

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, 2023. 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 \$39,379,541 (net position).
- The total net position of the Town increased by \$3,693,727 from the amount previously reported at June 30, 2022.
- At June 30, 2023, the Town's governmental funds had combined ending fund balances of \$35,355,402, an decrease of 0.18% or \$642,110 in comparison with the prior year. Approximately 34.5% or \$12,184,269 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 \$12,328,841 or 48.8% of total General Fund expenditures and transfers out of \$25,268,668.
- Long-term debt obligations for the Town increased by 1.6% or \$650,217 from \$41,897,227 at June 30, 2022 to \$42,547,444 at June 30, 2023. This is primarily due to an increase in the net pensions liability for the LGERS retirement plan, offset by decreased in the OPEB liability and direct borrowing installment purchases.
- The Town of Carrboro maintained its AAA bond rating with Standard and Poor's; and Aa1 by Moody's.

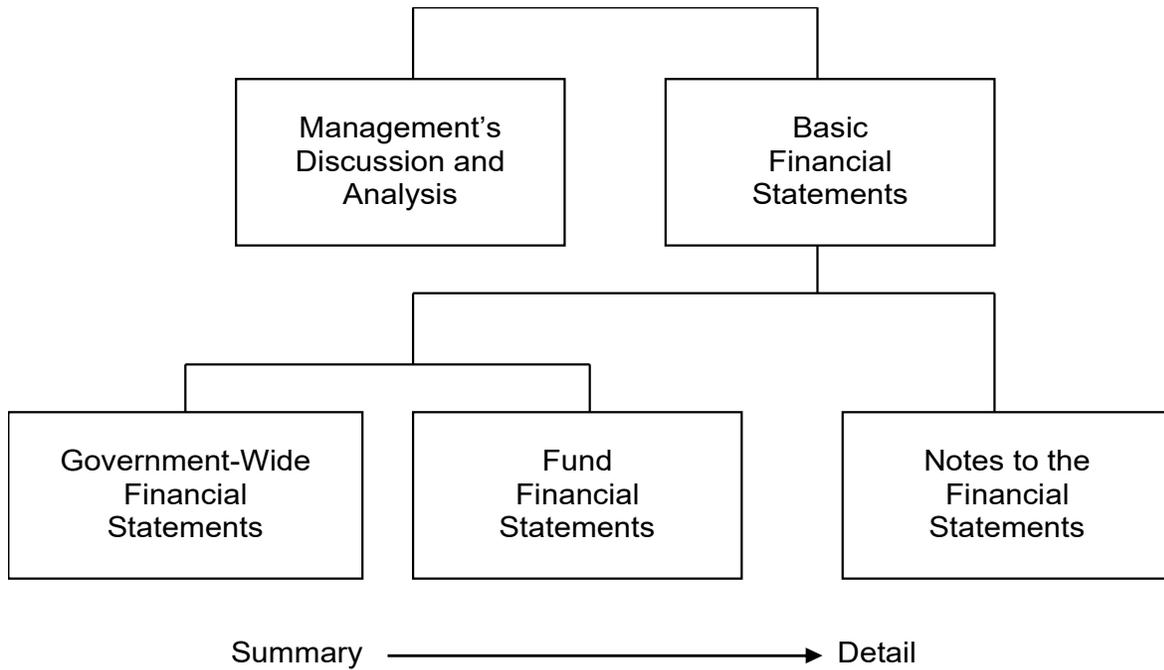
Overview of the Financial Statements

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.

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

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.

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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	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 46,051,984	\$ 42,017,601	\$ 2,096,021	\$ 1,710,227	\$ 48,148,005	\$ 43,727,828
Capital assets, net	<u>50,145,237</u>	<u>41,329,222</u>	<u>657,418</u>	<u>588,079</u>	<u>50,802,655</u>	<u>41,917,301</u>
Total assets	<u>96,197,221</u>	<u>83,346,823</u>	<u>2,753,439</u>	<u>2,298,306</u>	<u>98,950,660</u>	<u>85,645,129</u>
Deferred outflows of resources	<u>8,002,640</u>	<u>7,139,051</u>	<u>127,817</u>	<u>107,662</u>	<u>8,130,457</u>	<u>7,246,713</u>
Total assets and deferred outflows of resources	<u>104,199,861</u>	<u>90,485,874</u>	<u>2,881,256</u>	<u>2,405,968</u>	<u>107,081,117</u>	<u>92,891,842</u>
Long-term liabilities outstanding	42,153,579	41,490,926	393,865	406,301	42,547,444	41,897,227
Other liabilities	<u>15,796,520</u>	<u>5,627,874</u>	<u>48,663</u>	<u>14,952</u>	<u>15,845,183</u>	<u>5,642,826</u>
Total liabilities	<u>57,950,099</u>	<u>47,118,800</u>	<u>442,528</u>	<u>421,253</u>	<u>58,392,627</u>	<u>47,540,053</u>
Deferred inflows of resources	<u>9,185,165</u>	<u>9,524,452</u>	<u>123,784</u>	<u>141,523</u>	<u>9,308,949</u>	<u>9,665,975</u>
Net position:						
Net investment in capital assets	44,431,872	36,727,545	657,418	588,038	45,089,290	37,315,583
Restricted	3,914,681	3,647,143	-	-	3,914,681	3,647,143
Unrestricted	<u>(11,281,956)</u>	<u>(6,532,066)</u>	<u>1,657,526</u>	<u>1,255,154</u>	<u>(9,624,430)</u>	<u>(5,276,912)</u>
Total net position, ending	<u>\$ 37,064,597</u>	<u>\$ 33,842,622</u>	<u>\$ 2,314,944</u>	<u>\$ 1,843,192</u>	<u>\$ 39,379,541</u>	<u>\$ 35,685,814</u>

**Town of Carrboro, North Carolina
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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 \$39,685,814 as of June 30, 2023. The majority of net position (114.5%) 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 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 (9.9% or \$3,914,681) of the Town's net position represent resources that are subject to external restrictions on how they may be used. The remaining balance of (\$9,624,430) (-24.4%) 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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,720,019	\$ 1,578,078	\$ 1,002,080	\$ 991,423	\$ 2,722,099	\$ 2,569,501
Operating grants and contributions	829,670	1,489,331	-	-	829,670	1,489,331
Capital grants and contributions	128,951	100,689	-	-	128,951	100,689
General revenues:						
Property taxes	16,104,146	15,942,089	-	-	16,104,146	15,942,089
Local option sales taxes	7,076,695	6,416,480	-	-	7,076,695	6,416,480
Other taxes	1,864,150	1,726,261	-	-	1,864,150	1,726,261
Grants and contributions not restricted	1,534,669	1,697,037	45,000	-	1,579,669	1,697,037
Other	1,213,173	214,655	46,129	47,515	1,259,302	262,170
Total revenues	<u>30,471,473</u>	<u>29,164,620</u>	<u>1,093,209</u>	<u>1,038,938</u>	<u>31,564,682</u>	<u>30,203,558</u>
Expenses:						
General government	6,405,007	5,738,082	-	-	6,405,007	5,738,082
Public safety	8,469,830	7,933,411	-	-	8,469,830	7,933,411
Planning	1,612,729	1,423,540	-	-	1,612,729	1,423,540
Transportation	2,148,148	1,900,088	-	-	2,148,148	1,900,088
Public works	5,427,544	4,614,345	-	-	5,427,544	4,614,345
Parks and recreation	1,966,773	1,836,333	-	-	1,966,773	1,836,333
Economic and physical development	618,648	1,236,131	-	-	618,648	1,236,131
Interest on long-term debt	468,434	101,595	-	-	468,434	101,595
Parking	-	-	155,610	146,455	155,610	146,455
Stormwater	-	-	598,232	627,194	598,232	627,194
Total expenses	<u>27,117,113</u>	<u>24,783,525</u>	<u>753,842</u>	<u>773,649</u>	<u>27,870,955</u>	<u>25,557,174</u>
Increase (decrease) in net position before transfers	<u>3,354,360</u>	<u>4,381,095</u>	<u>339,367</u>	<u>265,289</u>	<u>3,693,727</u>	<u>4,646,384</u>
Transfers	<u>(132,385)</u>	<u>(6,036)</u>	<u>132,385</u>	<u>6,036</u>	<u>-</u>	<u>-</u>
Change in net position	<u>3,221,975</u>	<u>4,375,059</u>	<u>471,752</u>	<u>271,325</u>	<u>3,693,727</u>	<u>4,646,384</u>
Net position, beginning	<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>
Net position, ending	<u>\$ 37,064,597</u>	<u>\$ 33,842,622</u>	<u>\$ 2,314,944</u>	<u>\$ 1,843,192</u>	<u>\$ 39,379,541</u>	<u>\$ 35,685,814</u>

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Governmental activities. Governmental activities increased the Town's net position by \$3,221,975. Key elements of this change are as follows:

- Ad valorem property tax revenues increased by \$162,057 or 1.0% above the prior year. This increase is related to an increase in assessed properties within the Town.
- Local option sales tax revenues increased by \$660,215 or 10.3% above the prior year. This increase is largely related to the continued growth in the local economy.
- Other tax revenues, primarily from motor vehicle license taxes, increased by \$137,889 or 8.3% above the prior year. This increase is related to an increase in assessed motor vehicles within the Town.
- Investment earnings increased by \$971,571, or 1,669% above the prior year, due to market performance on the Town's investments in the NCCMT government portfolio.
- Expenses for total governmental activities increased by 9.4% to \$27,117,113 in FY 2023.
- Expense for interest on long-term debt increased from \$101,595 in FY 2022 to \$468,434 in FY 2023. 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 \$471,752 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 \$12,328,841, an increase of \$3,963,425 or 47.4% from \$8,365,416 in FY 2022. The total general fund balance for FY 2023 was \$19,546,432, a 25.3% increase from the FY 2022 amount of \$15,601,262.

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 and transfers out. Unassigned fund balance represents 48.8% of total General Fund expenditures and transfers out of \$25,268,668. The Town fund balance policy requires that fund balance be between 22.3% and 35%. Total fund balance represents 77.6% 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 \$22,082, or 9.2%, from \$239,651 to \$261,733 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 increased by \$86,036, or 37.3%. 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 slowly drawing to a close and the remaining bond proceeds are expected to be spent in fiscal year 2024. Additional state and federal grants are pending that will supplement some of the existing projects.

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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 \$149,428, 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 decreased by \$4,900,435, or 25.8%. The decrease is largely attributable to capital outlays surrounding 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. For FY 2023, this fund decreased by \$2,290, primarily 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, the Facilities Rehabilitation Fund, and the Grants Administration Fund, had an increase in fund balance of \$55,609, or 4.0%. 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 FY 2023.

At June 30, 2023, the governmental funds of the Town reported a combined fund balance of \$35,355,402. The reported combined fund balance of the governmental funds includes a fund balance within the Revolving Loan Fund of \$261,733, the Bond Fund of (\$144,572), the American Rescue Plan Act Fund of \$154,691, and within the Capital Projects Fund of \$14,076,600. 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 \$629,216 (2.3%) from an original appropriation of \$27,336,322 to a final appropriation of \$27,965,538.

The comparison of revenue and expenditure financial activity with budgeted estimates suggests that the Town budgeted adequately for ongoing operations. Total revenue receipts were \$29,077,046, compared to budget of \$26,103,153.

Revenues from taxes (i.e., property, local option sales, and other) represent 85.0% of the total revenues. Property, sales and other tax revenues were above budget projections (\$2,306,227 or 10.3%).

Revenue from permits and fees represent 3.9% of total revenues but were under budget projections by \$41,201 or 3.5%. Total revenue for permits and fees this year remained steady at \$1.1 million.

Revenues from sales and services, and investment earnings were above budget projections by \$512,255 or 206.6%. This was primarily due to revenues exceeding projections of interest earnings due to strong performance of the Town's investment in the NCCMT Government portfolio.

The unrestricted intergovernmental revenue receipts were above budget projections by \$183,669 or 13.4% for electric franchise, piped natural gas, video sales programming, telecommunication, and wine and beer licenses or taxes. These revenues totaled \$1,534,669 compared to \$1,390,515 in FY 2022.

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Expenditures, as required by budget ordinance, should not exceed appropriated levels. Total expenditures were \$25,178,668, which was \$2,786,870 less than the final budget of \$27,965,538. All spending by function was in compliance with budgetary requirements, with the exception of the transportation function, which had a budgetary violation due to unforeseen increase in contractual related expenses.

With the exception of the Transportation function, all expenditures were less than final budget at June 30, 2023, and were 9.6% more than the prior year. Expenditures for general government were 19.9% higher than the prior year, increasing from \$5,676,473 in FY 2022 to \$6,807,439 in FY 2023. Actual expenditures for public safety increased by 4.5% from \$7,215,569 in FY 2022 to \$7,540,883 in FY 2023. Actual expenditures for planning increased by 6.5% from \$1,407,752 in FY 2022 to \$1,499,093 in FY 2023. Transportation expenditures increased 13.1% from \$1,900,088 in FY 2022 to \$2,148,148 in FY 2023. Public works expenditures increased by 2.9% from \$4,279,230 in FY 2022 to \$4,402,125 in FY 2023. Recreation and parks expenditures increased by 3.4% from \$1,601,060 in FY 2022 to \$1,655,914 in FY 2023. Debt service expenditures increased by 26.7% from \$888,248 in FY 2022 to \$1,125,066 in FY 2023.

Capital asset and debt administration

Capital assets. The Town's investment in capital assets for its governmental-type activities as of June 30, 2023 totaled \$50,145,237 (net of accumulated depreciation) and the Town's investment in capital assets for its business-type activities as of June 30, 2023 totaled \$657,418 (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 vehicles related to Fire, Public Works, Rec & Park. As well as the continued investment in 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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Capital assets not being depreciated:						
Land	\$ 14,747,956	\$ 14,747,956	\$ -	\$ -	\$ 14,747,956	\$ 14,747,956
Construction in progress	<u>12,531,887</u>	<u>3,342,600</u>	<u>-</u>	<u>27,071</u>	<u>12,531,887</u>	<u>3,369,671</u>
Total capital assets not being depreciated	<u>27,279,843</u>	<u>18,090,556</u>	<u>-</u>	<u>27,071</u>	<u>27,279,843</u>	<u>18,117,627</u>
Capital assets being depreciated:						
Buildings and systems	7,164,635	7,527,976	99,665	103,499	7,264,300	7,631,475
Improvements other than buildings	604,936	643,018	-	-	604,936	643,018
Infrastructure	11,514,680	11,758,424	477,953	393,462	11,992,633	12,151,886
Machinery and equipment	1,356,494	1,431,789	42,360	64,047	1,398,854	1,495,836
Vehicles	2,116,095	1,877,459	37,440	-	2,153,535	1,877,459
Right-to-use lease assets	<u>108,554</u>	<u>36,043</u>	<u>-</u>	<u>-</u>	<u>108,554</u>	<u>36,043</u>
Total capital assets being depreciated	<u>22,865,394</u>	<u>23,274,709</u>	<u>657,418</u>	<u>561,008</u>	<u>23,522,812</u>	<u>23,835,717</u>
Total capital assets	<u>\$ 50,145,237</u>	<u>\$ 41,365,265</u>	<u>\$ 657,418</u>	<u>\$ 588,079</u>	<u>\$ 50,802,655</u>	<u>\$ 41,953,344</u>

Additional information on the Town's capital assets can be found on pages 43 through 45 of this report.

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Long-term debt. As of June 30, 2023 and 2022, 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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Government obligation bond	\$ 2,100,000	\$ 2,350,000	\$ -	\$ -	\$ 2,100,000	\$ 2,350,000
Premium on bonds	41,362	46,230	-	-	41,362	46,230
Direct borrowing						
installment purchases	14,253,810	14,732,354	-	-	14,253,810	14,732,354
Lease liabilities	112,404	39,725	-	59,746	112,404	99,471
Compensated absences	837,813	763,209	18,318	14,272	856,131	777,481
OPEB liability	16,286,837	19,624,734	246,770	297,344	16,533,607	19,922,078
LGERS net pension liability	6,516,261	1,798,168	128,777	34,939	6,645,038	1,833,107
Law enforcement officers' total pension liability	2,005,092	2,136,506	-	-	2,005,092	2,136,506
Total	\$ 42,153,579	\$ 41,490,926	\$ 393,865	\$ 406,301	\$ 42,547,444	\$ 41,897,227

Total long-term liabilities for the Town increased by \$650,217 (1.6%) during fiscal year 2023 primarily due an increase the LGERS net pension liability, offset by a decrease in the OPEB liability. The Town had debt retirement for this fiscal year with the principal repayment of \$478,544.

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 \$212,462,563. The Town has no general obligation bonds authorized but unissued at June 30, 2023.

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 property tax base is stable. The Town expects that the property tax collection rate will return to a 98 to 99% rate.
- 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.

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

Budget highlights for the fiscal year ending June 30, 2024

Governmental activities. The Town has approved a General Fund budget in the amount of \$29,330,449 for fiscal year 2024, which is a 6% increase over the original adopted fiscal year 2023 budget. The primary goals in preparing the fiscal year 2024 budget will be:

- Implement the Town Council's strategic priorities
- Retention of valued Town staff
- Development of a balanced budget
- Manage costs while improving services to the residents
- Conceptualize a long-term financial sustainability plan for the Town

The two largest sources of revenues for the Town are property taxes and sales taxes. Property taxes are projected to increase 3.0%; while sales taxes are projected to increase 12.9% due to continued increase in economic growth within the local economy. 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 fiscal year 2024 are expected to increase, the Town will continue to implement several initiatives that began in previous fiscal years.

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 fiscal year 2024 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 completion of the 203 Project.

The Town has expressed the desire to create a 5-year financial plan to better understand the fiscal impacts of undertaking Town building improvements. The Town has contracted with a financial advisor to create a tool that will assist in modeling different costs.

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 remained the same for fiscal year 2024. Staff plans to complete a comprehensive stormwater infrastructure assessment during fiscal year 2024.

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 Interim 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>.