

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2003

Note 3. Detail Notes on All Funds and Account Groups (Continued)

B. Liabilities (Continued)

5. Long-Term Obligations (Continued)

e. Current Refunding Bond

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

The Town refunded the 1989 General Obligation Refunding Bonds to reduce its total debt service payments over the next six years by approximately \$115,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$99,000.

f. Changes in General Long-Term Debt

During the year ended June 30, 2003, the following changes occurred in liabilities reported in the General Long-Term Debt Account Group:

| By type of debt: | Balance <u>July 1, 2002</u> | <u>Additions</u> | <u>Retirements</u> | Balance <u>June 30, 2003</u> |
|--------------------------------------|--------------------------------|---------------------|---------------------|---------------------------------|
| General obligation bonds | \$ 859,000 | \$ 637,250 | \$ 759,000 | \$ 737,250 |
| Installment purchases - equipment | 950,060 | 224,039 | 538,348 | 635,751 |
| Installment purchases - improvements | 2,888,060 | 881,100 | 173,130 | 3,596,030 |
| Compensated absences | 390,554 | 18,277 | - | 408,831 |
| Net pension obligation | <u>109,697</u> | <u>22,169</u> | <u>-</u> | <u>131,866</u> |
| | <u>\$ 5,197,371</u> | <u>\$ 1,782,835</u> | <u>\$ 1,470,478</u> | <u>\$ 5,509,728</u> |

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2003

Note 3. Detail Notes on All Funds and Account Groups (Continued)

B. Liabilities (Continued)

5. Long-Term Obligations (Continued)

f. Changes in General Long-Term Debt (Continued)

| By purpose: | Balance July 1, 2002 | Additions | Retirements | Balance June 30, 2003 |
|---|-------------------------|---------------------|---------------------|--------------------------|
| General obligation bonds | | | | |
| Other general obligation indebtedness | \$ 859,000 | \$ 637,250 | \$ 759,000 | \$ 737,250 |
| Installment purchases - equipment | | | | |
| General government: | | | | |
| Management services - software equipment | 37,923 | - | 18,356 | 19,567 |
| Management services - technology equipment | 104,233 | - | 33,056 | 71,177 |
| Public safety: | | | | |
| Police - patrol vehicle and motorized equipment | 200,079 | 83,800 | 137,615 | 146,264 |
| Police - investigations vehicle | 34,754 | 20,250 | 24,358 | 30,646 |
| Fire suppression vehicles and motorized equipment | 47,930 | - | 47,930 | - |
| Planning: | | | | |
| Zoning vehicles and motorized equipment | 7,476 | - | 7,476 | - |
| Public works: | | | | |
| Streets vehicles and motorized equipment | 66,000 | - | 22,600 | 43,400 |
| Streets equipment | - | 119,989 | 39,996 | 79,993 |
| Solid waste vehicles and motorized equipment | 176,085 | - | 73,283 | 102,802 |
| Central services equipment | 35,174 | - | 35,174 | - |
| Landscaping vehicles and motorized equipment | 25,688 | - | 19,961 | 5,727 |
| Parks and recreation: | | | | |
| Playground and parks equipment | 120,000 | - | 41,093 | 78,907 |
| Athletics vehicle and motorized equipment | 10,852 | - | 10,852 | - |
| General services: | | | | |
| Century Center furnishings and equipment | 83,866 | - | 26,598 | 57,268 |
| Total obligations under installment purchases - equipment | 950,060 | 224,039 | 538,348 | 635,751 |
| Installment purchases - improvements | 2,888,060 | 881,100 | 173,130 | 3,596,030 |
| Compensated absences | 390,554 | 18,277 | - | 408,831 |
| Net pension obligation | 109,697 | 22,169 | - | 131,866 |
| | <u>\$ 5,197,371</u> | <u>\$ 1,782,835</u> | <u>\$ 1,470,478</u> | <u>\$ 5,509,728</u> |

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2003

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 \$312 for employment security benefits during the current fiscal year.

Note 5. Commitments

In April 2003, the Town entered into an offer to purchase contract to purchase land for a parking lot. The Town intends to pay the purchase price of \$113,000 from installment purchase proceeds received during the year ended June 30, 2003.

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.

TOWN OF CARRBORO, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

| 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% |

TOWN OF CARRBORO, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

| <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% |

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, 2002 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level percent of pay closed |
| Remaining amortization period | 28 years |
| Asset valuation method | Market value |
| Actuarial assumptions | |
| Investment rate of return | 7.25% |
| Projected salary increases | 5.9% - 9.8% |
| Includes inflation at | 3.75% |
| Cost of living adjustments | None |

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TOWN OF CARRBORO, NORTH CAROLINA

Exhibit 1
Page 1 of 5GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2003

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|--------------|--------------|--|
| Revenues | | | |
| Ad valorem taxes | | | |
| Taxes | \$ 7,297,758 | \$ 7,305,702 | \$ 7,944 |
| Penalties and interest | 17,247 | 18,811 | 1,564 |
| Total | 7,315,005 | 7,324,513 | 9,508 |
| Local option sales taxes | | | |
| Article 39, 1% | 842,702 | 818,950 | (23,752) |
| Article 40, ½% | 618,659 | 609,800 | (8,859) |
| Article 42, ½% | 613,389 | 604,669 | (8,720) |
| Article 44, ½% | 30,000 | 245,360 | 215,360 |
| Total | 2,104,750 | 2,278,779 | 174,029 |
| Other taxes and licenses | | | |
| Motor vehicle license fees | 199,697 | 190,705 | (8,992) |
| Privilege licenses | 50,000 | 54,837 | 4,837 |
| Franchise fees | 114,537 | 141,610 | 27,073 |
| Total | 364,234 | 387,152 | 22,918 |
| Unrestricted intergovernmental | | | |
| North Carolina Department of Transportation reimbursement | 12,000 | 14,195 | 2,195 |
| Utilities franchise and telecommunications tax | 168,810 | 477,509 | 308,699 |
| Beer and wine tax | - | 72,983 | 72,983 |
| Total | 180,810 | 564,687 | 383,877 |
| Restricted intergovernmental | | | |
| Powell Bill | 478,240 | 462,067 | (16,173) |
| COPS grant | 29,116 | 59,524 | 30,408 |
| Local Law Enforcement Block Grants | 24,031 | 7,513 | (16,518) |
| Regional planning work grant | 19,477 | 10,234 | (9,243) |
| FEMA assistance | 114,025 | 114,498 | 473 |
| North Carolina Risk Management | - | 250 | 250 |
| Recreation municipal supplement | 35,898 | 35,898 | - |
| Total | 700,787 | 689,984 | (10,803) |

TOWN OF CARRBORO, NORTH CAROLINA

Exhibit 1
Page 2 of 5

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2003

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|----------------------------|-------------------|-------------------|---|
| Permits and fees | | | |
| Fire district fees | \$ 309,175 | \$ 309,175 | \$ - |
| Building permits | 55,500 | 64,527 | 9,027 |
| Electrical permits | 40,000 | 44,055 | 4,055 |
| Mechanical permits | 35,000 | 38,186 | 3,186 |
| Re-inspection fees | 15,000 | 5,160 | (9,840) |
| Plumbing permits | 35,000 | 35,002 | 2 |
| Refuse collection fees | 133,500 | 77,135 | (56,365) |
| Development review | 45,000 | 44,651 | (349) |
| Engineering fees | 37,000 | 42,161 | 5,161 |
| Tower fees | 70,605 | 70,604 | (1) |
| Dog fees | 5,000 | 5,241 | 241 |
| Sign permits | 400 | 652 | 252 |
| Street cuts | - | 1,170 | 1,170 |
| Parking violations | 3,500 | 3,435 | (65) |
| Street inspection fees | 2,000 | - | (2,000) |
| Court officer fees | 4,000 | 4,258 | 258 |
| Intrafund copier charges | 3,000 | - | (3,000) |
| Miscellaneous fees | 300 | 2,029 | 1,729 |
| Total | <u>793,980</u> | <u>747,441</u> | <u>(46,539)</u> |
| Sales and services | | | |
| Recreation fees | 112,000 | 129,062 | 17,062 |
| Town Center fees | 52,000 | 66,432 | 14,432 |
| Total | <u>164,000</u> | <u>195,494</u> | <u>31,494</u> |
| Investment earnings | | | |
| Interest on investments | <u>80,000</u> | <u>50,797</u> | <u>(29,203)</u> |
| Other | | | |
| Sale of lots | 8,000 | 13,340 | 5,340 |
| Refuse cart sales | 10,500 | 7,652 | (2,848) |
| Yard waste container sales | 1,300 | 2,183 | 883 |
| Farmers' Market rent | 2,000 | 2,000 | - |
| Donations | 7,500 | 12,069 | 4,569 |
| Miscellaneous | 10,000 | 20,266 | 10,266 |
| Total | <u>39,300</u> | <u>57,510</u> | <u>18,210</u> |
| Total revenues | <u>11,742,866</u> | <u>12,296,357</u> | <u>553,491</u> |

TOWN OF CARRBORO, NORTH CAROLINA

Exhibit 1
Page 3 of 5

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2003

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|------------------------------------|------------------|------------------|---|
| Expenditures | | | |
| General government | | | |
| Mayor and Board of Aldermen | | | |
| Personnel services | \$ | \$ 57,198 | \$ |
| Operations | | 111,836 | |
| Total | <u>182,592</u> | <u>169,034</u> | <u>13,558</u> |
| Advisory boards | | | |
| Operations | | 7,761 | |
| Total | <u>10,293</u> | <u>7,761</u> | <u>2,532</u> |
| Governmental support | | | |
| Operations | | 171,346 | |
| Total | <u>172,256</u> | <u>171,346</u> | <u>910</u> |
| Town Manager | | | |
| Personnel services | | 136,027 | |
| Operations | | 72,202 | |
| Total | <u>228,203</u> | <u>208,229</u> | <u>19,974</u> |
| Town Clerk | | | |
| Personnel services | | 75,546 | |
| Operations | | 10,818 | |
| Total | <u>95,307</u> | <u>86,364</u> | <u>8,943</u> |
| Management services | | | |
| Personnel services | | 413,275 | |
| Operations | | 629,113 | |
| Capital outlay | | 12,137 | |
| Total | <u>1,079,213</u> | <u>1,054,525</u> | <u>24,688</u> |
| Personnel | | | |
| Personnel services | | 156,573 | |
| Operations | | 39,160 | |
| Total | <u>212,494</u> | <u>195,733</u> | <u>16,761</u> |
| Economic and community development | | | |
| Personnel services | | 83,416 | |
| Operations | | 5,198 | |
| Total | <u>90,125</u> | <u>88,614</u> | <u>1,511</u> |
| Total general government | <u>2,070,483</u> | <u>1,981,606</u> | <u>88,877</u> |

TOWN OF CARRBORO, NORTH CAROLINA

Exhibit 1
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GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2003

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|----------------------------|------------------|------------------|---|
| Public safety | | | |
| Police department | | | |
| Personnel services | \$ | \$ 1,834,622 | \$ |
| Operations | | 307,974 | |
| Capital outlay | | 138,231 | |
| Total | <u>2,491,880</u> | <u>2,280,827</u> | <u>211,053</u> |
| Fire department | | | |
| Personnel services | | 1,157,792 | |
| Operations | | 218,386 | |
| Total | <u>1,414,869</u> | <u>1,376,178</u> | <u>38,691</u> |
| Total public safety | <u>3,906,749</u> | <u>3,657,005</u> | <u>249,744</u> |
| Planning | | | |
| Personnel services | | 754,566 | |
| Operations | | 159,307 | |
| Capital outlay | | 16,755 | |
| Total planning | <u>1,024,226</u> | <u>930,628</u> | <u>93,598</u> |
| Transportation | | | |
| Operations | | 747,737 | |
| Total transportation | <u>747,957</u> | <u>747,737</u> | <u>220</u> |
| Public works | | | |
| Public works department | | | |
| Personnel services | | 1,447,941 | |
| Operations | | 1,515,059 | |
| Capital outlay | | 159,120 | |
| Total public works | <u>3,388,064</u> | <u>3,122,120</u> | <u>265,944</u> |
| Parks and recreation | | | |
| Recreation department | | | |
| Personnel services | | 681,333 | |
| Operations | | 246,305 | |
| Capital outlay | | 119,700 | |
| Total parks and recreation | <u>1,169,777</u> | <u>1,047,338</u> | <u>122,439</u> |
| General services | | | |
| Operations | | - | |
| Total general services | <u>4,400</u> | <u>-</u> | <u>4,400</u> |

TOWN OF CARRBORO, NORTH CAROLINA

Exhibit 1
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GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2003

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|--------------------|---------------------|---|
| Debt service | | | |
| Principal retirement | \$ | 336,728 | \$ |
| Interest and fees | | 276,176 | |
| Total debt service | <u>621,447</u> | <u>612,904</u> | <u>8,543</u> |
| Total expenditures | <u>12,933,103</u> | <u>12,099,338</u> | <u>833,765</u> |
| Revenues over (under) expenditures | <u>(1,190,237)</u> | <u>197,019</u> | <u>1,387,256</u> |
| Other financing sources (uses) | | | |
| Operating transfers in | | | |
| From Special Revenue Funds | 202,023 | 105,822 | (96,201) |
| From Capital Projects Fund | 45,000 | 45,000 | - |
| From Fiduciary Fund | 40,000 | 40,000 | - |
| Operating transfers out | | | |
| To Special Revenue Funds | (140,152) | (140,152) | - |
| Proceeds of refunding bonds | 637,250 | 637,250 | - |
| Payment to refunded bond escrow agent | (622,000) | (622,000) | - |
| Proceeds from installment purchase agreements | <u>257,689</u> | <u>224,039</u> | <u>(33,650)</u> |
| Total other financing sources | <u>419,810</u> | <u>289,959</u> | <u>(129,851)</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>(770,427)</u> | <u>486,978</u> | <u>1,257,405</u> |
| Appropriated fund balance | <u>770,427</u> | <u>-</u> | <u>(770,427)</u> |
| Revenues, other sources and appropriated fund balance over expenditures and other uses | <u>\$ -</u> | <u>486,978</u> | <u>\$ 486,978</u> |
| Fund balance, beginning of year | | 4,720,379 | |
| Residual equity transfers | | | |
| From other funds | | <u>172,851</u> | |
| Fund balance, end of year | | <u>\$ 5,380,208</u> | |

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TOWN OF CARRBORO, NORTH CAROLINA

Exhibit 2

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2003

| | HOME Program Grant Match Fund | Revolving Loan Fund | Capital Reserve Fund | Payment in Lieu Reserve Fund | Total |
|---|--|------------------------|----------------------------|---------------------------------------|---------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 17,474 | \$ 384,005 | \$ 947,622 | \$ 33,859 | \$ 1,382,960 |
| Notes receivable | - | 254,611 | - | - | 254,611 |
| Total Assets | <u>\$ 17,474</u> | <u>\$ 638,616</u> | <u>\$ 947,622</u> | <u>\$ 33,859</u> | <u>\$ 1,637,571</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Deferred revenues | \$ - | \$ 254,611 | \$ - | \$ - | \$ 254,611 |
| Fund balances | | | | | |
| Unreserved | | | | | |
| Designated for specific purposes | 17,474 | - | 777,303 | 26,071 | 820,848 |
| Designated for subsequent year's expenditures | - | - | 128,418 | - | 128,418 |
| Undesignated | - | 384,005 | 41,901 | 7,788 | 433,694 |
| Total fund balances | <u>17,474</u> | <u>384,005</u> | <u>947,622</u> | <u>33,859</u> | <u>1,382,960</u> |
| Total Liabilities and Fund Balances | <u>\$ 17,474</u> | <u>\$ 638,616</u> | <u>\$ 947,622</u> | <u>\$ 33,859</u> | <u>\$ 1,637,571</u> |

TOWN OF CARRBORO, NORTH CAROLINA

Exhibit 3

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2003

| | HOME Program Grant Match Fund | Revolving Loan Fund | Capital Reserve Fund | Payment in Lieu Reserve Fund | Total |
|---|--|------------------------|----------------------------|---------------------------------------|--------------|
| Revenues | | | | | |
| Investment earnings | \$ - | \$ 15,424 | \$ 12,026 | \$ 369 | \$ 27,819 |
| Other | - | 102,652 | - | - | 102,652 |
| Total revenues | - | 118,076 | 12,026 | 369 | 130,471 |
| Expenditures | | | | | |
| Other appropriations | 13,041 | 125,000 | - | - | 138,041 |
| Revenues over (under) expenditures | (13,041) | (6,924) | 12,026 | 369 | (7,570) |
| Other financing sources (uses) | | | | | |
| Operating transfers in (out) | | | | | |
| From General Fund | 15,152 | - | 125,000 | - | 140,152 |
| To General Fund | - | - | (105,822) | - | (105,822) |
| To Capital Projects Fund | - | - | (1,500) | - | (1,500) |
| Total other financing sources | 15,152 | - | 17,678 | - | 32,830 |
| Revenues and other sources over (under) expenditures and other uses | 2,111 | (6,924) | 29,704 | 369 | 25,260 |
| Fund balances, beginning of year | 15,363 | 390,929 | 890,247 | 33,490 | 1,330,029 |
| Residual equity transfers | | | | | |
| From other funds | - | - | 27,671 | - | 27,671 |
| Fund balances, end of year | \$ 17,474 | \$ 384,005 | \$ 947,622 | \$ 33,859 | \$ 1,382,960 |

TOWN OF CARRBORO, NORTH CAROLINA

Exhibit 4

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - PROJECT AUTHORIZATION AND ACTUAL -
HOME PROGRAM GRANT MATCH FUND
From Project Inception and for the Year Ended June 30, 2003

| | | Actual | | | Variance |
|---|--------------------------|------------------|------------------|------------------|----------------------------|
| | Project Authorization | Prior Years | Current Year | Total to Date | Favorable (Unfavorable) |
| Expenditures | | | | | |
| Other appropriations | \$ 76,600 | \$ 46,085 | \$ 13,041 | \$ 59,126 | \$ 17,474 |
| Other financing sources | | | | | |
| Operating transfers in From General Fund | 76,600 | 61,448 | 15,152 | 76,600 | - |
| Other sources over expenditures | <u>\$ -</u> | <u>\$ 15,363</u> | 2,111 | <u>\$ 17,474</u> | <u>\$ 17,474</u> |
| Fund balance, beginning of year | | | 15,363 | | |
| Fund balance, end of year | | | <u>\$ 17,474</u> | | |

TOWN OF CARRBORO, NORTH CAROLINA

Exhibit 5
Page 1 of 2SCHEDULE 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, 2003

| | Actual | | | Variance |
|-------------------------------------|--------------------------|----------------|-----------------|----------------------------|
| | Project Authorization | Prior Years | Current Year | Favorable (Unfavorable) |
| Revenues | | | | |
| General revenues | | | | |
| Investment earnings | | | | |
| Interest on investments | \$ 170,694 | \$ 167,455 | \$ 4,315 | \$ 1,076 |
| Interest repayments | 263,467 | 260,692 | 11,109 | 8,334 |
| Total investment earnings | 434,161 | 428,147 | 15,424 | 9,410 |
| Other general revenues | | | | |
| Revolving loan payments | | | | |
| S & B Beauty | 19,500 | 17,531 | 2,260 | 291 |
| University Printery | 18,600 | 15,814 | 2,702 | (84) |
| Orange/Chatham Comprehensive Health | 47,194 | 41,077 | 6,663 | 546 |
| Carrburrito's, Inc. | 25,772 | 21,438 | 6,005 | 1,671 |
| Acme Food & Beverage Company | 17,305 | 15,591 | 1,713 | (1) |
| The Trains, Inc. | 50,000 | 37,333 | 12,667 | - |
| El Chilango | 50,000 | 8,512 | 41,488 | - |
| Paper, Pen & Ink | 23,665 | 22,165 | 21 | (1,479) |
| Alphabet Soup | 4,406 | 2,462 | 1,773 | (171) |
| Chicken Noodle Soup | 9,007 | 4,034 | 4,974 | 1 |
| Orange County Social Club | 20,072 | 9,716 | 10,977 | 621 |
| Places Media | 7,723 | - | 9,032 | 1,309 |
| Crazie Mae's | 1,500 | - | 2,377 | 877 |
| Original loan repayments | 273,087 | 273,086 | - | (1) |
| Total revolving loan payments | 567,831 | 468,759 | 102,652 | 3,580 |
| Total revenues | 1,001,992 | 896,906 | 118,076 | 12,990 |
| Expenditures | | | | |
| Current: | | | | |
| General government | | | | |
| Administration | 13,274 | 8,651 | - | 4,623 |
| Other appropriations: | | | | |
| S & B Beauty | 30,000 | 30,000 | - | - |
| University Printery | 30,000 | 30,000 | - | - |
| Orange/Chatham Comprehensive Health | 50,000 | 50,000 | - | - |
| Carrburrito's, Inc. | 40,000 | 40,000 | - | - |
| Acme Food & Beverage Company | 50,000 | 50,000 | - | - |
| The Trains, Inc. | 50,000 | 50,000 | - | - |
| El Chilango | 50,000 | 50,000 | - | - |
| Paper, Pen & Ink | 35,000 | 35,000 | - | - |
| Alphabet Soup | 48,000 | 48,000 | - | - |
| Chicken Noodle Soup | 15,000 | 15,000 | - | - |
| Orange County Social Club | 30,000 | 30,000 | - | - |
| Places Media | 50,000 | - | 50,000 | - |
| Crazie Mae's | 75,000 | - | 75,000 | - |
| Loss on loans | 45,326 | 45,326 | - | - |
| Unexpended reserves | 376,392 | - | - | 376,392 |
| | 974,718 | 473,326 | 125,000 | 376,392 |
| Total expenditures | 987,992 | 481,977 | 125,000 | 381,015 |

TOWN OF CARRBORO, NORTH CAROLINA

Exhibit 5
Page 2 of 2SCHEDULE 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, 2003

| | Project Authorization | Actual | | | Variance Favorable (Unfavorable) |
|---|--------------------------|----------------|-----------------|------------------|--|
| | | Prior Years | Current Year | Total to Date | |
| Revenues over (under) expenditures | \$ 14,000 | \$ 414,929 | \$ (6,924) | \$ 408,005 | \$ 394,005 |
| Other financing sources (uses) | | | | | |
| Operating transfers in (out) | | | | | |
| From General Fund | 90,000 | 80,000 | - | 80,000 | (10,000) |
| To General Fund | (104,000) | (104,000) | - | (104,000) | - |
| Total other financing uses | (14,000) | (24,000) | - | (24,000) | (10,000) |
| Revenues and other sources over (under) expenditures and other uses | \$ - | \$ 390,929 | (6,924) | \$ 384,005 | \$ 384,005 |
| Fund balance, beginning of year | | | 390,929 | | |
| Fund balance, end of year | | | \$ 384,005 | | |

TOWN OF CARRBORO, NORTH CAROLINA

Exhibit 6

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - CAPITAL RESERVE FUND
Year Ended June 30, 2003**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|---------------|-------------------|---|
| Revenues | | | |
| Interest earnings | \$ - | \$ 12,026 | \$ 12,026 |
| Other financing sources (uses) | | | |
| Operating transfers in (out) | | | |
| From General Fund | - | 125,000 | 125,000 |
| To General Fund | (202,023) | (105,822) | 96,201 |
| To Capital Projects Fund | (1,500) | (1,500) | - |
| Total other financing sources (uses) | (203,523) | 17,678 | 221,201 |
| Revenues and other sources over (under) other uses | (203,523) | 29,704 | 233,227 |
| Appropriated fund balance | 203,523 | - | (203,523) |
| Revenues, other sources and appropriated fund balance over other uses | <u>\$ -</u> | 29,704 | <u>\$ 29,704</u> |
| Fund balance, beginning of year | | 890,247 | |
| Residual equity transfers | | | |
| From other funds | | 27,671 | |
| Fund balance, end of year | | <u>\$ 947,622</u> | |

TOWN OF CARRBORO, NORTH CAROLINA

Exhibit 7

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL -
PAYMENT IN LIEU RESERVE FUND
Year Ended June 30, 2003

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---------------------------------|--------------------|-------------------------|---|
| Revenues | | | |
| Interest earnings | <u>\$ -</u> | <u>\$ 369</u> | <u>\$ 369</u> |
| Total revenues | <u><u>\$ -</u></u> | <u>369</u> | <u><u>\$ 369</u></u> |
| Fund balance, beginning of year | | <u>33,490</u> | |
| Fund balance, end of year | | <u><u>\$ 33,859</u></u> | |

TOWN OF CARRBORO, NORTH CAROLINA

Exhibit 8
Page 1 of 3

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - PROJECT AUTHORIZATION
AND ACTUAL - CAPITAL PROJECTS FUND
From Inception and for the Year Ended June 30, 2003**

| | | <u>Actual</u> | | | |
|--|----------------------------------|------------------------|-------------------------|--------------------------|---|
| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Current Year</u> | <u>Total to Date</u> | <u>Variance Favorable (Unfavorable)</u> |
| Revenues | | | | | |
| Capital projects | | | | | |
| Town Commons Project | | | | | |
| Interest | \$ 47,713 | \$ 47,713 | \$ - | \$ 47,713 | \$ - |
| Contributions | 64,040 | 64,179 | - | 64,179 | 139 |
| Restricted contributions | 1,825 | 1,825 | - | 1,825 | - |
| N. C. Department of Agriculture grant | 236,000 | 236,000 | - | 236,000 | - |
| Total Town Commons Project | 349,578 | 349,717 | - | 349,717 | 139 |
| Century Center/Town Wall Project | | | | | |
| Interest | 273,187 | 305,263 | - | 305,263 | 32,076 |
| Century Center floor contributions | 44,064 | 37,390 | 7,162 | 44,552 | 488 |
| Century Center artwork | 6,950 | 500 | - | 500 | (6,450) |
| Sales tax refund | 20,423 | 19,756 | - | 19,756 | (667) |
| Total Century Center/Town Wall Project | 344,624 | 362,909 | 7,162 | 370,071 | 25,447 |
| General | | | | | |
| Interest | - | 27,671 | - | 27,671 | 27,671 |
| Total general | - | 27,671 | - | 27,671 | 27,671 |
| Total revenues | 694,202 | 740,297 | 7,162 | 747,459 | 53,257 |
| Expenditures | | | | | |
| Town Commons Project | | | | | |
| Professional services | 25,247 | 25,247 | - | 25,247 | - |
| Architectural services | 1,000 | 947 | - | 947 | 53 |
| Miscellaneous (fundraising expense) | 9,733 | 9,732 | - | 9,732 | 1 |
| Equipment (bandstand) | 53,784 | 38,600 | - | 38,600 | 15,184 |
| Project management | 37,618 | 37,617 | - | 37,617 | 1 |
| Phase I construction | 222,196 | 222,195 | - | 222,195 | 1 |
| Total Town Commons Project | 349,578 | 334,338 | - | 334,338 | 15,240 |
| Century Center/Town Wall Project | | | | | |
| Church purchase | 1,362,101 | 1,354,900 | - | 1,354,900 | 7,201 |
| Church renovation | 1,144,617 | 1,144,617 | - | 1,144,617 | - |
| Asbestos removal | 113,500 | 113,107 | - | 113,107 | 393 |
| Architectural services | 163,333 | 156,835 | - | 156,835 | 6,498 |
| Lead paint abatement | 3,875 | 3,875 | - | 3,875 | - |
| Permits and fees | 13,215 | 13,214 | - | 13,214 | 1 |
| Dance floor reserve | 3,208 | 1,964 | - | 1,964 | 1,244 |
| Construction management | 23,524 | 25,824 | - | 25,824 | (2,300) |
| Equipment | 14,176 | 6,600 | 7,488 | 14,088 | 88 |
| Furnishings | 164,671 | 159,369 | - | 159,369 | 5,302 |
| Miscellaneous | 14,450 | 13,091 | - | 13,091 | 1,359 |
| Mechanical | 413,835 | 413,834 | - | 413,834 | 1 |
| Electrical | 212,087 | 212,087 | - | 212,087 | - |
| Plumbing | 197,670 | 197,668 | - | 197,668 | 2 |
| Construction service | 2,500 | - | - | - | 2,500 |
| Total Century Center/Town Wall Project | 3,846,762 | 3,816,985 | 7,488 | 3,824,473 | 22,289 |

TOWN OF CARRBORO, NORTH CAROLINA

Exhibit 8
Page 2 of 3

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - PROJECT AUTHORIZATION
AND ACTUAL - CAPITAL PROJECTS FUND
From Inception and for the Year Ended June 30, 2003**

| | | <u>Actual</u> | | | |
|---|----------------------------------|------------------------|-------------------------|--------------------------|---|
| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Current Year</u> | <u>Total to Date</u> | <u>Variance Favorable (Unfavorable)</u> |
| Town Wall Repairs | | | | | |
| Parapet wall repairs | \$ 255,212 | \$ 228,385 | \$ - | \$ 228,385 | \$ 26,827 |
| Total Town Wall Repairs | 255,212 | 228,385 | - | 228,385 | 26,827 |
| Roberson Place Bike Path | | | | | |
| Land | 30,000 | 28,120 | - | 28,120 | 1,880 |
| Total Roberson Place Bike Path | 30,000 | 28,120 | - | 28,120 | 1,880 |
| Hillsborough Road Park | | | | | |
| Miscellaneous | 1,500 | 1,017 | - | 1,017 | 483 |
| Land | 553,000 | 552,700 | - | 552,700 | 300 |
| Design | 41,750 | 22,075 | - | 22,075 | 19,675 |
| Total Hillsborough Road Park | 596,250 | 575,792 | - | 575,792 | 20,458 |
| Smith Middle School | | | | | |
| Design | 116,500 | - | 114,058 | 114,058 | 2,442 |
| Total Smith Middle School | 116,500 | - | 114,058 | 114,058 | 2,442 |
| Public Works Facility | | | | | |
| Professional services | 6,068 | - | 10,856 | 10,856 | (4,788) |
| Permits and fees | 10,932 | 250 | 5,500 | 5,750 | 5,182 |
| Land | 750,000 | 7,500 | 732,379 | 739,879 | 10,121 |
| Total Public Works Facility | 767,000 | 7,750 | 748,735 | 756,485 | 10,515 |
| Hillsborough Road Widening Project | | | | | |
| Contractual services | 27,856 | - | - | - | 27,856 |
| Total Hillsborough Road Widening Project | 27,856 | - | - | - | 27,856 |
| Rosemary/Sunset Drive Parking Lot | | | | | |
| Land | 113,000 | - | - | - | 113,000 |
| Permits and fees | 2,600 | - | 1,500 | 1,500 | 1,100 |
| Total Rosemary/Sunset Drive Parking Lot | 115,600 | - | 1,500 | 1,500 | 114,100 |
| Street Resurfacing Project | | | | | |
| Street resurfacing | 78,000 | - | 66,960 | 66,960 | 11,040 |
| Total Street Resurfacing Project | 78,000 | - | 66,960 | 66,960 | 11,040 |
| Total expenditures | 6,182,758 | 4,991,370 | 938,741 | 5,930,111 | 252,647 |
| Revenues under expenditures | (5,488,556) | (4,251,073) | (931,579) | (5,182,652) | 305,904 |

TOWN OF CARRBORO, NORTH CAROLINA

Exhibit 8
Page 3 of 3SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - PROJECT AUTHORIZATION
AND ACTUAL - CAPITAL PROJECTS FUND

From Inception and for the Year Ended June 30, 2003

| | Project Authorization | Actual | | | Variance Favorable (Unfavorable) |
|---|--------------------------|----------------|-----------------|------------------|--|
| | | Prior Years | Current Year | Total to Date | |
| Other financing sources (uses) | | | | | |
| Operating transfers in | | | | | |
| From General Fund | \$ 340,969 | \$ 340,969 | \$ - | \$ 340,969 | \$ - |
| From Capital Reserve Fund | 283,998 | 282,498 | 1,500 | 283,998 | - |
| From Payment in Lieu Reserve Fund | 512,412 | 512,412 | - | 512,412 | - |
| From Debt Service Fund | 10,845 | 10,845 | - | 10,845 | - |
| Operating transfers out | | | | | |
| To General Fund | (45,000) | - | (45,000) | (45,000) | - |
| Proceeds from installment purchase agreements | 4,385,332 | 3,494,000 | 881,100 | 4,375,100 | (10,232) |
| Total other financing sources | 5,488,556 | 4,640,724 | 837,600 | 5,478,324 | (10,232) |
| Revenues and other sources over (under) expenditures and other uses | \$ - | \$ 389,651 | (93,979) | \$ 295,672 | \$ 295,672 |
| Fund balance, beginning of year | | | 389,651 | | |
| Residual equity transfers | | | | | |
| To other funds | | | (27,671) | | |
| Fund balance, end of year | | | \$ 268,001 | | |

ADDITIONAL FINANCIAL DATA

This section contains additional information on property taxes and transfers.

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

TOWN OF CARRBORO, NORTH CAROLINA

Schedule 1

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

June 30, 2003

| <u>Year of Levy</u> | <u>Uncollected Balance July 1, 2002</u> | <u>Additions</u> | <u>Collections and Credits</u> | <u>Uncollected Balance June 30, 2003</u> |
|--|---|---------------------|------------------------------------|--|
| 2002 | \$ - | \$ 7,551,366 | \$ 7,433,914 | \$ 117,452 |
| 2001 | 101,392 | - | 71,746 | 29,646 |
| 2000 | 55,408 | - | 7,254 | 48,154 |
| 1999 and prior | 128,656 | - | 6,799 | 121,857 |
| | 285,456 | <u>\$ 7,551,366</u> | <u>\$ 7,519,713</u> | 317,109 |
| Less allowance for uncollectible accounts | <u>(62,938)</u> | | | <u>(77,936)</u> |
| Receivables, net | <u>\$ 222,518</u> | | | <u>\$ 239,173</u> |
| Reconciliation of revenues with collections: | | | | |
| General Fund | | | | \$ 7,324,513 |
| General Fund vehicle license fees | | | | <u>190,705</u> |
| Total revenues | | | | 7,515,218 |
| Reconciling items: | | | | |
| Adjustments | | | | 1,873 |
| Refunds | | | | 21,433 |
| Penalties and interest | | | | <u>(18,811)</u> |
| | | | | <u>\$ 7,519,713</u> |

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TOWN OF CARRBORO, NORTH CAROLINA

Schedule 2

ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY
Year Ended June 30, 2003

| | 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 | \$ 1,064,690,601 | \$ 0.6852 | \$ 7,295,260 | \$ 6,707,574 | \$ 587,686 |
| Penalties and interest | - | | 13,137 | 13,137 | - |
| Total | 1,064,690,601 | | 7,308,397 | 6,720,711 | 587,686 |
| Discoveries: | | | | | |
| Current year taxes | 7,481,465 | 0.6852 | 51,263 | 51,263 | - |
| Total gross levy | 1,072,172,066 | | 7,359,660 | 6,771,974 | 587,686 |
| Vehicle tag fee | - | | 219,915 | - | 219,915 |
| Total property valuation | <u>\$ 1,072,172,066</u> | | | | |
| Releases and abatements | | | (28,209) | (28,209) | - |
| Net levy | | | 7,551,366 | 6,743,765 | 807,601 |
| Uncollected taxes at June 30, 2003 | | | 117,452 | 35,196 | 82,256 |
| Current year's taxes collected | | | <u>\$ 7,433,914</u> | <u>\$ 6,708,569</u> | <u>\$ 725,345</u> |
| Current levy collection percentage | | | <u>98.44%</u> | <u>99.48%</u> | <u>89.81%</u> |

TOWN OF CARRBORO, NORTH CAROLINA

Schedule 3

SCHEDULE OF INTERFUND TRANSFERS
Year Ended June 30, 2003

| Transfers from | Transfers to | | | Total |
|-----------------------|-------------------|-----------------------|-----------------------|-------------------|
| | General Fund | Special Revenue Funds | Capital Projects Fund | |
| General Fund | \$ - | \$ 140,152 | \$ - | \$ 140,152 |
| Special Revenue Funds | 105,822 | - | 1,500 | 107,322 |
| Capital Projects Fund | 45,000 | - | - | 45,000 |
| Cemetery Trust Fund | 40,000 | - | - | 40,000 |
| | <u>\$ 190,822</u> | <u>\$ 140,152</u> | <u>\$ 1,500</u> | <u>\$ 332,474</u> |

| Transfers from | Residual Equity Transfers | | |
|-----------------------|---------------------------|-----------------------|-------------------|
| | Transfers to | | |
| | General Fund | Special Revenue Funds | Total |
| Capital Projects Fund | \$ - | \$ 27,671 | \$ 27,671 |
| Cemetery Trust Fund | 172,851 | - | 172,851 |
| | <u>\$ 172,851</u> | <u>\$ 27,671</u> | <u>\$ 200,522</u> |

SUPPLEMENTARY INFORMATION

COMPLIANCE SECTION

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
GENERAL PURPOSE 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 Town of Carrboro, North Carolina as of and for the year ended June 30, 2003, and have issued our report thereon dated September 10, 2003. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Carrboro's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.



A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 Odom PLLC

September 10, 2003



**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, Board of Aldermen
and the Town Manager
Town of Carrboro
Carrboro, North Carolina

Compliance

We have audited the compliance of the Town of Carrboro, North Carolina with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to its major state program for the year ended June 30, 2003. 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, 2003.



Internal Control Over Compliance

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

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

This report is intended solely for the information and use of management, members of the Board of Aldermen, and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Dixon Odom PLLC

September 10, 2003

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2003

Schedule 4
Page 1 of 2

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Reportable conditions 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
- Reportable conditions 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 audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? _____ Yes X No

Identification of major state programs:

Grant ID Number

9.90000

Program Name

Powell Bill

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2003

Schedule 4
Page 2 of 2

II. Findings Related to the Audit of the Financial Statements of the Town of Carrboro

None reported.

III. Findings and Questioned Costs Related to the Audit of Federal and State Awards

None reported.

TOWN OF CARRBORO, NORTH CAROLINA

Schedule 5

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2003

No findings were noted in the prior year audit report.

TOWN OF CARRBORO, NORTH CAROLINA

Schedule 6

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2003

| <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> |
|---|------------------------------------|---|--|-------------------------------|
| FEDERAL AWARDS | | | | |
| <i>U. S. Department of Justice</i> | | | | |
| Direct Program | | | | |
| COPS Grant | 16.710 | 2000-SHWX0497 | \$ 59,524 | \$ - |
| Local Law Enforcement Block Grant | 16.592 | 2000-LB-BX-2334 | 1,460 | - |
| Local Law Enforcement Block Grant | 16.592 | 2001-LB-BX-1566 | 5,319 | - |
| Local Law Enforcement Block Grant | 16.592 | 2002-LB-BX-1642 | 734 | - |
| Total U. S. Department of Justice | | | 67,037 | - |
| <i>U. S. Department of Transportation</i> | | | | |
| Passed through the City of Durham | | | | |
| Regional Planning Work Program | 20.205 | Sec. 104(F) DCHC | 10,234 | - |
| Total U. S. Department of Transportation | | | 10,234 | - |
| <i>Federal Emergency Management Agency</i> | | | | |
| Passed through the N. C. Division of Emergency | | | | |
| Management | | | | |
| Ice Storm Disaster Assistance | 83.544 | - | 114,498 | - |
| Total Federal Emergency Management | | | 114,498 | - |
| Agency | | | | |
| Total Federal Awards | | | 191,769 | - |
| STATE AWARDS | | | | |
| <i>N. C. Department of Transportation</i> | | | | |
| Powell Bill | - | 9.90000 | - | 462,067 |
| Total N. C. Department of Transportation | | | - | 462,067 |
| Total State Awards | | | - | 462,067 |
| Total Assistance | | | \$ 191,769 | \$ 462,067 |

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.



September 10, 2003

To the Board of Aldermen
Town of Carrboro, North Carolina

In planning and performing our audit of the general purpose financial statements of the Town of Carrboro for the year ended June 30, 2003, we considered issues of which the Board should be made aware. This letter does not affect our report dated September 10, 2003 on the financial statements of the Town of Carrboro.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with management, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

IS Security Policy

The Town should develop an IS Security Policy. The Policy should contain specific items related to the following:

- Logical access control mechanisms and requirements (including password requirements)
- Configuration management (software patches, upgrades, and parameter changes)
- Virus protection
- Telecommunications standards (firewalls, modems, intrusion detection, and encryption)
- Physical access

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Disaster Recovery Plan

The Town does not currently have a disaster recovery plan. The time to make contingency plans is before disaster strikes, so that all personnel will be aware of their responsibilities in the event of an emergency situation that precludes the use of the existing IT facilities. We suggest that management develop a disaster recovery plan that includes, but is not limited to the following matters:

- Location of, and access to offsite storage
- A listing of all data files that would have to be obtained from the offsite storage location
- Identification of a backup location (name and telephone number) with similar or compatible equipment for emergency processing (Management should make arrangements for such backup with another governmental unit, a computer vendor, or a service center. The agreement should be in writing.)
- Responsibilities of various personnel in an emergency
- Priority of critical applications and reporting requirements during the emergency period

GASB 34

The adoption of Governmental Accounting Standards Board (GASB) Statement 34 represents one of the most comprehensive changes in financial reporting standards in the history of standards setting and, as a result, provides the setting for numerous implementation issues. The implementation of this Statement will be effective for the year ending June 30, 2004.

The Statement 34 model replaces the combined statements shown in the general purpose financial statements that the Board has been accustomed to seeing in the past. Under Statement 34, the scope and applicability of the changes required encompass a tremendous range of accounting issues. Examples of some of the significant changes include:

- A new requirement for the presentation of a management's discussion and analysis (MD&A) as required supplementary information;
- Significant presentation changes to include government-wide financial statements, including fund financial statements, and notes to the financial statements;
- Various issues related to measurement focus and basis of accounting;
- Treatment of capital assets;
- Classification and reporting issues affecting revenues; and
- Additional required supplementary information other than the MD&A.

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September 10, 2003
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As a result of the requirement to adopt GASB Statement 34, we want to make the Board aware that the Town's management and staff will need to continue to allocate the necessary time and resources to properly plan for the transition and implementation of this comprehensive reporting model. We will be available to provide the necessary assistance to guide the Town of Carrboro through this process. In addition, the Board should consider, in its budgeting process, the increased expense required to provide the necessary consulting as well as the increased expense that will be encountered to conduct the audit for the year of implementation.

We appreciate the opportunity to present these comments for your consideration. We are prepared to discuss them at your convenience and to provide such assistance in their implementation as you may desire.

Dixon Odom PLLC
Certified Public Accountants