streets maintained (miles)	32	35	35	37	37	39	39	39	42	42
Unpaved streets maintained (miles)	2	2	2	2	2	2	2	2	2	2
Paved bikeways maintained (miles)	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15
Litter collection (hours annually)	370	400	400	400	400	400	400	425	425	405
Residential refuse collection (tons annually)	2,350	2,480	2,500	2,635	2,611	3,250	3,483	3,765	3,645	3,971
Multi-family & commercial refuse collection	5,150	4,470	4,710	4,600	3,521	4,379	4,146	2865	3,098	3,595
Bus shelters maintained	16	18	18	18	20	20	20	22	23	23
Parks and recreation										
Athletic activities offered	44	37	43	46	54	46	61	48	50	48
Athletic activity participants	2,512	2,507	2,694	2,470	2,442	2,904	3,229	2,760	2,909	2,763
Athletic activity hours	762	882	868	864	1,000	1,003	1,111	952	934	882
Other activities offered	N/A	187	198	213	255	276	333	284	263	364
Other activity participants	14,118	17,708	21,482	20,255	25,015	25,111	27,517	26,122	17,476	30,056
Century Center rentals (a)	200	1,269	1,052	1,351	1,957	2,211	418	139	127	105
Park rentals (b)	326	284	519	560	856	1,008	234	203	181	201

Sources: Town departments

Notes:

N/A - Information was not collected/available.

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

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

**Town of Carrboro
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years**

Table 19

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	36	42	42	42	41	43	42	42	43	43
Fire stations	1	1	1	1	1	1	1	1	2	2
Fire trucks	5	5	5	5	5	5	6	6	6	6
Public Works										
Refuse collection trucks	8	8	8	8	8	7	7	7	7	7
Replacement refuse collection trucks	3	3	3	3	1	1	1	1	1	1
Streets (miles)	37.57	37	39	38	38.7	38.79	39.35	39.35	43.27	43.27
Bike paths (miles)	3	3	3	3	3.32	3.32	3.32	3.32	3.32	3.32
Streetlights	721	742	781	803	869	962	968	968	986	986
Parks and recreation										
Parkland (acres)	86	95.7	95.7	95.7	112	112	112	112	112	112
Parks (quantity)	8	8	9	9	10	10	10	10	10	10
Hiking trails	2	2	5	5	5	5	6	6	6	6
Dog parks	1	1	1	1	1	1	1	1	1	1
Soccer fields	1	1	1	1	1	1	1	1	1	1
Baseball/softball fields	5	5	5	5	6	6	6	6	6	6
Basketball courts	4	4	4	4	4	4	4	4	4	4
Tennis courts	6	6	6	6	6	6	6	6	6	6
Volleyball courts	2	2	2	2	2	2	2	2	2	2
Multi-purpose fields	3	3	3	3	3	3	3	3	3	3
Fishing ponds	1	1	1	1	1	1	1	1	1	1
Playgrounds	5	5	5	5	7	7	8	8	8	8
Picnic shelters	5	5	5	5	5	4	4	4	5	5

Sources:

Town Departments

SUPPLEMENTARY INFORMATION

COMPLIANCE SECTION

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Carrboro, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 31, 2012. 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.

Internal Control Over Financial Reporting

Management of the Town of Carrboro is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Carrboro's internal control over financial reporting as a basis for designing our auditing procedures 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 of Carrboro's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Carrboro'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*.

This report is intended solely for the information and use of management, members of the Board of Aldermen, and federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Dixon Hughes Goodman LLP

October 31, 2012