

Town of Carrboro, North Carolina

Comprehensive Annual Financial Report

June 30, 2005



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

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Town of Carrboro, North Carolina

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Town of Carrboro, North Carolina

LIST OF PRINCIPAL OFFICIALS

BOARD OF ALDERMEN

Michael Nelson, Mayor

Diana McDuffee, Mayor Pro-Tempore
Joal Hall Broun
Mark Chilton

Alex Zaffron
John Herrera
Jacquelyn Gist

TOWN MANAGER

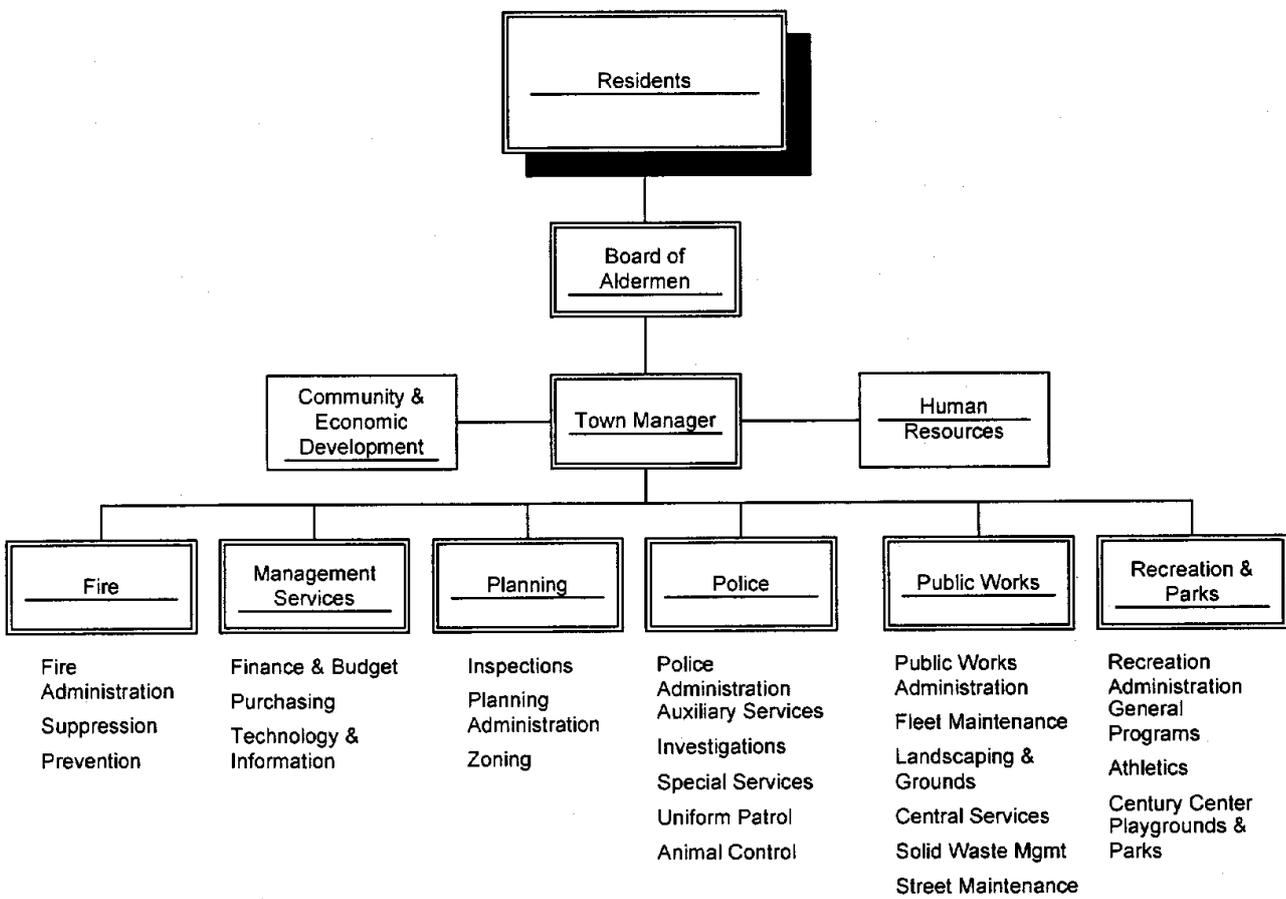
Steven E. Stewart

ASSISTANT TOWN MANAGER

L. Bingham Roenigk

MANAGEMENT SERVICES DEPARTMENT

Judy Weller, Accounting Officer
Annette Rogers, Accounting Technician II
Jane Bowden, Accounting Technician I
Carrie Farrington, Program Support Assistant II
Patrick Childs, Purchasing Officer





TOWN OF CARRBORO
NORTH CAROLINA

September 9, 2005

The Honorable Mayor Michael Nelson, Board of Aldermen,
and Residents of the Town of Carrboro
Town of Carrboro
301 West Main Street
Carrboro, North Carolina 27510

Dear Mayor Nelson and Members of the Board of Aldermen:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Carrboro for its comprehensive annual financial report for the fiscal year ended June 30, 2004. This was the first year that the Town achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. 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's requirements and is submitting its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005 to the Government Finance Officers Association (GFOA).

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. Over 69 percent of all cities and 46 percent of all counties with populations in excess of 50,000 participate in the program, as well as 41 state governments. 3,337 Comprehensive Annual Financial Reports (CAFRs) for fiscal years ended during 2003 were submitted to the Certificate Program. It is estimated that approximately 3,425 CAFRs for fiscal years ending during 2004 were submitted for review. Further information about the Certificate Program can be obtained by visiting GFOA's website at: www.gfoa.org.

This report is the official comprehensive publication of the Town's financial position at June 30, 2005, and the results of operations for the fiscal year then ended for all funds of the Town. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. We believe the data, as presented, are accurate in all material respects; that they are presented in a manner designed to fairly set forth the financial activity of the Town's various funds; and that all disclosures necessary to enable the reader to gain a maximum understanding of the Town's financial activity have been included.

The Town of Carrboro's financial statements have been audited by Dixon Hughes PLLC. The goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an **unqualified** opinion that the Town of Carrboro's financial statements for the fiscal year ended June 30, 2005 are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditors' opinion is considered to be **unqualified** unless the auditors (1) offer an adverse opinion, (2) offer a qualified opinion (i.e., fairly presented except for...), or (3) disclaim an opinion on all or a portion of the basic financial statements. The independent auditors' report is presented as the first component of the financial section of this report.

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.

This comprehensive annual financial report is presented in four main sections:

1. *Introductory Section* - This section introduces the reader to the report and to the Town. Along with this managerial overview, it includes listings of Town officials, a brief history of the Town, the Town's Mission Statement, responsibility of Town government, and an organizational chart.
2. *Financial Section* - This section includes Management's Discussion and Analysis, the Basic Financial Statements, notes to the basic financial statements, required supplementary pension information, and the associated independent auditors' report. The Basic Financial Statements provide an overview for users who require less detailed information about the Town's finances than is contained in the balance of this report. The Basic Financial Statements include both entity-wide statements and fund financial statements. A full explanation of the basis of accounting for these two sections is included in the notes to the financial statements. Also within the financial section is supplementary information that includes budgetary comparison schedules for all annually budgeted funds (other than the General Fund), including special revenue funds, as well as budgetary information for the Capital Projects Fund.

3. *Statistical Section* - The statistical section presents comparative statistical data, graphs, and other pertinent information involving taxes, revenues, expenditures, debt and social/economic data of the Town. This section also includes statistical information for continuing disclosure requirements.
4. *Compliance Section* - The compliance section presents the independent auditors' report on compliance with various internal control and related financial assistance requirements.

Town of Carrboro - Community and Organizational Profile

The Town is a growing community located within Orange County in the north central portion of North Carolina. The area's topography is characterized by rolling hills. The Town, which was incorporated in 1911, covers an area of 5.66 square miles, has a population of 17,648, is situated next to Chapel Hill and the University of North Carolina, and is near the Research Triangle Park.

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 26,888 in 2004. It is anticipated that the expansion will continue to occur in University-related health facilities such as the University of North Carolina Hospitals.

The character of the Town is driven by values based on maintaining a sustainable community. The strategic priorities developed by the Town's elected board specifically define the vision of a sustainable Carrboro:

- ✓ *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*
- ✓ *Enhance and sustain quality of life/place issues for everyone*

The support for these strategic priorities is also notable in the amounts allocated within the annual operating and capital budgets and in various awards the Town receives. The Town is distinctive in having the highest population density, or stated in another way, the highest number of persons per square mile, of any municipality in North Carolina in the 2000 Census.

In terms of budgetary allocations, the Town commits close to one million dollars to provide fare-free transit for Town residents in an effort to reduce the reliance on automobiles and to create a system of public transit, walking, and biking. Carrboro is one of 38 communities in the nation that has been granted the Bicycle-Friendly Community designation in recognition of the Town's commitment to providing safe accommodation and facilities for bicyclists, and for the Town's efforts to encourage bicycling for fun, fitness, and transportation. The community, via a bond referendum in November 2003, endorsed construction of \$4.6 million in sidewalks and greenways to increase the safety and convenience of walking throughout the Town's neighborhoods, and to major facilities such as schools, bus stops, shopping areas, and recreational facilities. The Town is also strongly committed to environmental sustainability, adequate public facilities, and a variety of local recreational opportunities.

The Town of Carrboro 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 also appoints a manager who carries out the laws and policies enacted by the Board. The Town Manager is responsible for managing the Town's employees, finances, and resources. The Board of Aldermen also appoints a Town Clerk to maintain important Town records, and an attorney, who represents 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 reflect key services that are contracted with other governmental jurisdictions such as transit services, recycling, and landfill fees. The Town also has administrative support units (personnel, technology, finance, budget, purchasing, Town Clerk, etc.) that provide both direct services as well as indirect support services. This report includes all of the Town's activities in delivering and administering these services.

Economic Condition and Outlook

The forces that affect information presented in the Town's financial statements can be better understood in the context of external economic conditions, community needs and resources, management practices, and financial factors.

The Town relies on a largely residential tax base to provide services. The major employers within Orange County (those with 450 or more employees) reflect the dominance of the professional services and retail sectors. Of the total property tax assessed, approximately 11.50% is commercial. The commercial base is largely retail with some service-oriented businesses. The Town continues to experience growth and is considered to be a desirable place to live and work.

With the University of North Carolina at Chapel Hill, the University of North Carolina Health Care System, and Research Triangle Park businesses providing jobs to residents of Carrboro, the unemployment rate is low. Over the past four years, the unemployment rate in North Carolina has gone from 6.8% in June 2002 to 5.5% in 2005. Orange County, of which the Town is a municipality, shows a slightly lower unemployment rate trend (from 4.5% in June 2002 to 4.3% in August 2005), reflecting an economy that has withstood the economic battering experienced by other municipalities and states over the past few years. The stable employment base and low unemployment rate contribute to the Town's positive economic state.

From a budgetary and financial perspective, the Town experienced a return to solid fiscal growth in the year ended June 2005, with development-related permitting activity and sales tax revenue increasing a minimum of 6% over prior year actual revenues. This growth follows previous years whereby state-collected local revenues were withheld by state government and less than satisfactory returns on sales taxes and other revenue occurred due to the difficult national and state economy. The Town took appropriate fiscal steps to ensure that fund balance reserves were maintained. The fund balance trend in the past five years shows that undesignated fund reserves as a percentage of total audited expenditures have increased from 21.95% for the year ended June 30, 2001 to 34.90% for year ended June 30, 2005.

The Town is expected to grow in population as the northern transition area, approved for annexation by the Board of Aldermen, and other areas of Town expand. The annexation will become effective January 31, 2006, expanding Town services in the upcoming year to approximately 288 households with an estimated population of 852 people.

Over the next five years, the Town anticipates several new capital projects that could affect Town borrowing and future debt payments. In addition, the Town is set to issue \$1.9 million in the spring of 2006 to construct the first phase of sidewalks and greenways. The Town expects debt service payments to increase \$192,256 in FY06-07 for this effort.

Projects anticipated in the near future that will require debt financing include construction of a fire substation in the northern area of town, development of the Martin Luther King, Jr. neighborhood park, and the purchase of parking lots for the downtown area. A more comprehensive analysis of the Town's capital needs and financing mechanisms can be reviewed in the Town's capital improvements program (listed on the Town's website at <http://www.townofcarrboro.org/docs.htm>).

The potential impact on property tax rates of these projects will be affected by the timing of the implementation of the proposed projects and the availability of other sources or cost savings to fund the projects.

Major Town Initiatives

The Board of Aldermen spent considerable time in the 2003-04 fiscal year defining 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 the noteworthy accomplishments in fiscal year 2004-2005 are a reflection of the board's priorities.

- ☆ The Town is designated 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.
- ☆ The Town's Management Services Department won the GFOA (Government Finance Officers Association) Distinguished Budget Presentation Award for its FY04-05 budget document. It is the highest form of recognition in governmental budgeting. The Town is in the process of submitting the document for its second award.
- ☆ The Town's continued commitment to the environment was rewarded with its national designation as a Tree City USA town and an Erosion and Sedimentation Control Award from the North Carolina Sedimentation Control Commission.
- ☆ The Town, in March 2005, was recognized for its wireless efforts, being cited by the local publication, "Independent Weekly," as being in "the vanguard of a movement to provide Internet access not as a luxury but as a public utility, administering its own free access points with the help of community-minded businesses and residents who contribute equipment and extra bandwidth on their own networks." The Town has continued expansion of the free, public wireless Internet coverage to now include the majority of the core downtown area. This was accomplished through multiple large antennas mounted around the roof line of the Carrboro Century Center and Carr Mill plaza. Furthermore, a large antenna was added to the Town Commons area located near the Carrboro Town Hall. These installations offer Wi-Fi compatible wireless Internet access to people gathering in downtown Carrboro. Future plans include expanding wireless to the Midway area and along Weaver Street, between Town Hall and the Carrboro Century Center, consistent with economic development strategies and the Town's technology plan.

- ☆ 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 throughout the Town's neighborhoods. The sidewalks are being designed and will be constructed in the upcoming year. Three bond issues for sidewalks and greenways are anticipated over a period of six years, provided the Town's fiscal position and the economy remain healthy. The first phase of financing is anticipated in FY05-06.
- ☆ The Town acquired a 27-acre tract of land to preserve open space land and to protect the Bolin Creek corridor in September 2004, a step in creating Carrboro as a place of quality living.

Budget Control

The primary mission of the budget and related processes is the development of an annual financial plan for the Town. However, just as important, the budget is a strategic plan whereby departmental missions and objectives are aligned with the Board's goals and commitments made today, and the impact of those decisions are projected and planned for into the future.

Public input and review of the budget prior to adoption by the elected board is encouraged. The entire budget document is available at the Town Clerk's office and the Town's website for review. The Board of Aldermen holds at least two budget meetings prior to the adoption of an annual budget. 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 and must be adopted by the Board of Aldermen prior to the beginning of each fiscal year.

Formal budgetary accounting is used for all funds, as a management control required by the North Carolina General Statutes. All governmental units are required to adopt a balanced budget by July 1 of each year. The budget ordinance, passed by the Board of Aldermen, creates a legal limit on spending authorizations at the departmental level. Budgetary control is facilitated by the use of an automated requisition encumbrance and purchase order system that ensures the adequacy of funds prior to the placement of orders or the award of contracts.

Internal Controls

This report consists of management's representations concerning the finances of the Town of Carrboro. To prove a reasonable basis for making these representations, a comprehensive internal control framework has been designed in developing and maintaining the Town's accounting system. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition; (2) the 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) the 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 adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Cash Management

North Carolina General Statutes authorize the Town to deposit at interest or invest all or part of the cash balance of any fund. State law 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 non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

To further enhance the cash management program, the Town maintains a comprehensive banking services agreement with Bank of America. Services provided include a concentration account for automatic investment of idle funds, zero balance payroll account, wire transfer and automated clearing house services and electronic banking services. The concentration account fulfills the Town's investment policy which emphasizes safety and liquidity while maintaining a competitive yield on its portfolio and it enables the Town objective in insuring that all deposits are collateralized or insured.

Risk Management

The Town protects itself from potential loss through participation in the Interlocal Risk Financing Fund of North Carolina for general liability, automobile liability, public officials' liability, police professional liability, and property losses. The Town's potential loss for liability coverage is limited to the deductible amount of \$1,000 per claim for all coverage, except public officials' liability and police professional liability, which are limited to the deductible amount of \$5,000 per claim. Also, the Town participates in the North Carolina Interlocal Risk Management Agency for workers' compensation.

Other Information

Use of the Report: The Government Finance Officers' Association 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, the various Town departments, bond rating agencies, the Local Government Commission and other financial institutions which have expressed an interest in the Town's financial affairs.

Other companion documents that are helpful in explaining 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>.

Acknowledgements: The presentation of this report could not have been accomplished without the entire Management Services Department and other departmental staff that assisted in producing this report. We would also like to thank the Mayor and Board of Aldermen and Town employees for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner that reflects positively on the Town.



Steven E. Stewart
Town Manager



L. Bingham Roenigk
Assistant Town Manager/Finance Officer

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DIXON HUGHES PLLC

Certified Public Accountants and Advisors

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, the budget to actual comparison for the General Fund and the Capital Reserve Fund, and the aggregate remaining fund information of the Town of Carrboro, North Carolina, as of and for the year ended June 30, 2005, 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 an opinion 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 opinion.

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, the budget to actual comparison for the General Fund and the Capital Reserve Fund, and the aggregate remaining fund information of the Town of Carrboro as of June 30, 2005, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund and the annually budgeted major Special Revenue 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 September 9, 2005 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 13 and the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions on pages 51 and 52 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Carrboro's basic financial statements. The combining and individual fund statements and schedules, as well as the accompanying schedule of expenditures of State Awards as required by the U.S. Office of Management Budget Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory and Statistical Sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Dixon Hughes PLLC
September 9, 2005

Management's Discussion and Analysis

Management of the Town of Carrboro, North Carolina offers readers of the Town's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2005. Readers are encouraged to examine the information presented here in conjunction with additional information that is provided in the Town's financial statements following this narrative.

Financial Highlights

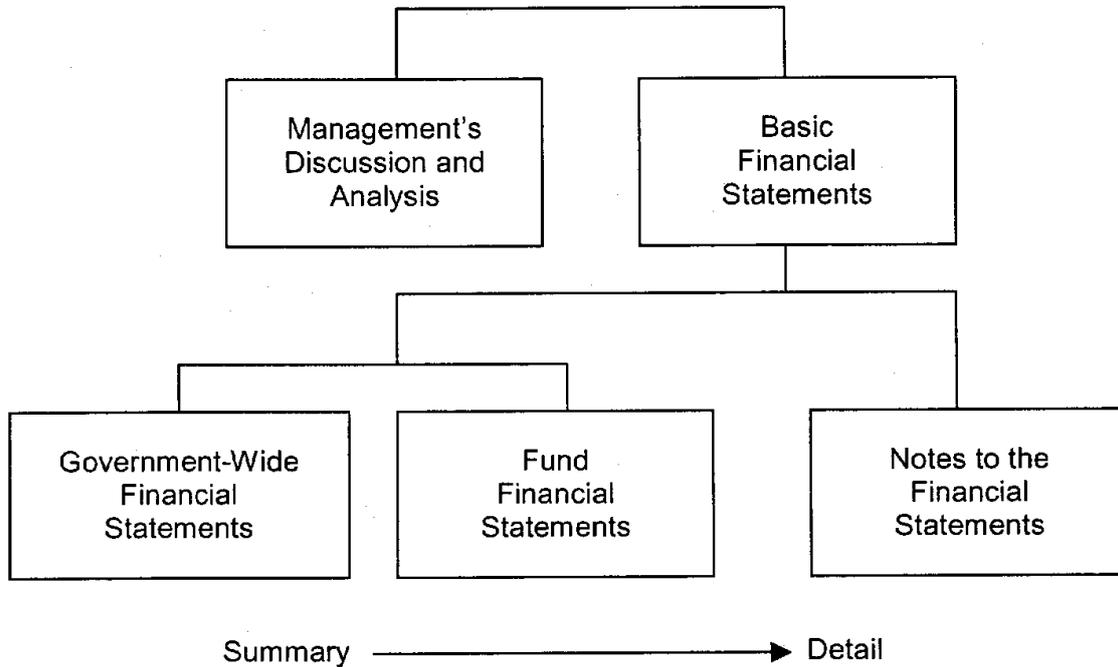
- The assets of the Town of Carrboro exceeded its liabilities at the close of the fiscal year by \$23,863,800 (net assets).
- The government's total net assets increased by \$3,635,347 primarily due to increases in the net assets of the governmental-type activities.
- At the close of the current fiscal year, the Town of Carrboro's governmental funds reported combined ending fund balances of \$8,368,582, an increase of \$575,333 in comparison with the prior year. Approximately 80.40% of this total amount, or \$6,728,446, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$5,561,467, or 40.04% of total General Fund expenditures for the fiscal year.
- The Town of Carrboro's total debt increased by \$111,719, (2.14%) during the current fiscal year. The key factor in this increase was new installment purchase financing.
- The Town has maintained and currently holds credit ratings of A+ with Standard and Poors, A1 with Moody's, and a score of 81 with the North Carolina Municipal Council.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Carrboro's basic financial statements. The Town's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the 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 of Carrboro, including a statistical section.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government 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.

Management's Discussion and Analysis (Continued)

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 government-wide statements provide short- and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net 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 more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the 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 20 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.

Management's Discussion and Analysis (Continued)

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 25 through 48 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 51 of this report.

Government-Wide Financial Analysis

The government-wide financial statements for the fiscal year ended June 30, 2005 are the beginning of a new era in financial reporting for the Town and many other units of government across the United States. Prior to this year, the Town maintained its governmental funds without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the Town. These statements were basically the equivalent of the fund financial statements that appear in this report with two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model are mandated by the Governmental Accounting Standards Board (GASB). GASB Statement 34 dictated the changes you see in the Town's financial reports as well as those of many other units of government. While other units of government were required to implement these changes for the fiscal year ended June 30, 2002 or 2003, the Town was required to implement Statement 34 for the fiscal year ended June 30 2004.

Management's Discussion and Analysis (Continued)

The Town of Carrboro's Net Assets

Figure 2

	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 9,491,377	\$ 8,927,382
Capital assets	<u>20,374,294</u>	<u>17,272,961</u>
Total assets	<u>29,865,671</u>	<u>26,200,343</u>
Long-term liabilities outstanding	5,322,054	5,210,335
Other liabilities	<u>679,817</u>	<u>761,555</u>
Total liabilities	<u>6,001,871</u>	<u>5,971,890</u>
Net assets:		
Invested in capital assets, net of related debt	15,674,503	12,653,977
Restricted	500,280	543,192
Unrestricted	<u>7,689,017</u>	<u>7,031,284</u>
Total net assets	<u>\$ 23,863,800</u>	<u>\$ 20,228,453</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 of Carrboro exceeded liabilities by \$23,863,800 as of June 30, 2005. The Town's net assets increased by \$3,635,347 for the fiscal year ended June 30, 2005. The largest portion of net assets (65.68%) reflects the Town's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Carrboro uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Carrboro'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 (2.09%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,689,017 (32.22%) is unrestricted.

Management's Discussion and Analysis (Continued)

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.61.
- Increase in sales tax revenues of approximately \$169,665 due to economic growth in the Town.
- Increase in property tax revenues of approximately \$435,701 due to growth in the tax base.

The Town of Carrboro's Changes in Net Assets

Figure 3

	Governmental Activities 2005	Governmental Activities 2004
Revenues:		
Program revenues:		
Charges for services	\$ 1,165,175	\$ 1,174,542
Operating grants and contributions	541,784	629,886
Capital grants and contributions	-	-
General revenues:		
Property taxes	8,247,283	7,775,652
Other taxes	3,314,581	3,133,414
Grants and contributions not restricted to specific programs	549,086	531,121
Other	1,506,235	146,056
Total revenues	15,324,144	13,390,671
Expenses:		
General government	2,407,038	2,325,813
Public safety	4,031,562	3,970,899
Planning	1,057,324	906,766
Transportation	917,900	817,003
Public works	1,755,707	2,775,381
Parks and recreation	1,208,790	1,182,059
Other appropriations	140,000	25,000
Interest on long-term debt	170,476	196,168
Total expenses	\$ 11,688,797	\$ 12,199,089

Management's Discussion and Analysis (Continued)

Governmental Activities. Governmental activities increased the Town's net assets by \$3,643,347. Key elements of this increase are as follows:

- Ad valorem property tax revenue also increased due to a 1.8% growth in the overall tax base over the previous year.
- Sales tax revenue increased by \$169,665, or 6.3% over the previous year receipts, reflecting a strong economic return, particularly in the local area spending as reflected in the one-cent sales tax receipts earned by the Town.
- The Town funded several operational initiatives that include purchase of the Adams Tract to promote open space preservation goals; upgrade of cable casting equipment for televised Board meetings; creating and expanding wireless capacity in the downtown area to promote economic development; and ongoing replacement of computer network and desktop infrastructure, as well as vehicles and equipment.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Carrboro'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 of Carrboro's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Carrboro. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$5,561,467, while total fund balance reached \$7,173,959. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 40.04% of total General Fund expenditures.

At June 30, 2005, the governmental funds of the Town of Carrboro reported a combined fund balance of \$8,368,582, a 7.4% increase over last year. Included in this change in fund balance are increases in fund balance in the General Fund, Bond Fund and Payment in Lieu Fund. This increase can be attributed mainly to the increase in property tax revenues. Decreases in fund balance over prior year in the Revolving Loan Fund, Capital Reserve Fund and Capital Projects Fund were \$64,611, \$333,502 and \$47,926. This is due to increase in appropriations in the Revolving loan Fund, increase in transfer to other funds from the Capital Reserve Funds and increase in capital outlay in the Capital Projects Funds.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and (3) increases in appropriations that become necessary to maintain services.

Management's Discussion and Analysis (Continued)

The Town revised the General Fund original budget several times, increasing the total budget by \$780,683. The bulk of adjustments represent operating funds encumbered or designated within fund balance for project expenditures as confirmed in the annual June 30th, 2004 audit of the previous year that were re-appropriated into the current year budget (\$525,441). In addition, the Board appropriated additional funds for street resurfacing, creation of a master plan for the Town's parks and greenways system, and for street construction along Quail Roost and Lisa Drive.

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 \$308,366. This is largely due to the strong return on sales tax revenues, property tax revenue that exceeded budgeted projections due to a 2.1% growth in the real property valuation, increased fire district service fees, and improved interest earnings.

The decrease in unrestricted and restricted intergovernmental revenues is largely due to the timing of the completion of various projects funded with grants, including the Roberson Place bike path and law enforcement grants. The grants' funds are expected to be remitted to the Town in the following year upon completion of the project expenditures. In addition, the utility franchise and state telecommunications tax receipts came in lower than anticipated due to a number of factors including weather and slow statewide economic growth. The corresponding expenditures for the aforementioned projects funded by intergovernmental revenues were also largely unspent as described below.

Expenditures, as required by budget ordinance, should not exceed appropriated levels. Overall expenditures were \$2,022,975 less than budgeted figures and all departmental spending was in compliance with budgetary requirements. The largest savings in expenditures are reflected in the Public Works, Fire, Police, and Parks and Recreation Departments. Numerous capital projects or purchases (Weaver Street Parking, Quail Roost and Lisa Drive street paving; Roberson Place bike path; and dump truck purchase) were not completed at year end, contributing to \$443,014 of the total \$757,478 unexpended in Public Works. The Recreation Department also contributed to the General Fund, saving \$258,686. Staff vacancies and two capital purchases, a van for handicapped patrons and equipment for the Baldwin Park playground had not been completed. The Fire Department experienced staffing turnover and delayed the purchase of the fire truck until the upcoming fiscal year saving \$466,574. The majority of savings in the Police Department relate to lapsed salaries that result from staffing turnover.

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

Capital Assets. The Town of Carrboro's investment in capital assets for its governmental-type activities as of June 30, 2005, totals \$20,374,294 (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 and disposals:

- \$1,105,837 for roads completed;
- \$1,759,767 for land purchased and donation received;
- \$592,679 for purchase of vehicles and equipment;
- \$25,660 for disposal of vehicles and equipment.

The Town of Carrboro's Capital Assets (net of depreciation)

Figure 4

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
Land	\$ 14,215,936	\$ 12,456,169
Buildings and systems	3,329,573	3,481,470
Improvements other than buildings	137,091	119,190
Machinery and equipment	653,532	611,746
Infrastructure	1,407,930	312,313
Vehicles and motorized equipment	362,781	270,906
Construction in progress	267,451	21,167
	<u>\$ 20,374,294</u>	<u>\$ 17,272,961</u>

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

Management's Discussion and Analysis (Continued)

Long-Term Debt. As of June 30, 2005, the Town of Carrboro had total outstanding bonded debt, backed by the full faith and credit of the Town, of \$433,536.

The Town of Carrboro's Outstanding Debt

Figure 5

	Governmental Activities	
	2005	2004
General obligation bonds	\$ 433,536	\$ 575,393
Installment purchases	4,266,256	4,043,591
Compensated absences	436,336	434,366
Net pension obligation	185,926	156,985
Total	<u>\$ 5,322,054</u>	<u>\$ 5,210,335</u>

The Town of Carrboro's total debt increased by \$111,719 (2.14%) during the past fiscal year, primarily due to the installment purchase and normal debt retirement.

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

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Carrboro is \$87,505,730. The Town has \$4,600,000 in bonds authorized but unissued at June 30, 2005.

Additional information regarding the Town of Carrboro's long-term debt can be found beginning on page 43 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town of Carrboro.

- Low unemployment. The Town's unemployment rate (as reflected in the county-wide Orange County rate) of 4.3% is well below the state average of 5.3% for the year ended June 30, 2005.
- Stable property tax base. The Town of Carrboro continues to collect property taxes at rate in excess of 98%.

Management's Discussion and Analysis (Continued)

Budget Highlights for the Fiscal Year Ending June 30, 2006

Governmental Activities: The Town has approved a \$16,446,835 General Fund budget for fiscal year 2006 which represents a \$1,315,452 increase over the adopted fiscal year 2005 budget. This will be accomplished without an increase in the tax rate. The Town is relying on improved sales tax returns, increased valuation growth in the property tax base, which comprise the largest portion of the revenue stream.

Budgeted expenditures in the General Fund are expected to rise 8.7% to \$16,446,835. The largest increments continue the employee pay-for-performance compensation program, continue the Town's regular vehicle, computer, and equipment replacement schedules, extend town services to the annexed areas of town, and pay for operating costs that have increased due to inflation or vendor fees such as fuel, workers' compensation and property insurance. Other budgetary increases are provided to improve service levels such as wireless technology for the downtown area and for the Police and Fire Departments to allow improved access for emergencies and for public safety purposes. Other significant funding initiatives are focused on economic development in Carrboro. The Board, interested in maintaining and improving Carrboro's long-term economic viability, set aside funds to hire a consultant to identify Carrboro's niche in the local economy. In another economic development effort, downtown parking woes are mitigated by leasing and upgrading a parking lot on Weaver Street.

Requests for Information

This report is designed to provide an overview of the Town of Carrboro'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 NC 27510. Other related financial documents may be reviewed online at the Town's website at: <http://www.townofcarrboro.org/departments/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, 2005

Exhibit 1

ASSETS	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 7,661,678
Receivables:	
Taxes receivable, net	242,565
Accounts receivable, net	50,644
Notes receivable	278,257
Inventories	39,472
Prepays	131,222
Due from other governments	<u>1,087,539</u>
Total current assets	<u>9,491,377</u>
Noncurrent assets:	
Capital assets:	
Land	14,215,936
Construction in progress	267,451
Other capital assets, net of depreciation	<u>5,890,907</u>
Total noncurrent assets	<u>20,374,294</u>
Total assets	<u>29,865,671</u>
 LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	427,494
Unearned revenues	174,479
Accrued interest payable	77,844
Long-term liabilities:	
Due within one year	861,796
Due in more than one year	<u>4,460,258</u>
Total liabilities	<u>6,001,871</u>
 NET ASSETS	
Invested in capital assets, net of related debt	15,674,503
Restricted for:	
Other purposes	500,280
Unrestricted	<u>7,689,017</u>
Total net assets	<u>\$ 23,863,800</u>

The accompanying notes are an integral part of this statement.

**TOWN OF CARRBORO, NORTH CAROLINA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2005**

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 2,407,038	\$ -	\$ -	\$ -	\$ (2,407,038)
Public safety	4,031,562	412,383	22,985	-	(3,596,194)
Planning	1,057,324	313,146	18,261	-	(725,917)
Transportation	917,900	-	-	-	(917,900)
Public works	1,755,707	106,199	474,262	-	(1,175,246)
Parks and recreation	1,208,790	236,134	37,398	-	(935,258)
General services	-	86,191	-	-	86,191
Other appropriations	140,000	-	-	-	(140,000)
Unallocated interest expense	170,476	-	-	-	(170,476)
Total governmental activities	<u>\$ 11,688,797</u>	<u>\$ 1,154,053</u>	<u>\$ 552,906</u>	<u>\$ -</u>	<u>(9,981,838)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					8,247,283
Local option sales taxes					2,874,741
Other taxes					439,840
Unrestricted intergovernmental revenues					549,086
Investment earnings, unrestricted					130,270
Miscellaneous					<u>1,375,965</u>
Total general revenues					<u>13,617,185</u>
Change in net assets					3,635,347
Net assets - beginning					<u>20,228,453</u>
Net assets - ending					<u>\$ 23,863,800</u>

The accompanying notes are an integral part of this statement.

TOWN OF CARRBORO, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2005

Exhibit 3

	Major Funds					Non-Major Fund	Total Governmental Funds
	General Fund	Revolving Loan Fund	Capital Reserve Fund	Capital Projects Fund	Bond Fund	Payment in Lieu Reserve Fund	
ASSETS							
Cash and cash equivalents	\$ 6,451,247	\$ 362,177	\$ 520,990	\$ 145,372	\$ 60,458	\$ 121,434	\$ 7,661,678
Taxes receivable, net	242,565	-	-	-	-	-	242,565
Accounts receivable, net	50,644	-	-	-	-	-	50,644
Notes receivable, net	-	278,257	-	-	-	-	278,257
Due from other governments	1,087,539	-	-	-	-	-	1,087,539
Inventories	39,472	-	-	-	-	-	39,472
Prepaid items	131,222	-	-	-	-	-	131,222
Total assets	\$ 8,002,689	\$ 640,434	\$ 520,990	\$ 145,372	\$ 60,458	\$ 121,434	\$ 9,491,377
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 411,686	\$ -	\$ -	\$ 814	\$ 14,994	\$ -	\$ 427,494
Deferred revenues	417,044	278,257	-	-	-	-	695,301
Total liabilities	828,730	278,257	-	814	14,994	-	1,122,795
Fund balances:							
Reserved for encumbrances	343,087	-	-	27,644	-	-	370,731
Reserved for prepaid items	131,222	-	-	-	-	-	131,222
Reserved by state statute	1,138,183	-	-	-	-	-	1,138,183
Unreserved:							
Designated for project expenditures	281,447	-	275,349	116,914	45,464	-	719,174
Designated for specific purposes	58,851	-	-	-	-	-	58,851
Designated for subsequent year's expenditures	554,136	-	-	-	-	-	554,136
Undesignated	4,667,033	-	-	-	-	-	4,667,033
Unreserved, Special Revenue Funds:							
Designated for project expenditures	-	-	-	-	-	112,036	112,036
Designated for subsequent year's expenditures	-	-	129,800	-	-	-	129,800
Undesignated	-	362,177	115,841	-	-	9,398	487,416
Total fund balances	7,173,959	362,177	520,990	144,558	45,464	121,434	8,368,592
Total liabilities and fund balances	\$ 8,002,689	\$ 640,434	\$ 520,990	\$ 145,372	\$ 60,458	\$ 121,434	

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.	20,374,294
Liabilities for earned but deferred revenues in fund statements.	520,822
Some liabilities, including long-term obligations and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(5,399,898)
Net assets of governmental activities	\$ 23,863,800

The accompanying notes are an integral part of this statement.

TOWN OF CARRBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2005

Exhibit 4
Page 1 of 2

	Major Funds				Non-Major Fund Payment in Lieu Reserve Fund	Total Governmental Funds
	General Fund	Revolving Loan Fund	Capital Reserve Fund	Capital Projects Fund		
Revenues:						
Ad valorem taxes	\$ 8,227,622	\$ -	\$ -	\$ -	\$ -	\$ 8,227,622
Local option sales taxes	2,874,741	-	-	-	-	2,874,741
Other taxes and licenses	439,840	-	-	-	-	439,840
Unrestricted intergovernmental	549,086	-	-	-	-	549,086
Restricted intergovernmental	552,907	-	-	-	-	552,907
Permits and fees	917,919	-	-	-	-	917,919
Sales and services	236,134	-	-	-	-	236,134
Investment earnings	86,244	21,062	17,326	4,300	-	130,270
Other	97,526	54,732	2,000	206,243	-	444,023
Total revenues	13,982,019	75,794	19,326	210,543	-	14,372,542
Expenditures:						
Current:						
General government	2,421,126	405	-	-	-	2,421,531
Public safety	4,025,778	-	-	-	-	4,025,778
Planning	1,071,142	-	-	-	-	1,071,142
Transportation	917,900	-	-	-	-	917,900
Public works	3,073,794	-	-	-	-	3,073,794
Parks and recreation	1,035,472	-	-	-	-	1,035,472
Capital outlay	-	-	-	823,469	206,224	1,029,693
Debt service:						
Principal	1,019,472	-	-	-	-	1,019,472
Interest and other charges	162,707	-	-	-	-	162,707
Other appropriations	-	140,000	-	-	-	140,000
Total expenditures	13,727,391	140,405	-	823,469	206,224	14,897,489
Excess of revenues over (under) expenditures	254,628	(64,611)	19,326	(612,926)	(206,224)	(524,947)
Other financing sources (uses):						
Transfers from other funds	297,840	-	150,000	-	251,688	699,528
Transfers to other funds	(161,700)	-	(602,828)	(35,000)	-	(699,528)
Installment purchase financing issued	500,280	-	-	600,000	-	1,100,280
Total other financing sources (uses)	636,420	-	(352,828)	565,000	251,688	1,100,280
Net change in fund balances	891,048	(64,611)	(333,502)	(47,926)	45,464	575,333
Fund balance, beginning of year	6,282,911	426,788	854,492	192,484	-	7,793,249
Fund balance, ending	\$ 7,173,959	\$ 362,177	\$ 520,990	\$ 144,558	\$ 45,464	\$ 8,368,582

The accompanying notes are an integral part of this statement.

**TOWN OF CARRBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2005**

Exhibit 4
Page 2 of 2

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

Total net change in fund balances - governmental funds	\$	575,333
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays (\$3,701,362) as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation (\$600,029) in the current period.		3,101,333
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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 deferred revenues		78,170
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The issuance of long-term debt (\$1,100,280) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt \$1,019,472 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.		(80,808)
--	--	----------

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.		
Accrued interest on general long-term debt		(7,769)
Compensated absences		(1,971)
Net pension obligation		(28,941)

Changes in net assets of governmental activities	\$	<u>3,635,347</u>
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The accompanying notes are an integral part of this statement.

**TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND AND ANNUALLY BUDGETED
MAJOR SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2005**

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 8,157,202	\$ 8,157,202	\$ 8,227,622	\$ 70,420
Local option sales taxes	2,681,502	2,681,502	2,874,741	193,239
Other taxes and licenses	430,000	430,000	439,840	9,840
Unrestricted intergovernmental	579,870	579,870	549,086	(30,784)
Restricted intergovernmental	671,103	701,848	552,907	(148,941)
Permits and fees	842,578	842,578	917,919	75,341
Sales and services	200,000	200,000	236,134	36,134
Investment earnings	37,500	37,500	86,244	48,744
Other	35,100	43,153	97,526	54,373
Total revenues	13,634,855	13,673,653	13,982,019	308,366
Expenditures:				
Current:				
General government	2,541,167	2,576,215	2,421,126	155,089
Public safety	4,634,354	4,657,254	4,025,778	631,476
Planning	1,029,834	1,217,115	1,071,142	145,973
Transportation	942,137	942,137	917,900	24,237
Public works	3,547,586	3,831,272	3,073,794	757,478
Parks and recreation	1,280,875	1,294,158	1,035,472	258,686
General services	450,680	31,396	-	31,396
Debt service	554,750	1,200,819	1,182,179	18,640
Total expenditures	14,981,383	15,750,366	13,727,391	2,022,975
Excess of revenues over (under) expenditures	(1,346,528)	(2,076,713)	254,628	2,331,341
Other financing sources (uses):				
Transfers from other funds	52,800	288,346	297,840	9,494
Transfers to other funds	(150,000)	(161,700)	(161,700)	-
Installment purchase financing issued	869,382	850,280	500,280	(350,000)
Total other financing sources (uses)	772,182	976,926	636,420	(340,506)
Excess of revenues and other sources over (under) expenditures and other uses	(574,346)	(1,099,787)	891,048	1,990,835
Fund balance appropriated	574,346	1,099,787	-	(1,099,787)
Excess of revenues, other sources and fund balance appropriated over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>891,048</u>	<u>\$ 891,048</u>
Fund balance, beginning of year			<u>6,282,911</u>	
Fund balance, ending			<u>\$ 7,173,959</u>	

The accompanying notes are an integral part of this statement.

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TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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 of Carrboro is a political subdivision of Orange County which 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.

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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 nonmajor funds.

The accounts of the Town are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The Town reports the following major governmental funds:

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

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

Capital Reserve Fund - The Capital Reserve Fund accounts for resources to be used for future major capital purchases or projects.

Capital Projects Fund - The Capital Projects Ordinance Fund accounts for the financial resources to be used for the acquisition or construction of major capital facilities.

Bond Fund - The Bond Fund accounts for the financial resources to be used for the acquisition or construction of greenways and sidewalks.

Payment in Lieu Reserve Fund - 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.

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, 2005

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general 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 2004 through February 2005 apply to the fiscal year ended June 30, 2005. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1 through the fiscal year end apply to the 2005-2006 fiscal year and are not shown as receivables at June 30, 2005. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year end are also reflected as deferred revenues at June 30, 2005 because they are intended to finance the Town's operations during the 2005-2006 fiscal year.

Sales taxes collected and held by the state at year end on behalf of the Town are recognized as revenue. Generally, 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.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The Town has implemented GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related standards. These new standards provide for significant changes in terminology and presentation and for the inclusion of Management's Discussion and Analysis as required supplementary information.

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, the Capital Reserve Fund and the Payment in Lieu Reserve Fund (Special Revenue Fund types). All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the remaining Special Revenue Funds and the Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the fund 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. During the year, several amendments to the original budget were necessary, the effects of which were not material.

A budget calendar is included in the North Carolina General Statutes which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

April 30 - Each department head will transmit to the budget officer the budget requests and the revenue estimates for their department for the budget year.

June 1 - The budget and the budget message shall be submitted to the governing board. The public hearing on the budget shall be scheduled at this time.

July 1 - The budget ordinance shall be adopted by the governing board.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Data (Continued)

As required by state law [G. S. 159-26(d)], the Town maintains encumbrance accounts which are considered to be "budgetary accounts." Encumbrances outstanding at year end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in progress at year end are completed. Encumbrances outstanding at year end do not constitute expenditures or liabilities. These encumbrances outstanding are reported as "reserved for encumbrances" in the fund balance section of the combined balance sheet and will be charged against the subsequent year's budget.

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 and loan association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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

The Town's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost.

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.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

3. 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 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, 2004.

4. 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.

5. Inventory

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.

6. 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.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

6. Capital Assets (Continued)

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

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

7. 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.

8. 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 leave 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.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

9. 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.

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G. S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

RESERVED:

Reserved for encumbrances - portion of fund balance available to pay for commitments related to purchase orders or contracts which remain unperformed at year end.

Reserved for prepaid items - portion of fund balance that is not available for appropriation because it represents the year-end fund balance of prepaid expenses, which are not expendable, available resources.

Reserved by state statute - portion of fund balance, in addition to reserves for encumbrances, which is not available for appropriation under state law [G. S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables which have not been offset by deferred revenues.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

9. Net Assets/Fund Balances (Continued)

UNRESERVED:

Designated for project expenditures - portion of fund balance designated to ensure funding for items intended for expenditure in the current fiscal year but for which the Town has not completed the project to enable spending.

Designated for specific purposes - portion of fund balance designated for specific purposes approved by the Town.

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2005-2006 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year end.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2. Detail Notes on All Funds and Account Groups

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 non-interest-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.

At June 30, 2005, the Town's deposits had a carrying amount of \$2,192,943 and a bank balance of \$2,551,962. Of the bank balance, \$100,000 was covered by federal depository insurance and \$2,451,962 was covered under the Pooling Method. The Town had \$250 of petty cash on hand at June 30, 2005.

2. Investments

At June 30, 2005, the Town of Carrboro had \$5,468,485 invested with the North Carolina Capital Management Trust Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. The City has no policy regarding credit risk.

At June 30, 2005, the Town's investment balances were as follows:

	<u>Reported Value</u>	<u>Fair Value</u>
North Carolina Capital Management Trust - Cash Portfolio	<u>\$ 5,468,485</u>	<u>\$ 5,468,485</u>

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2. Detail Notes on All Funds and Account Groups (Continued)

A. Assets (Continued)

2. Investments (Continued)

There were no realized or unrealized gains or losses on the Town's investments during the fiscal year ended June 30, 2005.

3. Receivables

Due from Governmental Agencies

Amounts due from other governments consist of the following:

	Other Cities and Towns	State	Total
General Fund			
Sales and use tax distribution	\$ -	\$ 758,971	\$ 758,971
Utilities franchise and telecommunications tax	-	101,848	101,848
Sales and gas tax refunds	-	122,267	122,267
Other	96,977	7,476	104,453
	\$ 96,977	\$ 990,562	\$ 1,087,539

Notes Receivable

In 1986, the Town obtained three grants from the North Carolina Department of Natural Resources and Community Development for the purpose of making loans to three local businesses. The principal repayments and related interest income have been used to establish a revolving loan fund from which loans have been made to numerous additional local businesses.

**TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

Note 2. Detail Notes on All Funds and Account Groups (Continued)

A. Assets (Continued)

3. Receivables (Continued)

The following is a summary of notes receivable at June 30, 2005:

	Interest Rate	Balance
University Printery	8.00%	\$ 7,045
Acme Food & Beverage Company	7.00	26,416
Paper, Pen & Ink	6.00	12,185
Alphabet Soup	6.00	39,189
Crazie Mae's	4.00	61,872
Science Technologies	2.00	35,000
Bryan's Guitar	3.00	83,705
Phydeaux	6.00	12,845
Total		\$ 278,257

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	\$	92,253
Revolving Loan Fund		
Notes receivable		31,837
Total		\$ 124,090

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2. Detail Notes on All Funds and Account Groups (Continued)

A. Assets (Continued)

5. Capital Assets

Capital asset activity for the year ended June 30, 2005 was follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 12,456,169	\$ 1,759,767	\$ -	\$ 14,215,936
Construction in progress	<u>21,167</u>	<u>267,451</u>	<u>21,167</u>	<u>267,451</u>
Total capital assets not being depreciated	<u>12,477,336</u>	<u>\$ 2,027,218</u>	<u>\$ 21,167</u>	<u>14,483,387</u>
Capital assets being depreciated:				
Buildings and improvements	5,039,109	\$ -	\$ -	5,039,109
Land improvements	130,625	21,167	-	151,792
Infrastructure	313,285	1,105,837	-	1,419,122
Equipment and heavy equipment	1,673,239	206,652	13,275	1,866,616
Vehicles	<u>3,584,753</u>	<u>361,655</u>	<u>12,385</u>	<u>3,934,023</u>
Total capital assets being depreciated	<u>10,741,011</u>	<u>\$ 1,695,311</u>	<u>\$ 25,660</u>	<u>12,410,662</u>
Less accumulated depreciation for:				
Buildings and improvements	1,557,639	\$ 151,897	\$ -	1,709,536
Land improvements	11,435	3,266	-	14,701
Infrastructure	972	10,220	-	11,192
Equipment and heavy equipment	1,061,493	164,866	13,275	1,213,084
Vehicles	<u>3,313,847</u>	<u>269,780</u>	<u>12,385</u>	<u>3,571,242</u>
Total accumulated depreciation	<u>5,945,386</u>	<u>\$ 600,029</u>	<u>\$ 25,660</u>	<u>6,519,755</u>
Total capital assets being depreciated, net	<u>4,796,625</u>			<u>5,890,907</u>
Governmental activity capital assets, net	<u>\$ 17,272,961</u>			<u>\$ 20,374,294</u>

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

General government	\$ 69,052
Public safety	134,598
Planning	6,051
Public works	190,627
Parks and recreation	<u>199,701</u>
Total depreciation expense	<u>\$ 600,029</u>

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2. Detail Notes on All Funds and Account Groups (Continued)

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at the government-wide level at June 30, 2005 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	\$ 327,592	\$ 73,383	\$ 10,711	\$ 411,686
Other governmental	<u>15,808</u>	<u>-</u>	<u>-</u>	<u>15,808</u>
Total governmental activities	<u>\$ 343,400</u>	<u>\$ 73,383</u>	<u>\$ 10,711</u>	<u>\$ 427,494</u>

2. Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town of Carrboro 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 4.8% and 4.64%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Carrboro are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2005, 2004 and 2003 were \$286,113, \$274,146, and \$253,511, 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, 2005

Note 2. Detail Notes on All Funds and Account Groups (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

Law Enforcement Officers' Special Separation Allowance

Plan Description. The Town of Carrboro 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 .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, 2004, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	32
Total	34

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.

Contributions:

The Town is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2. Detail Notes on All Funds and Account Groups (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

Law Enforcement Officers' Special Separation Allowance (Continued)

Contributions (Continued):

The annual required contribution for the current year was determined as part of the December 31, 2004 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) a 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 5.9% to 9.8% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

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	\$	47,919
Interest on net pension obligation		11,381
Adjustment to annual required contribution		<u>(8,807)</u>
Annual pension cost		50,493
Contributions made		<u>21,552</u>
Increase in net pension obligation		28,941
Net pension obligation, beginning of year		<u>156,985</u>
Net pension obligation, end of year	\$	<u>185,926</u>

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>
6/30/03	\$ 42,956	48.39%	131,866
6/30/04	46,672	46.18%	156,985
6/30/05	50,493	42.68%	185,926

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2. Detail Notes on All Funds and Account Groups (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

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

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, 2005 were \$347,119, which consisted of \$207,641 from the Town and \$139,478 from the employees.

3. Other Post-Employment Benefits

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 Town pays the full cost of coverage for these benefits. Currently, 15 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2005, the Town made payments for post-retirement health premiums of \$44,764.

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

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2. Detail Notes on All Funds and Account Groups (Continued)

B. Liabilities (Continued)

3. Other Post-Employment Benefits (Continued)

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 \$20,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the state. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2005, the Town made contributions to the state for death benefits of \$5,636. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .08% and .14%, respectively, of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

4. 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 balance 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 is comprised of the following elements:

	Deferred Revenues	Unearned Revenues
Property taxes receivable	\$ 242,565	\$ -
Notes receivable	278,257	-
Prepaid privilege license	20,670	20,370
Unearned grant proceeds received	5,403	5,403
Other unearned revenues received	148,406	148,706
Total	\$ 695,301	\$ 174,479

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2. Detail Notes on All Funds and Account Groups (Continued)

B. Liabilities (Continued)

5. Risk Management

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

The Town carries commercial coverage for police liability and public officials liability. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

6. Long-Term Obligations

a. Installment Purchase Agreements - Equipment - General Fund

The Town has entered into agreements to finance certain equipment. The title to the equipment is held in the name of the Town and security interest in the equipment has been granted to the financing institution. The capital assets have been recorded at the present value of the future minimum installment payments as of the date of their inception.

Governmental activities include equipment capital assets under installment purchases recorded at a cost of \$937,968, net of accumulated depreciation of \$175,556.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2. Detail Notes on All Funds and Account Groups (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

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

The future minimum payments of the installment purchase and the net present value of these payments as of June 30, 2005 are as follows:

Fiscal Year Ending June 30,	General Long-Term Debt
2006	\$ 356,354
2007	<u>171,853</u>
Total minimum payments	528,207
Less amount representing interest	<u>(18,777)</u>
Present value of installment purchase payments - equipment	<u>\$ 509,430</u>

The Town has an 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 Town has an 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 Town has an 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 \$38,139 due August 1 and February 1, including interest at 3.96%.

The Town has an installment purchase agreement to finance the purchase of land for a parking lot. The financing contract requires annual payments of \$11,960 due March 1, including interest at 2.41%.

The Town has an installment purchase agreement to finance the purchase of land for preservation. The financing contract requires annual payments of \$62,960 due July 1, including interest at 4.10%.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2. Detail Notes on All Funds and Account Groups (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

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

The future minimum payments of the installment purchase and the net present value of these payments as of June 30, 2005 are as follows:

Fiscal Year Ending June 30,	General Long-Term Debt
2006	\$ 412,585
2007	415,107
2008	388,044
2009	384,404
2010	380,657
2011-2015	1,847,924
2016-2019	<u>934,824</u>
Total minimum payments	4,763,545
Less amount representing interest	<u>(1,006,719)</u>
Present value of installment purchase payments - improvements	<u>\$ 3,756,826</u>

c. General Obligation Indebtedness

General obligation bonds payable at June 30, 2005 consist of the following issues:

Taxable Refunding Bonds, Series 2003A, dated June 26, 2003; principal and interest at 3.55% due in semi-annual installments on December 1 and June 1 through 2009.	\$ 303,000
Tax-Exempt Refunding Bonds, Series 2003B, dated June 26, 2003; principal and interest at 2.99% due in semi-annual installments on December 1 and June 1 through 2008.	<u>130,536</u>
Total general obligation bonds	<u>\$ 433,536</u>

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2. Detail Notes on All Funds and Account Groups (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

c. General Obligation Indebtedness (Continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2006	\$ 101,857	\$ 13,986	\$ 115,843
June 30, 2007	101,857	10,468	112,325
June 30, 2008	101,857	6,967	108,824
June 30, 2009	101,857	3,432	105,289
Next five years	<u>26,108</u>	<u>594</u>	<u>26,702</u>
	<u>\$ 433,536</u>	<u>\$ 35,447</u>	<u>\$ 468,983</u>

The Town has \$4,600,000 in bonds authorized but unissued at June 30, 2005. The Town's legal debt margin at June 30, 2005 was \$87,505,730.

d. Advance Refunding Bonds

On June 26, 2003, the Town issued \$182,750 in Tax-Exempt General Obligation Bonds with an interest rate of 2.99% to advance refund \$175,000 of outstanding 1990 Street and Bikeway Bonds with a rate of 7.00%. The net proceeds of \$179,996 (after payment of \$2,754 in fees and other issuance costs) were deposited in an account with an escrow agent to provide for all future debt service payments on the 1990 Street and Bikeway Bonds until the August 7, 2003 redemption call date. As a result, the 1990 Street and Bikeway Bonds are considered to be defeased and the liability for those bonds has been removed long-term liabilities.

The Town advance refunded the 1990 Street and Bikeway Bonds to reduce its total debt service payments over the next seven years by approximately \$20,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$18,000.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2. Detail Notes on All Funds and Account Groups (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

e. Current Refunding Bond

On June 26, 2003, the Town issued \$454,500 in Taxable General Obligation Bonds with an interest rate of 3.55% to refund \$447,000 of outstanding 1989 General Obligation Refunding Bonds with a rate of 10.35%. The net proceeds of \$450,213 (after payment of \$4,287 in fees and other issuance costs) were used to pay the principal of and accrued interest on the 1989 Bonds in full. As a result, the 1989 General Obligation Refunding Bonds are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

f. Changes in Long-Term Debt Obligations

During the year ended June 30, 2005, the following changes occurred in long-term obligations:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005	Current Portion of Balance
Governmental activities:					
General obligation bonds	\$ 575,393	\$ -	\$ 141,857	\$ 433,536	\$ 101,857
Installment purchases - equipment	657,333	500,280	648,183	509,430	181,042
Installment purchases - improvements	3,386,258	600,000	229,432	3,756,826	275,686
Compensated absences	434,366	305,182	303,212	436,336	303,211
Net pension obligation	<u>156,985</u>	<u>50,493</u>	<u>21,552</u>	<u>185,926</u>	<u>-</u>
	<u>\$ 5,210,335</u>	<u>\$ 1,455,955</u>	<u>\$ 1,344,236</u>	<u>\$ 5,322,054</u>	<u>\$ 861,796</u>

Compensated absences and net pension obligation liabilities have typically been liquidated in the General Fund.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2. Detail Notes on All Funds and Account Groups (Continued)

C. Interfund Balances and Activity

Transfers to/from other funds:

Transfers to/from other funds at June 30, 2005 consist of the following:

From the General Fund to the Capital Reserve Fund for future capital projects expenditures	\$ 150,000
From the General Fund to the Bond Fund for capital projects expenditures	11,700
From the Capital Reserve Fund to the General Fund for previous capital project commitments	262,840
From the Capital Reserve Fund to the Bond Fund for cash advance for bond expenditures	239,988
From the Capital Projects Fund to the General Fund related to funds borrowed in previous year	<u>35,000</u>
Total	<u>\$ 699,528</u>

Note 3. Summary Disclosure of Significant Contingencies

Federal- and State-Assisted Programs

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

Employment Security Benefits

The Town has elected to pay the direct cost of employment security benefits in lieu of unemployment payroll taxes. A liability for such payments could accrue in the period following the discharge of an employee. The Town made payments of \$9,106 for employment security benefits during the current fiscal year.

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.

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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)
1994	\$ -	\$ 100,981	\$ 100,981	0.00%	\$ 777,653	12.99%
1995	-	132,650	132,650	0.00%	886,490	14.96%
1996	-	140,107	140,107	0.00%	999,917	14.01%
1997	-	149,324	149,324	0.00%	1,040,285	14.35%
1998	-	147,592	147,592	0.00%	1,033,027	14.29%
1999	-	208,366	208,366	0.00%	1,060,714	19.64%
2000	-	312,476	312,476	0.00%	1,189,634	26.27%
2001	-	355,690	355,690	0.00%	1,333,658	26.67%
2002	-	403,085	403,085	0.00%	1,311,158	30.74%
2003	-	423,271	423,271	0.00%	1,375,349	30.78%
2004	-	460,887	460,887	0.00%	1,523,125	30.26%

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>
1997	\$ 20,212	71.97%
1998	22,336	32.56%
1999	24,375	0.00%
2000	24,100	29.93%
2001	28,960	49.82%
2002	35,631	34.71%
2003	40,896	50.83%
2004	44,347	48.60%
2005	47,919	44.98%

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, 2004
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	26 years
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return	7.25%
Projected salary increases	5.9% - 9.8%
Includes inflation at	3.75%
Cost of living adjustments	None

**TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2005**

Schedule 1
Page 1 of 5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad valorem taxes			
Taxes	\$ 8,137,702	\$ 8,203,248	\$ 65,546
Penalties and interest	19,500	24,374	4,874
Total	<u>8,157,202</u>	<u>8,227,622</u>	<u>70,420</u>
Local option sales taxes			
Article 39, 1%	941,085	1,114,787	173,702
Article 40, ½%	625,886	625,618	(268)
Article 42, ½%	619,792	621,300	1,508
Article 44, ½%	494,739	513,036	18,297
Total	<u>2,681,502</u>	<u>2,874,741</u>	<u>193,239</u>
Other taxes and licenses			
Motor vehicle license fees	225,000	219,164	(5,836)
Privilege licenses	60,000	54,863	(5,137)
Franchise fees	145,000	165,813	20,813
Total	<u>430,000</u>	<u>439,840</u>	<u>9,840</u>
Unrestricted intergovernmental			
North Carolina Department of Transportation reimbursement	12,000	-	(12,000)
Utilities franchise and telecommunications tax	493,770	471,250	(22,520)
Beer and wine tax	74,100	77,836	3,736
Total	<u>579,870</u>	<u>549,086</u>	<u>(30,784)</u>
Restricted intergovernmental			
Powell Bill	474,262	474,262	-
Local Law Enforcement Block Grants	25,111	5,358	(19,753)
Regional planning work grant	19,477	14,421	(5,056)
Forestry planning grant	-	3,840	3,840
North Carolina Department of Transportation bicycle	100,000	-	(100,000)
Federal STP-DA funds	45,600	-	(45,600)
Firefighters grant	-	4,006	4,006
North Carolina Department of Insurance	-	2,500	2,500
Orange County Arts Commission Grant	1,500	1,500	-
North Carolina Department of Revenue seizure funds	-	6,146	6,146
U.S. Dept of Justice seizure funds	-	4,976	4,976
Recreation municipal supplement	35,898	35,898	-
Total	<u>701,848</u>	<u>552,907</u>	<u>(148,941)</u>

TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2005

Schedule 1
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	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Permits and fees			
Fire district fees	\$ 320,482	\$ 369,480	\$ 48,998
Building permits	72,500	80,964	8,464
Electrical permits	45,000	65,782	20,782
Mechanical permits	45,000	51,203	6,203
Re-inspection fees	3,000	3,480	480
Plumbing permits	40,000	38,966	(1,034)
Refuse collection fees	93,000	74,810	(18,190)
Development review	45,000	38,142	(6,858)
Engineering fees	40,000	24,575	(15,425)
Tower fees	74,904	74,905	1
Dog fees	4,000	6,312	2,312
Sign permits	400	584	184
Street cuts	100	1,190	1,090
Parking violations	2,000	4,135	2,135
Street inspection fees	2,000	2,658	658
Court officer fees	4,000	2,738	(1,262)
Safety officer contract fees	32,344	29,554	(2,790)
Recycling fees	2,200	6,066	3,866
Time Warner Peg Access Fee	15,798	11,161	(4,637)
Miscellaneous fees	850	31,214	30,364
Total	<u>842,578</u>	<u>917,919</u>	<u>75,341</u>
Sales and services			
Recreation fees	200,000	156,382	(43,618)
Town Center fees	-	79,752	79,752
Total	<u>200,000</u>	<u>236,134</u>	<u>36,134</u>
Investment earnings			
Interest on investments	<u>37,500</u>	<u>86,244</u>	<u>48,744</u>
Other			
Sale of lots	8,000	12,150	4,150
Sale of fixed assets	3,900	1,500	(2,400)
Refuse cart sales	6,700	9,941	3,241
Yard waste container sales	1,300	2,392	1,092
Farmers' Market rent	2,000	50	(1,950)
Donations	8,053	23,089	15,036
Special events and workers comp reimbursements	6,300	19,518	13,218
Miscellaneous	6,900	28,886	21,986
Total	<u>43,153</u>	<u>97,526</u>	<u>54,373</u>
Total revenues	<u>13,673,653</u>	<u>13,982,019</u>	<u>308,366</u>

**TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2005**

Schedule 1
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	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures			
General government			
Mayor and Board of Aldermen			
Personnel services	\$	\$ 86,750	\$
Operations		102,238	
Total	<u>201,885</u>	<u>188,988</u>	<u>12,897</u>
Advisory boards			
Operations		4,902	
Total	<u>12,285</u>	<u>4,902</u>	<u>7,383</u>
Governmental support			
Operations		184,226	
Total	<u>186,278</u>	<u>184,226</u>	<u>2,052</u>
Town Manager			
Personnel services		209,258	
Operations		23,904	
Capital outlay		41,999	
Total	<u>286,807</u>	<u>275,161</u>	<u>11,646</u>
Town Clerk			
Personnel services		81,323	
Operations		8,030	
Total	<u>99,811</u>	<u>89,353</u>	<u>10,458</u>
Management services			
Personnel services		506,839	
Operations		748,852	
Capital outlay		44,869	
Total	<u>1,350,534</u>	<u>1,300,560</u>	<u>49,974</u>
Personnel			
Personnel services		190,448	
Operations		58,250	
Total	<u>280,299</u>	<u>248,698</u>	<u>31,601</u>
Economic and community development			
Personnel services		99,566	
Operations		29,672	
Total	<u>158,316</u>	<u>129,238</u>	<u>29,078</u>
Total general government	<u>2,576,215</u>	<u>2,421,126</u>	<u>155,089</u>

**TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2005**

Schedule 1
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	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety			
Police department			
Personnel services	\$	\$ 2,147,345	\$
Operations		173,558	
Capital outlay		160,047	
Total	<u>2,645,852</u>	<u>2,480,950</u>	<u>164,902</u>
Fire department			
Personnel services		1,407,944	
Operations		136,884	
Capital outlay		-	
Total	<u>2,011,402</u>	<u>1,544,828</u>	<u>466,574</u>
Total public safety	<u>4,657,254</u>	<u>4,025,778</u>	<u>631,476</u>
Planning			
Personnel services		843,844	
Operations		205,239	
Capital outlay		22,059	
Total planning	<u>1,217,115</u>	<u>1,071,142</u>	<u>145,973</u>
Transportation			
Operations		917,900	
Total transportation	<u>942,137</u>	<u>917,900</u>	<u>24,237</u>
Public works			
Public works department			
Personnel services		1,501,954	
Operations		1,279,703	
Capital outlay		292,137	
Total public works	<u>3,831,272</u>	<u>3,073,794</u>	<u>757,478</u>
Parks and recreation			
Recreation department			
Personnel services		767,540	
Operations		248,372	
Capital outlay		19,560	
Total parks and recreation	<u>1,294,158</u>	<u>1,035,472</u>	<u>258,686</u>
General services			
Operations		-	
Total general services	<u>31,396</u>	<u>-</u>	<u>31,396</u>

**TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2005**

Schedule 1
Page 5 of 5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service			
Principal retirement	\$	\$ 1,019,472	\$
Interest and fees		162,707	
Total debt service	<u>1,200,819</u>	<u>1,182,179</u>	<u>18,640</u>
Total expenditures	<u>15,750,366</u>	<u>13,727,391</u>	<u>2,022,975</u>
Revenues over (under) expenditures	<u>(2,076,713)</u>	<u>254,628</u>	<u>2,331,341</u>
Other financing sources (uses)			
Transfers in			
From Capital Reserve Fund	288,346	262,840	(25,506)
From Capital Projects Fund	-	35,000	35,000
Transfers out			
To Capital Reserve Fund	(150,000)	(150,000)	-
To Bond Fund	(11,700)	(11,700)	-
Proceeds from installment purchase agreements	<u>850,280</u>	<u>500,280</u>	<u>(350,000)</u>
Total other financing sources	<u>976,926</u>	<u>636,420</u>	<u>(340,506)</u>
Revenues and other sources over (under) expenditures and other uses	<u>(1,099,787)</u>	<u>891,048</u>	<u>1,990,835</u>
Appropriated fund balance	<u>1,099,787</u>	<u>-</u>	<u>(1,099,787)</u>
Revenues, other sources and appropriated fund balance over expenditures and other uses	<u>\$ -</u>	<u>891,048</u>	<u>\$ 891,048</u>
Fund balance, beginning of year		<u>6,282,911</u>	
Fund balance, ending		<u>\$ 7,173,959</u>	

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - PROJECT AUTHORIZATION AND ACTUAL -
REVOLVING LOAN FUND

Schedule 2
Page 1 of 2

From Grant Inception and for the Year Ended June 30, 2005

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues					
General revenues					
Investment earnings					
Interest on investments	\$ 180,339	\$ 174,901	\$ 7,612	\$ 182,513	\$ 2,174
Interest repayments	292,338	281,988	13,450	295,438	3,100
Total investment earnings	472,677	456,889	21,062	477,951	5,274
Other general revenues					
Revolving loan payments					
S & B Beauty	30,000	20,862	9,138	30,000	-
University Printery	20,607	18,831	1,774	20,605	(2)
Orange/Chatham Comprehensive Health	-	50,000	-	50,000	50,000
Carrburrito's, Inc.	40,000	40,000	-	40,000	-
Acme Food & Beverage Company	23,361	20,027	3,557	23,584	223
The Trains, Inc.	-	50,000	-	50,000	50,000
El Chilango	-	50,000	-	50,000	50,000
Paper, Pen & Ink	22,441	22,186	630	22,816	375
Alphabet Soup	7,931	6,463	2,348	8,811	880
Chicken Noodle Soup	15,000	15,001	-	15,001	1
Orange County Social Club	30,000	30,000	-	30,000	-
Places Media	24,555	21,094	3,699	24,793	238
Crazie Mae's	12,873	8,710	4,418	13,128	255
Science Technologies	-	-	-	-	-
Bryan's Guitar	3,843	-	6,295	6,295	2,452
Phydeaux	22,873	-	22,873	22,873	-
Original loan repayments	273,087	273,086	-	273,086	(1)
Total revolving loan payments	526,571	626,260	54,732	680,992	154,421
Total revenues	999,248	1,083,149	75,794	1,158,943	159,695
Expenditures					
Current:					
General government					
Administration	13,274	9,035	405	9,440	3,834
Other appropriations:					
S & B Beauty	30,000	30,000	-	30,000	-
University Printery	30,000	30,000	-	30,000	-
Orange/Chatham Comprehensive Health	-	50,000	-	50,000	(50,000)
Carrburrito's, Inc.	40,000	40,000	-	40,000	-
Acme Food & Beverage Company	50,000	50,000	-	50,000	-
The Trains, Inc.	-	50,000	-	50,000	(50,000)
El Chilango	-	50,000	-	50,000	(50,000)
Paper, Pen & Ink	35,000	35,000	-	35,000	-
Alphabet Soup	48,000	48,000	-	48,000	-
Chicken Noodle Soup	15,000	15,000	-	15,000	-
Orange County Social Club	30,000	30,000	-	30,000	-
Places Media	50,000	50,000	-	50,000	-
Crazie Mae's	75,000	75,000	-	75,000	-
Science Technologies	75,000	25,000	10,000	35,000	40,000
Pie Hole Pizzeria	45,000	-	-	-	45,000
Bryan's Guitar	90,000	-	90,000	90,000	-
Phydeaux	40,000	-	40,000	40,000	-
Loss on loans	45,326	45,326	-	45,326	-
Unexpended reserves	273,648	-	-	-	273,648
	971,974	623,326	140,000	763,326	208,648

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - PROJECT AUTHORIZATION AND ACTUAL -
REVOLVING LOAN FUND
From Grant Inception and for the Year Ended June 30, 2005

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
Total expenditures	\$ 985,248	\$ 632,361	\$ 140,405	\$ 772,766	\$ 212,482
Revenues over expenditures	14,000	450,788	(64,611)	386,177	372,177
Other financing sources (uses)					
Transfers in (out)					
From General Fund	90,000	80,000	-	80,000	(10,000)
To General Fund	(104,000)	(104,000)	-	(104,000)	-
Total other financing uses	(14,000)	(24,000)	-	(24,000)	(10,000)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 426,788	(64,611)	\$ 362,177	\$ 362,177
Fund balance, beginning of year			426,788		
Fund balance, end of year			\$ 362,177		

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - CAPITAL RESERVE FUND
Year Ended June 30, 2005

Schedule 3

	Budget	Actual	Variance Positive (Negative)
Revenues			
Interest earnings	\$ -	\$ 17,326	\$ 17,326
Other revenues	-	2,000	2,000
Total revenues	-	19,326	19,326
Other financing sources (uses)			
Transfers in (out)			
From General Fund	-	150,000	150,000
To General Fund	(288,346)	(262,840)	25,506
To Bond Fund	(239,988)	(239,988)	-
Total other financing uses	(528,334)	(352,828)	175,506
Revenues and other sources under other uses	(528,334)	(333,502)	177,506
Appropriated fund balance	528,334	-	(528,334)
Revenues, other sources and appropriated fund balance under other uses	\$ -	(333,502)	\$ (350,828)
Fund balance, beginning of year		854,492	
Fund balance, end of year		\$ 520,990	

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - PROJECT AUTHORIZATION
AND ACTUAL - CAPITAL PROJECTS FUND
From Grant Inception and for the Year Ended June 30, 2005

	Project Authorization	Actual			Total to Date	Variance Positive (Negative)
		Prior Years	Closed Out Projects	Current Year		
Revenues						
General revenues						
Investment earnings						
Interest on investments	\$ -	\$ -	\$ -	\$ 4,300	\$ 4,300	\$ 4,300
Total investment earnings	-	-	-	4,300	4,300	4,300
Capital projects						
Town Commons Project						
Interest	47,713	47,713	-	-	47,713	-
Contributions	64,040	64,179	-	-	64,179	139
Restricted contributions	1,825	1,825	-	-	1,825	-
N. C. Department of Agriculture grant	236,000	236,000	-	-	236,000	-
Total Town Commons Project	349,578	349,717	-	-	349,717	139
Adams Tract						
Miscellaneous	-	-	-	4,243	4,243	4,243
Clean Water Act Grant	202,000	-	-	202,000	202,000	-
Total Adams Tract	202,000	-	-	206,243	206,243	4,243
Old Fayetteville Road Sidewalk						
Federal pass-through grant	73,025	-	-	-	-	(73,025)
Total Old Fayetteville Road Sidewalk	73,025	-	-	-	-	(73,025)
Jones Ferry Road Sidewalk						
Federal pass-through grant	18,000	-	-	-	-	(18,000)
Total Jones Ferry Road Sidewalk	18,000	-	-	-	-	(18,000)
Brewer Lane Sidewalk						
Federal pass-through grant	74,351	-	-	-	-	(74,351)
Total Brewer Lane Sidewalk	74,351	-	-	-	-	(74,351)
Total revenues	716,954	349,717	-	210,543	560,260	(156,694)
Expenditures						
Town Commons Project						
Professional services	25,247	25,247	-	-	25,247	-
Architectural services	1,000	947	-	-	947	53
Miscellaneous (fundraising expense)	9,733	9,732	-	1,090	10,822	(1,089)
Equipment (bandstand)	53,784	38,600	-	-	38,600	15,184
Project management	37,618	37,617	-	-	37,617	1
Phase I construction	222,196	222,195	-	-	222,195	1
Total Town Commons Project	349,578	334,338	-	1,090	335,428	14,150
Roberson Place Bike Path						
Land	-	30,000	(30,000)	-	-	-
Total Roberson Place Bike Path	-	30,000	(30,000)	-	-	-
Martin Luther King Park						
Miscellaneous	1,017	1,017	-	-	1,017	-
Land	552,701	552,700	-	-	552,700	1
Design	42,532	40,067	-	1,552	41,619	913
Total Martin Luther King Park	596,250	593,784	-	1,552	595,336	914
Smith Middle School						
Design	-	-	-	-	-	-
Total Smith Middle School	-	-	-	-	-	-

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - PROJECT AUTHORIZATION
AND ACTUAL - CAPITAL PROJECTS FUND
From Grant Inception and for the Year Ended June 30, 2005

Schedule 4
Page 2 of 2

	Project Authorization	Actual			Total to Date	Variance Positive (Negative)
		Prior Years	Closed Out Projects	Current Year		
Public Works Facility						
Professional services	\$ 6,068	\$ 10,856	\$ -	\$ -	\$ 10,856	\$ (4,788)
Park supplies	5,000	-	-	-	-	5,000
Permits and fees	4,051	5,750	-	-	5,750	(1,699)
Land	751,881	739,879	-	-	739,879	12,002
Total Public Works Facility	767,000	756,485	-	-	756,485	10,515
Hillsborough Road Widening Project						
Contractual services	27,856	-	-	-	-	27,856
Total Hillsborough Road Widening Project	27,856	-	-	-	-	27,856
Rosemary/Sunset Drive Parking Lot						
Land	-	114,479	(1,500)	-	112,979	(112,979)
Permits and fees	-	1,500	(114,479)	-	(112,979)	112,979
Total Rosemary/Sunset Drive Parking Lot	-	115,979	(115,979)	-	-	-
Adams Tract						
Professional services	6,500	-	-	6,500	6,500	-
Permits and fees	20,500	-	-	10,000	10,000	10,500
Land	775,000	-	-	776,474	776,474	(1,474)
Total Adams Tract	802,000	-	-	792,974	792,974	9,026
Old Fayetteville Road Sidewalk						
Construction	124,667	-	-	-	-	124,667.00
Design	27,223	-	-	13,488	13,488	13,735
Total Old Fayetteville Road Sidewalk	151,890	-	-	13,488	13,488	138,402
Jones Ferry Road Sidewalk						
Construction	6,668	-	-	-	-	6,668
Design	15,842	-	-	8,271	8,271	7,571
Total Jones Ferry Road Sidewalk	22,510	-	-	8,271	8,271	14,239
Brewer Lane Sidewalk						
Construction	79,813	-	-	-	-	79,813
Design	13,126	-	-	6,788	6,788	6,338
Total Jones Ferry Road Sidewalk	92,939	-	-	6,788	6,788	86,151
GO Sidewalk Bond						
Professional Services	-	695	-	(694)	1	(1)
Total GO Sidewalk Bond	-	695	-	(694)	1	(1)
Total expenditures	2,810,023	1,831,281	(145,979)	823,469	2,506,771	301,252
Revenues over (under) expenditures	(2,093,069)	(1,481,564)	145,979	(612,926)	(1,948,511)	144,558
Other financing sources (uses)						
Transfers in						
From General Fund	78,250	78,250	-	-	78,250	-
From Capital Reserve Fund	129,819	161,698	(31,879)	-	129,819	-
From Payment in Lieu Reserve Fund	279,000	279,000	-	-	279,000	-
From Debt Service Fund	-	-	-	-	-	-
Transfers out						
To General Fund	(35,000)	-	-	(35,000)	(35,000)	-
To Capital Reserve Fund	-	-	-	-	-	-
To Payment in Lieu Reserve Fund	-	-	-	-	-	-
Bond proceeds	-	-	-	-	-	-
Proceeds from installment purchase agreements	1,641,000	1,155,100	(114,100)	600,000	1,641,000	-
Total other financing sources (uses)	2,093,069	1,674,048	(145,979)	565,000	2,093,069	-
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 192,484	\$ -	(47,926)	\$ 144,558	\$ 144,558
Fund balance, beginning of year				192,484		
Fund balance, end of year				\$ 144,558		

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - PROJECT AUTHORIZATION
AND ACTUAL - BOND FUND
From Grant Inception and for the Year Ended June 30, 2005

	Project Authorization	Actual			Total to Date	Variance Positive (Negative)
		Prior Years	Closed Out Projects	Current Year		
Revenues						
Bond projects						
Morgan Creek Greenway						
Federal STP-DA funds	\$ 520,000	\$ -	\$ -	\$ -	\$ -	\$ (520,000)
Bond Proceeds	130,000	-	-	-	-	(130,000)
Total Morgan Creek Greenway	650,000	-	-	-	-	(650,000)
Bolin Creek Greenway						
Federal STP-DA funds	56,000	-	-	-	-	(56,000)
Bond Proceeds	14,000	-	-	-	-	(14,000)
Total Bolin Creek Greenway	70,000	-	-	-	-	(70,000)
Quail Roost Sidewalk						
Bond Proceeds	174,397	-	-	-	-	(174,397)
Total Quail Roost Sidewalk	174,397	-	-	-	-	(174,397)
Lisa Drive Sidewalk						
Bond Proceeds	164,426	-	-	-	-	(164,426)
Total Lisa Drive Sidewalk	164,426	-	-	-	-	(164,426)
Bolin Forest Sidewalk						
Federal STP-DA funds	15,960	-	-	-	-	(15,960)
Bond Proceeds	24,670	-	-	-	-	(24,670)
Total Bolin Forest Sidewalk	40,630	-	-	-	-	(40,630)
Hannah Street Sidewalk						
Federal STP-DA funds	55,564	-	-	-	-	(55,564)
Bolin Creeek Co-Housing	99,556	-	-	-	-	(99,556)
Bond Proceeds	43,993	-	-	-	-	(43,993)
Total Hannah Street Sidewalk	199,113	-	-	-	-	(199,113)
Total revenues	1,298,566	-	-	-	-	(1,298,566)
Expenditures						
General						
Professional services	28,000	-	-	-	-	28,000
Miscellaneous	2,000	-	-	1,428	1,428	572
Construction	977,347	-	-	-	-	977,347
Design	188,430	-	-	160,000	160,000	28,430
Total General	1,195,777	-	-	161,428	161,428	1,034,349

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - PROJECT AUTHORIZATION
AND ACTUAL - BOND FUND
From Grant Inception and for the Year Ended June 30, 2005

	Project Authorization	Actual			Total to Date	Variance Positive (Negative)
		Prior Years	Closed Out Projects	Current Year		
Morgan Creek Greenway						
Construction	\$ 600,000	\$ -	\$ -	\$ -	\$ -	\$ 600,000
Design	50,000	-	-	-	-	50,000
Total Morgan Creek Greenway	650,000	-	-	-	-	650,000
Bolin Creek Greenway						
Design	70,000	-	-	-	-	70,000
Total Bolin Creek Greenway	70,000	-	-	-	-	70,000
Quail Roost Sidewalk						
Engineering Inspections	13,510	-	-	-	-	13,510
Construction	145,599	-	-	-	-	145,599
Design	15,288	-	-	12,408	12,408	2,880
Total Quail Roost Sidewalk	174,397	-	-	12,408	12,408	161,989
Lisa Drive Sidewalk						
Engineering Inspections	14,250	-	-	-	-	14,250
Construction	138,884	-	-	-	-	138,884
Design	11,292	-	-	12,333	12,333	(1,041)
Total Lisa Drive Sidewalk	164,426	-	-	12,333	12,333	152,093
Bolin Forest Sidewalk						
Engineering Inspections	4,400	-	-	-	-	4,400
Design	47,930	-	-	10,370	10,370	37,560
Total Bolin Forest Sidewalk	52,330	-	-	10,370	10,370	41,960
Hannah Street Sidewalk						
Engineering Inspections	20,800	-	-	-	-	20,800
Construction	166,115	-	-	-	-	166,115
Design	12,198	-	-	9,685	9,685	2,513
Total Hannah Street Sidewalk	199,113	-	-	9,685	9,685	189,428
Total expenditures	2,506,043	-	-	206,224	206,224	2,299,819
Revenues over (under) expenditures	(1,207,477)	-	-	(206,224)	(206,224)	1,001,253
Other financing sources (uses)						
Transfers in						
From General Fund	11,700	-	-	11,700	11,700	-
From Capital Reserve Fund	239,988	-	-	239,988	239,988	-
Transfers out						
To General Fund	-	-	-	-	-	-
To Capital Reserve Fund	(239,988)	-	-	-	-	239,988
Bond proceeds	1,195,777	-	-	-	-	(1,195,777)
Total other financing sources (uses)	1,207,477	-	-	251,688	251,688	(955,789)
Revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ -	45,464	\$ 45,464	\$ 45,464
Fund balance, beginning of year						
Fund balance, end of year				\$ 45,464		

**TOWN OF CARRBORO, NORTH CAROLINA
 COMBINING SCHEDULE OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES -
 NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended June 30, 2005**

Schedule 6

	<u>Payment in Lieu Reserve Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
Revenues:		
Investment earnings	\$ 1,338	\$ 1,338
Other revenues	<u>83,522</u>	<u>83,522</u>
Total revenues	<u>84,860</u>	<u>84,860</u>
Other financing sources (uses):		
Transfers from other funds	-	-
Transfers to other funds	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balances	84,860	84,860
Fund balances, beginning of year	<u>36,574</u>	<u>36,574</u>
Fund balances, end of year	<u>\$ 121,434</u>	<u>\$ 121,434</u>

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
PAYMENT IN LIEU RESERVE FUND
Year Ended June 30, 2005

Schedule 7

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Investment earnings	\$ -	\$ -	\$ 1,338	\$ 1,338
Other revenues	-	-	83,522	83,522
Total revenues	-	-	84,860	84,860
Other financing sources:				
Transfers from other funds	-	-	-	-
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ -</u>	84,860	<u>\$ 84,860</u>
Fund balance, beginning of year			36,574	
Fund balance, end of year			<u>\$ 121,434</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, 2005

Schedule 8

<u>Year of Levy</u>	<u>Uncollected Balance July 1, 2004</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2005</u>
2004	\$ -	\$ 8,479,108	\$ 8,361,431	\$ 117,677
2003	114,092	-	77,410	36,682
2002	32,838	-	7,744	25,094
2001	21,888	-	3,616	18,272
2000 and prior	137,093	-	-	137,093
	305,911	<u>\$ 8,479,108</u>	<u>\$ 8,450,201</u>	334,818
Less allowance for uncollectible accounts	<u>(83,007)</u>			<u>(92,253)</u>
Receivables, net	<u>\$ 222,904</u>			<u>\$ 242,565</u>
Reconciliation of revenues with collections:				
General Fund				\$ 8,227,622
General Fund vehicle license fees				<u>219,164</u>
Total revenues				8,446,786
Reconciling items:				
Adjustments				27,789
Penalties and interest				<u>(24,374)</u>
				<u>\$ 8,450,201</u>

TOWN OF CARRBORO, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY
Year Ended June 30, 2005

Schedule 9

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$1,152,569,110	\$ 0.7148	\$ 8,238,564	\$ 8,006,444	\$ 232,120
Penalties and interest	-		21,440	21,440	-
Total	1,152,569,110		8,260,004	8,027,884	232,120
Discoveries:					
Current year taxes	(68)	0.7148	-	-	-
Total gross levy	1,152,569,042		8,260,004	8,027,884	232,120
Vehicle tag fee	-		231,120	-	231,120
Total property valuation	<u>\$1,152,569,042</u>				
Abatements/adjustments			(12,016)	(12,016)	-
Net levy			8,479,108	8,015,868	463,240
Uncollected taxes at June 30, 2005			117,677	86,192	31,485
Current year's taxes collected			<u>\$ 8,361,431</u>	<u>\$ 7,929,676</u>	<u>\$ 431,755</u>
Current levy collection percentage			<u>98.61%</u>	<u>98.92%</u>	<u>93.20%</u>

SUPPLEMENTARY INFORMATION

STATISTICAL SECTION

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**TOWN OF CARRBORO, NORTH CAROLINA
GOVERNMENT-WIDE EXPENSES BY FUNCTION**

Table 1

<u>Fiscal Year Ended June 30</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Planning</u>	<u>Transportation</u>
2004	\$ 2,325,429	\$ 3,970,899	\$ 906,766	\$ 817,003
2005	2,407,038	4,031,562	1,057,324	917,900

Note: Ten years of comparative history not available due to implementation of GASB 34 in the fiscal year ended June 30, 2004.

Table 1

<u>Public Works</u>	<u>Parks and Recreational</u>	<u>Other Appropriations</u>	<u>Unallocated Interest and Fiscal Charges</u>	<u>Total</u>
\$ 2,775,381	\$ 1,182,059	\$ 25,384	\$ 196,168	\$ 12,199,089
1,755,707	1,208,790	140,000	170,476	11,688,797

**TOWN OF CARRBORO, NORTH CAROLINA
GOVERNMENT-WIDE REVENUES**

<u>Fiscal Year Ended June 30</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Taxes</u>
2004	\$ 1,174,542	\$ 629,886	\$ -	\$ 10,909,066
2005	1,165,175	541,784	-	11,561,864

Table 2

Inter- Governmental Revenues Not Restricted to Specific Programs	Grants and Contributions Not Restricted to Specific Programs	Miscellaneous	Total
\$ 531,121	\$ -	\$ 146,056	\$ 13,390,671
549,086	-	1,506,235	15,324,144

TOWN OF CARRBORO, NORTH CAROLINA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION ¹
Last Ten Fiscal Years

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General government	\$ 2,421,531	\$ 2,409,684	\$ 1,923,071	\$ 1,868,732
Public safety	4,025,778	3,945,853	3,442,054	3,521,900
Planning	1,071,142	911,521	922,863	843,097
Transportation	917,900	817,023	747,737	702,753
Public works	3,073,794	3,008,021	2,919,627	2,653,718
Parks and recreation	1,035,472	1,130,239	994,878	899,066
General services	-	-	-	1,000
Capital projects	1,029,693	135,046	938,741	64,711
Principal retirement	1,019,472	893,239	848,478	730,600
Interest and fiscal charges	162,707	224,737	300,630	304,789
Other appropriations	<u>140,000</u>	<u>25,384</u>	<u>138,041</u>	<u>45,000</u>
Total expenditures by function	<u>\$ 14,897,489</u>	<u>\$ 13,500,747</u>	<u>\$ 13,176,120</u>	<u>\$ 11,635,366</u>

Note: ¹ Includes General, Special Revenue and Capital Projects Funds.

Table 3

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
\$ 1,829,253	\$ 1,384,454	\$ 2,317,775	\$ 1,879,858	\$ 1,875,048	\$ 1,019,630
3,173,326	2,884,355	2,577,735	2,740,252	2,342,415	2,244,095
852,909	731,751	-	-	-	571,302
576,728	-	-	-	-	-
2,684,721	2,461,020	2,269,345	1,919,247	2,054,814	2,081,341
809,179	653,489	612,545	542,194	586,823	507,675
58,355	281,613	-	-	-	-
877,125	1,947,403	310,791	1,699,118	8,429	159,470
793,893	665,014	634,481	580,050	548,026	157,165
299,765	298,297	315,410	256,356	164,017	162,398
82,505	550,647	456,053	665,325	622,036	871,451
<u>\$ 12,037,759</u>	<u>\$ 11,858,043</u>	<u>\$ 9,494,135</u>	<u>\$ 10,282,400</u>	<u>\$ 8,201,608</u>	<u>\$ 7,774,527</u>

**TOWN OF CARRBORO, NORTH CAROLINA
GENERAL GOVERNMENTAL REVENUES BY SOURCE 1
Last Ten Fiscal Years**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Ad valorem taxes	\$ 8,227,622	\$ 7,791,921	\$ 7,324,513	\$ 6,838,670
Local option sales taxes	2,874,741	2,705,076	2,278,779	2,102,576
Other taxes and licenses	439,840	428,338	387,152	444,264
Intergovernmental revenues	1,101,993	1,161,007	1,254,671	1,178,837
Permits and fees	917,919	995,392	747,441	746,206
Sales and services	236,134	179,150	195,494	151,403
Investment earnings	130,270	51,269	78,616	131,432
Other	<u>444,023</u>	<u>129,649</u>	<u>167,324</u>	<u>162,568</u>
Total revenues by source	<u>\$ 14,372,542</u>	<u>\$ 13,441,802</u>	<u>\$ 12,433,990</u>	<u>\$ 11,755,956</u>

Note: ¹ Includes General, Special Revenue and Capital Projects Funds.

Table 4

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
\$ 5,874,291	\$ 5,260,124	\$ 4,818,643	\$ 4,373,320	\$ 3,899,470	\$ 3,516,550
2,108,683	1,992,311	1,900,287	1,750,618	1,499,303	-
316,531	306,947	278,939	248,347	240,312	-
1,561,207	1,319,669	1,420,206	1,437,164	1,366,394	2,873,214
833,552	791,015	791,466	665,585	641,598	894,601
115,009	102,230	108,100	99,030	100,837	13,817
333,572	330,941	299,552	315,872	180,647	182,640
162,866	202,595	195,467	189,680	237,416	293,705
<u>\$ 11,305,711</u>	<u>\$ 10,305,832</u>	<u>\$ 9,812,660</u>	<u>\$ 9,079,616</u>	<u>\$ 8,165,977</u>	<u>\$ 7,774,527</u>

**TOWN OF CARRBORO, NORTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS - GENERAL FUND
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Current Tax Levy</u>	<u>Current Year Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Prior Year Delinquent Tax Collections</u>	<u>Total Tax Collections</u>
1996	1995	\$ 3,572,164	\$ 3,491,165	97.73%	\$ 69,773	\$ 3,560,938
1997	1996	4,031,350	3,937,363	97.67%	58,665	3,996,028
1998	1997	4,510,381	4,419,806	97.99%	65,649	4,485,455
1999	1998	4,957,841	4,866,710	98.16%	72,829	4,939,539
2000	1999	5,407,318	5,312,426	98.25%	76,474	5,388,900
2001	2000	6,065,356	5,934,238	97.84%	85,211	6,019,449
2002	2001	6,984,830	6,883,438	98.55%	96,959	6,980,397
2003	2002	7,551,366	7,433,914	98.44%	83,926	7,517,840
2004	2003	7,988,802	7,874,710	98.57%	125,290	8,000,000
2005	2004	8,479,108	8,361,431	98.61%	82,423	8,443,854

Source: Orange County Tax Collector's Office.

Table 5

<u>Percent of Total Tax Collections to Adjusted Tax Levy</u>	<u>Current Year Outstanding Taxes</u>	<u>Percent of Delinquent Taxes to Adjusted Tax Levy</u>
99.69%	\$ 80,999	2.27%
99.12%	93,987	2.33%
99.45%	90,575	2.01%
99.63%	91,131	1.84%
99.66%	94,892	1.75%
99.24%	131,118	2.16%
99.94%	101,392	1.45%
99.56%	117,452	1.56%
100.14%	114,092	1.43%
99.58%	117,677	1.39%

TOWN OF CARRBORO, NORTH CAROLINA
ASSESSED VALUE OF ALL TAXABLE PROPERTY
Last Ten Fiscal Years

Table 6

Fiscal Year	Tax Year ¹	Real Property Value	Personal Property Value	Public Service Companies	Total Assessed Value	Tax Rate Based on \$100 of Assessed Value
1996	1995	\$ 434,932,739	\$ 53,455,605	\$ 10,177,349	\$ 498,565,693	0.7000
1997	1996	454,016,162	61,463,835	10,571,493	526,051,490	0.7475
1998	1997	599,928,018	75,591,001	10,971,748	686,490,767	0.6375
1999	1998	638,188,022	83,472,647	11,431,726	733,092,395	0.6600
2000	1999	674,703,509	93,373,946	13,389,138	781,466,593	0.6750
2001	2000	718,095,878	99,234,383	13,414,474	830,744,735	0.7120
2002	2001	916,537,233	106,149,593	14,063,739	1,036,750,565	0.0066
2003	2002	952,750,323	105,406,710	14,015,046	1,072,172,079	0.0069
2004	2003	1,005,282,825	108,676,566	14,506,050	1,128,465,441	0.0069
2005	2004	1,029,610,609	108,489,664	14,468,769	1,152,569,042	0.0071

Notes:

- ¹ Effective with the fiscal year ended June 30, 1994, the tax year for registered vehicles is the same as the fiscal year.
- ² As of January 1, 1993, registered vehicles are separated from personal property.
- ³ Registered vehicles values are taxed at prior year rates and current year rates for the 1996, 1997 and 1998 fiscal years.

TOWN OF CARRBORO, NORTH CAROLINA
DIRECT AND OVERLAPPING LOCAL GOVERNMENT JURISDICTIONS
PROPERTY TAX RATES AND LEVIES ^{1, 2}
Last Ten Fiscal Years

Table 7

Fiscal Year	Town of Carrboro		Orange County		Combined	
	Tax Rate	Tax Levy	Tax Rate	Tax Levy	Tax Rate	Tax Levy
1996	0.7000	\$ 3,572,164	0.9475	\$ 52,456,250	1.6475	\$ 56,028,414
1997	0.7475	4,031,350	0.9975	59,251,135	1.7450	63,282,485
1998	0.6375	4,510,381	0.8730	65,368,175	1.5105	69,878,556
1999	0.6600	4,957,841	0.9020	70,316,829	1.5620	75,274,670
2000	0.6750	5,407,318	0.9190	76,489,429	1.5940	81,896,747
2001	0.7120	6,065,356	0.9290	80,576,790	1.6410	86,642,146
2002	0.6568	6,984,830	0.8050	87,980,261	1.4618	94,965,091
2003	0.6852	7,551,366	0.8300	92,201,181	1.5152	99,752,547
2004	0.6852	7,988,802	0.8450	97,333,361	1.5302	105,322,163
2005	0.7148	8,479,108	0.8800	104,132,105	1.5948	112,611,213

- Notes:**
- ¹ The County collects all town and county taxes levied within Orange County.
 - ² All tax rates are expressed in dollars of tax per \$100 of assessed valuation.

**TOWN OF CARRBORO, NORTH CAROLINA
PRINCIPAL TAXPAYERS
June 30, 2005**

Table 8

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004 Assessed Value</u>	<u>Percentage of Total Assessed Value</u>
Vac Limited Partnership	Apartment Rental	\$ 22,757,820	1.97%
Autumn Woods Apartments, Inc.	Apartment Rental	17,406,522	1.51%
Villages of Chapel Hill	Apartment Rental	16,022,081	1.39%
Crit NC III, LLC	Apartment Rental	15,100,181	1.31%
Carr Mill Mall Limited	Shopping Center	12,663,232	1.10%
Atlantic Multifamily	Apartment Rental	12,236,065	1.06%
Zell Samuel Trustee	Apartment Rental	10,231,986	0.89%
Sterling Brook Apartments, LLC	Apartment Rental	8,973,012	0.78%
CAJF Associates, LLC	Apartment Rental	8,820,437	0.77%
UDRT of North Carolina, LLC	Apartment Rental	8,600,133	0.75%
		<u>\$ 132,811,469.00</u>	<u>11.52%</u>

Note: Percentage based on 2004 tax year total assessed value in the amount of \$1,152,569,042.

**TOWN OF CARRBORO, NORTH CAROLINA
ASSESSMENTS RECEIVABLE AND COLLECTIONS
Last Ten Fiscal Years**

Table 9

Fiscal Year	General Fund			Assessments Receivable June 30	Fiscal Year
	Assessments Receivable July 1	Additional Assessments	Collections		
1996	\$ 4,931	\$ -	\$ 1,163	\$ 3,768	1996
1997	3,768	-	-	3,768	1997
1998	3,768	-	-	3,768	1998
1999	3,768	-	-	3,768	1999
2000	3,768	-	-	3,768	2000
2001	3,768	-	-	3,768	2001
2002	3,768	-	-	3,768	2002
2003	3,768	-	3,768	-	2003
2004	-	-	-	-	2004
2005	-	-	-	-	2005

**TOWN OF CARRBORO, NORTH CAROLINA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2005**

Table 10

Assessed property value		<u>\$ 1,152,569,042</u>
Debt limit - eight percent (8%) of assessed value		\$ 92,205,523
Gross debt:		
Total bonded debt	\$ 433,536	
Installment purchase agreements	<u>4,266,257</u>	
Gross debt		<u>4,699,793</u>
Legal debt margin		<u>\$ 87,505,730</u>

TOWN OF CARRBORO, NORTH CAROLINA
RATIO OF NET GENERAL OBLIGATION DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
Last Ten Fiscal Years

Table 11

<u>Fiscal Year Ended June 30</u>	<u>Population Estimate</u>	<u>Assessed Value</u>	<u>Net Debt</u>	<u>Ratio of Net Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1996	14,652	\$ 498,565,693	\$ 1,744,000	0.35%	\$ 119.03
1997	15,119	526,051,490	1,580,000	0.30%	104.50
1998	15,437	686,490,767	1,413,000	0.21%	91.53
1999	16,012	733,092,395	1,243,000	0.17%	77.63
2000	16,782	781,466,593	1,119,000	0.14%	66.68
2001	17,240	830,744,735	991,000	0.12%	57.48
2002	17,456	1,036,750,565	859,000	0.08%	49.21
2003	17,585	1,072,172,079	737,250	0.07%	41.92
2004	17,585	1,128,465,441	575,393	0.05%	32.72
2005	17,585	1,152,569,042	433,536	0.04%	24.65

TOWN OF CARRBORO, NORTH CAROLINA
RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED
DEBT TO TOTAL GENERAL GOVERNMENT EXPENDITURES
Last Ten Fiscal Years

Table 12

Fiscal Year Ended June 30	Principal	Interest and Fiscal Charges	Total Debt Service ¹	General Government Expenditures ²	Ratio
1996	\$ 157,165	\$ 162,398	\$ 319,563	\$ 7,774,527	4.11%
1997	548,026	164,017	712,043	8,201,608	8.68%
1998	580,050	256,356	836,406	10,282,400	8.13%
1999	634,481	315,410	949,891	9,494,135	10.01%
2000	665,014	298,297	963,311	11,858,043	8.12%
2001	793,893	299,765	1,093,658	12,037,759	9.09%
2002	730,600	304,789	1,035,389	11,635,366	8.90%
2003	848,478	300,630	1,149,108	13,176,120	8.72%
2004	893,239	224,737	1,117,976	13,500,747	8.28%
2005	1,019,472	162,707	1,182,179	14,897,489	7.94%

Notes:

¹ Includes General, Special Revenue and Capital Projects Funds.

TOWN OF CARRBORO, NORTH CAROLINA
DIRECT AND OVERLAPPING DEBT
June 30, 2005

Table 13

	<u>Total</u>	<u>Percentage Applicable to Town of Carrboro</u>	<u>Amount Applicable to Town of Carrboro</u>
Town of Carrboro general obligation debt	\$ 433,536	100.00%	\$ 433,536
Overlapping debt - Orange County	125,810,000	11.59%	<u>14,581,379</u>
Total direct and overlapping debt			<u>\$ 15,014,915</u>

**TOWN OF CARRBORO, NORTH CAROLINA
DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years**

Table 14

Fiscal Year Ended June 30	Population ¹	Per Capita Income ²	Median Age ²	Public School Enrollment ³	Unemployment Rate ⁵
1996	14,652	\$ 12,604	26.5	13,583	2.1
1997	15,119	12,604	26.5	13,857	1.7
1998	15,437	12,604	26.5	14,940	1.6
1999	16,012	12,604	26.5	15,238	1.4
2000	16,782	12,604	26.5	15,676	2.9
2001	17,240	12,604	26.5	16,121	3.4
2002	17,456	21,429	28.1	16,527	4.5
2003	17,585	21,429	28.1	16,590	5.0
2004	17,648	21,429	28.1	10,592 (4)	4.5
2005	17,648 (6)	21,429	28.1	10,699 (4)	4.3

Notes:

- ¹ State of North Carolina, Office of state budget and management.
- ² Estimated from 1990 and 2000 Census of Population. Per capita income and median age data for 1995 through 2001 are calculated on 1990 census data. Per capita income and median age for 2002 to 2004 are based on 2000 Census of population.
- ³ Chapel Hill-Carrboro City Schools and Orange County Schools.
- ⁴ Chapel Hill-Carrboro City Schools.
- ⁵ Employment Security Commission; Orange County rates were used.
- ⁶ Not available; prior year estimate used.

**TOWN OF CARRBORO, NORTH CAROLINA
PROPERTY VALUE AND CONSTRUCTION
Last Ten Fiscal Years**

Table 15

Fiscal Year Ended June 30	Property Value ¹	Construction ³
1996	\$ 498,565,693	\$ - ²
1997	526,051,490	- ²
1998	686,490,767	- ²
1999	733,092,395	- ²
2000	781,466,593	29,589,669
2001	830,744,735	33,318,590
2002	1,036,750,565	30,359,347
2003	1,072,172,079	29,773,204
2004	1,128,465,441	37,018,285
2005	1,152,569,042	25,758,456

Notes:

¹ Revaluation of taxable property is required by North Carolina state statute every eight years. A revaluation was made as of January 1, 1993 and reflected in property values for the fiscal year ended June 30, 1994. A revaluation was made as of January 1, 1997 and reflected in property values for the fiscal year ended June 30, 1998. The last revaluation was made as of January 1, 2000 and reflected in property values for the fiscal year ended June 30, 2001.

² Unavailable.

³ Source of Information: Town of Carrboro Inspections Department.

TOWN OF CARRBORO, NORTH CAROLINA
MISCELLANEOUS STATISTICS
Year Ended June 30, 2005

Table 16

Date of incorporation	1911
Form of government	Council-Manager
Population (estimated)	17,648
Area (square miles - land)	5.66 square miles
Miles of streets	37
Number of street lights	779
Number of traffic lights	184
Fire protection:	
Number of stations	1
Number of firemen and officers	28
Number of fire calls (annual)	880
Police protection:	
Number of stations	1
Number of policemen and officers	37
Number of calls to which responded (annual)	16,908
Number of traffic accidents (annual)	546
Number of arrests (18 years and over) (annual)	806
New construction building permits issued	122
Value of building permits issued	\$29,780,536
Total permanent employees	142
Recreation:	
Number of parks	9
Total acreage of parks	110.15
Fishing and boating lakes	1
Owned and operated by the Town	8
Owned by the Town, operated by Orange County	0
Soccer fields	1
Lighted softball fields	5
Lighted tennis courts	4
Recreation centers	1

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SUPPLEMENTARY INFORMATION

COMPLIANCE SECTION

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DIXON HUGHES PLLC

Certified Public Accountants and Advisors

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 financial statements of the governmental activities, each major fund, the budget to actual comparison for the General Fund and the annually budgeted major Special Revenue Fund, and the aggregate remaining fund information of the Town of Carrboro, North Carolina as of and for the year ended June 30, 2005, which collectively comprise the Town of Carrboro's basic financial statements, and have issued our report thereon dated September 9, 2005. 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

In planning and performing our audit, we considered the Town of Carrboro's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 is not intended to be and should not be used by anyone other than these specified parties.

Dixon Hughes PLLC
September 9, 2005



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH APPLICABLE SECTIONS OF OMB CIRCULAR A-133 AND
THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

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

Compliance

We have audited the compliance of the Town of Carrboro, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major state programs for the year ended June 30, 2005. The Town of Carrboro's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town of Carrboro's management. Our responsibility is to express an opinion on the Town of Carrboro's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Carrboro's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Carrboro's compliance with those requirements.

In our opinion, the Town of Carrboro complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Town of Carrboro is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Town of Carrboro's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of Town Council, 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 PLLC
September 9, 2005

**TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005**

I. Summary of Auditors' Results (Continued)

State Awards

Internal control over major state programs:

- Material weaknesses identified? Yes No

- Reportable conditions identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to state awards? Yes No

Type of auditors' report issued on compliance for major state programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? Yes No

Identification of major state programs:

_____ Program Name or Cluster _____

Powell Bill

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

**TOWN OF CARRBORO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005**

II. Financial Statement Findings

None reported.

III. Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

**TOWN OF CARRBORO
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2005**

There were no prior year audit findings.