

# Table of Contents

## Introductory Section

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

## Financial Section

Independent Auditors' Report .....	1
Management's Discussion and Analysis .....	5

### *Basic Financial Statements*

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

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

#### **Fund Financial Statements:**

3	Balance Sheet - Governmental Funds .....	20
4	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	23
5	General Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual .....	27
6	Statement of Net Position - Proprietary Funds .....	28
7	Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds .....	29
8	Statement of Cash Flows - Proprietary Funds .....	30

<b>Notes to Financial Statements .....</b>	<b>31</b>
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### *Required Supplementary Financial Data*

#### Schedule

A-1	Law Enforcement Officers' Special Separation Allowance Required Supplementary Information - Schedule of Changes in Total Pension Liability .....	64
A-2	Law Enforcement Officers' Special Separation Allowance Required Supplementary Information - Schedule of Total Pension Liability as a Percentage of Covered Payroll .....	65
B-1	Schedule of Changes in Total OPEB Liability and Related Ratios .....	66
C-1	Schedule of the Proportionate Share of the Net Pension Liability (Asset) - Local Government Employees' Retirement System .....	67
C-2	Schedule of Contributions - Local Government Employees' Retirement System.....	68

**Supplementary Information**

<b>Schedule</b>		<b>Combining and Individual Fund Statements and Schedules:</b>	
1	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund .....		71
2	Schedule of Revenues, Expenditures and Changes in Fund Balance - Project Authorization and Actual - Revolving Loan Fund .....		76
3	Schedule of Revenues, Expenditures and Changes in Fund Balance - Project Authorization and Actual - Bond Fund .....		78
<b>Governmental Funds</b>			
4	Schedule of Revenues, Expenditures and Changes in Fund Balance - Project Authorization and Actual - Capital Projects Fund .....		80
5	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Reserve Fund .....		82
6	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Payment in Lieu Reserve Fund .....		83
7	Schedule of Revenues, Expenditures and Changes in Fund Balance - Project Authorization and Actual - Grants Administration Fund .....		84
8	Combining Balance Sheet - Nonmajor Governmental Funds.....		85
9	Schedule of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds .....		86
10	Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Project Authorization and Actual - Affordable Housing Fund.....		87
11	Schedule of Revenues, Expenditures and Changes in Fund Balance - Project Authorization and Actual - Energy Efficiency Revolving Loan Fund.....		88
12	Schedule of Revenues, Expenditures and Changes in Fund Balance - Project Authorization and Actual - Small Business and Non-Profit Loan/Grant COVID 19 Emergency Fund .....		89
13	Schedule of Revenues, Expenditures and Changes in Fund Balance - Project Authorization and Actual - Facilities Rehabilitation Capital Projects Fund.....		91
<b>Enterprise Fund</b>			
14	Statement of Revenues, Expenditures and Changes in Fund Balance - Stormwater Enterprise Fund.....		92
15	Statement of Revenues, Expenditures and Changes in Fund Balance - Parking Enterprise Fund.....		93
<b>Additional Financial Data:</b>			
16	Schedule of Ad Valorem Taxes Receivable .....		96
17	Analysis of Current Tax Levy - Town-Wide Levy .....		97

**Statistical Section**

<b>Table</b>		<b>Financial Trends Information:</b>	
1	Net Position by Component .....		102
2	Changes in Net Position .....		104
3	Fund Balances - Governmental Funds.....		108
4	Changes in Fund Balances - Governmental Funds .....		110

<b>Table</b>	<b>Revenue Capacity Information:</b>	
5	Program Revenues by Function/Program – Governmental Funds .....	114
6	Tax Revenues by Source - Governmental Funds.....	116
7	Assessed Value and Actual Value of Taxable Property.....	117
8	Direct and Overlapping Property Tax Rates .....	118
9	Property Tax Levies and Collections.....	119
10	Principal Property Taxpayers .....	120
	<b>Debt Capacity Information:</b>	
11	Ratios of Outstanding Debt by Type .....	123
12	Ratios of General Bonded Debt Outstanding.....	124
13	Direct and Overlapping Governmental Activities Debt.....	125
14	Legal Debt Margin Information – Governmental Funds .....	126
	<b>Demographic and Economic Information:</b>	
15	Demographic and Economic Statistics .....	129
16	Principal Employers.....	130
17	Full-Time Equivalent Town Government Employees by Function/Program.....	132
	<b>Operating Information:</b>	
18	Operating Indicators by Function/Program .....	134
19	Capital Asset Statistics by Function/Program.....	136

**Compliance Section**

	<b>Independent Auditors’ 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>.....</b>	<b>139</b>
	<b>Independent Auditors’ Report on Compliance for the Major Federal Program and on Internal Control over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act.....</b>	<b>141</b>
	<b>Independent Auditors’ Report on Compliance for the Major State Program and on Internal Control over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act.....</b>	<b>143</b>
	Schedule of Findings and Questioned Costs.....	145
	Summary Schedule of Prior Audit Findings .....	147
	Schedule of Expenditures of Federal and State Awards.....	148
	Notes to Schedule of Expenditures of Federal and State Awards .....	150

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# Town of Carrboro, North Carolina

## Principal Officials

### *Town Council*

Lydia Lavelle, Mayor  
Barbara Foushee, Mayor Pro-Tempore  
Susan Romaine  
Damon Seils  
Sammy Slade  
Jacquelyn Gist  
Randee Haven-O'Donnell

### *Town Manager*

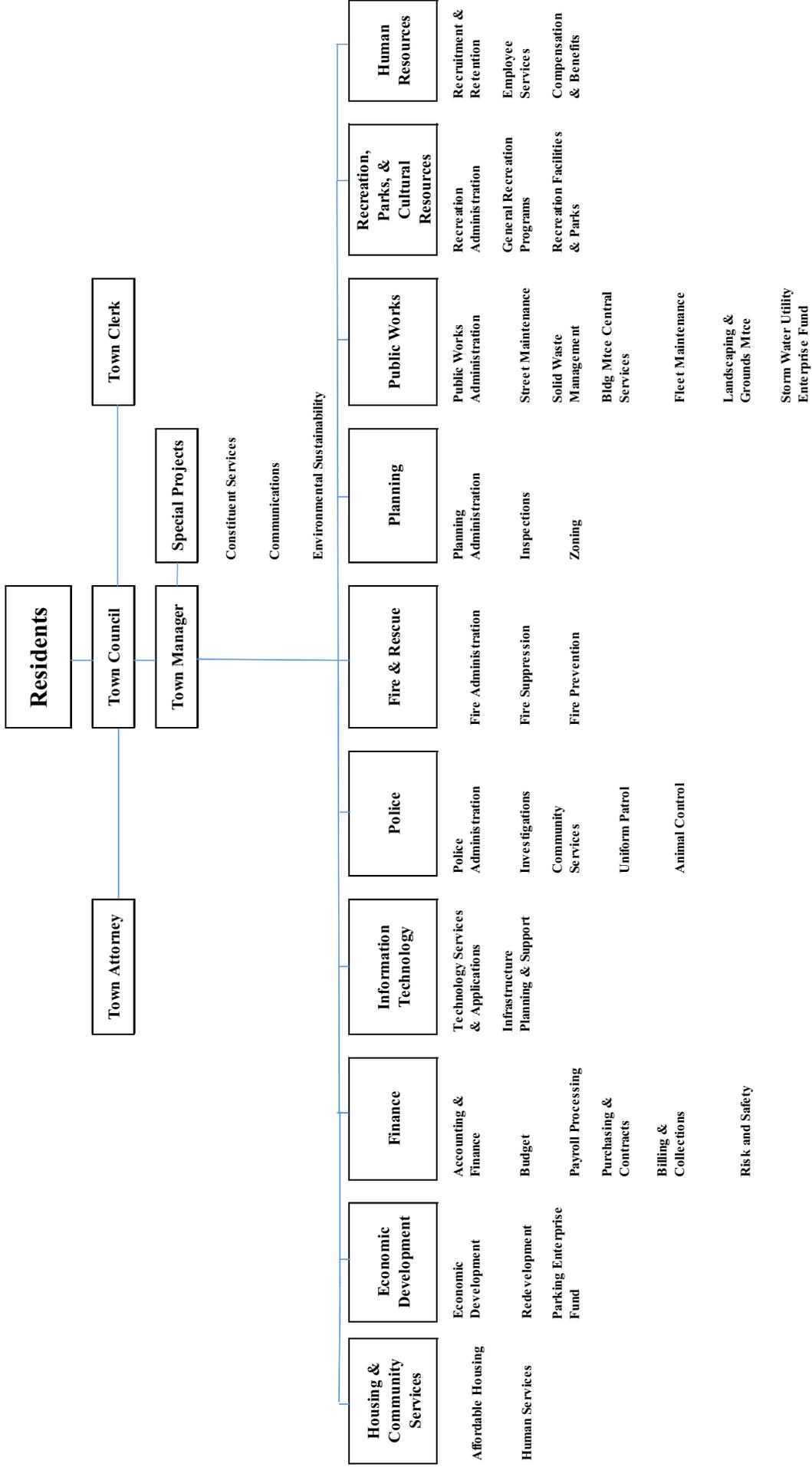
Richard J. White III, ICMA-CM

### *Finance Department*

Arche L. McAdoo, Finance Director  
Jane Bowden, Management Assistant/Purchasing Agent  
Donald Coble, Accounting and Grants Supervisor  
Chandra Edwards, Accounting Technician/Receptionist  
Edna Kirkman, Staff Accountant  
Cary McNallan, Deputy Finance Director  
Jordan Kerr, Payroll and Benefits Coordinator

# Town of Carrboro, North Carolina

## Organizational Chart





# TOWN OF CARRBORO

NORTH CAROLINA

[WWW.TOWNOFCARRBORO.ORG](http://WWW.TOWNOFCARRBORO.ORG)

January 10, 2022

## Honorable Mayor and Members of the Town Council Town of Carrboro

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the Town of Carrboro for the fiscal year ended June 30, 2021 (FY 2020-2021). As required by North Carolina General Statutes (NCGS), the ACFR includes financial statements that have been audited by an independent certified public accounting firm. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Town. To the best of our knowledge and belief, the enclosed data accurately presents the financial position and the results of operations of the Town as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditor's section. Other documents that are helpful in understanding the Town's budget and financial planning include the Town's annual operating budget and capital improvements plan documents. These documents, along with the annual audit report, are posted on the Town's website at <http://www.townofcarrboro.org/250/Financial-Documents>.

The Town is a small community located within Orange County in the north central portion of North Carolina. It is situated next to the Town of Chapel Hill and the University of North Carolina and is near the Research Triangle Park. The area's topography is characterized by rolling hills. The Town, incorporated in 1911, now covers an area of 6.35 square miles and has a population of 20,984. 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 decreased slightly from 30,011 in 2018 to an estimated 29,877 in 2019. It is anticipated that expansion will continue to occur in University-related health facilities, such as the University of North Carolina Hospitals, and with the proposed development of the Carolina North Campus.

The character of the Town is driven by strategic priorities and values adopted by the Town Council with the goal of maintaining a sustainable community that is a highly desirable place to live. These strategic priorities are to:

- A. Diversify revenue stream to maintain ethnic and economic diversity;
- B. Protect historic neighborhoods and maintain Carrboro's unique identity;
- C. Improve walkability and public transportation; and
- D. Encourage development that is compact, dense, and appeals to diverse lifestyles and incomes.

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

The Town commits 1.5 cents of the annual property tax rate exclusively for affordable housing. Maintaining and increasing the stock of affordable, safe and decent housing within the Town is a major goal of the Council. Almost two million dollars is provided annually for fare-free transit for Town residents to help reduce reliance on automobiles and to promote public transit, walking, and biking. Carrboro is one of 100 communities in the nation that has been awarded the Silver Level Bicycle-Friendly Community designation by the League of American Bicyclists in recognition of its commitment to providing safe accommodations and facilities for bicyclists, as well as efforts to encourage bicycling for fun, fitness, and transportation. Additionally, the Town has amended its street standards to require bike lanes on all collector roads. According to the latest census, 5.2% of residents in Carrboro bike to work. The community approved a \$4.6 million bond referendum in November 2003 to construct sidewalks and greenways to increase the safety and convenience of walking and biking throughout the Town's neighborhoods.

### ***Governance***

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

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

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

### ***Economic Condition and Outlook***

The 2019 median household income is \$58,702. Twenty-two percent of the households earn less than \$25,000 a year. Twenty-one percent of households make between \$25,000 and \$50,000 a year. Fifty-seven percent (57%) make more than \$50,000 a year.

Carrboro had a slight decrease in the unemployment rate from 3.0% in 2018 to 2.9% in 2019, which is well below the statewide rate of 3.50%. The local employment base is relatively stable with the University of North Carolina at Chapel Hill, the University of North Carolina Health Care System, and Research Triangle Park in close proximity to the Town.

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

Long-term debt obligations for the Town increased by 29.1% or \$7,574,232 from \$26,027,909 at June 30, 2020 to \$33,602,141 at June 30, 2021. This is primarily due to an installment purchase and a \$4.7 million increase in the Town's OPEB liability.

The Town had debt retirement for this fiscal year with the principal repayment of \$588,314. There was one installment financing in the amount of \$1.9 million.

For a more comprehensive analysis of the Town's capital needs and future financing, please consult the Town's Capital Improvements Program available on the Town's website. The potential impact on property tax rates of capital projects will be affected by the timing of the implementation of the proposed projects, availability of other revenue sources, and/or cost savings to fund the projects.

### ***Major Town Initiatives***

The following projects initiated in prior years will continue as a priority into FY 2021-22:

- Preparation of a comprehensive plan for the Town,
- Completion of assessment of existing facilities for capital improvement,
- Implementation of parking plan strategies based on Town-wide parking study,
- Continue to evaluate solid waste operations for inclusion of "best practice" options,
- Continue to pursue gold level bicycle designation,
- Continue implementation of Strategic Energy and Climate Protection Plan.

The Town will continue the planning and design of the 203 Project, a new facility to house the Orange County Southern Branch Library and program space for Town's Recreation and Parks Department. This facility is a joint undertaking with Orange County and construction is expected to begin in the spring of 2022.

As noted above, the Town Council has established strategic priorities for the Town with the ultimate goal of creating and maintaining Carrboro as a sustainable community that is a highly desirable place to live. Some of the noteworthy accomplishments include:

- Town residents approved \$4.6 million of general obligation bonds in a referendum in November 2003 to construct sidewalks and greenways throughout the Town to increase the safety and convenience of walking. To date the Town has constructed 23 sidewalks covering more than 8.0 miles, completed construction of the Wilson Park Multi-Use Path, constructed the Homestead-Chapel Hill High School Multi-Use Path, and Rogers Road Sidewalk. Projects currently underway include Morgan Creek Greenway, Jones Creek Greenway, and South Greensboro Street Sidewalk.
- The Town has been awarded a Silver Award by the League of American Bicyclists as a Bicycle-Friendly Community (BFC). The award is presented to communities that are committed to bicycling, provide safe accommodations and facilities for bicyclists, and encourage bicycling for fun, fitness, and transportation. This is a four-year award valid through 2022. The Town's goal is to achieve Gold Level status.
- The Town continues to participate in the North Carolina League of Municipalities "Green Challenge," for Greenhouse Gas Emission Inventory and Reduction to reduce the carbon footprint; and to assess the Town's energy efficiency through the U.S. Environmental Protection Agency's "Energy Star Challenge" that involves reviewing and reducing utility consumption in Town facilities, streetlights, and fuel usage.
- The Town's continued commitment to the environment was rewarded with its national designation as a Tree City USA Town for the 35th year.
- The Town has AAA bond rating from Standard and Poor's and Aa1 bond rating from Moody's.

## ***Financial Information***

### **General Fund Balance**

The Council has adopted a policy of maintaining a General Fund unassigned fund balance within a range of 22.5% to 35% of budgeted appropriations. When the General Fund unassigned fund balance exceeds 35%, the Town Manager may set aside an amount in assigned fund balance for transfer to Capital Projects Fund for specific future capital projects. Should the unassigned fund balance in the General Fund fall below 20%, the policy requires the Town Manager to develop and implement a plan to rebuild the balance to 22.5% within one year. For the year ended June 30, 2021, the Town had a total General Fund balance of \$17.8 million or 82.2% of total General Fund expenditures.

The Town's management continues to take a conservative approach to revenue projections in relation to the numerous decisions necessary to adapt its operating budget, capital plans and financing to existing and future anticipated and unanticipated financial challenges. The steps taken in this regard include reducing less vital operating expenses, increasing emphasis on economic development activities, and prioritizing capital expenditures. The Town has AAA bond rating by Standard and Poor's and Aa1 by Moody's. These ratings indicate the Town's extremely strong creditworthiness and ability to meet financial obligations.

### **Budget Control**

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

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

### **Internal Controls**

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

- Safeguarding of assets against loss from unauthorized use or disposition;
- 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;
- Effectiveness and efficiency of operations; and
- Compliance with applicable laws and regulations related to federal and state financial assistance programs.

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

#### *Other Information*

##### Independent Audit

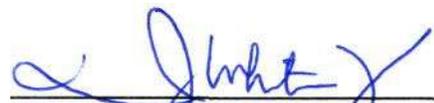
North Carolina General Statutes Chapter 15, the Local Government Budget and Fiscal Control Act, requires that units of local government have an annual audit by independent certified public accountants. The accounting firm of Dixon Hughes Goodman LLP was selected by the Council and performed this audit.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

##### Awards and Acknowledgements

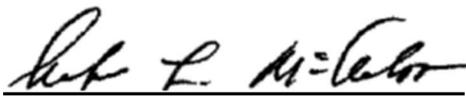
The Government Finance Officers Association of the United States and Canada (GFOA) awarded, for the fifteenth consecutive year, a Certificate of Achievement for Excellence in Financial Reporting to the Town of Carrboro for its Annual Comprehensive Financial Report issued for fiscal year 2019-20. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report whose contents conform to GFOA program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program requirements and we will submit our ACFR for the fiscal year ended June 30, 2021 to the GFOA to determine its eligibility for another year. The Certificate Program managed by the GFOA was established in 1945 and is designed to recognize and encourage excellence in financial reporting by state and local governments. Further information about the Certificate Program can be obtained by visiting GFOA's website at: [www.gfoa.org](http://www.gfoa.org). The GFOA reports a growing awareness that the annual financial report should be management's report to its governing body, constituents, oversight bodies, resource providers, investors, and creditors. We agree with this direction and, in keeping with our past practice, have made available a copy of this report to each of you, Town departments, bond-rating agencies, the North Carolina Local Government Commission, and other financial institutions that have expressed an interest in the Town's financial affairs.

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



**Richard J. White III, ICMA-CM**  
**Town Manager**



**Arche L. McAdoo**  
**Finance Officer**



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Town of Carrboro  
North Carolina**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

*Christopher P. Morill*

Executive Director/CEO