

**Town of Carrboro, North Carolina**

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2007

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# Town of Carrboro, North Carolina

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## TABLE OF CONTENTS

Page No.

### INTRODUCTORY SECTION

List of Principal Officials .....	i
Organizational Chart .....	ii
Letter of Transmittal .....	iii
GFOA Certificate of Achievement.....	xi

### FINANCIAL SECTION

#### ***Report of Certified Public Accountants***

Independent Auditors' Report .....	1
Management's Discussion and Analysis .....	3

Exhibit

#### ***Basic Financial Statements***

##### *Government-Wide Financial Statements:*

1	Statement of Net Assets .....	17
2	Statement of Activities .....	18

##### *Fund Financial Statements:*

3	Balance Sheet - Governmental Funds .....	19
4	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	20
4	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	21
5	Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund and Capital Reserve .....	22
	Notes to Financial Statements .....	25

## Town of Carrboro, North Carolina

---

### TABLE OF CONTENTS (Continued)

<u>Exhibit</u>	<b>Required Supplementary Financial Data</b>	<u>Page No.</u>
A-1	Law Enforcement Officers' Special Separation Allowance Required Supplementary Information - Schedule of Funding Progress.....	51
A-2	Law Enforcement Officers' Special Separation Allowance Required Supplementary Information - Schedule of Employer Contributions .....	52
<u>Schedule</u>		
<b>SUPPLEMENTARY INFORMATION</b>		
<i><b>Combining and Individual Fund Statements and Schedules</b></i>		
1	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund .....	53
2	Schedule of Revenues, Expenditures and Changes in Fund Balance - Project Authorization and Actual - Revolving Loan Fund.....	58
3	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Reserve Fund .....	60
4	Schedule of Revenues, Expenditures and Changes in Fund Balance - Project Authorization and Actual - Capital Projects Fund .....	61
5	Schedule of Revenues, Expenditures and Changes in Fund Balance - Project Authorization and Actual - Bond Fund .....	63
6	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Payment in Lieu Reserve Fund .....	66
<i><b>Other Schedules</b></i>		
7	Schedule of Ad Valorem Taxes Receivable .....	68
8	Analysis of Current Tax Levy - Town-Wide Levy.....	69
<u>Table</u>		
<b>STATISTICAL SECTION</b>		
<i>Financial Trends Information:</i>		
1	Net Assets by Component.....	75
2	Changes in Net Assets .....	76
3	Fund Balances, Governmental Funds.....	77
4	Changes in Balances, Governmental Funds .....	78
<i>Revenue Capacity Information:</i>		
5	Program Revenues by Function/Program.....	80
6	Tax Revenues by Source, Governmental Funds.....	81
7	Assessed Value and Actual Value of Taxable Property .....	82
8	Direct and Overlapping Property Tax Rates .....	83
9	Property Tax Levies and Collections.....	84
10	Principal Property Taxpayers .....	85

## Town of Carrboro, North Carolina

---

### TABLE OF CONTENTS (Continued)

	<i>Debt Capacity Information:</i>	
11	Ratios of Outstanding Debt by Type .....	87
12	Ratios of General Bonded Debt Outstanding.....	88
13	Direct and Overlapping Governmental Activities Debt.....	89
14	Legal Debt Margin Information .....	90
	<i>Demographic and Economic Information:</i>	
15	Demographic and Economic Statistics.....	92
16	Principal Employers .....	93
17	Full-Time Equivalent City Government Employees by Function/Program	94
	<i>Operating Information:</i>	
18	Operating Indicators by Function/Program .....	96
19	Capital Asset Statistics by Function/Program .....	97

### COMPLIANCE SECTION

	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	101
--	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----

Schedule

### SINGLE AUDIT SECTION

	Report on Compliance with Requirements Applicable to Each Major State Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act.....	105
9	Schedule of Findings and Questioned Costs .....	107
10	Summary Schedule of Prior Audit Findings .....	109
11	Schedule of Expenditures of Federal and State Awards.....	110

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# Town of Carrboro, North Carolina

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## LIST OF PRINCIPAL OFFICIALS

### BOARD OF ALDERMEN

Mark Chilton, Mayor

Dan Coleman  
Joal Hall Broun  
Ranee Haven-O'Donnell

Alex Zaffron  
John Herrera  
Jacquelyn Gist

### TOWN MANAGER

Steven E. Stewart

### ASSISTANT TOWN MANAGER

L. Bingham Roenigk

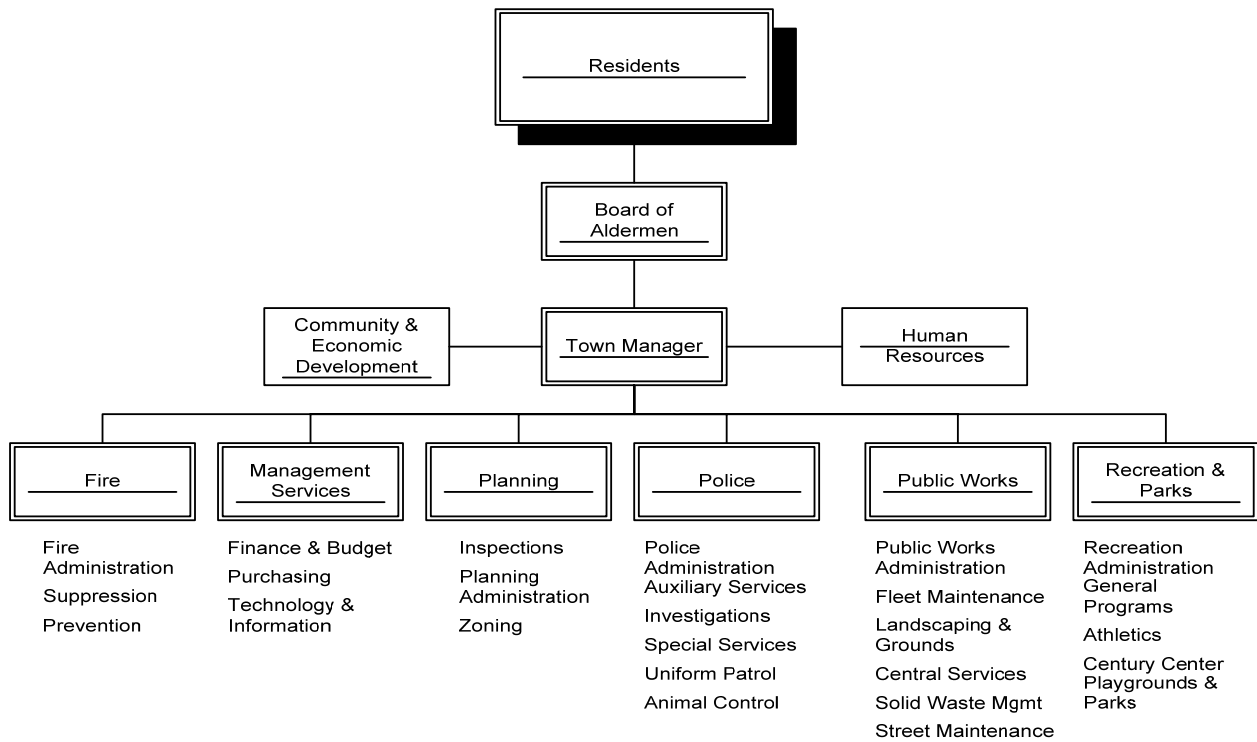
### MANAGEMENT SERVICES DEPARTMENT

Nancy Emslie, Accounting Officer  
Tonya Counts, Staff Accountant  
Annette Rogers, Accounting Technician II  
Jane Bowden, Accounting Technician  
Carrie Farrington, Program Support Assistant II  
Sandy Svoboda, Purchasing Officer  
Andy Vogel, IT Manager  
Greg Brusseau, IT Support Engineer

# Town of Carrboro, North Carolina

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## Organizational Chart





October 31, 2007

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

Dear Mayor Chilton 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, 2006. For three consecutive years, the Town has 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 will be submitting our Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007 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. Further information about the Certificate Program can be obtained by visiting GFOA's website at: [www.gfoa.org](http://www.gfoa.org).

This report is the official comprehensive publication of the Town's financial position at June 30, 2007, 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, 2007 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.

## ***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, now covers an area of 6.35 square miles and has a population of approximately 18,200. Carrboro 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 27,717 in 2006. 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.

The Town is also strongly committed to environmental sustainability, adequate public facilities, and a variety of local recreational opportunities. Recently, the Blue Ridge Outdoors magazine cited Carrboro as being a "green town." The article, published in July 2006, cites municipal leaders taking on progressive initiatives to reduce energy consumption and pollution emissions, as well as health factors like water and air quality in designating a "green town." The article mentions specific actions such as locals taking matters into their own hands, starting eco-innovative companies, building practices, and action groups. In-town outdoor recreation opportunities including greenways, bike accessibility, and parks were also considered as well as public transportation, the availability of walkable work commutes, and the percentage of the population that actually engages. Carrboro was commended for its efforts in preserving green space, securing the 27-acre Adam's Tract and efforts to develop greenways in the Bolin Creek corridor. This past year, the community got involved in helping the Town with an invasive plant and trash removal project in the Adams Tract to celebrate Earth Day 2007.

The magazine also praises Carrboro as being one of the only Southern cities to join the International Council for Local Environmental Initiatives, which works to help local governments reduce greenhouse gas emissions. Carrboro is situated in Orange County which received a grade of A in the American Lung Association's Annual State of the Air report for particle pollution. An experimental "co-housing" facility called Pacifica is cited as an example of a neighborhood that focuses on energy reduction by building smaller homes, some as small as 600 square feet, and then having residents share common facilities like a centralized dining area. Many of the homes have solar energy upgrades.

In terms of budgetary allocations, the Town commits over 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 award also recognized town efforts to include bike lanes in all state road improvement projects and has amended street standards to include bike lanes as a requirement on all collector roads. According to the latest census, 5.2% of residents in Carrboro bike to work. 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 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 10.23% is commercial. The commercial base is largely retail with some service-oriented businesses. The Town continues to experience modest 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 five years, the unemployment rate in North Carolina has gone from 6.8% in June 2002 to 5.1% in 2007. Orange County shows a slightly lower unemployment rate trend (from 4.6% in June 2002 to 3.9% in 2007), 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 solid fiscal growth in the year ended June 2007, with overall revenue increasing 14.6% over prior year actual revenues. The fund balance trend in the past five years shows that undesignated fund reserves as a percentage of total audited expenditures have increased from 28.47% for the year ended June 30, 2003 to 43.75% for year ended June 30, 2007.

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 continue its path of issuing bond anticipation notes as the first phase of sidewalks and greenways is underway. Using installment financing, the Town expects to issue 2.7 million in the summer of 2008 to construct the fire substation in the northern area of town. The Town anticipates debt service payments to increase substantially in FY08-09 for these efforts.

Projects anticipated in the near future that will require debt financing 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 has defined strategic priorities for the Town with the ultimate goal of creating and maintaining Carrboro as a sustainable community that is a highly desirable place to live. These strategic priorities are considered long-term goals and the noteworthy accomplishments in fiscal year 2006-2007 are a reflection of the board's priorities.

- ☆ The North Carolina Municipal Council has upgraded their rating of Carrboro's debt issuance to a level comparable with an A1 rating by the national ratings agencies. New fund balance and capital projects policies, in particular, were cited as moves to strengthen the Town's financial situation and as reasons for the improved rating.
- ☆ 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 was awarded a Bicycle Planning Grant from the North Carolina Department of Transportation in May 2007. The grant will allow the Town to develop a comprehensive bicycle plan for a connected, accessible and safe network of bicycle facilities. These facilities will be used for commuting and recreation, and as a viable alternative to the automobile.
- ☆ The Town received one of seven grants from the state Clean Water Management Trust Fund to receive assistance through the emerging Restoration Watershed Program to identify potential locations for storm water retrofit projects and stream restoration activities. The project was selected based on Bolin Creek's ongoing impairment, the existence of restoration planning efforts for the larger Morgan and Little Creeks Watershed(s) and the tremendous local capacity for progressive environmental initiatives that exist in our area.

- ☆ The Town's Management Services Department won the GFOA (Government Finance Officers Association) Distinguished Budget Presentation Award for its FY06-07 budget document. It is the highest form of recognition in governmental budgeting. The Town is in the process of submitting the document for its fourth 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 July 2006, was recognized as a "green town", in an article written in a North Carolina magazine, Blue Ridge Outdoors.
- ☆ 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 under construction and greenway design and planning will begin in the upcoming year. The Town has chosen a strategy of issuing bond anticipation notes until the entire bond issue is spent, provided the Town's fiscal position and the economy remain healthy.
- ☆ The Town was awarded a certificate from the International Council for Local Environmental Initiatives (ICLEI) recognizing its participation in the Cities for Climate Protection Program since 2001.

## **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 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. The Town holds two public hearings, one to receive community input prior to presentation of the Manager's recommended budget and then a legally mandated hearing following the recommendations presented to the Board. 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 review sessions following the Manager's recommended budget prior to the adoption of an annual budget.

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, employment practices, 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, employment practices 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.



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Steven E. Stewart  
Town Manager



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L. Bingham Roenigk  
Assistant Town Manager/Finance Officer

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## ***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, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Carrboro's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Carrboro as of June 30, 2007, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund and the Capital Reserve Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2007 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 opinions on the financial statements that collectively comprise the Town of Carrboro's basic financial statements. The introductory information, combining and individual nonmajor fund financial statements and schedules, the statistical tables, as well as the accompanying schedule of expenditures of Federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Implementation Act*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the budgetary comparison for the General Fund and the Capital Reserve Fund, and the accompanying schedule of expenditures of Federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are 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 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Dixon Hughes PLLC*

October 31, 2007

## Management's Discussion and Analysis

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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, 2007. 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 \$29,994,935 (net assets).
- The government's total net assets increased by \$2,632,847 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 11,059,221 an increase of \$944,319 in comparison with the prior year. Approximately 79.21% of this total amount, or \$8,760,461, 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 \$8,237,114, or 48.82% of total General Fund expenditures for the fiscal year.
- The Town of Carrboro's total debt increased by \$1,513,080, (22.41%) during the current fiscal year. The key factor in this increase was new installment purchase financing and proceeds from bond anticipation notes.
- The Town has maintained and currently holds credit ratings of A+ with Standard and Poors, a rating of A1 with Moody's; and a rating of 83 with the NC Municipal Council.

### Overview of the Financial Statements

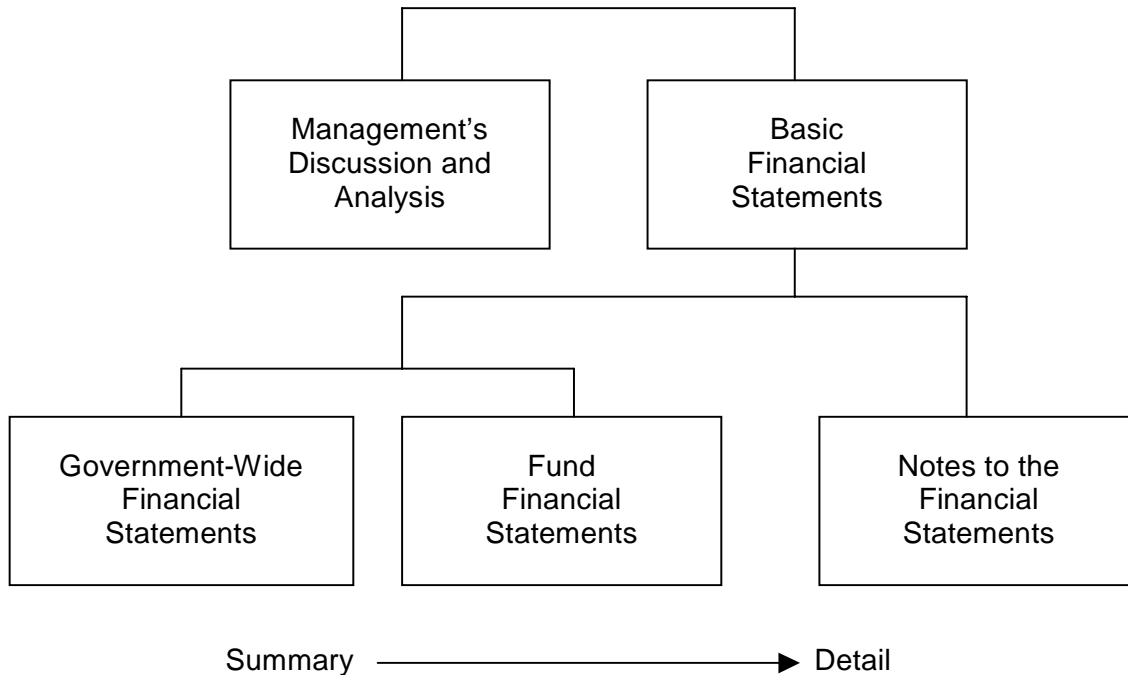
This discussion and analysis are intended to serve as an introduction to the Town of Carrboro's basic financial statements. The Town's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements (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.

## Management's Discussion and Analysis (Continued)

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### 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)

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### 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 19 of this report.

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

## Management's Discussion and Analysis (Continued)

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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 47 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.

**Management's Discussion and Analysis (Continued)**

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**Government-Wide Financial Analysis**

**The Town of Carrboro's Net Assets**

**Figure 2**

	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 14,930,473	\$ 12,484,538
Capital assets	<u>24,170,178</u>	<u>22,256,598</u>
Total assets	<u>39,100,651</u>	<u>34,741,136</u>
Other liabilities	4,806,925	4,373,612
Long-term liabilities outstanding	<u>4,298,791</u>	<u>3,005,436</u>
Total liabilities	<u>9,105,716</u>	<u>7,379,048</u>
Net assets:		
Invested in capital assets, net of related debt	18,647,239	17,735,292
Restricted	-	18,851
Unrestricted	<u>11,347,696</u>	<u>9,607,945</u>
Total net assets	<u>\$ 29,994,935</u>	<u>\$ 27,362,088</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 \$29,994,935 as of June 30, 2007. The Town's net assets increased by \$2,632,847 for the fiscal year ended June 30, 2007. The largest portion of net assets (62.17%) 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 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11,347,696 (37.83%) 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 98.9.
- Increase in sales tax revenues of approximately \$264,000 due to economic growth in the Town.
- Increase in property tax revenues of approximately \$287,000 due to growth in the tax base.

### The Town of Carrboro's Changes in Net Assets

**Figure 3**

	<b>Governmental Activities 2007</b>	<b>Governmental Activities 2006</b>
Revenues:		
Program revenues:		
Charges for services	\$ 1,469,570	\$ 1,215,728
Operating grants and contributions	1,008,712	723,297
Capital grants and contributions	196,115	1,392,470
General revenues:		
Taxes	13,503,535	12,185,361
Grants and contributions not restricted to specific programs	691,784	608,951
Other	534,953	307,424
Total revenues	\$ 17,404,669	\$ 16,433,231
Expenses:		
General government	\$ 2,828,685	\$ 2,568,563
Public safety	5,098,641	4,219,432
Planning	1,112,435	943,711
Transportation	962,714	841,313
Public works	3,296,515	2,874,392
Parks and recreation	1,212,610	1,244,258
Economic and physical development	37,850	63,000
Interest on long-term debt	222,372	180,274
Total expenses	\$ 14,771,822	\$ 12,934,943
Increase in net assets	\$ 2,632,847	\$ 3,498,288
Net assets, July 1	\$ 27,362,088	\$ 23,863,800
Net assets, June 30	\$ 29,994,935	\$ 27,362,088



## Management's Discussion and Analysis (Continued)

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**Governmental Activities.** Governmental activities increased the Town's net assets by \$2,632,847. Key elements of this increase are as follows:

- Ad valorem property tax revenue increased by \$1,096,619, which was due to a 12.8% growth in the overall tax base over the previous year.
- Sales tax revenue increased by \$264,172, or 8.6% 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 financed the Adams Tract purchase and bond-funded sidewalk construction to promote open space preservation goals and walkable access through the Town; expanded services to annexed northern area of town; added parking availability in the downtown area; enabled a study to identify opportunities for a regional niche in economic growth and development; and provided for 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 \$8,237,114, while total fund balance reached \$10,286,691. 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 48.82% of total General Fund expenditures.

At June 30, 2007, the governmental funds of the Town of Carrboro reported a combined fund balance of \$11,059,221, a 9.15% increase over last year. Included in this change in fund balance are increases in fund balance in the General Fund and Capital Reserve Fund. This increase can be attributed mainly to the increase in property tax revenues.

## Management's Discussion and Analysis (Continued)

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**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.

The Town revised the General Fund original budget several times, increasing the total budget by \$2,068,671. The bulk of adjustments represent operating funds encumbered or designated within fund balance for project expenditures as confirmed in the annual June 30, 2006 audit of the previous year that were re-appropriated into the current year budget (\$1,901,684). In addition, the Board appropriated additional funds to recognize grant funds for watershed restoration efforts; Homeland Security grant funds for 800 Megahertz radios for public safety and public works; and transferred funds from General Fund to the Capital Projects Fund to provide a cash advance for architectural services for the northern area fire substation that will ultimately be funded with installment financing.

The comparison of revenue and expenditure financial activity with budgeted estimates suggests that the Town budgeted adequately for ongoing operations. Actual revenue receipts exceeded budgeted projections by \$1,390,072. This is largely due to the strong return on almost all categories of revenue collection. Of the total \$258,944 increase in restricted intergovernmental revenue, \$232,686 is grant-funded reimbursements budgeted in FY05-06 on the recently completed Roberson Place bike path and \$65,000 collected on a grant-funded downtown traffic circulation study completed one year ago. Property taxes, sales taxes; permitting activity; and investment earnings all exceeded budgeted expectations bolstering the Town's fund balance. One grant budgeted in the current year, the Bolin Creek watershed grant (\$45,000) is not completed and will be reimbursed upon completion in the upcoming year.

The decrease in other taxes and licenses is due to the recent change made by the N.C. General Assembly showing how cable franchise fees are collected. After January 1, 2007, most of the franchise fees collected by local governments were replaced with a sales tax from the state. This effectively changed the nature of the revenue to an unrestricted intergovernmental revenue which shows higher collections than anticipated because of the cable franchise revenue.

## Management's Discussion and Analysis (Continued)

Expenditures, as required by budget ordinance, should not exceed appropriated levels. Overall expenditures were \$2,254,484 less than budgeted figures and all departmental spending was in compliance with budgetary requirements. The largest savings in expenditures are reflected in the Police, Planning, Public Works, and Debt Service functions. The majority of savings (\$191,980) in the Police Department relates to lapsed salaries that result from staffing turnover and savings on vehicle purchases. The Planning Department experienced savings (\$153,012) from lapsed salaries and unexpended grant funds for the Bolin Creek Watershed project. Approximately \$1,010,000 was unexpended by Public Works. Numerous capital projects or purchases were not completed at year end in Public Works including a generator for the Century Center; fire alarm installation; OWASA sewer subsidy reserves; and a sewer outfall for the northern transition area which is to be completed in the upcoming year. In addition, the department incurred savings on vehicle and equipment purchases. The Town did not experience anticipated debt service (\$172,000), setting these funds aside in designated fund balance for upcoming debt service associated with the bond referendum and fire substation.

### 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, 2007, totals \$24,170,178 (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:

- \$1,147,595 for roads and sidewalks completed;
- \$1,363,858 for purchase of vehicles and equipment including a new Fire Pumper; and
- \$363,931 for disposal of vehicles and equipment.

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

**Figure 4**

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

	2007		2006
Land	\$ 14,229,554		\$ 14,234,594
Construction-in-progress	439,301		340,286
Buildings and systems	3,024,910		3,176,841
Improvements other than buildings	162,749		174,590
Machinery and equipment	962,789		622,763
Infrastructure	4,194,744		3,142,723
Vehicles and motorized equipment	1,156,131		564,801
	\$ 24,170,178		\$ 22,256,598
Total			

## Management's Discussion and Analysis (Continued)

**Long-Term Debt.** As of June 30, 2007, the Town of Carrboro had total outstanding bonded debt, backed by the full faith and credit of the Town of \$229,821.

### The Town of Carrboro's Outstanding Debt

Figure 5

	Governmental Activities	
	2007	2006
General obligation bonds	\$ 229,822	\$ 331,679
Bond anticipation note	2,590,000	1,230,000
Installment purchases	4,710,737	4,521,179
Compensated absences	484,332	449,006
Net pension obligation	250,740	220,707
Total	\$ 8,265,631	\$ 6,752,571

The Town of Carrboro's total debt increased by \$1,513,081 (22.41%) 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 \$127,517,243. The Town has \$4,600,000 in bonds authorized but unissued at June 30, 2007.

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 3.9% is well below the state average of 4.9% for the year ended June 30, 2007.
- 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)

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### Budget Highlights for the Fiscal Year Ending June 30, 2008

**Governmental Activities:** The Town has approved a \$19,630,883 General Fund budget for fiscal year 2008 which represents a \$2,261,468 increase over the adopted fiscal year 2007 budget. This will be accomplished with a 2.93 cent increase in the tax rate. The Town is relying on improved sales tax returns, and the property tax base, which comprise the largest portion of the revenue stream.

Budgeted expenditures in the General Fund are expected to rise 13.1% to \$19,630,883. The largest increments continue the employee pay-for-performance compensation program and the Capital Improvement Plan (CIP) initiatives. The CIP initiatives include continuation of the Town's regular vehicle, computer, and equipment replacement schedules, implementation of the biennial street resurfacing program, storm water repairs on Gary Road, replacement of the Wilson Park bathroom, and annual allocations to pay for future street resurfacing and construction and repair work on Weaver Street. The Town continues to experience increased operating costs due to inflation or vendor fees for such items as fuel, parking lot leases, and software maintenance contracts. Other budgetary increases are provided to improve service levels such as vehicle lifts for the fleet maintenance division; laser grading for the Town's ball park fields to improve drainage issues; and additional recreation programming targeted at teens and the film festival.

### 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, 2007**

Exhibit 1

<b>ASSETS</b>	<u><b>Governmental Activities</b></u>
Current assets:	
Cash and investments	\$ 10,105,083
Receivables:	
Taxes receivable, net	252,013
Accrued interest receivable, property taxes	32,805
Accounts receivable, net	133,941
Due from other governments	1,288,181
Notes receivable	169,039
Inventories	31,145
Prepays	207,623
Restricted cash	<u>2,710,643</u>
Total current assets	<u>14,930,473</u>
Noncurrent assets:	
Capital assets:	
Land	14,229,554
Construction-in-progress	439,301
Other capital assets, net of depreciation	<u>9,501,323</u>
Total noncurrent assets	<u>24,170,178</u>
Total assets	<u>39,100,651</u>
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	512,669
Customer deposits and performance bonds	112,509
Unearned revenues	117,791
Accrued interest payable	97,116
Current portion of long-term liabilities	3,966,840
Long-term liabilities:	
Due in more than one year	<u>4,298,791</u>
Total liabilities	<u>9,105,716</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	18,647,239
Unrestricted	<u>11,347,696</u>
Total net assets	<u><u>\$ 29,994,935</u></u>

The accompanying notes are an integral part of this statement.

**TOWN OF CARRBORO, NORTH CAROLINA  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007**

**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	\$ 2,828,685	\$ -	\$ -	\$ -	\$ (2,828,685)
Public safety	5,098,641	529,742	79,492	-	(4,489,407)
Planning	1,112,435	446,710	93,347	-	(572,378)
Transportation	962,714	-	-	-	(962,714)
Public works	3,296,515	110,746	738,353	196,115	(2,251,301)
Parks and recreation	1,212,610	284,621	54,920	-	(873,069)
General services	-	97,751	42,600	-	140,351
Economic and Physical Development	37,850	-	-	-	(37,850)
Unallocated interest expense	222,372	-	-	-	(222,372)
Total governmental activities	<u>\$ 14,771,822</u>	<u>\$ 1,469,570</u>	<u>\$ 1,008,712</u>	<u>\$ 196,115</u>	(12,097,425)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					9,657,799
Local option sales taxes					3,353,666
Other taxes					492,070
Unrestricted intergovernmental revenues					691,784
Investment earnings, unrestricted					534,953
Total general revenues					<u>14,730,272</u>
Change in net assets					2,632,847
Net assets - beginning					<u>27,362,088</u>
Net assets - ending					<u>\$ 29,994,935</u>

The accompanying notes are an integral part of this statement.

**TOWN OF CARRBORO, NORTH CAROLINA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2007**

**Exhibit 3**

ASSETS	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	
Cash and cash equivalents	\$ 8,337,443	\$ 451,360	\$ 1,104,849	\$ 80,579	\$ -	\$ 130,852	\$ 10,105,083
Taxes receivable, net	252,013	-	-	-	-	-	252,013
Accounts receivable, net	76,314	-	6,576	51,051	-	-	133,941
Due from other governments	1,288,181	-	-	-	-	-	1,288,181
Notes receivable, net	-	169,039	-	-	-	-	169,039
Inventories	31,145	-	-	-	-	-	31,145
Prepaid Items	207,623	-	-	-	-	-	207,623
Restricted cash	1,135,668	-	-	-	1,574,975	-	2,710,643
Total assets	<u>\$ 11,328,387</u>	<u>\$ 620,399</u>	<u>\$ 1,111,425</u>	<u>\$ 131,630</u>	<u>\$ 1,574,975</u>	<u>\$ 130,852</u>	<u>\$ 14,897,668</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable and accrued liabilities	\$ 481,533	\$ -	\$ -	\$ 5,541	\$ 25,595	\$ -	\$ 512,669
Customer deposits and performance bonds	112,509	-	-	-	-	-	112,509
Deferred revenues	447,653	169,039	6,576	-	-	-	623,268
Long-term debt	-	-	-	-	2,590,000	-	2,590,000
Total liabilities	<u>1,041,695</u>	<u>169,039</u>	<u>6,576</u>	<u>5,541</u>	<u>2,615,595</u>	<u>-</u>	<u>3,838,446</u>
Fund balances (deficit):							
Reserved for encumbrances	493,951	-	-	191,745	6,387	-	692,083
Reserved for prepaid items	207,623	-	-	-	-	-	207,623
Reserved by state statute	1,348,004	-	-	51,051	-	-	1,399,055
Unreserved:							
Designated for project expenditures	538,173	-	-	-	-	-	538,173
Designated for specific purposes	-	-	-	-	-	-	-
Designated for subsequent year's expenditures	582,553	-	342,000	-	-	-	924,553
Undesignated	7,116,388	-	-	-	-	-	7,116,388
Unreserved, Capital Projects Funds:							
Designated for project expenditures	-	-	-	-	(1,047,007)	-	(1,047,007)
Undesignated	-	-	-	(116,707)	-	-	(116,707)
Unreserved, Special Revenue Funds:							
Designated for project expenditures	-	-	598,453	-	-	112,036	710,489
Undesignated	-	451,360	164,396	-	-	18,816	634,572
Total fund balances (deficit)	<u>10,286,691</u>	<u>451,360</u>	<u>1,104,849</u>	<u>126,089</u>	<u>(1,040,620)</u>	<u>130,852</u>	<u>11,059,221</u>
Total liabilities and fund balances	<u>\$ 11,328,387</u>	<u>\$ 620,399</u>	<u>\$ 1,111,425</u>	<u>\$ 131,630</u>	<u>\$ 1,574,975</u>	<u>\$ 130,852</u>	<u>\$ 14,897,668</u>

**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.	24,170,178
Liabilities for earned but deferred revenues in fund statements, including accrued interest receivable on property taxes.	538,282
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.	(5,772,746)
Net assets of governmental activities	<u>\$ 29,994,935</u>

The accompanying notes are an integral part of this statement.

**TOWN OF CARRBORO, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2007**

Exhibit 4  
Page 1 of 2

	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	
<b>Revenues:</b>							
Ad valorem taxes	\$ 9,672,841	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,672,841
Local option sales taxes	3,353,665	-	-	-	-	-	3,353,665
Other taxes and licenses	420,065	-	-	-	-	-	420,065
Unrestricted intergovernmental	691,784	-	-	-	-	-	691,784
Restricted intergovernmental	988,080	-	-	51,899	-	-	1,039,979
Permits and fees	1,135,274	-	-	-	88,644	-	1,223,918
Sales and services	276,599	-	-	-	-	-	276,599
Investment earnings	410,305	31,026	40,718	3,758	43,205	5,944	534,956
Other	72,486	87,605	48,996	-	-	-	209,087
<b>Total revenues</b>	<b>17,021,099</b>	<b>118,631</b>	<b>89,714</b>	<b>55,657</b>	<b>131,849</b>	<b>5,944</b>	<b>17,422,894</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	3,003,366	38	-	-	-	-	3,003,404
Public safety	5,555,899	-	-	-	-	-	5,555,899
Planning	1,110,467	-	-	-	-	-	1,110,467
Transportation	962,714	-	-	-	-	-	962,714
Public works	3,776,477	-	-	-	-	-	3,776,477
Parks and recreation	1,211,738	-	-	-	-	-	1,211,738
Capital outlay	-	-	-	40,414	698,709	-	739,123
Debt service:							
Principal	1,046,466	-	-	-	-	-	1,046,466
Interest and other charges	206,475	-	-	-	-	-	206,475
<b>Total expenditures</b>	<b>16,873,602</b>	<b>38</b>	<b>-</b>	<b>40,414</b>	<b>698,709</b>	<b>-</b>	<b>17,612,763</b>
Excess of revenues over (under) expenditures	147,497	118,593	89,714	15,243	(566,860)	5,944	(189,869)
<b>Other financing sources (uses):</b>							
Transfers from other funds	-	-	290,000	20,000	-	-	310,000
Transfers to other funds	(310,000)	-	-	-	-	-	(310,000)
Installment purchase financing issued	1,134,188	-	-	-	-	-	1,134,188
<b>Total other financing sources</b>	<b>824,188</b>	<b>-</b>	<b>290,000</b>	<b>20,000</b>	<b>-</b>	<b>-</b>	<b>1,134,188</b>
<b>Net change in fund balances</b>	<b>971,685</b>	<b>118,593</b>	<b>379,714</b>	<b>35,243</b>	<b>(566,860)</b>	<b>5,944</b>	<b>944,319</b>
Fund balance (deficit), beginning of year	9,315,006	332,767	725,135	90,846	(473,760)	124,908	10,114,902
<b>Fund balance (deficit) , ending</b>	<b>\$ 10,286,691</b>	<b>\$ 451,360</b>	<b>\$ 1,104,849</b>	<b>\$ 126,089</b>	<b>\$ (1,040,620)</b>	<b>\$ 130,852</b>	<b>\$ 11,059,221</b>

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, 2007**

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:**

<b>Total net change in fund balances - governmental funds</b>	<b>\$ 944,319</b>
---------------------------------------------------------------	-------------------

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

Governmental funds report capital outlays (\$2,676,218) 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 (\$711,125) in the current period.	1,965,093
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

The net effect of transactions involving capital assets (sales) is to decrease net assets.	(51,514)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in accrued interest receivable, property taxes	750
Change in deferred revenues, property taxes	(15,792)
Change in deferred revenues	(41,030)

The issuance of long-term debt (\$1,134,188) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$1,046,467) 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.	(87,721)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest on general long-term debt	(15,898)
Compensated absences	(35,327)
Net pension obligation	(30,033)

<b>Changes in net assets of governmental activities</b>	<b><u>\$ 2,632,847</u></b>
---------------------------------------------------------	----------------------------

**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, 2007**

Exhibit 5

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 9,385,980	\$ 9,385,980	\$ 9,672,841	\$ 286,861
Local option sales taxes	3,159,428	3,159,428	3,353,665	194,237
Other taxes and licenses	449,199	449,199	420,065	(29,134)
Unrestricted intergovernmental	575,853	575,853	691,784	115,931
Restricted intergovernmental	586,645	729,136	988,080	258,944
Permits and fees	932,828	932,828	1,135,274	202,446
Sales and services	277,400	277,400	276,599	(801)
Investment earnings	75,000	75,000	410,305	335,305
Other	41,707	46,203	72,486	26,283
<b>Total revenues</b>	<b>15,484,040</b>	<b>15,631,027</b>	<b>17,021,099</b>	<b>1,390,072</b>
Expenditures:				
Current:				
General government	2,976,004	3,170,309	3,003,366	166,943
Public safety	4,855,498	5,857,558	5,555,899	301,659
Planning	1,105,059	1,263,479	1,110,467	153,012
Transportation	1,064,150	1,070,150	962,714	107,436
Public works	3,859,680	4,785,570	3,776,477	1,009,093
Parks and recreation	1,198,757	1,345,003	1,211,738	133,265
General services	686,197	211,072	-	211,072
Debt service	1,331,070	1,424,945	1,252,941	172,004
<b>Total expenditures</b>	<b>17,076,415</b>	<b>19,128,086</b>	<b>16,873,602</b>	<b>2,254,484</b>
Excess of revenues over (under) expenditures	(1,592,375)	(3,497,059)	147,497	3,644,556
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	(293,000)	(310,000)	(310,000)	-
Installment purchase financing issued	1,321,138	1,321,138	1,134,188	(186,950)
<b>Total other financing sources</b>	<b>1,028,138</b>	<b>1,011,138</b>	<b>824,188</b>	<b>(186,950)</b>
Excess of revenues and other sources over (under) expenditures and other uses	(564,237)	(2,485,921)	971,685	3,457,606
Fund balance appropriated	564,237	2,485,921	-	(2,485,921)
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>971,685</b>	<b>\$ 971,685</b>
Fund balance, beginning of year			9,315,006	
Fund balance, ending			<u>\$ 10,286,691</u>	

The accompanying notes are an integral part of this statement.

Capital Reserve Fund			
Budgeted Amounts		Actual Amounts	Variance with Final Budget
Original	Final		Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	40,718	40,718
-	-	48,996	48,996
-	-	89,714	89,714
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	89,714	89,714
-	-	290,000	290,000
-	-	-	-
-	-	-	-
-	-	290,000	290,000
-	-	379,714	379,714
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	379,714	<u>\$ 379,714</u>
		725,135	
		<u>\$ 1,104,849</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, 2007**

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**Note 1. Summary of Significant Accounting Policies**

The accounting policies of the Town of Carrboro (the "Town") conform to accounting principles generally accepted in the United States of America 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 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.

**TOWN OF CARRBORO, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

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**Note 1. Summary of Significant Accounting Policies (Continued)**

B. Basis of Presentation (Continued)

The Town reports the following major governmental funds (Continued):

**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.

The Town reports the following non-major governmental fund:

**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, 2007**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

C. Measurement Focus and Basis of Accounting (Continued)

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

The Town considers all revenues available if they are collected within 90 days after year end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the subsequent year. Also, as of January 1, 1993, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Orange County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Carrboro. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Orange County from March 2006 through February 2007 apply to the fiscal year ended June 30, 2007. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. In addition, as of January 1, 2006, state law implemented a staggered expiration system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annually registration expired December 31st each year with taxes due by May 1st of the following year. To transition from the staggered into the annual registration, the initial 2006 registration renewals will vary from seven to 18 months after December 31, 2005. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the state at year end on behalf of the Town are recognized as revenue.

**TOWN OF CARRBORO, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

D. Budgetary Data

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.

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 Funds). All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the remaining Special Revenue Funds, the Bond Fund 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. The bulk of amendments represent operating funds encumbered or designated within fund balance for project expenditures at June 30, 2006 that were re-appropriated into the current year budget (\$1,901,684).

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

**TOWN OF CARRBORO, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

E. Assets, Liabilities and Fund Equity (Continued)

2. Cash and Cash Equivalents

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

3. Restricted Assets

The unexpended proceeds from installment purchase agreements in the amount of \$1,135,668, are classified as restricted assets for the General Fund because their use is completely restricted to the purpose for which the installment purchase agreements were issued, including \$703,025 which will reimburse the General Fund for approved expenditures. The unexpended bond anticipation note proceeds in the amount of \$1,574,975 are classified as restricted assets of the Bond Fund because their use is completely restricted to the purpose for which the bond anticipation notes were issued.

4. Ad Valorem Taxes Receivable

In accordance with state law [G. S. 105-347 and G. S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2006.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

**TOWN OF CARRBORO, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

E. Assets, Liabilities and Fund Equity (Continued)

7. Capital Assets

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

Minimum capitalization costs are as follows:

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

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

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

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

8. 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.

**TOWN OF CARRBORO, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

E. Assets, Liabilities and Fund Equity (Continued)

9. Compensated Absences

The vacation policy of the Town provides for the accumulation of annual vacation leave without any applicable maximum until December 31 of each calendar year. However, if an employee separates from service, payment for accumulated annual vacation 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.

10. Net Assets/Fund Balances

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

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:

TOWN OF CARRBORO, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

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**Note 1. Summary of Significant Accounting Policies (Continued)**

E. Assets, Liabilities and Fund Equity (Continued)

10. Net Assets/Fund Balances (Continued)

**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.

**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 2007-2008 budget ordinance.

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

**Note 2. Stewardship, Compliance, and Accountability**

A. Deficit Fund Balance of Individual Funds

At June 30, 2007, the Bond Fund has a deficit fund balance of \$1,040,620. This deficit fund balance is primarily the result of bond anticipation notes that are required to be reported in this fund as a current liability. The Town anticipates that these bond anticipation notes will eventually be refinanced by long-term general obligation bonds approved by a 2003 Bond Referendum (see Note 3.B.7.d.).



**TOWN OF CARRBORO, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**Note 3. Detail Notes on All Funds**

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for 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. The Town has no formal policy regarding custodial risks for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2007, the Town's deposits had a carrying amount of \$2,221,851 and a bank balance of \$2,250,126. Of the bank balance, \$200,000 was covered by federal depository insurance and \$2,050,126 was covered under the Pooling Method. The Town had \$1,550 of petty cash on hand at June 30, 2007.

2. Investments

At June 30, 2007, the Town of Carrboro had \$10,592,325 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.

**TOWN OF CARRBORO, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**Note 3. Detail Notes on All Funds (Continued)**

A. Assets (Continued)

2. Investments (Continued)

At June 30, 2007, the Town's investment balances were as follows:

	Reported Value	Fair Value
North Carolina Capital Management Trust - Cash Portfolio	<u>\$10,592,325</u>	<u>\$10,592,325</u>

There were no realized or unrealized gains or losses on the Town's investments during the fiscal year ended June 30, 2007.

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	\$ -	\$ 958,646	\$ 958,646
Utilities franchise and telecommunications tax	-	127,830	127,830
Sales and gas tax refunds	119,518	72,092	191,610
Other	10,095	-	10,095
	<u>\$ 129,613</u>	<u>\$ 1,158,568</u>	<u>\$ 1,288,181</u>

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, 2007**

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**Note 3. Detail Notes on All Funds (Continued)**

A. Assets (Continued)

3. Receivables (Continued)

The following is a summary of notes receivable at June 30, 2007:

	Interest Rate	Balance
University Printery	8.00%	\$ 6,375
Blue Icon	8.00	14,756
Acme Food & Beverage Company	7.00	10,743
Alphabet Soup	6.00	34,969
Cycling Specifics	5.00	40,559
Bryan's Guitar	3.00	71,837
Science Technologies	2.00	30,819
Total		\$ 210,058

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	\$112,981
Revolving Loan Fund	
Notes receivable	41,019
Total	\$154,000

**TOWN OF CARRBORO, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**Note 3. Detail Notes on All Funds (Continued)**

A. Assets (Continued)

5. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 14,234,594	\$ -	\$ 5,040	\$ 14,229,554
Construction-in-progress	<u>340,286</u>	<u>1,219,234</u>	<u>1,120,219</u>	<u>439,301</u>
Total capital assets not being depreciated	<u>\$ 14,574,880</u>	<u>\$ 1,219,234</u>	<u>\$ 1,125,259</u>	<u>\$ 14,668,855</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 5,039,109	\$ -	\$ -	\$ 5,039,109
Land improvements	185,662	65,750	49,902	201,510
Infrastructure	3,204,231	1,147,595	-	4,351,826
Equipment and heavy equipment	1,865,798	558,311	-	2,424,109
Vehicles	<u>4,063,326</u>	<u>805,547</u>	<u>363,931</u>	<u>4,504,942</u>
Total capital assets being depreciated	<u>\$ 14,358,126</u>	<u>\$ 2,577,203</u>	<u>\$ 413,833</u>	<u>\$ 16,521,496</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,862,268	\$ 151,931	\$ -	\$ 2,014,199
Land improvements	11,072	31,119	3,430	38,761
Infrastructure	61,508	95,574	-	157,082
Equipment and heavy equipment	1,381,958	168,364	-	1,550,322
Vehicles	<u>3,359,603</u>	<u>264,137</u>	<u>363,931</u>	<u>3,259,809</u>
Total accumulated depreciation	<u>\$ 6,676,409</u>	<u>\$ 711,125</u>	<u>\$ 367,361</u>	<u>\$ 7,020,173</u>
Total capital assets being depreciated, net	<u>\$ 7,681,717</u>	<u>\$ 1,866,078</u>	<u>\$ 46,472</u>	<u>\$ 9,501,323</u>
Governmental activity capital assets, net	<u>\$ 22,256,597</u>	<u>\$ 3,085,312</u>	<u>\$ 1,171,731</u>	<u>\$ 24,170,178</u>

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

General government	\$ 69,933
Public safety	161,679
Planning	7,619
Public works	298,220
Parks and recreation	<u>173,674</u>
Total depreciation expense	<u>\$ 711,125</u>

**TOWN OF CARRBORO, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**Note 3. Detail Notes on All Funds (Continued)**

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at the government-wide level at June 30, 2007 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	\$ 425,968	\$ 31,030	\$ 94	\$ 457,092
Other governmental	<u>20,596</u>	<u>24,441</u>	<u>10,540</u>	<u>55,577</u>
Total governmental activities	<u>\$ 446,564</u>	<u>\$ 55,471</u>	<u>\$ 10,634</u>	<u>\$ 512,669</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 4.88% and 4.78%, 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, 2007, 2006 and 2005 were \$308,487, \$297,696 and \$286,113, 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, 2007

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**Note 3. Detail Notes on All Funds (Continued)**

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

***Law Enforcement Officers' Special Separation Allowance***

*Plan Description.* The Town 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, 2006, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled To, but not yet receiving benefits	-
Active plan members	40
Total	43

A separate report was not issued for the plan.

*Summary of Significant Accounting Policies:*

*Basis of Accounting.* The Town has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

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

**TOWN OF CARRBORO, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

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**Note 3. Detail Notes on All Funds(Continued)**

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

***Law Enforcement Officers' Special Separation Allowance (Continued)***

*Contributions:*

The Town is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The annual required contribution for the current year was determined as part of the December 31, 2005 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 4.5% to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The unfunded actuarial accrued liability is being amortized on a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2005 was 25 years.

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

Annual required contribution	\$ 48,581
Interest on net pension obligation	16,001
Adjustment to annual required contribution	<u>(12,996)</u>
Annual pension cost	51,586
Contributions made	<u>21,553</u>
Increase in net pension obligation	30,033
Net pension obligation, beginning of year	<u>220,707</u>
Net pension obligation, end of year	<u>\$ 250,740</u>

**TOWN OF CARRBORO, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

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**Note 3. Detail Notes on All Funds(Continued)**

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

***Law Enforcement Officers' Special Separation Allowance (Continued)***

*Annual Pension Cost and Net Pension Obligation (Continued):*

*Three-Year Trend Information:*

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/05	\$ 50,493	42.68%	\$ 185,926
6/30/06	56,334	38.26%	220,707
6/30/07	51,586	41.78%	250,740

***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, 2007 were \$424,955, which consisted of \$221,575 from the Town and \$203,380 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. Also, retirees who have their dependents covered at the time of retirement may continue to cover dependents if they elect to pay the premiums. Currently, 19 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2007, the Town made payments for post-retirement health premiums of \$71,791.



**TOWN OF CARRBORO, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**Note 3. Detail Notes on All Funds(Continued)**

B. Liabilities (Continued)

3. Other Post-Employment Benefits (Continued)

In fiscal year 2009-2010, the Town will need to implement GASB 45 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions) which requires public agencies to report their costs and obligations pertaining to health and other benefits of current and future retired employees.

4. Other Employment Benefits

The Town has elected to provide death benefits to local law enforcement employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those local law enforcement employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. 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, 2007, the Town made contributions to the state for death benefits of \$5,082. 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.

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

**TOWN OF CARRBORO, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

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**Note 3. Detail Notes on All Funds (Continued)**

B. Liabilities (Continued)

5. Deferred/Unearned Revenues

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. The 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:

	<u>Deferred Revenues</u>	<u>Unearned Revenues</u>
Property taxes receivable, net	\$ 252,013	\$ -
Notes receivable, net	169,039	-
Prepaid privilege license	72,006	-
Parks and recreation program and facility reservations	-	-
Other unearned revenues received	<u>80,864</u>	<u>80,864</u>
	<u>49,346</u>	<u>36,927</u>
Total	<u>\$ 623,268</u>	<u>\$ 117,791</u>

6. Risk Management

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

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

**TOWN OF CARRBORO, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**Note 3. Detail Notes on All Funds (Continued)**

B. Liabilities (Continued)

7. 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 \$1,363,858, net of accumulated depreciation of \$268,157.

The future minimum payments of the installment purchase and the net present value of these payments as of June 30, 2007 are as follows:

Fiscal Year Ending June 30,	General Long-Term Debt
2007	<u>\$ 1,544,281</u>
Total minimum payments	\$ 1,544,281
Less amount representing interest	<u>(27,704)</u>
Present value of installment purchase payments - equipment	<u>\$ 1,516,577</u>

b. Installment Purchase Agreements - Improvements - General Fund

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%.

**TOWN OF CARRBORO, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**Note 3. Detail Notes on All Funds (Continued)**

B. Liabilities (Continued)

7. Long-Term Obligations (Continued)

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

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 \$37,630 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 preservation. The financing contract requires annual payments of \$62,960 due July 1, including interest at 4.1%.

The future minimum payments of the installment purchase and the net present value of these payments as of June 30, 2007 are as follows:

Fiscal Year Ending June 30,	General Long-Term Debt
2008	\$ 388,044
2009	384,404
2010	380,658
2011	376,965
2012	373,272
2013-2017	1,761,660
2018-2020	<u>255,485</u>
Total minimum payments	3,920,488
Less amount representing interest	<u>(726,328)</u>
Present value of installment purchase payments - improvements	<u>\$ 3,194,160</u>

**TOWN OF CARRBORO, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**Note 3. Detail Notes on All Funds (Continued)**

B. Liabilities (Continued)

7. Long-Term Obligations (Continued)

c. General Obligation Indebtedness

General obligation bonds payable at June 30, 2006 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.	\$ 151,500
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>78,322</u>
Total general obligation bonds	<u>\$ 229,822</u>

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, 2008	\$ 101,857	\$ 6,967	\$ 108,824
June 30, 2009	101,857	3,432	105,289
June 30, 2010	<u>26,108</u>	<u>594</u>	<u>26,702</u>
	<u>\$ 229,822</u>	<u>\$ 10,993</u>	<u>\$ 240,815</u>

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

The Town issued bond anticipation notes for sidewalk and greenway trail improvements in the amount of \$2,590,000 on March 14, 2007, which mature on December 5, 2007. The notes bear interest at a stated rate of 4.0 % per annum. The bond anticipation notes do not meet the criteria for classification as general long-term debt as set forth in the Financial Accounting Standards Board's Statement No. 6; thus, the accounting for these bonds is maintained in the Bond Fund. The Town anticipates the issuance of general obligation bonds authorized by an order adopted on November 3, 2003 entitled "Bond Order Authorizing the Issuance of \$4,600,000 Sidewalk and Greenway Trail Bonds of the Town of Carrboro." The Town expects to issue additional bond anticipation notes in the next fiscal year and receive proceeds of the sale of these bonds in future years.

**TOWN OF CARRBORO, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**Note 3. Detail Notes on All Funds (Continued)**

B. Liabilities (Continued)

7. Long-Term Obligations (Continued)

e. Changes in Long-Term and Short-Term Debt Obligations

During the year ended June 30, 2007, the following changes occurred in long-term obligations:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental activities:					
General obligation bonds	\$ 331,679	\$ -	\$ 101,857	\$ 229,822	\$ 101,857
Installment purchases - equipment	1,040,985	1,134,188	658,596	1,516,577	266,776
Installment purchases - improvements	3,480,173	-	286,013	3,194,160	687,226
Compensated absences	449,006	356,307	320,981	484,332	320,981
Net pension obligation	<u>220,707</u>	<u>51,586</u>	<u>21,553</u>	<u>250,740</u>	<u>-</u>
Total long-term obligations	<u>5,522,550</u>	<u>1,542,081</u>	<u>1,389,000</u>	<u>5,675,631</u>	<u>1,376,840</u>
	<u>Balance</u> <u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental activities:					
Bond Anticipation Note	<u>1,230,000</u>	<u>1,360,000</u>	<u>-</u>	<u>2,590,000</u>	<u>2,590,000</u>
Total debt	<u>\$ 6,752,571</u>	<u>\$ 2,902,081</u>	<u>\$ 1,389,000</u>	<u>\$ 8,265,631</u>	<u>\$ 3,966,840</u>

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

The Town has \$4,600,000 in bonds authorized, but unissued at June 30, 2007. The Town's legal debt margin at June 30, 2007 was \$127,517,242.

C. Interfund Balances and Activity

*Transfers to/from other funds:*

Transfers to/from other funds at June 30, 2007 consist of the following:

From the General Fund to the Capital Reserve Fund for future capital projects expenditures	\$ 290,000
From the General Fund to the Capital Projects Fund to offset consulting costs for the new fire sub-station	\$ 20,000

**TOWN OF CARRBORO, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**Note 4. Summary Disclosure of Significant Contingencies**

Federal- and State-Assisted Programs

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

Employment Security Benefits

The Town has elected to pay the direct cost of employment security benefits in lieu of unemployment payroll taxes. A liability for such payments could accrue in the period following the discharge of an employee. The Town made payments of \$8,742 for employment security benefits during the current fiscal year.

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### ***REQUIRED SUPPLEMENTARY FINANCIAL DATA***

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

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

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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%
2005	-	412,323	412,323	0.00%	1,560,379	26.42%
2006	-	534,900	534,900	0.00%	1,752,714	30.52%

**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%
2006	53,533	40.26%
2007	48,581	44.37%

**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, 2006
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	24 years
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return	7.25%
Projected salary increases	4.5% - 12.3%
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, 2007**

Schedule 1  
Page 1 of 5

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Ad valorem taxes			
Taxes	\$ 9,360,980	\$ 9,651,474	\$ 290,494
Penalties and interest	25,000	21,367	(3,633)
Total	9,385,980	9,672,841	286,861
<b>Local option sales taxes</b>			
Article 39, 1%	1,187,266	1,111,829	(75,437)
Article 40, ½%	707,805	822,825	115,020
Article 42, ½%	695,200	817,118	121,918
Article 44, ½%	569,157	601,893	32,736
Total	3,159,428	3,353,665	194,237
<b>Other taxes and licenses</b>			
Motor vehicle license fees	232,199	244,921	12,722
Privilege licenses	59,000	70,648	11,648
Franchise fees	158,000	104,496	(53,504)
Total	449,199	420,065	(29,134)
<b>Unrestricted intergovernmental</b>			
North Carolina Department of Transportation reimbursement	4,700	-	(4,700)
Utilities franchise and telecommunications tax	487,434	608,534	121,100
Beer and wine tax	83,719	83,250	(469)
Total	575,853	691,784	115,931
<b>Restricted intergovernmental</b>			
Powell Bill	500,883	482,179	(18,704)
Department of Justice Ballistic Vest Partnership	9,000	-	(9,000)
Homeland Security grant	75,266	75,266	-
Regional planning work grant	25,364	26,987	1,623
North Carolina Department of Transportation Small Construction	15,500	14,211	(1,289)
North Carolina Department of Transportation Downtown Circulation Grant	-	65,000	65,000
North Carolina Department of Transportation Bicycle	-	97,730	97,730
Federal STP-DA funds	-	134,956	134,956
Orange County Arts Commission grant	1,500	3,000	1,500
Town of Chapel Hill's share of Bolin Creek Watershed grant	3,725	-	(3,725)
Clean Water grant for Bolin Creek Watershed	45,000	-	(45,000)
North Carolina Department of Revenue seizure funds	16,000	51,853	35,853
Other restricted intergovernmental revenues	1,000	1,000	-
Recreation municipal supplement	35,898	35,898	-
Total	729,136	988,080	258,944

**TOWN OF CARRBORO, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Year Ended June 30, 2007**

Schedule 1  
Page 2 of 5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Permits and fees			
Fire district fees	\$ 365,880	\$ 390,212	\$ 24,332
Building permits	74,675	87,399	12,724
Electrical permits	46,350	75,452	29,102
Mechanical permits	46,350	61,567	15,217
Re-inspection fees	3,090	2,775	(315)
Plumbing permits	41,200	53,411	12,211
Refuse collection fees	85,940	102,939	16,999
Development review	45,900	67,573	21,673
Engineering fees	40,000	69,694	29,694
Tower fees	81,338	97,041	15,703
Dog fees	4,000	6,828	2,828
Sign permits	400	470	70
Street cuts	-	810	810
Street inspections	1,000	20,704	19,704
Parking violations	2,000	4,435	2,435
Court officer fees	3,000	5,438	2,438
Safety officer contract fees	27,351	21,654	(5,697)
School resource officer contract fees	48,104	48,104	-
Recycling fees	5,000	6,981	1,981
Time Warner Peg Access fee	10,000	7,655	(2,345)
Miscellaneous fees	1,250	4,132	2,882
Total	<u>932,828</u>	<u>1,135,274</u>	<u>202,446</u>
Sales and services			
Recreation fees	180,000	183,339	3,339
Town Center fees	97,400	93,260	(4,140)
Total	<u>277,400</u>	<u>276,599</u>	<u>(801)</u>
Investment earnings			
Interest on investments	<u>75,000</u>	<u>410,305</u>	<u>335,305</u>
Other			
Sale of lots	8,000	9,605	1,605
Sale of fixed assets	-	23,335	23,335
Refuse cart sales	10,000	5,021	(4,979)
Yard waste container sales	2,000	3,281	1,281
Farmers' Market rent	2,000	2,000	-
Donations	17,296	16,382	(914)
Miscellaneous	6,907	12,862	5,955
Total	<u>46,203</u>	<u>72,486</u>	<u>26,283</u>
Total revenues	<u>15,631,027</u>	<u>17,021,099</u>	<u>1,390,072</u>

**TOWN OF CARRBORO, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended June 30, 2007**

Schedule 1  
Page 3 of 5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures			
General government			
Mayor and Board of Aldermen			
Personnel services	\$	\$ 98,209	\$
Operations		149,701	
Total	<u>273,975</u>	<u>247,910</u>	<u>26,065</u>
Advisory boards			
Operations		5,476	
Total	<u>13,811</u>	<u>5,476</u>	<u>8,335</u>
Governmental support			
Operations		198,525	
Total	<u>200,454</u>	<u>198,525</u>	<u>1,929</u>
Town Manager			
Personnel services		225,672	
Operations		14,863	
Total	<u>255,732</u>	<u>240,535</u>	<u>15,197</u>
Town Clerk			
Personnel services		90,508	
Operations		10,181	
Total	<u>111,073</u>	<u>100,689</u>	<u>10,384</u>
Management services			
Personnel services		545,460	
Operations		908,965	
Capital outlay		301,018	
Total	<u>1,813,525</u>	<u>1,755,443</u>	<u>58,082</u>
Personnel			
Personnel services		249,384	
Operations		48,130	
Total	<u>312,762</u>	<u>297,514</u>	<u>15,248</u>
Economic and community development			
Personnel services		106,258	
Operations		51,016	
Total	<u>188,977</u>	<u>157,274</u>	<u>31,703</u>
Total general government	<u>3,170,309</u>	<u>3,003,366</u>	<u>166,943</u>

**TOWN OF CARRBORO, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended June 30, 2007**

Schedule 1  
Page 4 of 5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety			
Police department			
Personnel services	\$	\$ 2,363,791	\$
Operations		488,482	
Capital outlay		194,194	
Total	<u>3,238,447</u>	<u>3,046,467</u>	<u>191,980</u>
Fire department			
Personnel services		1,565,185	
Operations		468,704	
Capital outlay		475,543	
Total	<u>2,619,111</u>	<u>2,509,432</u>	<u>109,679</u>
Total public safety	<u>5,857,558</u>	<u>5,555,899</u>	<u>301,659</u>
Planning			
Personnel services		894,951	
Operations		215,516	
Total planning	<u>1,263,479</u>	<u>1,110,467</u>	<u>153,012</u>
Transportation			
Operations	<u>1,070,150</u>	<u>962,714</u>	
Total transportation	<u>1,070,150</u>	<u>962,714</u>	<u>107,436</u>
Public works			
Public works department			
Personnel services		1,614,816	
Operations		1,227,820	
Capital outlay		933,841	
Total public works	<u>4,785,570</u>	<u>3,776,477</u>	<u>1,009,093</u>
Parks and recreation			
Recreation department			
Personnel services		853,028	
Operations		274,414	
Capital outlay		84,296	
Total parks and recreation	<u>1,345,003</u>	<u>1,211,738</u>	<u>133,265</u>
General services			
Operations		-	
Total general services	<u>211,072</u>	<u>-</u>	<u>211,072</u>



**TOWN OF CARRBORO, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended June 30, 2007**

Schedule 1  
Page 5 of 5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service			
Principal retirement	\$	\$ 1,046,466	\$
Interest and fees		206,475	
Total debt service	<u>1,424,945</u>	<u>1,252,941</u>	<u>172,004</u>
Total expenditures	<u>19,128,086</u>	<u>16,873,602</u>	<u>2,254,484</u>
Revenues over (under) expenditures	<u>(3,497,059)</u>	<u>147,497</u>	<u>3,644,556</u>
Other financing sources (uses)			
Transfers out			
To Capital Reserve Fund	(290,000)	(290,000)	-
To Capital Projects Fund	(20,000)	(20,000)	-
Proceeds from installment purchase agreements	<u>1,321,138</u>	<u>1,134,188</u>	<u>(186,950)</u>
Total other financing sources (uses)	<u>1,011,138</u>	<u>824,188</u>	<u>(186,950)</u>
Revenues and other sources over (under) expenditures and other uses	<u>(2,485,921)</u>	<u>971,685</u>	<u>3,457,606</u>
Appropriated fund balance	<u>2,485,921</u>	<u>-</u>	<u>(2,485,921)</u>
Net change in fund balance	<u>\$ -</u>	<u>971,685</u>	<u>\$ 971,685</u>
Fund balance, beginning of year		<u>9,315,006</u>	
Fund balance, ending		<u>\$ 10,286,691</u>	

**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, 2007**

	Project Authorization	Actual			Total to Date	Variance Positive (Negative)
		Prior Years	Closed Loans	Current Year		
<b>Revenues</b>						
General revenues						
Investment earnings						
Interest on investments	\$ 206,652	\$ 191,813	\$ -	\$ 20,021	\$ 211,834	\$ 5,182
Interest repayments	317,521	304,899	-	11,005	315,904	(1,617)
Total investment earnings	524,173	496,712	-	31,026	527,738	3,565
Other general revenues						
Revolving loan payments						
University Printery principal repay	24,831	22,872	-	752	23,624	(1,207)
Acme Food & Beverage Co. principal repay	39,483	30,271	-	8,986	39,257	(226)
Paper, Pen & Ink	-	35,000	(35,000)	-	-	-
Alphabet Soup	13,031	11,021	-	2,009	13,030	(1)
Crazie Mae's	75,000	13,603	-	61,397	75,000	-
Science Technologies	4,164	33	-	4,148	4,181	17
Bryan's Guitar	17,639	14,403	-	3,760	18,163	524
Phydeaux	-	40,000	(40,000)	-	-	-
Blue Icon	3,265	737	-	2,298	3,035	(230)
Cycling Specifics	5,124	-	-	4,255	4,255	(869)
Original loan repayments	273,087	273,087	-	-	273,087	-
Total revolving loan payments	455,624	441,027	(75,000)	87,605	453,632	(1,992)
Total revenues	979,797	937,739	(75,000)	118,631	981,370	1,573
<b>Expenditures</b>						
Current:						
General government						
Contractual Services	6,679	-	-	-	-	6,679
Miscellaneous	10,000	-	-	-	-	10,000
Administration	-	9,440	-	38	9,478	(9,478)
Total current	16,679	9,440	-	38	9,478	7,201
Economic and Physical Development:						
University Printery	30,000	30,000	-	-	30,000	-
Acme Food & Beverage Co.	50,000	50,000	-	-	50,000	-
Paper, Pen & Ink	-	35,000	(35,000)	-	-	-
Alphabet Soup	48,000	48,000	-	-	48,000	-
Crazie Mae's	75,000	75,000	-	-	75,000	-
Science Technologies	75,000	35,000	-	-	35,000	40,000
Bryan's Guitar	90,000	90,000	-	-	90,000	-
Phydeaux	-	40,000	(40,000)	-	-	-
Blue Icon Hairstylists	18,000	18,000	-	-	18,000	-
Cycling Specifics	45,000	45,000	-	-	45,000	-
Loss on loans	70,533	70,532	-	-	70,532	1
Unexpended reserves	412,585	-	-	-	-	412,585
Total Economic and Physical Development	914,118	536,532	(75,000)	-	461,532	452,586

**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, 2007**

	Project Authorization	Actual			Total to Date	Variance Positive (Negative)
		Prior Years	Closed Loans	Current Year		
Total expenditures	\$ 930,797	\$ 545,972	\$ (75,000)	\$ 38	\$ 471,010	\$ 459,787
Revenues over expenditures	49,000	391,767	-	118,593	510,360	461,360
Other financing sources (uses)						
Transfers in (out)						
From General Fund	90,000	80,000	-	-	80,000	(10,000)
To General Fund	(139,000)	(139,000)	-	-	(139,000)	-
Total other financing uses	(49,000)	(59,000)	-	-	(59,000)	(10,000)
Net change in fund balance	<u>\$ -</u>	<u>\$ 332,767</u>	<u>\$ -</u>	118,593	<u>\$ 451,360</u>	<u>\$ 451,360</u>
Fund balance, beginning of year				332,767		
Fund balance, end of year				<u>\$ 451,360</u>		

**TOWN OF CARRBORO, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - CAPITAL RESERVE FUND**  
**Year Ended June 30, 2007**

Schedule 3

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Interest earnings	\$ -	\$ 40,718	\$ 40,718
Other revenues	<u>-</u>	<u>48,996</u>	<u>48,996</u>
Total revenues	<u>-</u>	<u>89,714</u>	<u>89,714</u>
Other financing sources			
Transfers in (out)			
From General Fund	<u>-</u>	<u>290,000</u>	<u>290,000</u>
Total other financing sources	<u>-</u>	<u>290,000</u>	<u>290,000</u>
Net change in fund balance	<u>\$ -</u>	<u>379,714</u>	<u>\$ 379,714</u>
 Fund balance, beginning of year		<u>725,135</u>	
Fund balance, end of year		<u>\$ 1,104,849</u>	

**TOWN OF CARRBORO, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - PROJECT AUTHORIZATION**  
**AND ACTUAL - CAPITAL PROJECTS FUND**  
**From Project Inception and for the Year Ended June 30, 2007**

	Project Authorization	Actual			Total to Date	Variance Positive (Negative)
		Prior Years	Closed Out Projects	Current Year		
<b>Revenues</b>						
General revenues						
Interest on investments	\$ -	\$ 7,090	\$ (4,300)	\$ 3,758	\$ 6,548	\$ 6,548
Miscellaneous revenue	-	-	5,438	-	5,438	5,438
Total general revenues	-	7,090	1,138	3,758	11,986	11,986
Adams Tract						
Miscellaneous	-	4,243	(4,243)	-	-	-
Clean Water Act grant	-	202,000	(202,000)	-	-	-
Total Adams Tract	-	206,243	(206,243)	-	-	-
Old Fayetteville Road Sidewalk						
Federal pass-through grant	73,025	9,334	-	25,844	35,178	(37,847)
Total Old Fayetteville Road Sidewalk	73,025	9,334	-	25,844	35,178	(37,847)
Jones Ferry Road Sidewalk						
Federal pass-through grant	18,000	-	-	10,568	10,568	(7,432)
Total Jones Ferry Road Sidewalk	18,000	-	-	10,568	10,568	(7,432)
Brewer Lane Sidewalk						
Federal pass-through grant	74,351	-	-	9,445	9,445	(64,906)
Total Brewer Lane Sidewalk	74,351	-	-	9,445	9,445	(64,906)
Main Street Sidewalk						
Federal pass-through grant	6,025	-	-	6,042	6,042	17
Total Main Street Sidewalk	6,025	-	-	6,042	6,042	17
Total revenues	171,401	222,667	(205,105)	55,657	73,219	(98,182)
<b>Expenditures</b>						
Fire Substation						
Architectural services	210,000	-	-	10,964	10,964	199,036
Miscellaneous	1,500	-	-	605	605	895
Equipment	546,800	-	-	-	-	546,800
Construction	1,587,765	-	-	-	-	1,587,765
Construction services	8,500	-	-	2,475	2,475	6,025
Phase I construction	395,138	-	-	-	-	395,138
Total Fire Substation #2 Project	2,749,703	-	-	14,044	14,044	2,735,659
Martin Luther King Park						
Miscellaneous	-	1,017	(1,017)	-	-	-
Land	-	552,700	(552,700)	-	-	-
Design	-	41,619	(41,619)	-	-	-
Total Martin Luther King Park	-	595,337	(595,337)	-	-	-
Hillsborough Road Widening Project						
Contractual services	-	29,163	(29,163)	-	-	-
Total Hillsborough Road Widening Project	-	29,163	(29,163)	-	-	-

**TOWN OF CARRBORO, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - PROJECT AUTHORIZATION**  
**AND ACTUAL - CAPITAL PROJECTS FUND**  
**From Project Inception and for the Year Ended June 30, 2007**

Schedule 4  
Page 2 of 2

	Project Authorization	Actual			Total to Date	Variance Positive (Negative)
		Prior Years	Closed Out Projects	Current Year		
Adams Tract						
Professional services	\$ -	\$ 6,500	\$ (6,500)	\$ -	\$ -	\$ -
Engineering	-	10,000	(10,000)	-	-	-
Land	-	776,474	(776,474)	-	-	-
Total Adams Tract	-	792,974	(792,974)	-	-	-
Old Fayetteville Road Sidewalk						
Construction	116,309	-	-	55	55	116,254
Right-of-way/easements	8,358	-	-	8,358	8,358	-
Design	27,223	17,165	-	8,905	26,070	1,153
Total Old Fayetteville Road Sidewalk	151,890	17,165	-	17,318	34,483	117,407
Jones Ferry Road Sidewalk						
Construction	6,168	-	-	-	-	6,168
Design	16,342	12,210	-	4,085	16,295	47
Total Jones Ferry Road Sidewalk	22,510	12,210	-	4,085	16,295	6,215
Brewer Lane Sidewalk						
Construction	79,813	-	-	23	23	79,790
Design	13,126	11,324	-	1,737	13,061	65
Total Brewer Lane Sidewalk	92,939	11,324	-	1,760	13,084	79,855
Main Street Sidewalk						
Construction	4,324	-	-	-	-	4,324
Design	3,207	-	-	3,207	3,207	-
Total Main Street Sidewalk	7,531	-	-	3,207	3,207	4,324
Public Works Facility Land						
Professional services	6,068	10,856	-	-	10,856	(4,788)
Engineering	4,051	-	-	-	-	4,051
Park supplies	5,000	5,750	-	-	5,750	(750)
Land	751,881	739,879	-	-	739,879	12,002
Total Public Works Facility Land	767,000	756,485	-	-	756,485	10,515
Total expenditures	3,791,573	2,214,658	(1,417,474)	40,414	837,598	2,953,975
Revenues under expenditures	(3,620,172)	(1,991,991)	1,212,369	15,243	(764,379)	2,855,793
Other financing sources (uses)						
Transfers in						
From General Fund	20,000	43,250	(43,250)	20,000	20,000	-
From Capital Reserve Fund	103,469	132,632	(29,164)	-	103,468	(1)
From Payment in Lieu Reserve Fund	-	279,000	(279,000)	-	-	-
From Debt Service Fund	-	-	-	-	-	-
Transfers out						
To General Fund	(20,000)	(13,326)	13,326	-	-	20,000
To Capital Reserve Fund	-	281	(281)	-	-	-
To Capital Projects Fund	-	-	-	-	-	-
To Payment in Lieu Reserve Fund	-	-	-	-	-	-
Proceeds from installment purchase agreements	3,516,703	1,641,000	(874,000)	-	767,000	(2,749,703)
Total other financing sources (uses)	3,620,172	2,082,837	(1,212,369)	20,000	890,468	(2,729,704)
Net change in fund balance	\$ -	\$ 90,846	\$ -	35,243	\$ 126,089	\$ 126,089
Fund balance, beginning of year				90,846		
Fund balance, end of year				\$ 126,089		

**TOWN OF CARRBORO, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - PROJECT AUTHORIZATION**  
**AND ACTUAL - BOND FUND**  
**From Project Inception and for the Year Ended June 30, 2007**

Schedule 5  
Page 1 of 3

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
General revenues					
Interest Earned-Sidewalk Bond	\$ -	\$ 9,529	\$ 16,505	\$ 26,034	\$ 26,034
Total general revenues	-	9,529	16,505	26,034	26,034
Bond projects					
Morgan Creek/Bolin Creek Greenway					
Interest earnings	14,000	-	14,000	14,000	-
Federal STP-DA funds	96,000	-	-	-	(96,000)
Total Morgan Creek/Bolin Creek Greenway	110,000	-	14,000	14,000	(96,000)
Bolin Forest Sidewalk					
Federal STP-DA funds	15,960	-	-	-	(15,960)
Bond proceeds	-	-	-	-	-
Donations	2,100	2,100	-	2,100	-
Total Bolin Forest Sidewalk	18,060	2,100	-	2,100	(15,960)
Hannah Street Sidewalk					
Federal STP-DA funds	55,564	-	-	-	(55,564)
Bolin Creek Co-Housing	88,644	-	88,644	88,644	-
Bond proceeds	-	-	-	-	-
Total Hannah Street Sidewalk	144,208	-	88,644	88,644	(55,564)
Phase IB Bond Sidewalk Projects					
Interest Earnings	12,700	-	12,700	12,700	-
Bond proceeds	-	-	-	-	-
Total Phase IB Bond Sidewalk Projects	12,700	-	12,700	12,700	-
Total revenues	284,968	11,629	131,849	143,478	(141,490)
<b>Expenditures</b>					
General					
Professional services	53,000	-	11,151	11,151	41,849
Miscellaneous	2,000	1,428	79	1,507	493
Construction	-	-	-	-	-
Contingency	-	-	-	-	-
Design	1,945	1,900	45	1,945	-
Total General	56,945	3,328	11,275	14,603	42,342
Morgan Creek/Bolin Creek Greenway					
Construction	-	-	-	-	-
Design	120,000	-	-	-	120,000
Total Morgan Creek/Bolin Creek Greenway	120,000	-	-	-	120,000
Quail Roost Sidewalk					
Engineering inspections	1,436	1,436	-	1,436	-
Construction	129,056	129,056	-	129,056	-
Design	15,507	15,507	-	15,507	-
Total Quail Roost Sidewalk	145,999	145,999	-	145,999	-
Lisa Drive Sidewalk					
Engineering inspections	1,805	1,805	-	1,805	-
Construction	112,605	112,605	-	112,605	-
Design	13,390	13,390	-	13,390	-
Total Lisa Drive Sidewalk	127,800	127,800	-	127,800	-
Bolin Forest Sidewalk					
Miscellaneous	306	306	-	306	-
Engineering inspections	5,611	25	340	365	5,246
Construction	47,473	-	41,086	41,086	6,387
Contingency	7,600	-	-	-	7,600
Design	13,019	12,949	70	13,019	-
Total Bolin Forest Sidewalk	74,009	13,280	41,496	54,776	19,233

**TOWN OF CARRBORO, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - PROJECT AUTHORIZATION**  
**AND ACTUAL - BOND FUND**  
**From Project Inception and for the Year Ended June 30, 2007**

Schedule 5  
Page 2 of 3

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Hannah Street Sidewalk</b>					
Engineering inspections	\$ 22,534	\$ -	\$ 4,868	\$ 4,868	\$ 17,666
Construction	200,397	-	188,398	188,398	11,999
Contingency	43,975	-	-	-	43,975
Design	17,372	16,866	505	17,371	1
<b>Total Hannah Street Sidewalk</b>	<b>284,278</b>	<b>16,866</b>	<b>193,771</b>	<b>210,637</b>	<b>73,641</b>
<b>N. Greensboro Street Sidewalk</b>					
Engineering inspections	8,500	403	5,819	6,222	2,278
Construction	302,397	-	302,395	302,395	2
Contingency	17,050	-	-	-	17,050
Design	40,247	37,451	2,795	40,246	1
<b>Total N. Greensboro Street Sidewalk</b>	<b>368,194</b>	<b>37,854</b>	<b>311,009</b>	<b>348,863</b>	<b>19,331</b>
<b>Williams Street Sidewalk</b>					
Engineering inspections	3,720	44	345	389	3,331
Construction	28,200	-	26,208	26,208	1,992
Contingency	4,500	-	-	-	4,500
Design	4,959	4,959	-	4,959	-
<b>Total Williams Street Sidewalk</b>	<b>41,379</b>	<b>5,003</b>	<b>26,553</b>	<b>31,556</b>	<b>9,823</b>
<b>Lloyd Street Sidewalk</b>					
Engineering inspections	965	11	86	97	868
Construction	8,267	-	8,266	8,266	1
Contingency	533	-	-	-	533
Design	2,491	2,491	-	2,491	-
<b>Total Lloyd Street Sidewalk</b>	<b>12,256</b>	<b>2,502</b>	<b>8,352</b>	<b>10,854</b>	<b>1,402</b>
<b>Jones Ferry Sidewalk</b>					
Engineering inspections	1,670	15	129	144	1,526
Construction	12,661	-	11,934	11,934	727
Contingency	2,400	-	-	-	2,400
Design	3,839	3,838	-	3,838	1
<b>Total Jones Ferry Sidewalk</b>	<b>20,570</b>	<b>3,853</b>	<b>12,063</b>	<b>15,916</b>	<b>4,654</b>
<b>Fowler Street Sidewalk</b>					
Engineering inspections	1,460	16	129	145	1,315
Construction	12,996	-	12,996	12,996	-
Contingency	285	-	-	-	285
Design	3,394	3,393	-	3,393	1
<b>Total Fowler Street Sidewalk</b>	<b>18,135</b>	<b>3,409</b>	<b>13,125</b>	<b>16,534</b>	<b>1,601</b>
<b>S. Greensboro Street Sidewalk</b>					
Engineering inspections	4,360	55	431	486	3,874
Construction	36,917	-	36,915	36,915	2
Contingency	4,478	-	-	-	4,478
Design	5,752	5,472	280	5,752	-
<b>Total S. Greensboro Street Sidewalk</b>	<b>51,507</b>	<b>5,527</b>	<b>37,626</b>	<b>43,153</b>	<b>8,354</b>
<b>Phase IB Bond Sidewalk Projects</b>					
Professional services	100,000	4,312	-	4,312	95,688
Engineering inspections	44,900	-	-	-	44,900
Construction	555,600	-	-	-	555,600
Design	200,000	127,356	43,439	170,795	29,205
Contingency	118,065	-	-	-	118,065
<b>Total Phase IB Bond Sidewalk Projects</b>	<b>1,018,565</b>	<b>131,668</b>	<b>43,439</b>	<b>175,107</b>	<b>843,458</b>
<b>NCDOT Enhancement Sidewalk Projects</b>					
Inspections	34,140	-	-	-	34,140
Construction	390,000	-	-	-	390,000
Design	69,391	-	-	-	69,391
ROW/easements	9,000	-	-	-	9,000
Contingency	44,500	-	-	-	44,500
<b>Total NCDOT Enhancement Sidewalk Projects</b>	<b>547,031</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>547,031</b>
<b>Total expenditures</b>	<b>2,886,668</b>	<b>497,089</b>	<b>698,709</b>	<b>1,195,798</b>	<b>1,690,870</b>



**TOWN OF CARRBORO, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - PROJECT AUTHORIZATION**  
**AND ACTUAL - BOND FUND**  
**From Project Inception and for the Year Ended June 30, 2007**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues under expenditures	\$ (2,601,700)	\$ (485,460)	\$ (566,860)	\$ (1,052,320)	\$ 1,549,380
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 Capital Reserve Fund	(239,988)	(239,988)	-	(239,988)	-
Bond proceeds	<u>2,590,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,590,000)</u>
Total other financing sources	<u>2,601,700</u>	<u>11,700</u>	<u>-</u>	<u>11,700</u>	<u>(2,590,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (473,760)</u>	<u>(566,860)</u>	<u>\$ (1,040,620)</u>	<u>\$ (1,040,620)</u>
Fund balance, beginning of year			<u>(473,760)</u>		
Fund balance, end of year			<u><u>\$ (1,040,620)</u></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, 2007**

Schedule 6

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment earnings	<u>\$ -</u>	<u>\$ 5,944</u>	<u>\$ 5,944</u>
Total revenues	<u><u>\$ -</u></u>	<u>5,944</u>	<u><u>\$ 5,944</u></u>
Fund balance, beginning of year		<u>124,908</u>	
Fund balance, end of year		<u><u>\$ 130,852</u></u>	

### ***ADDITIONAL FINANCIAL DATA***

This section contains additional information on property taxes.

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

**TOWN OF CARRBORO, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**June 30, 2007**

Schedule 7

<u>Year of Levy</u>	<u>Uncollected Balance July 1, 2006</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2007</u>
2006	\$ -	\$ 9,892,881	\$ 9,784,087	\$ 108,794
2005	124,515	-	93,814	30,701
2004	42,734	-	15,140	27,594
2003 and prior	204,899	-	6,994	197,905
	372,148	<u>\$ 9,892,881</u>	<u>\$ 9,900,035</u>	364,994
Less allowance for uncollectible accounts	<u>(104,343)</u>			<u>(112,981)</u>
Receivables, net	<u>\$ 267,805</u>			<u>\$ 252,013</u>
Reconciliation of revenues with collections:				
General Fund				\$ 9,672,841
General Fund vehicle license fees				<u>244,921</u>
Total revenues				9,917,762
Reconciling items:				
Adjustments				3,640
Penalties and interest				<u>(21,367)</u>
				<u>\$ 9,900,035</u>

**TOWN OF CARRBORO, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY**  
**Year Ended June 30, 2007**

**Schedule 8**

	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	\$ 1,562,795,142	\$ 0.6244	\$ 9,507,122	\$ 9,250,801	\$ 256,321
Motor vehicles taxed at prior year's rate	34,043,157	0.6244	131,707	-	131,707
Penalties and interest	-		1,052	1,052	-
Total property valuation	<u>1,596,838,299</u>		9,639,881	9,251,853	388,028
Vehicle tag fees			253,000	-	253,000
Total gross levy			9,892,881	9,251,853	641,028
Uncollected taxes at June 30, 2007			108,794	25,120	83,674
Current year's taxes collected			<u>\$ 9,784,087</u>	<u>\$ 9,226,733</u>	<u>\$ 557,354</u>
Current levy collection percentage			<u>98.90%</u>	<u>99.73%</u>	<u>86.95%</u>

\* Total adjusted levy includes discoveries and abatements.

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

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***SUPPLEMENTARY INFORMATION***

***STATISTICAL SECTION***

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# Statistical Section

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

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	<b>74</b>
<i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</i>	
<b>Revenue Capacity</b>	<b>79</b>
<i>These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.</i>	
<b>Debt Capacity</b>	<b>86</b>
<i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.</i>	
<b>Demographic and Economic Information</b>	<b>91</b>
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</i>	
<b>Operating Information</b>	<b>95</b>
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.</i>	

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

***Financial Trends Information:***

**Town of Carrboro**  
**Net Assets by Component,**  
**Last Four Fiscal Years**  
*(accrual basis of accounting)*

**Table 1**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 13,197,169	\$ 16,174,743	\$ 17,735,292	\$ 18,647,239
Restricted	-	-	18,851	-
Unrestricted	<u>7,031,287</u>	<u>7,689,017</u>	<u>9,607,945</u>	<u>11,347,696</u>
Total governmental activities net assets	<u>\$ 20,228,456</u>	<u>\$ 23,863,760</u>	<u>\$ 27,362,088</u>	<u>\$ 29,994,935</u>
Primary government				
Invested in capital assets, net of related debt	\$ 13,197,169	\$ 16,174,743	\$ 17,735,292	\$ 18,647,239
Restricted	-	-	18,851	-
Unrestricted	<u>7,031,287</u>	<u>7,689,017</u>	<u>9,607,945</u>	<u>11,347,696</u>
Total primary government net assets	<u>\$ 20,228,456</u>	<u>\$ 23,863,760</u>	<u>\$ 27,362,088</u>	<u>\$ 29,994,935</u>

**Town of Carrboro  
Changes in Net Assets,  
Last Four Fiscal Years  
(accrual basis of accounting)**

**Table 2**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Expenses</b>				
Governmental activities:				
General government	\$ 2,325,813	\$ 2,406,566	\$ 2,568,563	\$ 2,828,685
Public Safety	3,970,899	4,031,288	4,219,432	5,098,641
Planning	906,766	1,057,324	943,711	1,112,435
Transportation	817,003	917,900	841,313	962,714
Public Works	2,775,381	1,754,626	2,874,392	3,296,515
Parks and recreation	1,182,059	1,206,197	1,244,258	1,212,610
Economic and Community Development	25,000	140,405	63,000	37,850
Interest on long-term debt	196,168	170,476	180,274	222,372
Total governmental activities expenses	<u>12,199,089</u>	<u>11,684,782</u>	<u>12,934,943</u>	<u>14,771,822</u>
Total primary government expenses	<u>\$ 12,199,089</u>	<u>\$ 11,684,782</u>	<u>\$ 12,934,943</u>	<u>\$ 14,771,822</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
Public Safety	\$ 410,203	\$ 423,505	\$ 413,970	\$ 529,742
Planning	400,831	313,146	365,758	446,710
Public Works	111,335	106,197	88,309	110,746
Parks and Recreation	179,150	247,421	269,006	284,621
General Services	73,023	74,905	78,685	97,751
Operating grants and contributions	629,886	747,236	723,297	1,008,712
Capital grants and contributions	-	1,130,949	1,392,470	196,115
Total governmental activities program revenues	<u>1,804,428</u>	<u>3,043,359</u>	<u>3,331,495</u>	<u>2,674,397</u>
Total primary government program revenues	<u>\$ 1,804,428</u>	<u>\$ 3,043,359</u>	<u>\$ 3,331,495</u>	<u>\$ 2,674,397</u>
<b>Net Expense</b>				
Governmental activities	\$ (10,394,661)	\$ (8,641,423)	\$ (9,603,448)	\$ (12,097,425)
Total primary government net expense	<u>\$ (10,394,661)</u>	<u>\$ (8,641,423)</u>	<u>\$ (9,603,448)</u>	<u>\$ (12,097,425)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Taxes	\$ 10,909,066	\$ 11,561,864	\$ 12,185,361	\$ 13,503,535
Unrestricted intergovernmental revenues	531,121	549,086	608,951	691,784
Miscellaneous and unrestricted investment earnings	146,056	165,820	307,424	534,953
Total governmental activities	<u>11,586,243</u>	<u>12,276,770</u>	<u>13,101,736</u>	<u>14,730,272</u>
Total primary government	<u>\$ 11,586,243</u>	<u>\$ 12,276,770</u>	<u>\$ 13,101,736</u>	<u>\$ 14,730,272</u>
<b>Change in Net Assets</b>				
Governmental activities	\$ 1,191,582	\$ 3,635,347	\$ 3,498,288	\$ 2,632,847
Total primary government	<u>\$ 1,191,582</u>	<u>\$ 3,635,347</u>	<u>\$ 3,498,288</u>	<u>\$ 2,632,847</u>

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

**Table 3**

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 813,052	\$ 668,365	\$ 1,069,442	\$ 1,284,894	\$ 1,251,462	\$ 1,085,035	\$ 1,930,188	\$ 1,612,492	\$ 2,795,270	\$ 2,049,578
Unreserved, designated	324,645	528,142	710,648	923,228	538,158	877,347	756,958	894,434	1,182,684	1,120,725
Unreserved, undesignated	<u>1,700,141</u>	<u>2,077,237</u>	<u>2,023,360</u>	<u>2,326,017</u>	<u>2,930,759</u>	<u>3,417,726</u>	<u>3,595,765</u>	<u>4,667,033</u>	<u>5,337,052</u>	<u>7,116,388</u>
Total general fund	<u>2,837,838</u>	<u>3,273,744</u>	<u>3,803,450</u>	<u>4,534,139</u>	<u>4,720,379</u>	<u>5,380,108</u>	<u>6,282,911</u>	<u>7,173,959</u>	<u>9,315,006</u>	<u>10,286,691</u>
All Other Governmental Funds										
Reserved	216,227	45,197	3,000	-	88,423	-	2,463	27,644	560,080	249,183
Unreserved, reported in:										
Special revenue funds	261,434	343,254	1,008,942	1,135,298	1,330,029	1,382,960	1,317,854	1,004,601	1,182,811	1,687,061
Capital projects funds	2,387,292	2,789,096	921,605	300,482	301,228	268,001	190,021	162,378	(942,995)	(1,163,714)
Debt service funds	<u>14,243</u>	<u>26,720</u>	<u>21,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>2,864,953</u>	<u>3,177,547</u>	<u>1,933,547</u>	<u>1,435,780</u>	<u>1,719,680</u>	<u>1,650,961</u>	<u>1,510,338</u>	<u>1,194,623</u>	<u>799,896</u>	<u>772,530</u>
Total, all governmental funds	<u>\$ 5,702,791</u>	<u>\$ 6,451,291</u>	<u>\$ 5,736,997</u>	<u>\$ 5,969,919</u>	<u>\$ 6,440,059</u>	<u>\$ 7,031,069</u>	<u>\$ 7,793,249</u>	<u>\$ 8,368,582</u>	<u>\$ 10,114,902</u>	<u>\$ 11,059,221</u>

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

**Table 4**

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Revenues</b>										
Taxes	\$ 4,373,320	\$ 4,818,643	\$ 5,260,124	\$ 5,874,291	\$ 6,838,670	\$ 7,324,513	\$ 7,791,921	\$ 8,227,622	\$ 8,578,222	\$ 9,672,841
Licenses, fees and permits	1,750,618	1,900,287	1,992,311	2,108,683	2,102,576	2,278,779	2,705,076	2,874,741	3,089,493	3,353,665
Fines and penalties	248,347	278,939	306,947	316,531	444,264	387,152	428,338	439,840	460,350	420,065
Charges for services	656,373	697,549	756,576	789,213	369,242	564,687	531,121	549,086	613,183	691,784
Special assessments	780,791	722,657	563,093	771,994	809,595	689,984	629,886	552,907	565,374	1,039,979
Intergovernmental	665,585	791,466	791,015	833,552	746,206	747,441	995,392	917,919	955,371	1,223,918
Restricted governmental	99,030	108,100	102,230	115,009	151,403	195,494	179,150	236,134	258,309	276,599
Investment earnings	315,872	299,552	330,941	333,572	131,432	78,616	51,269	130,270	291,873	534,956
Other revenues	189,680	195,467	202,595	162,866	162,568	167,324	129,649	444,023	157,549	209,087
<b>Total revenues</b>	<b>9,079,616</b>	<b>9,812,660</b>	<b>10,305,832</b>	<b>11,305,711</b>	<b>11,755,956</b>	<b>12,433,990</b>	<b>13,441,802</b>	<b>14,372,542</b>	<b>14,969,723</b>	<b>17,422,894</b>
<b>Expenditures</b>										
General government	1,815,508	2,249,075	1,384,454	1,829,253	1,868,732	1,923,071	2,409,684	2,421,531	2,543,543	3,003,404
Public Safety	2,740,252	2,577,735	2,884,355	3,173,326	3,521,900	3,442,054	3,945,853	4,025,778	4,257,421	5,555,899
Planning	-	-	731,751	852,909	843,097	922,863	911,512	1,071,142	956,304	1,110,467
Transportation	-	-	-	576,728	702,753	747,737	817,003	917,900	841,313	962,714
Public Works	1,983,597	2,338,045	2,742,633	2,743,076	2,654,718	2,919,627	3,008,021	3,073,794	3,033,855	3,776,477
Parks and recreation	542,194	612,545	653,489	809,179	899,066	994,878	1,130,239	1,035,472	1,171,889	1,211,738
Economic & Community Dev.	665,325	456,053	550,647	82,505	45,000	138,041	25,000	140,000	63,000	-
Capital outlay	-	-	-	-	-	-	-	1,029,693	332,181	739,123
Debt service										
Interest	256,356	315,410	298,297	299,765	304,789	300,630	224,737	162,707	176,902	206,475
Principal	580,050	634,481	665,014	793,893	730,600	848,478	893,239	1,019,472	939,841	1,046,466
<b>Total expenditures</b>	<b>8,583,282</b>	<b>9,183,344</b>	<b>9,910,640</b>	<b>11,160,634</b>	<b>11,570,655</b>	<b>12,237,379</b>	<b>13,365,297</b>	<b>14,897,489</b>	<b>14,316,249</b>	<b>17,612,763</b>
Excess of revenues over (under) expenditures	496,334	629,316	395,192	145,077	185,301	196,611	76,505	(524,947)	653,474	(189,869)
<b>Other Financing Sources (Uses)</b>										
Proceeds from borrowing	3,494,500	442,452	832,473	840,434	349,550	1,105,139	543,192	1,100,280	1,092,846	1,134,188
Proceeds from refunding	-	-	-	-	-	637,250	-	-	-	-
Payments to escrow agent	-	-	-	-	-	(622,000)	-	-	-	-
Transfers in	358,299	441,807	684,894	320,883	488,504	332,474	604,723	699,528	705,992	310,000
Transfers out	(358,299)	(441,807)	(684,894)	(320,883)	(488,504)	(292,474)	(604,723)	(699,528)	(705,992)	(310,000)
<b>Total other financing sources</b>	<b>3,494,500</b>	<b>442,452</b>	<b>832,473</b>	<b>840,434</b>	<b>349,550</b>	<b>1,160,389</b>	<b>543,192</b>	<b>1,100,280</b>	<b>1,092,846</b>	<b>1,134,188</b>
<b>Net change in fund balances</b>	<b>\$ 3,990,834</b>	<b>\$ 1,071,768</b>	<b>\$ 1,227,665</b>	<b>\$ 985,511</b>	<b>\$ 534,851</b>	<b>\$ 1,357,000</b>	<b>\$ 619,697</b>	<b>\$ 575,333</b>	<b>\$ 1,746,320</b>	<b>\$ 944,319</b>
Capital outlay included in expenditures above	1,699,118	310,791	1,947,403	877,125	64,711	938,741	135,046	1,610,364	1,106,998	2,676,218
Debt service as a percentage of noncapital expenditures	12.1%	10.7%	12.1%	10.6%	9.0%	10.2%	8.5%	8.9%	8.5%	8.4%

**Notes:**

Public Works & Planning were reported together until fiscal year 2000.

***Revenue Capacity Information:***

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

**Table 5**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Function/Program</b>				
Governmental activities:				
Public Safety	\$ 465,312	\$ 455,520	\$ 433,218	\$ 609,234
Public Works	535,810	1,640,413	1,977,871	1,132,819
Planning	423,781	343,545	371,758	540,057
Economic and Physical Development	-	113,241	66,066	-
Parks and Recreation	215,048	390,193	335,807	339,541
General Services	<u>164,477</u>	<u>100,447</u>	<u>146,775</u>	<u>124,752</u>
 Total primary government	 <u>\$ 1,804,428</u>	 <u>\$ 3,043,359</u>	 <u>\$ 3,331,495</u>	 <u>\$ 2,746,403</u>



**Town of Carrboro**  
**Tax Revenues by Source, Governmental Funds <sup>a</sup>**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

**Table 6**

<u>Fiscal Year</u>	<u>Property Taxes</u>
1998	\$ 4,373,320
1999	3,968,929
2000	5,260,124
2001	5,874,291
2002	6,838,670
2003	7,324,513
2004	7,791,921
2005	8,227,662
2006	8,578,222
2007	9,672,841
Change 1997-2006	121.2%

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

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

**Table 7**

Fiscal Year Ended June 30,	Tax Year	Real Property	Personal Property	Public Service Companies	Total Taxable Assessed Value	Direct Tax Rate (\$100 of Assessed Value)	Estimated Actual Taxable Value	Taxable Assessed Value as Percentage of Actual Taxable Value
1998	1997	\$ 599,928,018	\$ 75,591,001	\$ 10,971,748	\$ 686,490,767	0.6375	\$ 686,490,767	100%
1999	1998	638,188,022	83,472,647	11,431,726	733,092,395	0.6600	733,092,395	100%
2000	1999	674,703,509	93,373,946	13,389,138	781,466,593	0.6750	781,466,593	100%
2001	2000	718,095,878	99,234,383	13,414,474	830,744,735	0.7120	830,744,735	100%
2002	2001	916,537,233	106,149,593	14,063,739	1,036,750,565	0.0066	1,036,750,565	100%
2003	2002	952,750,323	105,406,710	14,015,046	1,072,172,079	0.0069	1,072,172,079	100%
2004	2003	1,005,282,825	108,676,566	14,505,050	1,128,464,441	0.0069	1,128,464,441	100%
2005	2004	1,029,610,609	108,489,664	14,468,769	1,152,569,042	0.0071	1,152,569,042	100%
2006	2005	1,252,027,870	105,636,174	14,737,286	1,372,401,330	0.0062	1,372,401,330	100%
2007	2006	1,462,675,049	120,737,680	13,425,570	1,596,838,299	0.0062	1,596,838,299	100%

**Source:** Orange County, North Carolina, Tax Assessor.

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

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

**Table 8**

<b>Fiscal Year</b>	<b>Town of Carrboro</b>	<b>Orange County</b>
	<b>Direct Rate</b>	<b>Overlapping Rate</b>
1998	0.6375	0.8730
1999	0.6600	0.9020
2000	0.7650	0.9190
2001	0.7120	0.9290
2002	0.6568	0.8050
2003	0.6852	0.8300
2004	0.6852	0.8450
2005	0.7148	0.8800
2006	0.6244	0.8430
2007	0.6244	0.9030

**Source:** Orange County, North Carolina, Tax Assessor.

**Town of Carrboro  
Property Tax Levies and Collections,  
Last Ten Fiscal Years**

**Table 9**

Fiscal Year Ended June 30,	Tax Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
1998	1997	\$ 4,510,381	\$ 4,419,806	97.99%	\$ 73,794	\$ 4,493,600	99.63%
1999	1998	4,957,841	4,866,710	98.16%	73,594	4,940,304	99.65%
2000	1999	5,407,318	5,312,426	98.25%	82,469	5,394,895	99.77%
2001	2000	6,065,356	5,934,238	97.84%	107,117	6,041,355	99.60%
2002	2001	6,984,830	6,883,438	98.55%	81,338	6,964,776	99.71%
2003	2002	7,551,366	7,433,914	98.44%	93,910	7,527,824	99.69%
2004	2003	7,988,802	7,874,710	98.57%	79,095	7,953,805	99.56%
2005	2004	8,479,108	8,361,431	98.61%	77,410	8,438,841	99.53%
2006	2005	8,820,233	8,695,718	98.59%	73,180	8,768,898	99.42%
2007	2006	9,892,881	9,784,087	98.90%	-	9,784,087	98.90%

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

**Table 10**

<u>Taxpayer</u>	<u>2007</u>			<u>1998</u>		
	<u>2006 Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Town Taxable Assessed Value</u>	<u>1997 Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
VAC Limited Partnership	\$ 26,899,561	1	1.96%	\$ 14,693,913	1	2.84%
Autumn Woods Apartments, Inc.	16,751,118	2	1.22%	-		0%
Villages of Chapel Hill	16,053,377	3	1.17%	8,466,087	5	1.64%
Crit NC III, LLC	15,875,154	4	1.16%	-		0%
Carr Mill Mall Limited	14,689,917	5	1.07%	7,499,933	6	1.46%
Carrboro Shopping Center, Inc.	11,555,777	6	0.84%	-		0%
Fairfield Poplar Place LP	10,689,577	7	0.78%	-		0%
CAFJ Associates, LLC	10,263,710	8	0.75%	-		0%
Zell Samuel Trustee	9,602,502	9	0.64%	-		0%
Sheryl Mar Co. LLC	8,731,591	10	0.62%	-		0%
Sterling Apartments	-		0.00%	11,649,231	2	2.26%
Highland Hills, Ltd.	-		-	8,517,191	3	1.65%
Charter Properties	-		-	8,505,552	4	1.65%
Maq Southeast Properties	-		-	6,776,589	7	1.32%
Carolina Apt Properties	-		-	6,296,589	8	1.22%
Carolina Residential, Inc.	-		-	6,016,455	9	1.17%
Carrboro Belman, SC	-		-	5,321,472	10	1.03%
<b>Total</b>	<b>\$ 141,112,284</b>		<b>10.21%</b>	<b>\$ 83,743,012</b>		<b>16.24%</b>

**Source:** Orange County Tax Assessor Office.

**Note:** Per Orange County, 1997 Taxable Assessed Value is not available as of October 19, 2007. Information shown above is 1996 valuations.

***Debt Capacity Information:***

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

**Table 11**

Fiscal Year	Governmental Activities			Total Primary Government	Per Capita
	General Obligation Bonds	Installment Purchase Agreements	Bond Anticipation Notes Payable		
1998	\$ 1,413,000	\$ 3,643,200	\$ -	\$ 5,056,200	327.54
1999	1,243,000	3,621,629	-	4,864,629	303.81
2000	1,119,000	3,912,629	-	5,031,629	299.82
2001	991,000	4,087,170	-	5,078,170	294.56
2002	859,000	3,838,120	-	4,697,120	269.08
2003	737,250	4,231,781	-	4,969,031	282.57
2004	575,393	4,043,591	-	4,618,984	261.73
2005	433,536	4,266,256	-	4,699,792	264.08
2006	331,679	4,521,157	1,230,000	6,082,836	337.94
2007	229,822	4,710,738	2,590,000	7,530,560	413.77

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

**Town of Carrboro  
 Ratios of General Bonded Debt Outstanding,  
 Last Ten Fiscal Years**

**Table 12**

<b>Fiscal Year</b>	<b>General Bonded Debt Outstanding</b>		<b>Actual Taxable Value of Property</b>	<b>Percentage of Actual Taxable Value of Property</b>	<b>Per Capita</b>
	<b>General Obligation Bonds</b>	<b>Total</b>			
1998	\$ 1,413,000	\$ 1,413,000	\$ 686,490,767	0.21	91.53
1999	1,243,000	1,243,000	733,092,395	0.17	77.63
2000	1,119,000	1,119,000	781,466,593	0.14	66.68
2001	991,000	991,000	830,744,735	0.12	57.48
2002	859,000	859,000	1,036,750,565	0.08	49.21
2003	737,250	737,250	1,072,172,079	0.07	41.92
2004	575,393	575,393	1,128,465,441	0.05	32.60
2005	433,536	433,536	1,152,569,042	0.04	24.36
2006	331,679	331,679	1,372,401,330	0.02	18.43
2007	229,822	229,822	1,596,838,299	0.01	12.63



**Town of Carrboro  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2007**

**Table 13**

<u>Town of Carrboro</u>	<u>Total Outstanding</u>	<u>Percentage Applicable to Town</u>	<u>Amount Applicable to Town</u>
<b>General Obligation Debt</b>			
Town of Carrboro general debt obligation	\$ 229,822	100.00%	\$ 229,822
<b>Overlapping (bonded) Debt - Orange County</b>			
Overlapping debt - Orange County	139,215,000	13.77%	19,164,124
Subtotal, overlapping debt			<u>19,164,124</u>
<b>Total direct and overlapping debt</b>			<u>\$ 19,393,946</u>

**Sources:**

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

**Town of Carrboro  
Legal Debt Margin Information,  
Last Ten Fiscal Years**

**Table 14**

<b>Legal Debt Margin Calculation for Fiscal Year 2007</b>	
Assessed value	\$ 1,596,838,299
Debt limit (8% of assessed value)	127,747,064
Debt applicable to limit:	
General obligation bonds	229,822
Total gross bonded debt	229,822
Total net debt applicable to limit	
Legal debt margin	\$ 127,517,242

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$ 54,919,261	\$ 58,647,392	\$ 62,517,327	\$ 66,459,579	\$ 82,940,045	\$ 85,773,766	\$ 90,277,235	\$ 92,205,523	\$ 109,792,106	\$ 127,517,242
Total net debt applicable to limit	1,413,000	1,243,000	1,119,000	991,000	859,000	737,250	575,393	433,536	331,679	229,822
Legal debt margin	\$ 53,506,261	\$ 57,404,392	\$ 61,398,327	\$ 65,468,579	\$ 82,081,045	\$ 85,036,516	\$ 89,701,842	\$ 91,771,987	\$ 109,460,427	\$ 127,287,420
Total net debt applicable to the limit as a percentage of debt limit	2.57%	2.12%	1.79%	1.49%	1.04%	0.86%	0.64%	0.47%	0.30%	0.18%

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

***Demographic and Economic Information:***

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

**Table 15**

Year	Population	Per Capita Personal Income	Median Age	Public School Enrollment	Unemployment Rate
1998	15,437	27,590	26.5	8,181	1.6%
1999	16,012	28,471	26.5	8,516	1.4%
2000	16,782	30,885	26.5	8,992	2.9%
2001	17,240	32,302	26.5	9,585	3.4%
2002	17,456	33,375	28.1	9,977	4.5%
2003	17,585	34,182	28.1	10,321	5.0%
2004	17,648	35,191	28.1	10,634	4.5%
2005	17,797	35,191	28.1	10,677	4.3%
2006	18,000	35,191	28.1	10,965	3.2%
2007	18,200	35,191	28.1	11,092	3.9%

**Notes:**

Orange County unemployment rate and per capita income used.

Median age is estimated from the 1990 and 2000 Census of Population.

Public school enrollment is based on information received from Chapel Hill-Carrboro Schools for FY1998 through FY2007.

Population for FY2006 and FY2007 is estimated.

**Town of Carrboro  
Principal Employers,  
Current Year and Nine Years Ago**

**Table 16**

<b>Employer</b>	<b>2007</b>			<b>1998</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Town Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Piedmont Health Services, Inc.	210	1	1.91%			
Harris Teeter	200	2	1.82%	Information		Information
Weaver Street Market	195	3	1.77%	Not		Not
Orange Water and Sewer	150	4	1.36%	Available		Available
Town of Carrboro	147	5	1.34%			
UNC Hospitals Fiscal Service	129	6	1.17%			
McDougle Middle School	99	7	0.90%			
Elmo's Diner	90	8	0.82%			
Carrboro Elementary School	89	9	0.81%			
Food Lion	59	10	0.54%			
<b>Total</b>	<b>1,158</b>		<b>10.53%</b>			

**Source:**

Regional Technology Strategies, Inc.  
Orange County Economic Development Commission

**Note:**

Percentages based on estimated Town employment of 11,000.

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

**Table 17**

Function/Program	Full-Time Equivalent Employees as of June 30									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government										
Mayor & Board of Aldermen	0	0	0	0	0	0	0	0	0	0
Town Manager	2	2	2	2	2	2	2	2	2	2
Economic Development	1	1	1	1	1	1	1	1	1	1
Town Clerk	1	1	1	1	1	1	1	1	1	1
Management Services	5	5	6	6	7	7	8	8	8	8
Human Resources	2	2	2	2	2	2	2	2	2	2
Public Safety										
Police	36	36	37	38	37	37	40	40	42	41
Fire	21	21	24	24	24	28	28	28	28	33
Planning	13	13	13	14	14	14	14	14	14	14
Public Works	33	34	35	35	35	35	35	35	35	36
Parks and Recreation	8	8	9	9	9	9	10	10	10	10
Total	122	123	130	132	132	136	141	141	143	148

**Note:**

The Town does not calculate part-time equivalents.

***Operating Information:***

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

**Table 18**

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government										
Revolving loan inquiries	N/A	N/A	112	N/A	40	21	26	25	31	39
Small business counseling referrals	N/A	N/A	31	31	40	31	33	38	37	32
Privilege licenses issued	N/A	275	600	602	610	671	788	763	944	925
Public Safety										
Police (a)										
Major crimes	1,421	1,032	1,940	1,983	1,924	1,964	1,409	1,259	1,174	1,275
Criminal arrests	602	447	588	638	708	615	656	833	762	713
Motor vehicle accidents	518	355	538	553	586	498	541	546	524	540
Narcotics arrests	38	48	58	66	58	42	70	70	55	56
Fire (a)										
Fire and EMS responses	463	913	1,089	1,037	1,037	836	874	872	920	1,397
Inspections	368	438	382	281	365	259	420	363	400	633
Planning										
Annexations	6	2	3	3	3	6	2	2	2	2
Zoning permits	154	219	205	100	105	121	121	246	110	129
Building permits for new residential	72	168	135	129	84	61	72	57	41	71
Building permits for new commercial	3	8	7	9	8	4	38	7	22	1
Value of building permits issued	12,098,524	33,733,547	23,738,635	30,691,348	22,973,279	19,365,209	23,102,327	18,598,016	41,510,253	34,883,581
Public Works										
Paved streets maintained (miles)	27	31	33	29	31	32	35	35	37	37
Unpaved streets maintained (miles)	2	2	2	2	2	2	2	2	2	2
Paved bikeways maintained (miles)	2	2	2	3	3	3	3	3	3	3
Litter collection (hours annually)	267	325	360	370	408	370	400	400	400	400
Residential refuse collection (tons annually)	2,161	2,210	2,280	2,280	2,285	2,350	2,480	2,500	2,635	2,611
Multi-family & commercial refuse collection	4,563	4,130	4,480	4,480	5,026	5,150	4,470	4,710	4,600	3,521
Bus shelters maintained	12	12	12	14	16	16	18	18	18	22
Parks and Recreation										
Athletic activities offered	47	51	40	39	36	44	37	43	46	54
Athletic activity participants	3,674	3,984	2,399	2,368	2,200	2,512	2,507	2,694	2,470	2,442
Athletic activity hours	780	1,040	856	846	776	762	882	868	864	1,000
Other activities offered	N/A	N/A	N/A	N/A	N/A	N/A	187	198	213	255
Other activity participants	N/A	N/A	N/A	16,467	13,336	14,118	17,708	21,482	20,255	25,015
Century Center rentals (b)	N/A	N/A	N/A	39	231	200	1,269	1,052	1,351	1,957
Park rentals (c)	8	11	2	2	161	326	284	519	560	856

Sources: Town departments

**Notes:**

N/A - Information was not collected/available.

(a) FY2007 information has been estimated.

(b) Century Center open FY2001.

(c) Rental information for FY97-01 is for Town Commons only. The information on the other parks was unavailable



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

**Table 19**

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	18	18	20	25	30	36	42	42	42	41
Fire stations	1	1	1	1	1	1	1	1	1	1
Fire trucks	5	5	5	5	5	5	5	5	5	6
Public Works										
Refuse collection trucks	7	7	8	8	8	8	8	8	8	8
Replacement refuse collection trucks	2	2	3	3	3	3	3	3	3	1
Streets (miles)	29.26	33.12	34.68	31.34	33.18	37.57	37	39	38	38.7
Bike paths (miles)	1.7	2.03	2.03	3	3	3	3	3	3	3.32
Streetlights	N/A	675	684	696	709	721	742	781	803	869
Parks and recreation										
Parkland (acres)	55	55	55	65	86	86	96	96	96	112
Parks (quantity)	6	6	6	7	8	8	8	9	9	11
Hiking trails	2	2	2	2	2	2	2	5	5	5
Dog parks	1	1	1	1	1	1	1	1	1	1
Soccer fields	-	-	-	1	1	1	1	1	1	1
Baseball/softball fields	5	5	5	5	5	5	5	5	5	6
Basketball courts	4	4	4	4	4	4	4	4	4	4
Tennis courts	6	6	6	6	6	6	6	6	6	6
Volleyball courts	2	2	2	2	2	2	2	2	2	2
Multi-purpose fields	1	1	1	1	3	3	3	3	3	3
Fishing ponds	1	1	1	1	1	1	1	1	1	1
Playgrounds	3	4	4	4	5	5	5	5	5	7
Picnic shelters	3	3	3	3	5	5	5	5	5	5

**Sources:**

Town Departments

**Notes:**

N/A - Information was not collected/available.

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***SUPPLEMENTARY INFORMATION***

***COMPLIANCE SECTION***

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

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 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, 2007, which collectively comprise the Town of Carrboro's basic financial statements, and have issued our report thereon dated October 31, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Carrboro's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Carrboro's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. We noted certain matters that we reported to management of the Town of Carrboro in a separate letter dated October 31, 2007.

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*

October 31, 2007

***SUPPLEMENTARY INFORMATION***

***SINGLE AUDIT SECTION***

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**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 Board of Aldermen  
Town of Carrboro, North Carolina

Compliance

We have audited the compliance of the Town of Carrboro 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 its major state program for the year ended June 30, 2007. The Town of Carrboro's major state program is 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 its major state program 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; 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 its major state program for the year ended June 30, 2007.

## 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the town's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of a compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the town's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Dixon Hughes PLLC*

October 31, 2007

**TOWN OF CARRBORO, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2007**

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**I. Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

State Awards

Internal control over major state programs:

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

Noncompliance material to state awards? \_\_\_\_\_ Yes      X   No

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

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

Identification of major state program:

\_\_\_\_\_ Program Name \_\_\_\_\_

Powell Bill

**TOWN OF CARRBORO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2007**

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**II. Financial Statement Findings**

There were no financial statement findings for the fiscal year ended June 30, 2007.

**III. Federal Awards Findings and Questioned Costs**

Not applicable.

**IV. State Award Findings and Questioned Costs**

There were no findings related to state awards for the fiscal year ended June 30, 2007.

**TOWN OF CARRBORO  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended June 30, 2007**

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There were no prior year audit findings.

**TOWN OF CARRBORO, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2007**

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant ID/ Project Number</u>	<u>Federal and Pass-Through Expenditures</u>	<u>State Expenditures</u>
<b>FEDERAL AWARDS</b>				
<b><i>U. S. Department of National Security</i></b>				
Homeland Security (Firefighters Grant Program)	97.044	EMW-2006FG-01312	\$ 75,266	\$ -
Total U. S. Department of National Security			75,266	-
<b><i>U. S. Department of Transportation</i></b>				
Passed through NC DOT for Bicycle and Pedestrian Program	20.205-4	38648.3.1	214,931	20,025
Passed through NC DOT for Sidewalk Project	20.205-2		849	-
Passed through NC DOT for Downtown Feasibility Project	20.205-1	31395	40,000	25,000
Total U. S. Department of Transportation			255,780	45,025
Total Federal Awards			331,046	45,025
<b>STATE AWARDS</b>				
<b><i>N. C. Department of Transportation</i></b>				
N. Greensboro & Pleasant Drive Realignment		39751	-	14,211
Powell Bill	-	32570	-	482,179
Total N. C. Department of Transportation			-	496,390
Total State Awards			-	496,390
Total Assistance			\$ 331,046	\$ 541,415

**Note to the Schedule of Expenditures of Federal and State Financial Awards**

**Basis of Presentation**

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