

## Management's Discussion and Analysis

As management of the Town of Carrboro, we offer readers of the Town of Carrboro's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022. We encourage readers to read the information presented here in the Management Discussion and Analysis section in conjunction with the additional information that we have furnished in the Town's financial statements which follow this narrative.

### Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$35,685,814 (net position).
- The total net position of the Town increased by \$4,646,384 from the amount previously reported at June 30, 2021.
- At June 30, 2022, the Town's governmental funds had combined ending fund balances of \$35,997,512, an increase of 82.7% or \$16,294,870 in comparison with the prior year. Approximately 22.6% or \$8,134,808 of this total amount is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the year unassigned fund balance for the General Fund was \$8,365,416 or 36.4% of total General Fund expenditures of \$22,968,420.
- Long-term debt obligations for the Town increased by 24.3% or \$8,191,111 from \$33,706,116 at June 30, 2021 to \$41,897,227 at June 30, 2022. This is primarily due to direct borrowing installment purchases and a decrease in the pension and OPEB liabilities.
- The Town of Carrboro maintained its AAA bond rating with Standard and Poor's; and Aa1 by Moody's.

### Overview of the Financial Statements

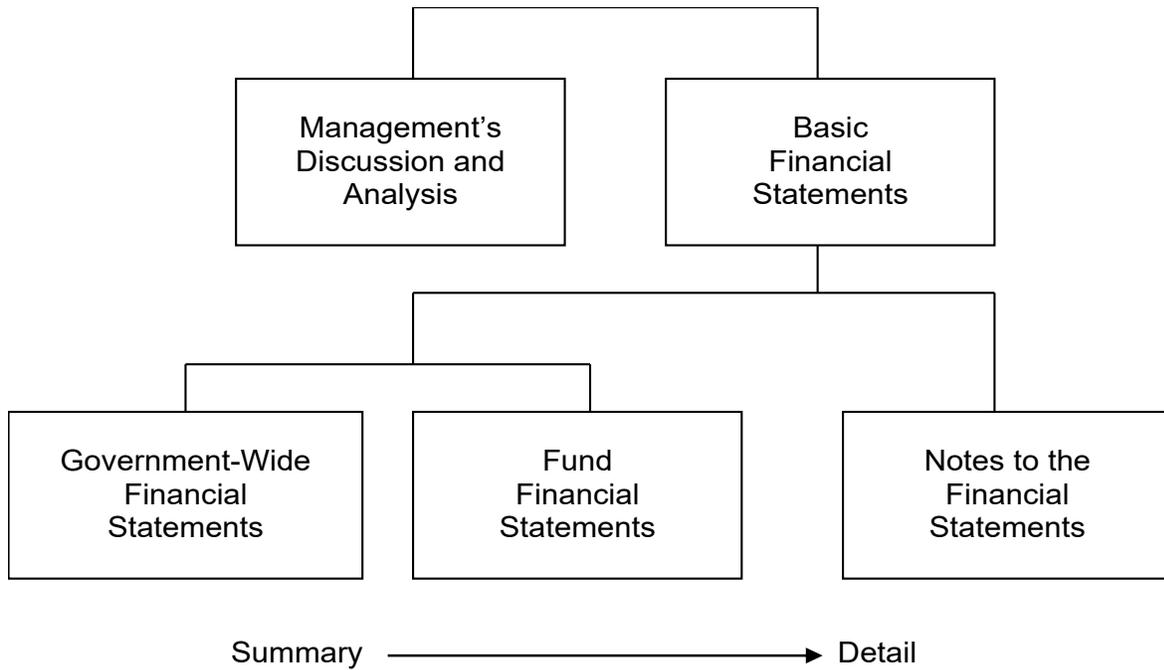
This discussion and analysis are intended to serve as an introduction to Town of Carrboro's basic financial statements. The Town's basic financial statements consist of three components (see Figure 1):

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

The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town, including a statistical section.

The 2021 financial information contained herein has not been restated for the adoption of GASB 87, Leases, as disclosed in Note 1 to the financial statements, because of the single-year presentation of the basic financial statements.

Required Components of Annual Financial Report  
Figure 1



**Basic financial statements**

The first two statements in the basic financial statements are the **Government-Wide Financial Statements**. Exhibit 1 presents the Statement of Net Position and Exhibit 2 presents the Statement of Activities. They provide information about the Town's current financial position.

The next statements (Exhibits 3 through 8) 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 three parts to the Fund Financial Statements: (1) the governmental funds statements; (2) the proprietary fund statements; and (3) 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.

**Government-wide financial statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to financial statements of a private-sector business. The statement of net position presents information on all of the Town's assets, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

## Town of Carrboro, North Carolina Management's Discussion and Analysis

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The two government-wide statements report the Town's net position and how they have changed. Net position reported on the *statement of net position* is the difference between the Town's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition. The *statement of activities* presents information showing how the Town's net position has changed during the fiscal year.

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

The government-wide statements are divided into three categories: (1) governmental activities; (2) business-type activities; and (3) component units. The governmental activities include most of the Town's basic services such as public safety, fire, street maintenance, solid waste collection, planning, public spaces, parks, cemetery and general administration. The business-type activities are those that the Town charges customers for certain services such as stormwater services. This includes stormwater services offered by the Town. The final category is the Town's component unit, Carrboro Tourism Development Authority. Although legally separate from the Town, the Town Council exercises control over this entity through appointment of the Chair and members of the Authority.

The government-wide financial statements are on pages 17 through 19 of this report.

### **Fund financial statements**

The fund financial statements (see Figure 1) provide a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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

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

**Town of Carrboro, North Carolina  
Management's Discussion and Analysis**

**Proprietary funds** – As of July 1, 2018, the Town implemented a user fee schedule for stormwater operations and program expenses. Recognizing that the current user fee may not be sufficient to address the numerous stormwater capital improvements and repairs, the Town has developed a ten-year financing plan and model.

In 2021, the Town Council authorized the creation of a Parking Enterprise Fund to account for parking expenses. The Parking Enterprise Fund is currently funded by General Fund revenues to support free parking throughout the Town, until such time the Town implements a fee structure for parking facilities.

**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 31 through 63 of this report.

**Required Supplementary information** - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found beginning on page 66 of this report.

**Government-wide financial analysis**

**Town of Carrboro's Net Position  
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 42,017,601	\$ 22,453,465	\$ 1,710,227	\$ 1,243,419	\$ 43,727,828	\$ 23,696,884
Capital assets, net	<u>41,329,222</u>	<u>41,107,251</u>	<u>588,079</u>	<u>611,550</u>	<u>41,917,301</u>	<u>41,718,801</u>
Total assets	<u>83,346,823</u>	<u>63,560,716</u>	<u>2,298,306</u>	<u>1,854,969</u>	<u>85,645,129</u>	<u>65,415,685</u>
Deferred outflows of resources	<u>7,139,051</u>	<u>6,970,328</u>	<u>107,662</u>	<u>75,485</u>	<u>7,246,713</u>	<u>7,045,813</u>
Total assets and deferred outflows of resources	<u>90,485,874</u>	<u>70,531,044</u>	<u>2,405,968</u>	<u>1,930,454</u>	<u>92,891,842</u>	<u>72,461,498</u>
Long-term liabilities outstanding	41,490,926	33,316,079	406,301	286,062	41,897,227	33,602,141
Other liabilities	<u>5,627,874</u>	<u>2,717,482</u>	<u>14,952</u>	<u>23,173</u>	<u>5,642,826</u>	<u>2,740,655</u>
Total liabilities	<u>47,118,800</u>	<u>36,033,561</u>	<u>421,253</u>	<u>309,235</u>	<u>47,540,053</u>	<u>36,342,796</u>
Deferred inflows of resources	<u>9,524,452</u>	<u>5,029,920</u>	<u>141,523</u>	<u>49,352</u>	<u>9,665,975</u>	<u>5,079,272</u>
Net position:						
Net investment in capital assets	36,727,545	36,062,824	588,038	611,550	37,315,583	36,674,374
Restricted	3,647,143	3,312,120	-	-	3,647,143	3,312,120
Unrestricted	<u>(6,532,066)</u>	<u>(9,907,381)</u>	<u>1,255,154</u>	<u>960,317</u>	<u>(5,276,912)</u>	<u>(8,947,064)</u>
Total net position, ending	<u>\$ 33,842,622</u>	<u>\$ 29,467,563</u>	<u>\$ 1,843,192</u>	<u>\$ 1,571,867</u>	<u>\$ 35,685,814</u>	<u>\$ 31,039,430</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and the deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$35,685,814 as of June 30, 2022. The majority of net position (104.5%) reflects the Town's investment in capital assets (e.g., land, buildings, machinery, equipment, etc.); less any related debt still outstanding that was issued to

**Town of Carrboro, North Carolina  
Management's Discussion and Analysis**

acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion (10.2% or \$3,647,173) of the Town's net position represent resources that are subject to external restrictions on how they may be used. The remaining balance of (\$5,276,912) (-14.8%) is unrestricted.

The Town's total unrestricted governmental net position was influenced by increased property tax revenues, increased local option sales tax revenues, and stability of other tax and unrestricted intergovernmental revenues.

**Town of Carrboro's Changes in Net Position  
Figure 3**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,578,078	\$ 1,406,530	\$ 991,423	\$ 1,013,598	\$ 2,569,501	\$ 2,420,128
Operating grants and contributions	1,489,331	1,273,741	-	-	1,489,331	1,273,741
Capital grants and contributions	100,689	432,923	-	-	100,689	432,923
General revenues:						
Property taxes	15,942,089	13,654,117	-	-	15,942,089	13,654,117
Local option sales taxes	6,416,480	5,467,567	-	-	6,416,480	5,467,567
Other taxes	1,726,261	1,636,916	-	-	1,726,261	1,636,916
Grants and contributions not restricted	1,697,037	1,381,436	-	104,820	1,697,037	1,486,256
Other	214,655	449,538	47,515	132	262,170	449,670
Total revenues	<u>29,164,620</u>	<u>25,702,768</u>	<u>1,038,938</u>	<u>1,118,550</u>	<u>30,203,558</u>	<u>26,821,318</u>
Expenses:						
General government	5,738,082	5,270,260	-	-	5,738,082	5,270,260
Public safety	7,933,411	8,522,469	-	-	7,933,411	8,522,469
Planning	1,423,540	1,540,407	-	-	1,423,540	1,540,407
Transportation	1,900,088	1,872,343	-	-	1,900,088	1,872,343
Public works	4,614,345	5,085,068	-	-	4,614,345	5,085,068
Parks and recreation	1,836,333	1,858,667	-	-	1,836,333	1,858,667
Economic and physical development	1,236,131	1,079,915	-	-	1,236,131	1,079,915
Interest on long-term debt	101,595	99,469	-	-	101,595	99,469
Parking	-	-	146,455	86,321	146,455	86,321
Stormwater	-	-	627,194	468,737	627,194	468,737
Total expenses	<u>24,783,525</u>	<u>25,328,598</u>	<u>773,649</u>	<u>555,058</u>	<u>25,557,174</u>	<u>25,883,656</u>
Increase (decrease) in net position before transfers	<u>4,381,095</u>	<u>374,170</u>	<u>265,289</u>	<u>563,492</u>	<u>4,646,384</u>	<u>937,662</u>
Transfers	<u>(6,036)</u>	<u>(121,775)</u>	<u>6,036</u>	<u>121,775</u>	<u>-</u>	<u>-</u>
Change in net position	<u>4,375,059</u>	<u>252,395</u>	<u>271,325</u>	<u>685,267</u>	<u>4,646,384</u>	<u>937,662</u>
Net position, beginning	<u>29,467,563</u>	<u>29,215,168</u>	<u>1,571,867</u>	<u>886,600</u>	<u>31,039,430</u>	<u>31,101,768</u>
Net position, ending	<u>\$ 33,842,622</u>	<u>\$ 29,467,563</u>	<u>\$ 1,843,192</u>	<u>\$ 1,571,867</u>	<u>\$ 35,685,814</u>	<u>\$ 31,039,430</u>

**Town of Carrboro, North Carolina  
Management's Discussion and Analysis**

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**Governmental activities.** Governmental activities increased the Town's net position by \$4,375,059. Key elements of this change are as follows:

- Ad valorem property tax revenues increased by \$2,287,972 or 16.8% from \$13.7 million in 2021. This increase is related to an increase in assessed properties within the Town.
- Local option sales tax revenues increased by \$948,913 or 17.4% above the prior year. This increase is attributed to recovery from the COVID-19 pandemic and growing confidence in the overall economy.
- Other tax revenues, primarily from motor vehicle license taxes, remained stable at \$1.7 million.
- Unrestricted intergovernmental revenues increased by \$315,601 or 22.8% to \$1.7 million.
- Revenues from fees and permits remained increased by 2.4% to \$1.1 million.
- Capital grants and contributions increased from \$432,923 in 2021 to \$100,689 in 2022, due primarily from local transit revenues, federal funding for transportation-related capital projects. As a general rule, capital grants and contributions vary from year to year depending upon the completion and commencement of various capital projects.
- Expenses for total governmental activities decreased by 2.2% to \$24,783,525 in FY 2022.
- Expense for interest on long-term debt increased slightly from \$99,469 in 2021 to \$101,595 in 2022. The Town borrowed \$12.5 million in April 2022 to complete the financing for construction of the new facility at 203 S. Greensboro Street.

**Business-type activities.** Business-type activities added \$271,325 to the Town's net position. These revenues are primarily from the collection of user fees for stormwater.

***Financial Analysis of the Town of Carrboro's Funds***

**Governmental Funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$8,365,416, a decrease of \$3,230,503 or 27.9% from \$11,595,919 in 2021. The total general fund balance for 2022 was \$15,601,262, a 12.4% decrease from the 2021 amount of \$17,818,427. This decrease in fund balance due primarily to the use of \$6.3 million for construction of a new facility at 203 S. Greensboro Street.

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 36.4% of total General Fund expenditures of \$22,968,420. The Town fund balance policy requires that fund balance be between 22.3% and 35%. Total fund balance represents 67.9% of total General Fund expenditures.

The Revolving Loan Fund is used to encourage economic and community development in Carrboro by offering loans to new businesses. The fund balance for this fund increased by \$16,350, or 7.3%, from \$223,301 to \$239,651 due to repayment of previous loans.

The Bond Fund includes sidewalk and greenway construction projects that are funded with 2013 bond proceeds and various state and federal grants. The fund balance for this fund decreased by \$25,105, or 12.2%. The negative fund balance for this fund reflects a timing issue with the collection of revenues and expenditures where the Town is reimbursed after expenditure by the Town. Many of the projects are being completed and finalized so the fund is

## Town of Carrboro, North Carolina Management's Discussion and Analysis

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slowly drawing to a close and the remaining bond proceeds are expected to be spent in 2023. Additional state and federal grants are pending that will supplement some of the existing projects.

The American Rescue Plan Act ("ARPA") special revenue fund was created during fiscal year 2022 and includes projects to address the negative impacts of the COVID-19 pandemic. The fund balance for the fund increased by \$5,263, due to interest earnings.

The Capital Projects Fund, which includes construction or acquisition of capital assets, is primarily funded with operating transfers from the General Fund and notes or debt instruments. The fund balance for this fund increased by \$18,136,411, or 2,157.5%. The increase is attributable to the financing of the 203 facility on S. Greensboro Street.

The Grants Administration Fund contains various grant awards made to the Town that are legally restricted to expenditures for specific programs and activities. At the end of fiscal year 2022, this fund increased by \$173,807, primarily because due to transportation grant awards.

The Nonmajor Funds, which include the Affordable Housing Fund, the Energy Efficiency Revolving Loan Fund, the Small Business and Non-Profit Loan/Grant COVID 19 Emergency Fund, and the Facilities Rehabilitation Fund had an increase in fund balance of \$205,309, or 17.6%. The majority of the revenues and expenditure are related to the Affordable Housing Fund, which includes ad valorem taxes equal to 1.5 cents of the tax rate. Expenses in the Affordable Housing Fund are related to increasing the stock of affordable, safe and decent housing within the Town and providing housing assistance to the eligible citizens of Carrboro. The Energy Efficiency Revolving Loan was initially funded by a federal grant to provide loans to small businesses for energy improvements. This fund was relatively inactive during 2021.

At June 30, 2022, the governmental funds of the Town reported a combined fund balance of \$35,997,512. The reported combined fund balance of the governmental funds includes a fund balance within the Revolving Loan Fund of \$230,608, the Bond Fund of (\$230,608), the American Rescue Plan Act Fund of \$5,263, and within the Capital Projects Fund of \$18,977,035. These fund balances are either restricted or committed for capital project purposes, net of any negative unassigned amounts.

**General Fund Budgetary Highlights.** During the fiscal year, the Town revised the General Fund budget on several occasions. Generally, these amendments fall into one of three categories: (1) to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) to recognize new funding amounts from external sources, such as federal and state grants; or (3) increase appropriations that become necessary to maintain services. The General Fund budgeted expenditures were increased by \$2,301,164 (9.3%) from an original appropriation of \$24,672,301 to a final appropriation of \$26,973,465.

The comparison of revenue and expenditure financial activity with budgeted estimates suggests that the Town budgeted adequately for ongoing operations. Total revenue receipts were \$27,591,634, compared to budget of \$26,342,330.

Revenues from taxes (i.e., property, local option sales, and other) represent 85.7% of the total revenues. Property, sales and other tax revenues were above budget projections (\$985,667 or 4.3%).

Revenue from permits and fees represent 4.7% of total revenues, and were over budget projections by \$18,773 or 1.7%. Total revenue for permits and fees this year increased to \$1.1 million.

Revenues from sales and services, and investment earnings were above budget projections by \$55,301 or 32.2%. This was primarily due to revenues exceeding projections of interest earnings Recreation, Park, and Cultural Resources revenues.

**Town of Carrboro, North Carolina  
Management's Discussion and Analysis**

The unrestricted intergovernmental revenue receipts were below budget projections by \$22,485 or 1.6% for electric franchise, piped natural gas, video sales programming, telecommunication, and wine and beer licenses or taxes. These revenues totaled \$1,390,515 compared to \$1,381,436 in 2021.

Expenditures, as required by budget ordinance, should not exceed appropriated levels. Total expenditures were \$22,968,420, which was \$4,005,045 less than the final budget of \$26,973,465. All spending by function was in compliance with budgetary requirements.

All expenditures were less than final budget at June 30, 2022, and were 6.0% more than the prior year. Expenditures for general government were 9.0% higher than the prior year, increasing from \$5,215,913 in 2021 to \$5,676,473 in 2022. Actual expenditures for public safety increased by 0.4% from \$7,243,745 in 2021 to \$7,215,569 in 2022. Actual expenditures for planning increased by 2.0% from \$1,379,968 in 2021 to \$1,407,752 in 2022. Transportation expenditures increased 1.5% from \$1,872,010 in 2021 to \$1,900,088 in 2022. Public works expenditures increased by 10.7% from \$3,865,558 in 2021 to \$4,279,230 in 2022. Recreation and parks expenditures increased by 13.3% from \$1,412,944 in 2021 to \$1,601,060 in 2022. Debt service expenditures increased by 28.2% from the prior year.

**Capital asset and debt administration**

**Capital assets.** The Town's investment in capital assets for its governmental-type activities as of June 30, 2022 totaled \$41,329,222 (net of accumulated depreciation) and the Town's investment in capital assets for its business-type activities as of June 30, 2022 totaled \$588,079 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, and vehicles. Major capital asset transactions during the year include the replacement of police vehicles and solid waste equipment, along with the planned construction of the 203 Project and various greenways.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Capital assets not being depreciated:						
Land	\$ 14,747,956	\$ 14,747,956	\$ -	\$ -	\$ 14,747,956	\$ 14,747,956
Construction in progress	<u>3,342,600</u>	<u>2,590,647</u>	<u>27,071</u>	<u>-</u>	<u>3,369,671</u>	<u>2,590,647</u>
Total capital assets not being depreciated	<u>18,090,556</u>	<u>17,338,603</u>	<u>27,071</u>	<u>-</u>	<u>18,117,627</u>	<u>17,338,603</u>
Capital assets being depreciated:						
Buildings and systems	7,527,976	7,935,094	103,499	107,332	7,631,475	8,042,426
Improvements other than buildings	643,018	681,100	-	-	643,018	681,100
Infrastructure	11,758,424	11,550,769	393,462	403,572	12,151,886	11,954,341
Machinery and equipment	1,431,789	1,465,968	64,047	100,646	1,495,836	1,566,614
Vehicles	<u>1,877,459</u>	<u>2,135,717</u>	<u>-</u>	<u>-</u>	<u>1,877,459</u>	<u>2,135,717</u>
Total capital assets being depreciated	<u>23,238,666</u>	<u>23,768,648</u>	<u>561,008</u>	<u>611,550</u>	<u>23,799,674</u>	<u>24,380,198</u>
Total capital assets	<u>\$ 41,329,222</u>	<u>\$ 41,107,251</u>	<u>\$ 588,079</u>	<u>\$ 611,550</u>	<u>\$ 41,917,301</u>	<u>\$ 41,718,801</u>

Additional information on the Town's capital assets can be found on pages 43 and 44 of this report.

**Town of Carrboro, North Carolina  
Management's Discussion and Analysis**

**Long-term debt.** As of June 30, 2022 and 2021, the Town of Carrboro had the following long-term liabilities:

**Town of Carrboro's Outstanding Debt  
Figure 5**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Government obligation bond	\$ 2,350,000	\$ 2,600,000	\$ -	\$ -	\$ 2,350,000	\$ 2,600,000
Premium on bonds	46,230	51,097	-	-	46,230	51,097
Direct borrowing						
installment purchases	14,732,354	2,679,585	-	-	14,732,354	2,679,585
Lease liabilities	39,725	-	59,746	-	99,471	-
Compensated absences	763,209	867,973	14,272	16,606	777,481	884,579
OPEB liability	19,624,734	20,745,094	297,344	203,383	19,922,078	20,948,477
LGERS net pension liability	1,798,168	4,314,590	34,939	66,073	1,833,107	4,380,663
Law enforcement officers' total pension liability	<u>2,136,506</u>	<u>2,057,740</u>	<u>-</u>	<u>-</u>	<u>2,136,506</u>	<u>2,057,740</u>
Total	<u>\$ 41,490,926</u>	<u>\$ 33,316,079</u>	<u>\$ 406,301</u>	<u>\$ 286,062</u>	<u>\$ 41,897,227</u>	<u>\$ 33,602,141</u>

Total long-term liabilities for the Town increased by \$8,295,086 (24.7%) during fiscal year 2022 primarily due decreases in the pension and OPEB liabilities, and issuance of installment purchase obligations for buildings equipment. The Town had debt retirement for this fiscal year with the principal repayment of \$525,231.

As mentioned in the financial highlights section of this document, the Town currently holds an AAA bond rating from Standard and Poor's and maintains Aa1 bond rating from Moody's Investor Service. These bond ratings are a clear indication of the Town's sound financial condition.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is \$208,775,211. The Town has no general obligation bonds authorized but unissued at June 30, 2022.

Additional information regarding the Town's long-term debt can be found beginning on page 44 of this report.

***Economic factors and next year's budget and rates***

The following key economic indicators will impact the Town.

- The COVID-19 world-wide pandemic is showing some signs of remission due to the availability of vaccines. However, it is uncertain as to whether the signs are sustainable given that a large share of the population remains unvaccinated. In an economic environment of persistent inflation, rising interest rates, the threat of a recession, and ongoing concern about a resurgent pandemic it is difficult to forecast the financial implications for the Town with any certainty. However, the good news is that through the American Rescue Plan Act (ARPA), there is an infusion of financial resources to local governments that will help mitigate the negative side effects of the pandemic.
- Historically, the Town has experienced a low unemployment rate (as reflected in the county-wide Orange County rate) of 2.9%, below the statewide rate of 3.5%. The hope is that this trend will continue when the pandemic and economic downturn subsides.
- The property tax base is stable. The Town expects that the property tax collection rate will return to a 98 to 99% rate.

**Town of Carrboro, North Carolina  
Management's Discussion and Analysis**

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- The Town's local sales tax growth is expected to continue in the coming fiscal year.
- Should the North Carolina General Assembly propose additional revenue options for local governments, we will closely monitor any potential adverse impact on the Town.

***Budget highlights for the fiscal year ending June 30, 2023***

**Governmental activities.** The Town has approved a General Fund budget in the amount of \$27,667,675 for fiscal year 2023, which is a 9.2% increase over the original adopted fiscal year 2022 budget.

The primary goals in preparing the fiscal year 2023 budget will be:

1. Implementing the Council's strategic priorities as noted in the Comprehensive Plan Carrboro Connects 2022-2024;
2. Managing costs during economic uncertainty while maintaining adequate services to residents;
3. Avoiding increasing the tax burden for Town residents and local businesses; and
4. Continuing to address ongoing recruitment and retention pressures

The two largest sources of revenues for the Town are property taxes and sales taxes. Property taxes are projected to increase 6.1%; while sales taxes are projected to increase 10.7% due to a stronger than expected revenue stream. The tax rate for real property equals \$60.44 cents per one hundred dollars (with 1.5 cents dedicated for affordable housing).

The Town continues to scrutinize its operating expenses and seek more effective and productive methods for service delivery. While the overall total of operating expenses in 2023 are expected to increase, the Town will continue to implement several initiatives that began in previous fiscal years. These include implementation of a parking plan, solid waste study, gold level bicycle designation, racial equity, and construction of the 203 Project.

Capital outlays in the General fund will increase slightly from \$189,400 in 2022 to \$319,600 in 2023. These capital outlays will be primarily for vehicles and equipment purchases. The budget for debt service in 2023 is \$1,368,217 compared to \$876,790 in 2022.

**Business-type activities.** In 2019, the Town established a user fee structure for the storm water utility enterprise fund operations to address regulatory compliance and increased flooding issues in the Town. This user fee rate was increased for fiscal year 2022 to provide more funding for stormwater capital projects and other management program requirements.

***Requests for information***

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, 301 West Main Street, Carrboro North Carolina 27510. Other related financial documents may be reviewed online at the Town's website at: <http://www.townofcarrboro.org>.