

A RESOLUTION ACCEPTING THE 2005-2006 AUDIT REPORT
Resolution No. 98/2006-07

WHEREAS, the Carrboro Board of Aldermen have received the annual 2005-06 Audit Report; and

WHEREAS, the Aldermen were informed by the Town's auditors, Dixon Hughes PLLC that the Town's financial statements are free of material misstatement and that the audit tests conducted by the firm did not uncover any material weaknesses that are required to be reported under Government Auditing Standards;

WHEREAS, the Aldermen were informed by town staff, that the Town's financial statements have been significantly improved and submitted to the Government Finance Officers' Association for recognition of excellence in financial reporting;

NOW THEREFORE, THE BOARD OF ALDERMEN OF THE TOWN OF CARRBORO:

Section 1: Accept the annual 2005-06 Audit Report.

DIXON HUGHES PLLC

Certified Public Accountants and Advisors

November 16, 2006

To the Board of Aldermen
Town of Carrboro, North Carolina

We have audited the financial statements of the Town of Carrboro for the year ended June 30, 2006, and have issued our report thereon dated November 16, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U. S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated May 22, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Town of Carrboro. Such considerations were solely for the purpose of determining our audit procedures are not to provide any assurance concerning internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Town of Carrboro's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

1829 Eastchester Drive, PO Box 2646
High Point, NC 27261-2646
Ph. 336.889.5156 Fx. 336.889.6168
www.dixon-hughes.com



A Member of
McGraw Hill International
An association of independent
accounting firms throughout the world.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Town of Carrboro are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2006. We noted no transactions entered into by the Town of Carrboro during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the allowances for doubtful accounts, which was based on historical collection experience and collateral. We evaluated the key factors and assumptions used to evaluate the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Town of Carrboro's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Town of Carrboro, either individually or in the aggregate, indicate matters that could have a significant effect on the Town of Carrboro's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town of Carrboro's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Aldermen and management of the Town of Carrboro and is not intended to be and should not be used by anyone other than these specified parties.



DIXON HUGHES PLLC

Town of Carrboro, North Carolina

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2006

THIS PAGE LEFT INTENTIONALLY BLANK.

Town of Carrboro, North Carolina

TABLE OF CONTENTS

Page No.

INTRODUCTORY SECTION

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

FINANCIAL SECTION

Report of Certified Public Accountants

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

Exhibit

Basic Financial Statements

	<i>Government-Wide Financial Statements:</i>	
1	Statement of Net Assets	17
2	Statement of Activities	18
	<i>Fund Financial Statements:</i>	
3	Balance Sheet - Governmental Funds	19
4	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
4	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	21
5	Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund and Capital Reserve Fund	22
	Notes to Financial Statements	25

Town of Carrboro, North Carolina

TABLE OF CONTENTS

<u>Exhibit</u>	Required Supplementary Financial Data	<u>Page No.</u>
A-1	Law Enforcement Officers' Special Separation Allowance Required Supplementary Information - Schedule of Funding Progress.....	51
A-2	Law Enforcement Officers' Special Separation Allowance Required Supplementary Information - Schedule of Employer Contributions.....	52
A-2	Law Enforcement Officers' Special Separation Allowance - Notes to the Required Schedules	52

<u>Schedule</u>	SUPPLEMENTARY INFORMATION
-----------------	----------------------------------

Combining and Individual Fund Statements and Schedules

1	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund.....	53
2	Schedule of Revenues, Expenditures and Changes in Fund Balance - Project Authorization and Actual - Revolving Loan Fund	58
3	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Reserve Fund.....	60
4	Schedule of Revenues, Expenditures and Changes in Fund Balance - Project Authorization and Actual - Capital Projects Fund.....	61
5	Schedule of Revenues, Expenditures and Changes in Fund Balance - Project Authorization and Actual - Bond Fund	63
6	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Payment in Lieu Reserve Fund	66

Other Schedules

7	Schedule of Ad Valorem Taxes Receivable.....	68
8	Analysis of Current Tax Levy - Town-Wide Levy	69

<u>Table</u>	STATISTICAL SECTION
--------------	----------------------------

Financial Trends Information:

1	Net Assets by Component.....	75
2	Changes in Net Assets	76
3	Fund Balances, Governmental Funds	77
4	Changes in Balances, Governmental Funds	78

Revenue Capacity Information:

5	Program Revenues by Function/Program	80
6	Tax Revenues by Source, Governmental Funds	81
7	Assessed Value and Actual Value of Taxable Property	82
8	Direct and Overlapping Property Tax Rates.....	83
9	Property Tax Levies and Collections	84

Town of Carrboro, North Carolina

TABLE OF CONTENTS

10	Principal Property Taxpayers	85
	<i>Debt Capacity Information:</i>	
11	Ratios of Outstanding Debt by Type	87
12	Ratios of General Bonded Debt Outstanding	88
13	Direct and Overlapping Governmental Activities Debt	89
14	Legal Debt Margin Information	90
	<i>Demographic and Economic Information:</i>	
15	Demographic and Economic Statistics	92
16	Principal Employers.....	93
17	Full-Time Equivalent City Government Employees by Function/Program	94
	<i>Operating Information:</i>	
18	Operating Indicators by Function/Program.....	96
19	Capital Asset Statistics by Function/Program.....	97

COMPLIANCE SECTION

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

THIS PAGE LEFT INTENTIONALLY BLANK.

Town of Carrboro, North Carolina

LIST OF PRINCIPAL OFFICIALS

BOARD OF ALDERMEN

Mark Chilton, Mayor

Dan Coleman
Joal Hall Broun
Ranee Haven-O'Donnell

Alex Zaffron
John Herrera
Jacquelyn Gist

TOWN MANAGER

Steven E. Stewart

ASSISTANT TOWN MANAGER

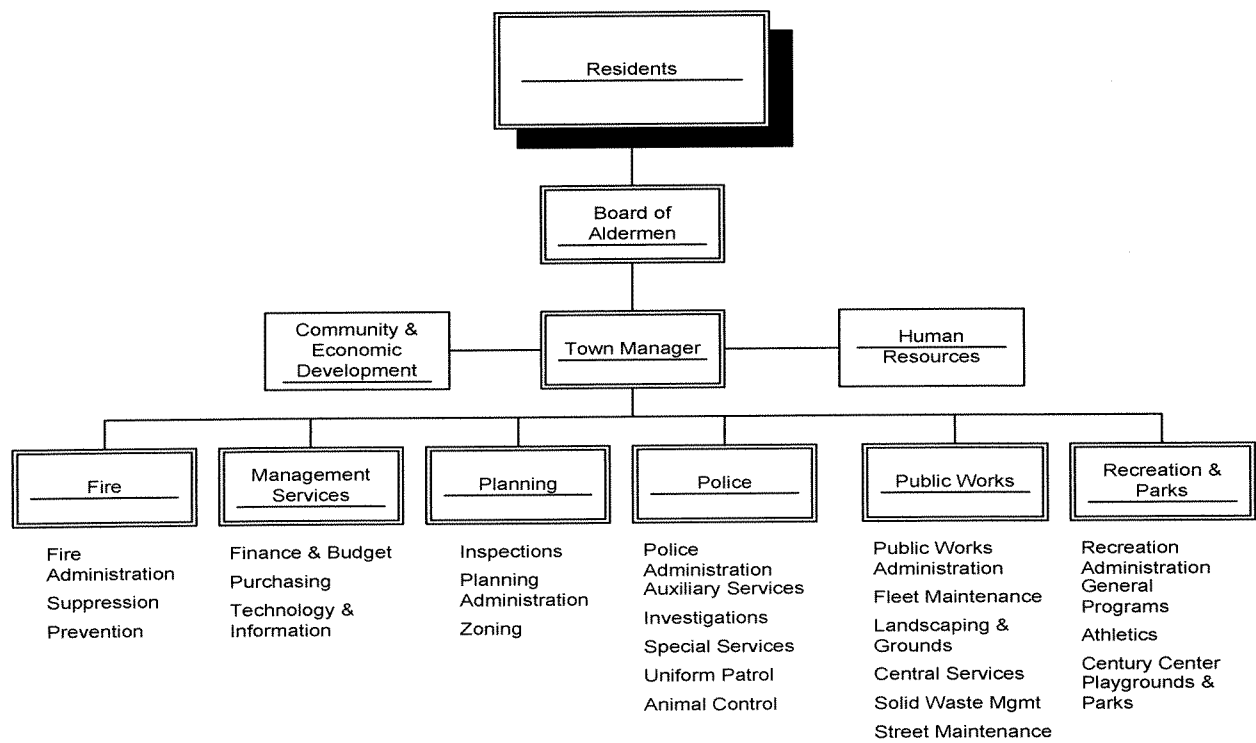
L. Bingham Roenigk

MANAGEMENT SERVICES DEPARTMENT

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

Town of Carrboro, North Carolina

Organizational Chart





TOWN OF CARRBORO
NORTH CAROLINA

November 16, 2006

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

Dear Mayor Chilton and Members of the Board of Aldermen:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Carrboro for its comprehensive annual financial report for the fiscal year ended June 30, 2005. For two consecutive years, the Town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and is submitting its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006 to the Government Finance Officers Association (GFOA).

The Certificate Program managed by the GFOA was established in 1945, and is designed to recognize and encourage excellence in financial reporting by state and local governments. Over 69% of all cities and 46% of all counties with populations in excess of 50,000 participate in the program, as well as 43 state governments. 3,486 Comprehensive Annual Financial Reports (CAFRs) for fiscal years ended during 2004 were submitted to the Certificate Program. It is estimated that approximately 3,550 CAFRs for fiscal years ending during 2005 were submitted for review. Further information about the Certificate Program can be obtained by visiting GFOA's website at: www.gfoa.org.

This report is the official comprehensive publication of the Town's financial position at June 30, 2006, and the results of operations for the fiscal year then ended for all funds of the Town. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. We believe the data, as presented, are accurate in all material respects; that they are presented in a manner designed to fairly set forth the financial activity of the Town's various funds; and that all disclosures necessary to enable the reader to gain a maximum understanding of the Town's financial activity have been included.

The Town of Carrboro's financial statements have been audited by Dixon Hughes PLLC. The goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an **unqualified** opinion that the Town of Carrboro's financial statements for the fiscal year ended June 30, 2006 are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditors' opinion is considered to be **unqualified** unless the auditors (1) offer an adverse opinion, (2) offer a qualified opinion (i.e., fairly presented except for...), or (3) disclaim an opinion on all or a portion of the basic financial statements. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

This comprehensive annual financial report is presented in four main sections:

1. *Introductory Section* - This section introduces the reader to the report and to the Town. Along with this managerial overview, it includes listings of Town officials, a brief history of the Town, the Town's Mission Statement, responsibility of Town government, and an organizational chart.
2. *Financial Section* - This section includes Management's Discussion and Analysis, the Basic Financial Statements, notes to the basic financial statements, required supplementary pension information, and the associated independent auditors' report. The Basic Financial Statements provide an overview for users who require less detailed information about the Town's finances than is contained in the balance of this report. The Basic Financial Statements include both entity-wide statements and fund financial statements. A full explanation of the basis of accounting for these two sections is included in the notes to the financial statements. Also within the financial section is supplementary information that includes budgetary comparison schedules for all annually budgeted funds (other than the General Fund), including special revenue funds, as well as budgetary information for the Capital Projects and Bond Funds.
3. *Statistical Section* - The statistical section presents comparative statistical data, graphs, and other pertinent information involving taxes, revenues, expenditures, debt and social/economic data of the Town. This section also includes statistical information for continuing disclosure requirements.
4. *Compliance Section* - The compliance section presents the independent auditors' report on compliance with various internal control and related financial assistance requirements.

Town of Carrboro - Community and Organizational Profile

The Town is a growing community located within Orange County in the north central portion of North Carolina. The area's topography is characterized by rolling hills. The Town, which was incorporated in 1911, now covers an area of 6.3 square miles and has increased in population from 17,648 to 18,500 as the result of a recent annexation this past January that incorporated approximately 288 households. Carrboro is situated next to Chapel Hill and the University of North Carolina, and is near the Research Triangle Park.

The growth of the Town is directly related to the expansion of the University of North Carolina at Chapel Hill and growth in the Research Triangle Park. Enrollment at the University has risen from 8,791 in 1960 to 27,276 in 2005. It is anticipated that the expansion will continue to occur in University-related health facilities such as the University of North Carolina hospitals.

The character of the Town is driven by values based on maintaining a sustainable community. The strategic priorities developed by the Town's elected board specifically define the vision of a sustainable Carrboro:

- ✓ *Diversify revenue stream to maintain ethnic and economic diversity*
- ✓ *Protect historic neighborhoods and maintain Carrboro's unique identity*
- ✓ *Improve walkability and public transportation*
- ✓ *Encourage development that is compact, dense, and appeals to diverse lifestyles and incomes*
- ✓ *Enhance and sustain quality of life/place issues for everyone*

The support for these strategic priorities is also notable in the amounts allocated within the annual operating and capital budgets and in various awards the Town receives. The Town is distinctive in having the highest population density, or stated in another way, the highest number of persons per square mile, of any municipality in North Carolina in the 2000 Census.

Recently, the Blue Ridge Outdoors magazine cited Carrboro as being a "green town." The article, published in July 2006, cites municipal leaders taking on progressive initiatives to reduce energy consumption and pollution emissions, as well as health factors like water and air quality (unfortunately poor in most of the region) in designating a "green town." The article mentions specific actions such as locals taking matters into their own hands, starting eco-innovative companies, building practices, and action groups. In-town outdoor recreation opportunities including greenways, bike accessibility, and parks were also considered as well as public transportation, the availability of walkable work commutes, and the percentage of the population that actually engages. Carrboro was commended for its efforts in preserving green space, securing the 27-acre Adam's Tract and efforts to develop greenways in the Bolin Creek corridor.

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

In terms of budgetary allocations, the Town commits over one million dollars to provide fare-free transit for Town residents in an effort to reduce the reliance on automobiles and to create a system of public transit, walking, and biking. Carrboro is one of 38 communities in the nation that has been granted the Bicycle-Friendly Community designation in recognition of the Town's commitment to

providing safe accommodation and facilities for bicyclists, and for the Town's efforts to encourage bicycling for fun, fitness, and transportation. The award also recognized town efforts to include bike lanes in all state road improvement projects and has amended street standards to include bike lanes as a requirement on all collector roads. According to the latest census, 5.2% of residents in Carrboro bike to work. The community, via a bond referendum in November 2003, endorsed construction of \$4.6 million in sidewalks and greenways to increase the safety and convenience of walking throughout the Town's neighborhoods, and to major facilities such as schools, bus stops, shopping areas, and recreational facilities. The Town is also strongly committed to environmental sustainability, adequate public facilities, and a variety of local recreational opportunities.

The Town of Carrboro has a council/manager form of municipal government. Under the council/manager form of government, the Board of Aldermen performs the legislative functions of the Town: establishing laws and policies. The Board also appoints a manager who carries out the laws and policies enacted by the Board. The Town Manager is responsible for managing the Town's employees, finances, and resources. The Board of Aldermen also appoints a Town Clerk to maintain important Town records, and an attorney, who represents the Board and Town administration in all legal matters.

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

Economic Condition and Outlook

The forces that affect information presented in the Town's financial statements can be better understood in the context of external economic conditions, community needs and resources, management practices, and financial factors.

The Town relies on a largely residential tax base to provide services. The major employers within Orange County (those with 450 or more employees) reflect the dominance of the professional services and retail sectors. Of the total property tax assessed, approximately 11.50% is commercial. The commercial base is largely retail with some service-oriented businesses. The Town continues to experience growth and is considered to be a desirable place to live and work.

With the University of North Carolina at Chapel Hill, the University of North Carolina Health Care System, and Research Triangle Park businesses providing jobs to residents of Carrboro, the unemployment rate is low. Over the past four years, the unemployment rate in North Carolina has gone from 6.8% in June 2002 to 4.9% in 2006. Orange County, of which the Town is a municipality, shows a slightly lower unemployment rate trend (from 4.5% in June 2002 to 3.1% in September 2006), reflecting an economy that has withstood the economic battering experienced by other municipalities and states over the past few years. The stable employment base and low unemployment rate contribute to the Town's positive economic state.

From a budgetary and financial perspective, the Town experienced solid fiscal growth in the year ended June 2006, with overall revenue increasing 5.7% over prior year actual revenues. The fund

balance trend in the past five years shows that undesignated fund reserves as a percentage of total audited expenditures have increased from 21.95% for the year ended June 30, 2001 to 40.28% for year ended June 30, 2006.

Over the next five years, the Town anticipates several new capital projects that could affect Town borrowing and future debt payments. In addition, the Town is set to continue its path of issuing bond anticipation notes as the first phase of sidewalks and greenways is underway. Using installment financing, the Town expects to issue 2.7 million in the spring of 2007 to construct the fire substation in the northern area of town. The Town anticipates debt service payments to increase over \$500,000 in FY07-08 for these efforts.

Projects anticipated in the near future that will require debt financing development of the Martin Luther King, Jr. neighborhood park, and the purchase of parking lots for the downtown area. A more comprehensive analysis of the Town's capital needs and financing mechanisms can be reviewed in the Town's capital improvements program (listed on the Town's website at <http://www.townofcarrboro.org/docs.htm>).

The potential impact on property tax rates of these projects will be affected by the timing of the implementation of the proposed projects and the availability of other sources or cost savings to fund the projects.

Major Town Initiatives

The Board of Aldermen has defined strategic priorities for the Town with the ultimate goal of creating and maintaining Carrboro as a sustainable community that is a highly desirable place to live. These strategic priorities are considered long-term goals and the noteworthy accomplishments in fiscal year 2005-2006 are a reflection of the board's priorities.

- ☆ The Town is designated by the League of American Bicyclists as a Bicycle-Friendly Community (BFC). The award is presented only to communities that are committed to bicycling, provide safe accommodation and facilities for bicyclists and encourage bicycling for fun, fitness, and transportation.
- ☆ The Town received the United States Tennis Association/North Carolina's Outstanding Parks and Recreation Department Award for planning and implementing the Hispanic Tennis Carnival held at Anderson Park in October 2005.
- ☆ The Town's Management Services Department won the GFOA (Government Finance Officers Association) Distinguished Budget Presentation Award for its FY05-06 budget document. It is the highest form of recognition in governmental budgeting. The Town is in the process of submitting the document for its third award.
- ☆ The Town's continued commitment to the environment was rewarded with its national designation as a Tree City USA town and an Erosion and Sedimentation Control Award from the North Carolina Sedimentation Control Commission.
- ☆ The Town, in July 2006, was recognized as a "green town", in an article written in a North Carolina magazine, Blue Ridge Outdoors.
- ☆ Town residents approved a \$4.6 million bond referendum in November 2003 to construct sidewalks and greenways throughout town to increase the safety and convenience of walking throughout the Town's neighborhoods. The sidewalks are being designed and will be constructed in the upcoming year. Three bond issues for sidewalks and greenways are anticipated over a period of six years, provided the Town's fiscal position and the economy remain healthy.

- ☆ The Town was awarded a certificate from the International Council for Local Environmental Initiatives (ICLEI) recognizing its participation in the Cities for Climate Protection Program since 2001.

Budget Control

The primary mission of the budget and related processes is the development of an annual financial plan for the Town. However, just as important, the budget is a strategic plan whereby departmental missions and objectives are aligned with the Board's goals and commitments made today, and the impact of those decisions are projected and planned for into the future.

Public input and review of the budget prior to adoption by the elected board is encouraged. The entire budget document is available at the Town Clerk's office and the Town's website for review. The Board of Aldermen holds at least two budget meetings prior to the adoption of an annual budget. The fiscal budget is prepared by the Town Manager for a one-year fiscal cycle beginning July 1 and ending June 30 of the following year and must be adopted by the Board of Aldermen prior to the beginning of each fiscal year.

Formal budgetary accounting is used for all funds, as a management control required by the North Carolina General Statutes. All governmental units are required to adopt a balanced budget by July 1 of each year. The budget ordinance, passed by the Board of Aldermen, creates a legal limit on spending authorizations at the departmental level. Budgetary control is facilitated by the use of an automated requisition encumbrance and purchase order system that ensures the adequacy of funds prior to the placement of orders or the award of contracts.

Internal Controls

This report consists of management's representations concerning the finances of the Town of Carrboro. To prove a reasonable basis for making these representations, a comprehensive internal control framework has been designed in developing and maintaining the Town's accounting system. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition; (2) the reliability of financial records for preparing financial statements in conformity with accounting principles generally accepted in the United States of America and maintaining accountability of assets; (3) the effectiveness and efficiency of operations; and (4) compliance with applicable laws and regulations related to federal and state financial assistance programs. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the Town's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Cash Management

North Carolina General Statutes authorize the Town to deposit at interest or invest all or part of the cash balance of any fund. State law authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the state of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

To further enhance the cash management program, the Town maintains a comprehensive banking services agreement with Bank of America. Services provided include a concentration account for automatic investment of idle funds, zero balance payroll account, wire transfer and automated clearing house services and electronic banking services. The concentration account fulfills the Town's investment policy which emphasizes safety and liquidity while maintaining a competitive yield on its portfolio and it enables the Town objective in insuring that all deposits are collateralized or insured.

Risk Management

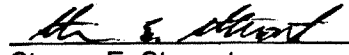
The Town protects itself from potential loss through participation in the Interlocal Risk Financing Fund of North Carolina for general liability, automobile liability, public officials' liability, employment practices, police professional liability, and property losses. The Town's potential loss for liability coverage is limited to the deductible amount of \$1,000 per claim for all coverage, except public officials' liability, employment practices and police professional liability, which are limited to the deductible amount of \$5,000 per claim. Also, the Town participates in the North Carolina Interlocal Risk Management Agency for workers' compensation.

Other Information

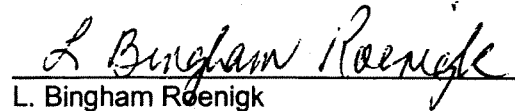
Use of the Report: The Government Finance Officers' Association reports a growing awareness that the annual financial report should be management's report to its governing body, constituents, oversight bodies, resource providers, investors, and creditors. We agree with this direction, and in keeping with our past practice, have made available a copy of this report to each of you, the various Town departments, bond rating agencies, the Local Government Commission and other financial institutions which have expressed an interest in the Town's financial affairs.

Other companion documents that are helpful in explaining the Town's budget and financial planning include the Town's annual operating budget and capital improvements plan documents. These documents, along with the annual audit report, are posted on the Town's website at <http://www.townofcarrboro.org/docs.htm>.

Acknowledgements: The presentation of this report could not have been accomplished without the entire Management Services Department and other departmental staff that assisted in producing this report. We would also like to thank the Mayor and Board of Aldermen and Town employees for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner that reflects positively on the Town.



Steven E. Stewart
Town Manager



L. Bingham Roenigk
Assistant Town Manager/Finance Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Carrboro
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Fudge

President

Jeffrey R. Enen

Executive Director

THIS PAGE LEFT INTENTIONALLY BLANK.



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
of the Board of Aldermen
Town of Carrboro
Carrboro, North Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, the budget to actual comparison for the General Fund and the Capital Reserve Fund, and the aggregate remaining fund information of the Town of Carrboro, North Carolina, as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Carrboro's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Carrboro as of June 30, 2006, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund and the Capital Reserve Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2006 on our consideration of the Town of Carrboro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 13 and the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions on pages 51 and 52 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Carrboro's basic financial statements. The introductory information, combining and individual fund financial statements and schedules and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical Sections listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Dixon Hughes PLLC

November 16, 2006

Management's Discussion and Analysis

Management of the Town of Carrboro, North Carolina offers readers of the Town's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2006. Readers are encouraged to examine the information presented here in conjunction with additional information that is provided in the Town's financial statements following this narrative.

Financial Highlights

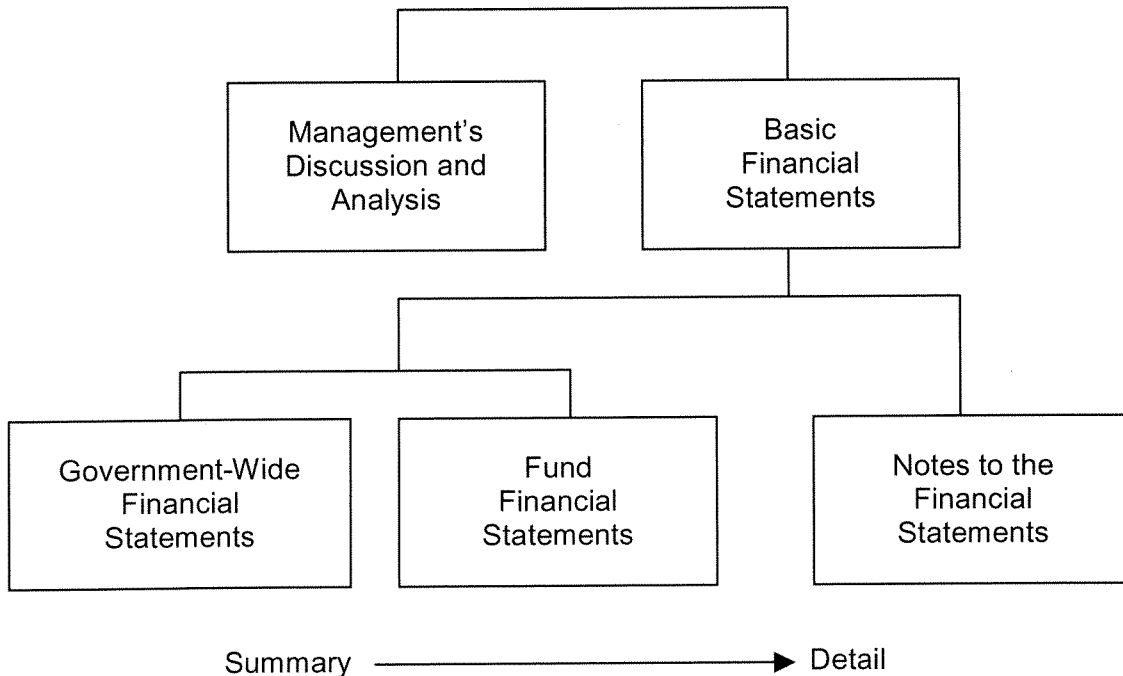
- The assets of the Town of Carrboro exceeded its liabilities at the close of the fiscal year by \$27,362,088 (net assets).
- The government's total net assets increased by \$3,498,288 due to increases in the net assets of the governmental-type activities.
- At the close of the current fiscal year, the Town of Carrboro's governmental funds reported combined ending fund balances of \$10,114,902, an increase of \$1,746,320 in comparison with the prior year. Approximately 66.83% of this total amount, or \$6,759,552, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$6,519,736, or 46.83% of total General Fund expenditures for the fiscal year.
- The Town of Carrboro's total debt increased by \$1,430,456, (26.88%) during the current fiscal year. The key factor in this increase was new installment purchase financing and proceeds from bond anticipation notes.
- The Town has maintained and currently holds credit ratings of A+ with Standard and Poors, and a rating of A1 with Moody's.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Carrboro's basic financial statements. The Town's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Carrboro, including a statistical section.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short- and long-term information about the Town's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government at a more detailed level than the government-wide statements. There are two parts to the Fund Financial Statements: (1) the governmental funds statements and (2) the budgetary comparison statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Management's Discussion and Analysis (Continued)

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to financial statements of a private-sector business. The government-wide statements provide short- and long-term information about the Town's financial status as a whole.

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

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

The government-wide financial statements are on pages 17 and 18 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town are categorized under governmental funds and can be found beginning on page 19 of this report.

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

Management's Discussion and Analysis (Continued)

The Town adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: (1) the original budget as adopted by the Board; (2) the final budget as amended by the Board; (3) the actual resources, charges to appropriations, and ending balances in the General Fund; and (4) the difference or variance between the final budget and the actual resources and charges.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 25 through 47 of this report.

Supplemental Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 49 of this report.

Management's Discussion and Analysis (Continued)

Government-Wide Financial Analysis

The Town of Carrboro's Net Assets

Figure 2

	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 12,484,538	\$ 9,491,377
Capital assets	<u>22,256,598</u>	<u>20,374,294</u>
Total assets	<u>34,741,136</u>	<u>29,865,671</u>
Long-term liabilities outstanding	4,373,612	5,322,054
Other liabilities	<u>3,005,436</u>	<u>679,817</u>
Total liabilities	<u>7,379,048</u>	<u>6,001,871</u>
Net assets:		
Invested in capital assets, net of related debt	17,735,292	15,674,503
Restricted	814,718	500,280
Unrestricted	<u>8,812,078</u>	<u>7,689,017</u>
Total net assets	<u>\$ 27,362,088</u>	<u>\$ 23,863,800</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Carrboro exceeded liabilities by \$27,362,088 as of June 30, 2006. The Town's net assets increased by \$3,498,288 for the fiscal year ended June 30, 2006. The largest portion of net assets (64.82%) reflects the Town's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Carrboro uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Carrboro's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net assets (2.98%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,812,078 (32.20%) is unrestricted.

Management's Discussion and Analysis (Continued)

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net assets:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.59.
- Increase in sales tax revenues of approximately \$215,000 due to economic growth in the Town.
- Increase in property tax revenues of approximately \$388,000 due to growth in the tax base.

The Town of Carrboro's Changes in Net Assets

Figure 3

	<u>Governmental Activities</u> <u>2006</u>	<u>Governmental Activities</u> <u>2005</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,215,728	\$ 1,165,174
Operating grants and contributions	723,297	747,236
Capital grants and contributions	1,392,470	1,130,949
General revenues:		
Taxes	10,909,066	11,561,864
Grants and contributions not restricted to specific programs	608,951	549,086
Other	307,424	165,820
Total revenues	<u>15,156,936</u>	<u>15,320,129</u>
Expenses:		
General government	2,568,563	2,406,566
Public safety	4,219,432	4,031,288
Planning	943,711	1,057,324
Transportation	841,313	917,900
Public works	2,874,392	1,754,626
Parks and recreation	1,244,258	1,206,197
Economic and Physical Development	63,000	140,405
Interest on long-term debt	180,274	170,476
Total expenses	<u>12,934,943</u>	<u>11,684,782</u>
Increase in net assets	3,498,288	3,635,347
Net assets, July 1	<u>23,863,800</u>	<u>20,228,453</u>
Net assets, June 30	<u>\$ 27,362,088</u>	<u>\$ 23,863,800</u>

Management's Discussion and Analysis (Continued)

Governmental Activities. Governmental activities increased the Town's net assets by \$3,498,288. Key elements of this increase are as follows:

- Ad valorem property tax revenue also increased due to a 4.7% growth in the overall tax base over the previous year.
- Sales tax revenue increased by \$214,752, or 7.5% over the previous year receipts, reflecting a strong economic return, particularly in the local area spending as reflected in the one-cent sales tax receipts earned by the Town.
- The Town funded several operational initiatives that financed the Adams Tract purchase and bond-funded sidewalk construction to promote open space preservation goals and walkable access through the Town; expanded services to annexed northern area of town; added parking availability in the downtown area; enabled a study to identify opportunities for a regional niche in economic growth and development; and provided for ongoing replacement of computer network and desktop infrastructure, as well as vehicles and equipment.
- Net assets increased significantly due to \$1,392,470 contributed infrastructure from developers.

Financial Analysis of the Town's Funds

As noted earlier, the Town of Carrboro uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town of Carrboro's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Carrboro's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Carrboro. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$6,519,736, while total fund balance reached \$9,315,006. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 46.83% of total General Fund expenditures.

At June 30, 2006, the governmental funds of the Town of Carrboro reported a combined fund balance of \$10,114,902, a 20.87% increase over last year. Included in this change in fund balance are increases in fund balance in the General Fund and Capital Reserve Fund. This increase can be attributed mainly to the increase in property tax revenues. Decreases in fund balance over prior year in the Revolving Loan Fund, Capital Projects Fund and Bond Fund were \$29,410, \$53,712 and \$519,225, respectively. This is due to increase in appropriations in the Revolving Loan Fund, increase in transfer to other funds from the Bond Fund and increase in capital outlay in the Capital Projects Fund.

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and (3) increases in appropriations that become necessary to maintain services.

The Town revised the General Fund original budget several times, increasing the total budget by \$666,824. The bulk of adjustments represent operating funds encumbered or designated within fund balance for project expenditures as confirmed in the annual June 30, 2005 audit of the previous year that were re-appropriated into the current year budget (\$624,534). In addition, the Board appropriated additional funds for construction of the Roberson Street bike path; fire district tax refunds associated with annexation; and transferred funds from capital reserve to the General Fund for OWASA sewer subsidy payouts for administrative ease in payments of and tracking of sewer subsidy requests.

The comparison of revenue and expenditure financial activity with budgeted estimates suggests that the Town budgeted adequately for ongoing operations. Actual revenue receipts exceeded budgeted projections by \$323,959. This is largely due to the strong return on state-collected unrestricted local revenues, and permitting fees that exceeded budgeted projections due to higher than expected earnings on state-collected local revenues including sales tax revenue, franchise tax and telecommunications sales tax; and strong interest earnings.

The decrease in restricted intergovernmental revenues is largely due to the timing of the completion of various projects funded with grants, including the Roberson Place bike path and the realignment of the Pleasant Drive and North Greensboro Street intersection. The grants' funds are expected to be remitted to the Town in the following year upon completion of the project expenditures. The corresponding expenditures for the aforementioned projects funded by intergovernmental revenues were also largely unspent as described below.

Expenditures, as required by budget ordinance, should not exceed appropriated levels. Overall expenditures were \$3,023,733 less than budgeted figures and all departmental spending was in compliance with budgetary requirements. The largest savings in expenditures are reflected in the Police, Fire, Planning, Public Works, and Parks and Recreation Departments. The Fire Department experienced staffing turnover and had a fire truck under order, but not yet received, resulting in spending of \$546,000 less than budgeted. The majority of savings in the Police Department relates to lapsed salaries that result from staffing turnover (\$233,000). The Planning Department experienced lapsed salaries and unexpended funds for engineering services (\$213,938). Numerous capital projects or purchases were not completed at year end in Public Works (street resurfacing; Brewer Lane railroad crossing signalization; Rand Road construction; realignment of the Pleasant Drive and North Greensboro Street intersection; fire alarm installation; OWASA sewer subsidy reserves, refuse truck; and Roberson Place bike path), contributing to \$846,000 of the total \$1,205,000 unexpended in Public Works. The Recreation Department also contributed to the General Fund, saving \$238,084. Staff vacancies and two capital purchases, ballfield lights for Wilson Park and playground equipment for Simpson Street Park, were not complete.

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

Capital Assets. The Town of Carrboro's investment in capital assets for its governmental-type activities as of June 30, 2006, totals \$22,256,598 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, and vehicles.

Major capital asset transactions during the year include the following additions and disposals:

- \$1,734,793 for roads completed;
- \$18,658 for land purchased and donation received;
- \$567,827 for purchase of vehicles and equipment; and
- \$439,343 for disposal of vehicles and equipment.

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

Figure 4

Additional information on the Town's capital assets can be found in on page 35 of this report.

	Governmental Activities 2006	Governmental Activities 2005
Land	\$ 14,234,594	\$ 14,215,936
Construction in progress	340,286	267,451
Buildings and systems	3,176,841	3,329,573
Improvements other than buildings	174,590	137,091
Machinery and equipment	622,763	653,532
Infrastructure	3,142,723	1,407,930
Vehicles and motorized equipment	564,801	362,781
Total	<u>\$ 22,256,598</u>	<u>\$ 20,374,294</u>

Management's Discussion and Analysis (Continued)

Long-Term Debt. As of June 30, 2006, the Town of Carrboro had total outstanding bonded debt, backed by the full faith and credit of the Town of \$331,679.

The Town of Carrboro's Outstanding Debt

Figure 5

	Governmental Activities	
	2006	2005
General obligation bonds	\$ 331,679	\$ 433,536
Bond anticipation note	1,230,000	-
Installment purchases	4,521,158	4,266,296
Compensated absences	449,006	436,336
Net pension obligation	220,707	185,926
Total	<u>\$ 6,752,550</u>	<u>\$ 5,322,094</u>

The Town of Carrboro's total debt increased by \$1,430,456 (26.88%) during the past fiscal year, primarily due to the installment purchase and normal debt retirement.

As mentioned in the financial highlights section of this document, the Town of Carrboro currently holds and has maintained its A1 bond rating from Moody's Investor Service and A+ rating from Standard and Poors Corporation. This bond rating is a clear indication of the Town's sound financial condition.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Carrboro is \$109,460,427. The Town has \$4,600,000 in bonds authorized but unissued at June 30, 2006.

Additional information regarding the Town of Carrboro's long-term debt can be found beginning on page 42 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town of Carrboro.

- Low unemployment. The Town's unemployment rate (as reflected in the county-wide Orange County rate) of 3.1% is well below the state average of 4.9% for the year ended June 30, 2006.
- Stable property tax base. The Town of Carrboro continues to collect property taxes at rate in excess of 98%.

Management's Discussion and Analysis (Continued)

Budget Highlights for the Fiscal Year Ending June 30, 2007

Governmental Activities: The Town has approved a \$17,369,415 General Fund budget for fiscal year 2007 which represents a \$922,580 increase over the adopted fiscal year 2006 budget. This will be accomplished without an increase in the tax rate. The Town is relying on improved sales tax returns, and increased valuation growth in the property tax base, which comprise the largest portion of the revenue stream.

Budgeted expenditures in the General Fund are expected to rise 5.6% to \$17,369,415. The largest increments continue the employee pay-for-performance compensation program and the Capital Improvement Plan (CIP) initiatives. The CIP initiatives include continuation of the Town's regular vehicle, computer, and equipment replacement schedules, a new police records management system, annual allocations to pay for future construction and repair work on Weaver Street, storm water repairs on Gary Road, and street resurfacing, and an incremental increase in fire staffing for the future fire station #2. Also associated with the CIP is the addition of an engineering technician to assist with sidewalk construction and other major town capital projects. The Town continues to experience increased operating costs due to inflation or vendor fees for such items as fuel, parking lot leases, software maintenance contracts, workers' compensation and property insurance. Other budgetary increases are provided to improve service levels such as the 800 Megahertz radio system for the Police and Fire Departments to allow improved communications for interoperability in the case of emergencies and for public safety purposes. The Board continuing with its priorities on walkability and transit issues has set aside \$14,000 to supplement grant funds to perform federally-mandated data collection and enhancements to the Triangle Regional Model that is used to project future travel collection in the region. In response to neighborhood requests and evaluations for traffic calming devices, \$13,000 is appropriated to install approximately six "speed tables."

Requests for Information

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

THIS PAGE LEFT INTENTIONALLY BLANK.

BASIC FINANCIAL STATEMENTS

THIS PAGE LEFT INTENTIONALLY BLANK.

TOWN OF CARRBORO, NORTH CAROLINA
STATEMENT OF NET ASSETS
June 30, 2006

Exhibit 1

ASSETS	Governmental Activities
Current assets:	
Cash and investments	\$ 8,550,264
Receivables:	
Taxes receivable, net	267,805
Accrued interest receivable, property taxes	32,056
Accounts receivable, net	75,636
Due from other governments	1,126,655
Notes receivable	294,494
Inventories	30,900
Prepays	198,206
Restricted cash	1,908,522
Total current assets	12,484,538
Noncurrent assets:	
Capital assets:	
Land	14,234,594
Construction in progress	340,286
Other capital assets, net of depreciation	7,681,718
Total noncurrent assets	22,256,598
Total assets	34,741,136
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	369,749
Customer deposits and performance bonds	11,284
Unearned revenues	164,248
Accrued interest payable	81,217
Current portion of long-term liabilities	2,378,938
Long-term liabilities:	
Due in more than one year	4,373,612
Total liabilities	7,379,048
NET ASSETS	
Invested in capital assets, net of related debt	17,735,292
Restricted for:	
Other purposes	814,718
Unrestricted	8,812,078
Total net assets	\$ 27,362,088

The accompanying notes are an integral part of this statement.

TOWN OF CARRBORO, NORTH CAROLINA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 2,568,563	\$ -	\$ -	\$ -	\$ (2,568,563)
Public safety	4,219,432	413,970	19,248	-	(3,786,214)
Planning	943,711	365,758	6,000	-	(571,953)
Transportation	841,313	-	-	-	(841,313)
Public works	2,874,392	88,309	497,092	1,392,470	(896,521)
Parks and recreation	1,244,258	269,006	66,801	-	(908,451)
General services	-	78,885	68,090	-	146,775
Economic and Physical Development	63,000	-	66,066	-	3,066
Unallocated interest expense	180,274	-	-	-	(180,274)
Total governmental activities	<u>\$ 12,934,943</u>	<u>\$ 1,215,728</u>	<u>\$ 723,297</u>	<u>\$ 1,392,470</u>	<u>(9,603,448)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					8,635,518
Local option sales taxes					3,089,493
Other taxes					460,350
Unrestricted intergovernmental revenues					608,951
Investment earnings, unrestricted					291,873
Miscellaneous					<u>15,551</u>
Total general revenues					<u>13,101,736</u>
Change in net assets					3,498,288
Net assets - beginning					<u>23,863,800</u>
Net assets - ending					<u>\$ 27,362,088</u>

The accompanying notes are an integral part of this statement.

TOWN OF CARRBORO, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2006

Exhibit 3

	Major Funds					Non-Major Fund	Total
	General Fund	Revolving Loan Fund	Capital Reserve Fund	Capital Projects Fund	Bond Fund	Payment in Lieu Reserve Fund	Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 7,274,961	\$ 332,767	\$ 725,135	\$ 92,493	\$ -	\$ 124,909	\$ 8,550,265
Taxes receivable, net	267,805	-	-	-	-	-	267,805
Accounts receivable, net	75,636	-	-	-	-	-	75,636
Due from other governments	1,126,655	-	-	-	-	-	1,126,655
Notes receivable, net	-	294,494	-	-	-	-	294,494
Inventories	30,900	-	-	-	-	-	30,900
Prepaid items	198,206	-	-	-	-	-	198,206
Restricted cash	1,142,858	-	-	-	765,664	-	1,908,522
Total assets	\$ 10,117,021	\$ 627,261	\$ 725,135	\$ 92,493	\$ 765,664	\$ 124,909	\$ 12,452,483
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 358,678	\$ -	\$ -	\$ 1,647	\$ 9,425	\$ -	\$ 369,750
Customer deposits and performance bonds	11,284	-	-	-	-	-	11,284
Deferred revenues	432,053	294,494	-	-	-	-	726,547
Long term debt	-	-	-	-	1,230,000	-	1,230,000
Total liabilities	802,015	294,494	-	1,647	1,239,425	-	2,337,581
Fund balances:							
Reserved for encumbrances	1,363,873	-	-	15,492	544,588	-	1,923,953
Reserved for prepaid items	198,206	-	-	-	-	-	198,206
Reserved by state statute	1,233,191	-	-	-	-	-	1,233,191
Unreserved:							
Designated for project expenditures	557,311	-	-	-	-	-	557,311
Designated for specific purposes	61,136	-	-	-	-	-	61,136
Designated for subsequent year's expenditures	564,237	-	-	-	-	-	564,237
Undesignated	5,337,052	-	-	-	-	-	5,337,052
Unreserved, Capital Projects Funds:							
Designated for project expenditures	-	-	-	75,075	51,696	-	126,771
Undesignated	-	-	-	279	(1,070,045)	-	(1,069,766)
Unreserved, Special Revenue Funds:							
Designated for project expenditures	-	-	601,458	-	-	112,037	713,495
Undesignated	-	332,767	123,677	-	-	12,872	469,316
Total fund balances	9,315,006	332,767	725,135	90,846	(473,761)	124,909	10,114,902
Total liabilities and fund balances	\$ 10,117,021	\$ 627,261	\$ 725,135	\$ 92,493	\$ 765,664	\$ 124,909	
Amounts reported for governmental activities in the statement of net assets are different because:							
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.							22,256,598
Liabilities for earned but deferred revenues in fund statements, including accrued interest receivable on property taxes.							594,355
Some liabilities, including long-term obligations and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.							(5,603,767)
Net assets of governmental activities							\$ 27,362,088

The accompanying notes are an integral part of this statement.

TOWN OF CARRBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2006

Exhibit 4
Page 1 of 2

	Major Funds					Non-Major Fund	Total
	General Fund	Revolving Loan Fund	Capital Reserve Fund	Capital Projects Fund	Bond Fund	Payment in Lieu Reserve Fund	Governmental Funds
Revenues:							
Ad valorem taxes	\$ 8,578,222	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,578,222
Local option sales taxes	3,089,493	-	-	-	-	-	3,089,493
Other taxes and licenses	460,350	-	-	-	-	-	460,350
Unrestricted intergovernmental	613,183	-	-	-	-	-	613,183
Restricted intergovernmental	556,040	-	-	9,334	-	-	565,374
Permits and fees	955,370	-	-	-	-	-	955,370
Sales and services	258,309	-	-	-	-	-	258,309
Investment earnings	241,215	18,761	16,103	2,790	9,529	3,475	291,873
Other	105,620	49,829	-	-	2,100	-	157,549
Total revenues	14,857,802	68,590	16,103	12,124	11,629	3,475	14,969,723
Expenditures:							
Current:							
General government	2,543,543	-	-	-	-	-	2,543,543
Public safety	4,257,421	-	-	-	-	-	4,257,421
Planning	956,304	-	-	-	-	-	956,304
Transportation	841,313	-	-	-	-	-	841,313
Public works	3,033,855	-	-	-	-	-	3,033,855
Parks and recreation	1,171,889	-	-	-	-	-	1,171,889
Economic and Physical Development	-	63,000	-	-	-	-	63,000
Capital outlay	-	-	-	41,315	290,866	-	332,181
Debt service:							
Principal	939,841	-	-	-	-	-	939,841
Interest and other charges	176,902	-	-	-	-	-	176,902
Total expenditures	13,921,068	63,000	-	41,315	290,866	-	14,316,249
Excess of revenues over (under) expenditures	936,734	5,590	16,103	(29,191)	(279,237)	3,475	653,474
Other financing sources (uses):							
Transfers from other funds	280,325	-	422,854	2,813	-	-	705,992
Transfers to other funds	(168,858)	(35,000)	(234,812)	(27,334)	(239,988)	-	(705,992)
Installment purchase financing issued	1,092,846	-	-	-	-	-	1,092,846
Total other financing sources (uses)	1,204,313	(35,000)	188,042	(24,521)	(239,988)	-	1,092,846
Net change in fund balances	2,141,047	(29,410)	204,145	(53,712)	(519,225)	3,475	1,746,320
Fund balance, beginning of year	7,173,959	362,177	520,990	144,558	45,464	121,434	8,368,582
Fund balance, ending	\$ 9,315,006	\$ 332,767	\$ 725,135	\$ 90,846	\$ (473,761)	\$ 124,909	\$ 10,114,902

The accompanying notes are an integral part of this statement.

TOWN OF CARRBORO, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2006

Exhibit 4
Page 2 of 2

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities:**

Total net change in fund balances - governmental funds **\$ 1,746,320**

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

Governmental funds report capital outlays (\$1,106,997) as expenditures. However,
in the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the amount
by which capital outlays exceeded depreciation (\$616,808) in the current period. 490,189

The net effect of transactions involving capital assets (sales) is to decrease net assets. (395)

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenues in the funds.

Amount of donated capital assets	1,392,470
Change in accrued interest receivable, property taxes	32,056
Change in deferred revenues, property taxes	25,240
Change in deferred revenues	16,237

The issuance of long-term debt (\$1,092,846) provides current financial resources to
governmental funds, while the repayment of the principal of long-term debt (\$939,842)
consumes the current financial resources of governmental funds. Neither transaction
has any effect on net assets. Also, governmental funds report the effect of issuance
costs, premiums, discounts and similar items when debt is first issued, whereas
these amounts are deferred and amortized in the statement of activities. This
amount is the net effect of these differences in the treatment of long-term debt and
related items. (153,004)

Some expenses reported in the statement of activities do not require the use of
current financial resources and, therefore, are not reported as expenditures in
governmental funds.

Accrued interest on general long-term debt	(3,374)
Compensated absences	(12,670)
Net pension obligation	(34,781)

Changes in net assets of governmental activities **\$ 3,498,288**

The accompanying notes are an integral part of this statement.

TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND AND CAPITAL RESERVE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2006

Exhibit 5

	General Fund			Variance with Final Budget
	Budgeted Amounts		Actual Amounts	Positive
	Original	Final		(Negative)
Revenues:				
Ad valorem taxes	\$ 8,569,674	\$ 8,569,674	\$ 8,578,222	\$ 8,548
Local option sales taxes	2,929,970	2,929,970	3,089,493	159,523
Other taxes and licenses	435,520	435,520	460,350	24,830
Unrestricted intergovernmental	563,314	563,314	613,183	49,869
Restricted intergovernmental	693,502	836,866	556,040	(280,826)
Permits and fees	876,485	876,985	955,370	78,385
Sales and services	227,000	227,000	258,309	31,309
Investment earnings	37,500	37,500	241,215	203,715
Other	40,207	57,014	105,620	48,606
Total revenues	14,373,172	14,533,843	14,857,802	323,959
Expenditures:				
Current:				
General government	2,638,595	2,735,587	2,543,543	192,044
Public safety	4,684,837	5,036,404	4,257,421	778,983
Planning	1,063,635	1,170,212	956,304	213,908
Transportation	942,137	948,137	841,313	106,824
Public works	3,856,863	4,238,069	3,033,855	1,204,214
Parks and recreation	1,262,602	1,409,952	1,171,889	238,063
General services	612,159	195,433	-	195,433
Debt service	1,236,007	1,211,007	1,116,743	94,264
Total expenditures	16,296,835	16,944,801	13,921,068	3,023,733
Excess of revenues over (under) expenditures	(1,923,663)	(2,410,958)	936,734	3,347,692
Other financing sources (uses):				
Transfers from other funds	173,827	295,326	280,325	(15,001)
Transfers to other funds	(150,000)	(168,858)	(168,858)	-
Installment purchase financing issued	1,345,700	1,092,846	1,092,846	-
Total other financing sources (uses)	1,369,527	1,219,314	1,204,313	(15,001)
Excess of revenues and other sources over (under) expenditures and other uses	(554,136)	(1,191,644)	2,141,047	3,332,691
Fund balance appropriated	554,136	1,191,644	-	(1,191,644)
Excess of revenues, other sources and fund balance appropriated over expenditures and other uses	\$ -	\$ -	2,141,047	\$ 2,141,047
Fund balance, beginning of year			7,173,959	
Fund balance, ending			\$ 9,315,006	

The accompanying notes are an integral part of this statement.

[illegible]

The accompanying notes are an integral part of this statement.

THIS PAGE LEFT INTENTIONALLY BLANK.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Carrboro (the "Town") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Carrboro is a political subdivision of Orange County which is governed by an elected mayor and a six-member Board of Aldermen.

B. Basis of Presentation

Government-Wide Statements: The statement of net assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state and federal grants, and various other taxes and licenses. The primary expenditures are for public safety, streets and maintenance, sanitation, and general government services.

Revolving Loan Fund - The Revolving Loan Fund is used to account for loans made to various local businesses.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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

Capital Reserve Fund - The Capital Reserve Fund accounts for resources to be used for future major capital purchases or projects.

Capital Projects Fund - The Capital Projects Ordinance Fund accounts for the financial resources to be used for the acquisition or construction of major capital facilities.

Bond Fund - The Bond Fund accounts for the financial resources to be used for the acquisition or construction of greenways and sidewalks.

The Town reports the following non-major governmental fund:

Payment in Lieu Reserve Fund - The Payment in Lieu Reserve Fund accounts for payments received from developers in lieu of providing on-site recreational areas and open spaces. The funds are held in reserve for use in one of four geographically defined quadrants of the Town (where the residential development is located) for use in acquisition and development of recreational facilities, present or future.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Government-Wide Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The Town reports the following non-major governmental fund (Continued):

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under installment purchase agreements are reported as other financing sources.

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

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

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Data

Intergovernmental revenues and sales and services are not susceptible to accrual because they are not measurable until received in cash. Grant revenues which are unearned at year end are recorded as deferred revenues.

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Capital Reserve Fund and the Payment in Lieu Reserve Fund (Special Revenue Fund types). All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the remaining Special Revenue Funds, the Bond Fund and the Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the fund level for multi-year funds. The Finance Officer is authorized to approve intradepartmental transfer requests between appropriation units and between departmental programs within the limits of the approved departmental budget. In the Capital Projects Fund, the Town Manager is allowed to transfer funds under \$10,000 between line items as long as transfers are within the overall project budget. During the year, several amendments to the original budget were necessary, the effects of which were not material.

E. Assets, Liabilities and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in Board-designated official depositories and are secured as required by state law [G. S. 159-31]. The Town may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G. S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the state of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

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

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

2. Cash and Cash Equivalents

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

3. Restricted Assets

The unexpended proceeds from installment purchase agreements in the amount of \$1,142,858, are classified as restricted assets for the General fund because their use is completely restricted to the purpose for which the installment purchase agreements were issued, including \$346,991 to reimburse the general fund for approved expenditures. The unexpended bond anticipation note proceeds in the amount of \$765,664, are classified as restricted assets of the Bond Fund because their use is completely restricted to the purpose for which the bond anticipation notes were issued.

4. Ad Valorem Taxes Receivable

In accordance with state law [G. S. 105-347 and G. S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2005.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

7. Capital Assets

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

Minimum capitalization costs are as follows:

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

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

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

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

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

9. Compensated Absences

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

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

9. Compensated Absences (Continued)

shall not exceed 240 hours (14 duty days for shift fire personnel). On December 31 of each calendar year, any employee with more than 240 hours (14 duty days for shift fire personnel) of accumulated leave shall have the excess accumulation converted to sick leave so that only 240 hours (14 duty days for shift fire personnel) are carried forward to January 1 of the next calendar year. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Net Assets/Fund Balances

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

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G. S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

RESERVED:

Reserved for encumbrances - portion of fund balance available to pay for commitments related to purchase orders or contracts which remain unperformed at year end.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

10. Net Assets/Fund Balances (Continued)

RESERVED (CONTINUED):

Reserved for prepaid items - portion of fund balance that is not available for appropriation because it represents the year-end fund balance of prepaid expenses, which are not expendable, available resources.

Reserved by state statute - portion of fund balance, in addition to reserves for encumbrances, which is not available for appropriation under state law [G. S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables which have not been offset by deferred revenues.

UNRESERVED:

Designated for project expenditures - portion of fund balance designated to ensure funding for items intended for expenditure in the current fiscal year but for which the Town has not completed the project to enable spending.

Designated for specific purposes - portion of fund balance designated for specific purposes approved by the Town.

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2006-2007 budget ordinance.

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

Note 2. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance of Individual Funds

At June 30, 2006, the Bond Fund has a deficit fund balance of \$473,761. This deficit fund balance is primarily the result of bond anticipation notes that are required to be reported in this fund as a current liability. The Town anticipates that these bond anticipation notes will eventually be refinanced by long-term general obligation bonds approved by a 2003 Bond Referendum (see Note 3.B.7.d.).

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 3. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial risks for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2006, the Town's deposits had a carrying amount of \$2,879,826 and a bank balance of \$2,963,872. Of the bank balance, \$300,000 was covered by federal depository insurance and \$2,663,872 was covered under the Pooling Method. The Town had \$1,550 of petty cash on hand at June 30, 2006.

2. Investments

At June 30, 2006, the Town of Carrboro had \$7,577,410 invested with the North Carolina Capital Management Trust Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 3. Detail Notes on All Funds (Continued)

A. Assets (Continued)

2. Investments (Continued)

At June 30, 2006, the Town's investment balances were as follows:

	<u>Reported Value</u>	<u>Fair Value</u>
North Carolina Capital Management Trust - Cash Portfolio	<u>\$7,577,410</u>	<u>\$7,577,410</u>

There were no realized or unrealized gains or losses on the Town's investments during the fiscal year ended June 30, 2006.

3. Receivables

Due from Governmental Agencies

Amounts due from other governments consist of the following:

	<u>Other Cities and Towns</u>	<u>State</u>	<u>Total</u>
General Fund			
Sales and use tax distribution	\$ -	\$ 810,195	\$ 810,195
Utilities franchise and telecommunications tax	-	109,737	109,737
Sales and gas tax refunds	-	141,487	141,487
Other	<u>65,236</u>	<u>-</u>	<u>65,236</u>
	<u>\$ 65,236</u>	<u>\$ 1,061,419</u>	<u>\$ 1,126,655</u>

Notes Receivable

In 1986, the Town obtained three grants from the North Carolina Department of Natural Resources and Community Development for the purpose of making loans to three local businesses. The principal repayments and related interest income have been used to establish a revolving loan fund from which loans have been made to numerous additional local businesses.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 3. Detail Notes on All Funds (Continued)

A. Assets (Continued)

3. Receivables (Continued)

The following is a summary of notes receivable at June 30, 2006:

	<u>Interest Rate</u>	<u>Balance</u>
University Printery	8.00%	\$ 3,563
Blue Icon	8.00	17,262
Acme Food & Beverage Company	7.00	19,729
Alphabet Soup	6.00	36,979
Cycling Specifics	5.00	45,000
Crazie Mae's	4.00	61,397
Bryan's Guitar	3.00	75,597
Science Technologies	2.00	<u>34,967</u>
Total		<u>\$ 294,494</u>

4. Receivables - Allowance for Doubtful Accounts

The Town provides, as an allowance for uncollectible accounts, a percentage of its receivables which it does not expect to collect based on historical collection rates.

The amounts presented in Exhibit 3, the governmental funds balance sheet, are net of the following allowances for doubtful accounts:

General Fund	
Property taxes, including motor vehicle	\$ 104,343
Revolving Loan Fund	
Notes receivable	<u>3,563</u>
Total	<u>\$ 107,906</u>

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 3. Detail Notes on All Funds (Continued)

A. Assets (Continued)

5. Capital Assets

Capital asset activity for the year ended June 30, 2006 was follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 14,215,936	\$ 18,658	\$ -	\$ 14,234,594
Construction in progress	<u>267,451</u>	<u>549,729</u>	<u>476,894</u>	<u>340,286</u>
Total capital assets not being depreciated	<u>14,483,387</u>	<u>\$ 568,387</u>	<u>\$ 476,894</u>	<u>14,574,880</u>
Capital assets being depreciated:				
Buildings and improvements	5,039,109	\$ -	\$ -	\$ 5,039,109
Land improvements	151,792	55,037	21,167	185,662
Infrastructure	1,419,122	1,785,109	-	3,204,231
Equipment and heavy equipment	1,866,616	140,601	100,481	1,906,736
Vehicles	<u>3,934,023</u>	<u>421,226</u>	<u>338,862</u>	<u>4,022,388</u>
Total capital assets being depreciated	<u>12,410,662</u>	<u>\$ 2,407,973</u>	<u>\$ 460,510</u>	<u>14,358,125</u>
Less accumulated depreciation for:				
Buildings and improvements	1,709,536	\$ 153,814	\$ 1,082	\$ 1,862,268
Land improvements	14,701	5,559	9,188	11,072
Infrastructure	11,192	50,316	-	61,508
Equipment and heavy equipment	1,213,084	181,913	111,024	1,283,973
Vehicles	<u>3,571,242</u>	<u>225,206</u>	<u>338,862</u>	<u>3,457,586</u>
Total accumulated depreciation	<u>6,519,755</u>	<u>\$ 616,808</u>	<u>\$ 460,156</u>	<u>6,676,407</u>
Total capital assets being depreciated, net	<u>5,890,907</u>	<u>\$ 1,791,165</u>	<u>\$ 304</u>	<u>7,661,718</u>
Governmental activity capital assets, net	<u>\$ 20,374,294</u>	<u>\$ 2,359,552</u>	<u>\$ 447,248</u>	<u>\$ 22,256,598</u>

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

General government	\$ 96,485
Public safety	144,217
Planning	5,745
Public works	206,941
Parks and recreation	<u>163,420</u>
Total depreciation expense	<u>\$ 616,808</u>

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 3. Detail Notes on All Funds (Continued)

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at the government-wide level at June 30, 2006 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	\$ 208,964	\$ 20,039	\$ -	\$ 229,003
Other governmental	<u>124,714</u>	<u>4,961</u>	<u>11,071</u>	<u>140,746</u>
Total governmental activities	<u>\$ 333,678</u>	<u>\$ 25,000</u>	<u>\$ 11,071</u>	<u>\$ 369,749</u>

2. Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town of Carrboro contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the state of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G. S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the state of North Carolina. The state's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute 6% of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 4.64%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Carrboro are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2006, 2005 and 2004 were \$297,696, \$286,113 and \$274,146, respectively. The contributions made by the Town equaled the required contributions for each year.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 3. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

Law Enforcement Officers' Special Separation Allowance

Plan Description. The Town of Carrboro administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G. S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2005, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>36</u>
Total	<u><u>38</u></u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies:

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

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

Contributions:

The Town is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 3. Detail Notes on All Funds(Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

Law Enforcement Officers' Special Separation Allowance (Continued)

Contributions (Continued):

Assembly. There were no contributions made by employees. The annual required contribution for the current year was determined as part of the December 31, 2004 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) a 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 5.9% to 9.8% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The unfunded actuarial accrued liability is being amortized on a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2004 was 26 years.

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

Annual required contribution	\$ 53,533
Interest on net pension obligation	13,480
Adjustment to annual required contribution	<u>(10,679)</u>
Annual pension cost	56,334
Contributions made	<u>21,533</u>
Increase in net pension obligation	34,781
Net pension obligation, beginning of year	<u>185,926</u>
Net pension obligation, end of year	<u>\$ 220,707</u>

Three-Year Trend Information:

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/04	\$ 46,672	46.18%	\$156,985
6/30/05	50,493	42.68%	185,926
6/30/06	56,334	38.26%	220,707

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 3. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

Supplemental Retirement Income Plan

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G. S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Additionally, the Town has elected to include all permanent, full-time employees under this plan.

Funding Policy. Article 12E of G. S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each law enforcement officer's salary, and all amounts contributed are vested immediately. The Town has elected to contribute each month an amount equal to 3% of each participating general employee's salary. Also, the participants may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2006 were \$370,629, which consisted of \$207,130 from the Town and \$163,499 from the employees.

3. Other Post-Employment Benefits

In addition to providing pension benefits, the Town has elected to provide post-retirement health benefits to retirees of the Town who participate in the North Carolina Local Governmental Employees' Retirement System. The Town pays the full cost of coverage for these benefits. Also, retirees who have their dependents covered at the time of retirement may continue to cover dependents if they elect to pay the premiums. Currently, 16 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2006, the Town made payments for post-retirement health premiums of \$51,086.

4. Other Employment Benefits

The Town has elected to provide death benefits to local law enforcement employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those local law enforcement employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 3. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

4. Other Employment Benefits (Continued)

at the time of death, are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the state. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2006, the Town made contributions to the state for death benefits of \$5,874. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .08% and .14%, respectively, of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

5. Deferred/Unearned Revenues

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. The balance in deferred revenues in the fund financial statements (includes both, the deferred and unearned amounts disclosed below) and unearned revenues in the government-wide financial statements at year end is comprised of the following elements:

	<u>Deferred Revenues</u>	<u>Unearned Revenues</u>
Property taxes receivable	\$ 267,805	\$ -
Notes receivable	294,494	-
Prepaid privilege license	60,948	60,948
Parks and recreation program and facility reservations	79,323	79,323
Other unearned revenues received	<u>23,977</u>	<u>23,977</u>
Total	<u>\$ 726,547</u>	<u>\$ 164,248</u>

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 3. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

6. Risk Management

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

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

7. Long-Term Obligations

a. Installment Purchase Agreements - Equipment - General Fund

The Town has entered into agreements to finance certain equipment. The title to the equipment is held in the name of the Town and security interest in the equipment has been granted to the financing institution. The capital assets have been recorded at the present value of the future minimum installment payments as of the date of their inception.

Governmental activities include equipment capital assets under installment purchases recorded at a cost of \$963,428, net of accumulated depreciation of \$186,491.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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

B. Liabilities (Continued)

7. Long-Term Obligations (Continued)

a. Installment Purchase Agreements - Equipment - General Fund (Continued)

The future minimum payments of the installment purchase and the net present value of these payments as of June 30, 2006 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Long-Term Debt</u>
2007	<u>\$ 1,054,597</u>
Total minimum payments	\$ 1,054,597
Less amount representing interest	<u>(13,612)</u>
Present value of installment purchase payments - equipment	<u>\$ 1,040,985</u>

b. Installment Purchase Agreements - Improvements - General Fund

The Town has an installment purchase agreement for the purchase and renovation of a facility for the Carrboro Century Center and for improvements to the Town Hall Municipal Building. The financing contract requires semi-annual payments of \$114,939 due July 3 and January 3, including interest at 3.75%.

The Town has an installment purchase agreement to partially finance the purchase of land for a park. The financing contract requires semi-annual payments of \$12,336 due July 1 and January 1, including interest at 3.99%.

The Town has an installment purchase agreement to finance the purchase of land for construction of a new Public Works building in the future. The financing contract requires semi-annual payments of \$37,630 due August 1 and February 1, including interest at 3.96%.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 3. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

7. Long-Term Obligations (Continued)

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

The Town has an installment purchase agreement to finance the purchase of land for a parking lot. The financing contract requires annual payments of \$11,685 due March 1, including interest at 2.41%.

The Town has an installment purchase agreement to finance the purchase of land for preservation. The financing contract requires annual payments of \$62,960 due July 1, including interest at 4.1%.

The future minimum payments of the installment purchase and the net present value of these payments as of June 30, 2006 are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>General</u> <u>Long-Term</u> <u>Debt</u>
2007	\$ 415,107
2008	388,044
2009	384,404
2010	380,657
2011	376,965
2012-2016	1,804,787
2017-2019	<u>600,997</u>
Total minimum payments	4,350,961
Less amount representing interest	<u>(870,788)</u>
Present value of installment purchase payments - improvements	<u>\$ 3,480,173</u>

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 3. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

7. Long-Term Obligations (Continued)

c. General Obligation Indebtedness

General obligation bonds payable at June 30, 2006 consist of the following issues:

Taxable Refunding Bonds, Series 2003A, dated June 26, 2003; principal and interest at 3.55% due in semi-annual installments on December 1 and June 1 through 2009.	\$ 227,250
--	------------

Tax-Exempt Refunding Bonds, Series 2003B, dated June 26, 2003; principal and interest at 2.99% due in semi-annual installments on December 1 and June 1 through 2008.	<u>104,429</u>
---	----------------

Total general obligation bonds	<u>\$ 331,679</u>
--------------------------------	-------------------

Annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year Ending	Principal	Interest	Total
June 30, 2007	\$ 101,857	\$ 10,468	\$ 112,325
June 30, 2008	101,857	6,967	108,824
June 30, 2009	101,857	3,432	105,289
June 30, 2010	<u>26,108</u>	<u>594</u>	<u>26,702</u>
	<u>\$ 331,679</u>	<u>\$ 21,461</u>	<u>\$ 353,140</u>

d. Bond Anticipation Notes - Bond Fund

The Town issued bond anticipation notes for sidewalk and greenway trail improvements in the amount of \$1,230,000 on June 20, 2006, which mature on March 14, 2007. The notes bear interest at a stated rate of 4.25% per annum. The bond anticipation notes do not meet the criteria for classification as general long-term debt as set forth in the Financial Accounting Standards Board's Statement No. 6; thus, the accounting for these bonds is maintained in the Bond Fund. The Town anticipates the issuance of general obligation bonds authorized by an order adopted on November 3, 2003 entitled "Bond Order Authorizing the Issuance of \$4,600,000 Sidewalk and Greenway Trail Bonds of the Town of Carrboro." The Town expects to issue additional bond anticipation notes in the next fiscal year and receive proceeds of the sale of these bonds in future years.

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 3. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

7. Long-Term Obligations (Continued)

e. Changes in Long-Term Debt Obligations

During the year ended June 30, 2006, the following changes occurred in long-term obligations:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental activities:					
General obligation bonds	\$ 433,536	\$ -	\$ 101,857	\$ 331,679	\$ 101,857
Bond Anticipation Note	-	1,230,000	-	1,230,000	1,230,000
Installment purchases - equipment	509,469	1,092,846	561,330	1,040,985	422,334
improvements	3,756,827	-	276,654	3,480,173	281,925
Compensated absences	436,336	355,492	342,822	449,006	342,822
	<u>\$ 5,322,094</u>	<u>\$ 2,734,672</u>	<u>\$ 1,304,216</u>	<u>\$ 6,752,550</u>	<u>\$ 2,378,938</u>

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

The Town has \$4,600,000 in bonds authorized but unissued at June 30, 2006. The Town's legal debt margin at June 30, 2006 was \$109,460,427.

C. Interfund Balances and Activity

Transfers to/from other funds:

Transfers to/from other funds at June 30, 2006 consist of the following:

From the General Fund to the Capital Reserve Fund for future capital projects expenditures	\$ 168,858
From the Revolving Loan Fund to the General Fund to offset consulting costs for economic development	35,000
From the Capital Reserve Fund to the Capital Projects Fund	2,813

TOWN OF CARRBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 3. Detail Notes on All Funds (Continued)

C. Interfund Balances and Activity (Continued)

Transfers to/from other funds (Continued):

From the Capital Reserve Fund to the General Fund for previous capital project commitments	\$ 231,999
From the Capital Projects Fund to the Capital Reserve Fund	14,008
From the Capital Projects Fund to the General Fund related to funds borrowed in previous year	13,326
From the Bond Fund to the Capital Reserve Fund for cash advanced prior to the Bond Anticipation Note	<u>239,988</u>
Total	<u>\$ 705,992</u>

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 \$9,061 for employment security benefits during the current fiscal year.

THIS PAGE LEFT INTENTIONALLY BLANK.

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.

THIS PAGE LEFT INTENTIONALLY BLANK.

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

Exhibit A-1

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) + (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b) - (a)) + (c)
1994	\$ -	\$ 100,981	\$ 100,981	0.00%	\$ 777,653	12.99%
1995	-	132,650	132,650	0.00%	886,490	14.96%
1996	-	140,107	140,107	0.00%	999,917	14.01%
1997	-	149,324	149,324	0.00%	1,040,285	14.35%
1998	-	147,592	147,592	0.00%	1,033,027	14.29%
1999	-	208,366	208,366	0.00%	1,060,714	19.64%
2000	-	312,476	312,476	0.00%	1,189,634	26.27%
2001	-	355,690	355,690	0.00%	1,333,658	26.67%
2002	-	403,085	403,085	0.00%	1,311,158	30.74%
2003	-	423,271	423,271	0.00%	1,375,349	30.78%
2004	-	460,887	460,887	0.00%	1,523,125	30.26%
2005	-	412,323	412,323	0.00%	1,560,379	26.42%

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

Exhibit A-2

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Annual Percentage Contributed</u>
1997	\$ 20,212	71.97%
1998	22,336	32.56%
1999	24,375	0.00%
2000	24,100	29.93%
2001	28,960	49.82%
2002	35,631	34.71%
2003	40,896	50.83%
2004	44,347	48.60%
2005	47,919	44.98%
2006	53,533	40.26%

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, 2005
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	25 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

TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2006

Schedule 1
Page 1 of 5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad valorem taxes			
Taxes	\$ 8,539,789	\$ 8,558,208	\$ 18,419
Penalties and interest	29,885	20,014	(9,871)
Total	<u>8,569,674</u>	<u>8,578,222</u>	<u>8,548</u>
Local option sales taxes			
Article 39, 1%	1,117,439	1,102,967	(14,472)
Article 40, ½%	645,282	723,180	77,898
Article 42, ½%	642,815	718,160	75,345
Article 44, ½%	524,434	545,186	20,752
Total	<u>2,929,970</u>	<u>3,089,493</u>	<u>159,523</u>
Other taxes and licenses			
Motor vehicle license fees	226,520	222,501	(4,019)
Privilege licenses	63,000	60,713	(2,287)
Franchise fees	146,000	177,136	31,136
Total	<u>435,520</u>	<u>460,350</u>	<u>24,830</u>
Unrestricted intergovernmental			
North Carolina Department of Transportation reimbursement	5,000	4,232	(768)
Utilities franchise and telecommunications tax	481,078	531,001	49,923
Beer and wine tax	77,236	77,950	714
Total	<u>563,314</u>	<u>613,183</u>	<u>49,869</u>
Restricted intergovernmental			
Powell Bill	490,076	473,093	(16,983)
FEMA reimbursements	22,490	22,489	(1)
Local Law Enforcement Block Grants	5,403	4,504	(899)
Regional planning work grant	20,178	5,650	(14,528)
North Carolina Department of Transportation bicycle	100,000	2,270	(97,730)
Federal STP-DA funds	134,956	-	(134,956)
North Carolina Department of Insurance	2,500	-	(2,500)
Orange County Arts Commission Grant	-	1,200	1,200
North Carolina Department of Revenue seizure funds	-	2,049	2,049
Other restricted intergovernmental revenues	25,365	8,887	(16,478)
Recreation municipal supplement	35,898	35,898	-
Total	<u>836,866</u>	<u>556,040</u>	<u>(280,826)</u>

TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2006

Schedule 1
Page 2 of 5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Permits and fees			
Fire district fees	\$ 369,480	\$ 365,880	\$ (3,600)
Building permits	74,675	90,479	15,804
Electrical permits	46,350	67,925	21,575
Mechanical permits	46,350	54,501	8,151
Re-inspection fees	3,090	2,580	(510)
Plumbing permits	41,200	48,080	6,880
Refuse collection fees	80,000	86,279	6,279
Development review	45,900	68,984	23,084
Engineering fees	40,000	25,403	(14,597)
Tower fees	77,150	77,752	602
Dog fees	4,000	6,923	2,923
Sign permits	400	616	216
Street cuts	100	120	20
Parking violations	2,000	4,295	2,295
Court officer fees	3,000	3,750	750
Safety officer contract fees	25,000	30,115	5,115
Recycling fees	5,000	6,032	1,032
Time Warner Peg Access fee	10,000	10,473	473
Miscellaneous fees	3,290	5,183	1,893
Total	<u>876,985</u>	<u>955,370</u>	<u>78,385</u>
Sales and services			
Recreation fees	157,000	168,968	11,968
Town Center fees	70,000	89,341	19,341
Total	<u>227,000</u>	<u>258,309</u>	<u>31,309</u>
Investment earnings			
Interest on investments	<u>37,500</u>	<u>241,215</u>	<u>203,715</u>
Other			
Sale of lots	8,000	17,560	9,560
Sale of fixed assets	-	23,367	23,367
Refuse cart sales	14,300	16,154	1,854
Yard waste container sales	1,300	4,650	3,350
Farmers' Market rent	2,000	2,000	-
Donations	18,207	31,460	13,253
Special events and workers comp reimbursements	6,300	1,696	(4,604)
Miscellaneous	6,907	8,733	1,826
Total	<u>57,014</u>	<u>105,620</u>	<u>48,606</u>
Total revenues	<u>14,533,843</u>	<u>14,857,802</u>	<u>323,959</u>

TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2006

Schedule 1
Page 3 of 5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures			
General government			
Mayor and Board of Aldermen			
Personnel services	\$	\$ 89,293	\$
Operations		152,904	
Total	<u>272,058</u>	<u>242,197</u>	<u>29,861</u>
Advisory boards			
Operations		6,890	
Total	<u>13,107</u>	<u>6,890</u>	<u>6,217</u>
Governmental support			
Operations		193,476	
Total	<u>194,256</u>	<u>193,476</u>	<u>780</u>
Town Manager			
Personnel services		219,177	
Operations		22,443	
Total	<u>251,378</u>	<u>241,620</u>	<u>9,758</u>
Town Clerk			
Personnel services		84,344	
Operations		9,915	
Total	<u>103,640</u>	<u>94,259</u>	<u>9,381</u>
Management services			
Personnel services		363,837	
Operations		963,404	
Capital outlay		69,027	
Total	<u>1,473,634</u>	<u>1,396,268</u>	<u>77,366</u>
Personnel			
Personnel services		217,490	
Operations		43,208	
Total	<u>267,084</u>	<u>260,698</u>	<u>6,386</u>
Economic and community development			
Personnel services		101,822	
Operations		6,313	
Total	<u>160,430</u>	<u>108,135</u>	<u>52,295</u>
Total general government	<u>2,735,587</u>	<u>2,543,543</u>	<u>192,044</u>

TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2006

Schedule 1
Page 4 of 5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety			
Police department			
Personnel services	\$	\$ 2,160,921	\$
Operations		230,610	
Capital outlay		222,031	
Total	<u>2,845,975</u>	<u>2,613,562</u>	<u>232,413</u>
Fire department			
Personnel services		1,453,262	
Operations		190,597	
Total	<u>2,190,429</u>	<u>1,643,859</u>	<u>546,570</u>
Total public safety	<u>5,036,404</u>	<u>4,257,421</u>	<u>778,983</u>
Planning			
Personnel services		797,628	
Operations		136,212	
Capital outlay		22,464	
Total planning	<u>1,170,212</u>	<u>956,304</u>	<u>213,908</u>
Transportation			
Operations		841,313	
Total transportation	<u>948,137</u>	<u>841,313</u>	<u>106,824</u>
Public works			
Public works department			
Personnel services		1,490,529	
Operations		1,178,533	
Capital outlay		364,793	
Total public works	<u>4,238,069</u>	<u>3,033,855</u>	<u>1,204,214</u>
Parks and recreation			
Recreation department			
Personnel services		816,241	
Operations		259,146	
Capital outlay		96,502	
Total parks and recreation	<u>1,409,952</u>	<u>1,171,889</u>	<u>238,063</u>
General services			
Operations		-	
Total general services	<u>195,433</u>	<u>-</u>	<u>195,433</u>

TOWN OF CARRBORO, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2006

Schedule 1
Page 5 of 5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service			
Principal retirement	\$	\$ 939,841	\$
Interest and fees		176,902	
Total debt service	<u>1,211,007</u>	<u>1,116,743</u>	<u>94,264</u>
Total expenditures	<u>16,944,801</u>	<u>13,921,068</u>	<u>3,023,733</u>
Revenues over (under) expenditures	<u>(2,410,958)</u>	<u>936,734</u>	<u>3,347,692</u>
Other financing sources (uses)			
Transfers in			
From Capital Reserve Fund	246,999	231,999	(15,000)
From Capital Projects Fund	13,327	13,326	(1)
From Revolving Loan Fund	35,000	35,000	-
Transfers out			
To Capital Reserve Fund	(168,858)	(168,858)	-
Proceeds from installment purchase agreements	<u>1,092,846</u>	<u>1,092,846</u>	<u>-</u>
Total other financing sources (uses)	<u>1,219,314</u>	<u>1,204,313</u>	<u>(15,001)</u>
Revenues and other sources over (under) expenditures and other uses	(1,191,644)	2,141,047	3,332,691
Appropriated fund balance	<u>1,191,644</u>	<u>-</u>	<u>(1,191,644)</u>
Revenues, other sources and appropriated fund balance over expenditures and other uses	<u>\$ -</u>	2,141,047	<u>\$ 2,141,047</u>
Fund balance, beginning of year		<u>7,173,959</u>	
Fund balance, ending		<u>\$ 9,315,006</u>	

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - PROJECT AUTHORIZATION AND ACTUAL -
REVOLVING LOAN FUND
From Grant Inception and for the Year Ended June 30, 2006

Schedule 2
Page 1 of 2

	Project Authorization	Prior Years	Closed Loans	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues						
General revenues						
Investment earnings						
Interest on investments	\$ 182,513	\$ 182,513	\$ -	\$ 9,300	\$ 191,813	\$ 9,300
Interest repayments	302,117	295,438	-	9,461	304,899	2,782
Total investment earnings	484,630	477,951	-	18,761	496,712	12,082
Other general revenues						
Revolving loan payments						
S & B Beauty	-	30,000	(30,000)	-	-	-
University Printery Principal Repay	21,168	20,605	-	2,267	22,872	1,704
Orange/Chatham Comprehensive Health	-	50,000	(50,000)	-	-	-
Carrburrito's, Inc.	-	40,000	(40,000)	-	-	-
Acme Food & Beverage Co. Principal Repay	50,000	23,584	-	6,687	30,271	(19,729)
The Trains, Inc.	-	50,000	(50,000)	-	-	-
El Chilango	-	50,000	(50,000)	-	-	-
Paper, Pen & Ink	35,000	22,815	-	12,185	35,000	-
Alphabet Soup	11,476	8,811	-	2,210	11,021	(455)
Chicken Noodle Soup	-	15,001	(15,001)	-	-	-
Orange County Social Club	-	30,000	(30,000)	-	-	-
Places Media	-	24,793	(24,793)	-	-	-
Crazie Mae's	13,603	13,128	-	475	13,603	-
Science Technologies	-	-	-	33	33	33
Bryan's Guitar	15,968	6,295	-	8,108	14,403	(1,565)
Phydeaux	40,000	22,873	-	17,127	40,000	-
Blue Icon	-	-	-	737	737	737
Original loan repayments	273,087	273,087	-	-	273,087	-
Total revolving loan payments	460,302	680,992	(289,794)	49,829	441,027	(19,275)
Total revenues	944,932	1,158,943	(289,794)	68,590	937,739	(7,193)
Expenditures						
Current:						
General government						
Contractual Services	3,679	-	-	-	-	3,679
Miscellaneous	10,000	-	-	-	-	10,000
Administration	-	9,440	-	-	9,440	(9,440)
Total current	13,679	9,440	-	-	9,440	4,239
Economic and Physical Development:						
S & B Beauty	-	30,000	(30,000)	-	-	-
University Printery	30,000	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	-	-	50,000	-
The Trains, Inc.	-	50,000	(50,000)	-	-	-
El Chilango	-	50,000	(50,000)	-	-	-
Paper, Pen & Ink	35,000	35,000	-	-	35,000	-
Alphabet Soup	48,000	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	-	-	75,000	-
Science Technologies	75,000	35,000	-	-	35,000	40,000
Bryan's Guitar	90,000	90,000	-	-	90,000	-
Phydeaux	40,000	40,000	-	-	40,000	-
Blue Icon Hairstylists	18,000	-	-	18,000	18,000	-
Cycling Specifics	45,000	-	-	45,000	45,000	-
Loss on loans	70,532	45,326	25,206	-	70,532	-
Unexpended reserves	305,721	-	-	-	-	305,721
Total Economic and Physical Development	882,253	763,326	(289,794)	63,000	536,532	345,721

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - PROJECT AUTHORIZATION AND ACTUAL -
REVOLVING LOAN FUND
From Grant Inception and for the Year Ended June 30, 2006

Schedule 2
Page 2 of 2

	Project Authorization	Prior Years	Closed Loans	Actual Current Year	Total to Date	Variance Positive Negative
Total expenditures	\$ 895,932	\$ 772,766	\$ (289,794)	\$ 63,000	\$ 545,972	\$ 349,960
Revenues over expenditures	49,000	386,177	-	5,590	391,767	342,767
Other financing sources (uses)						
Transfers in (out)						
From General Fund	90,000	80,000	-	-	80,000	(10,000)
To General Fund	(139,000)	(104,000)	-	(35,000)	(139,000)	-
Total other financing uses	(49,000)	(24,000)	-	(35,000)	(59,000)	(10,000)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 362,177	\$ -	(29,410)	\$ 332,767	\$ 332,767
Fund balance, beginning of year				362,177		
Fund balance, end of year				\$ 332,767		

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - CAPITAL RESERVE FUND
Year Ended June 30, 2006

Schedule 3

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Interest earnings	\$ -	\$ 16,103	\$ 16,103
Other revenues	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>16,103</u>	<u>16,103</u>
Other financing sources (uses)			
Transfers in (out)			
From General Fund	-	168,858	168,858
From Capital Projects Fund	-	14,008	14,008
From Bond Fund	-	239,988	239,988
To General Fund	(246,999)	(231,999)	15,000
To Capital Projects Fund	(2,813)	(2,813)	-
To Bond Fund	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(249,812)</u>	<u>188,042</u>	<u>437,854</u>
Revenues and other sources over other uses	(249,812)	204,145	453,957
Appropriated fund balance	<u>249,812</u>	<u>-</u>	<u>(249,812)</u>
Revenues, other sources and appropriated fund balance over other uses	<u>\$ -</u>	204,145	<u>\$ 204,145</u>
Fund balance, beginning of year		<u>520,990</u>	
Fund balance, end of year		<u>\$ 725,135</u>	

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - PROJECT AUTHORIZATION
AND ACTUAL - CAPITAL PROJECTS FUND
From Project Inception and for the Year Ended June 30, 2006

Schedule 4
Page 1 of 2

	Project Authorization	Prior Years	Actual Closed Out Projects	Current Year	Total to Date	Variance Positive (Negative)
Revenues						
General revenues						
Interest on investments	\$ 4,300	\$ 4,300	\$ -	2,790	\$ 7,090	\$ 2,790
Total general revenues	4,300	4,300	-	2,790	7,090	2,790
Capital projects						
Town Commons Project						
Interest	-	47,713	(47,713)	-	-	-
Contributions	-	64,179	(64,179)	-	-	-
Restricted contributions	-	1,825	(1,825)	-	-	-
N. C. Department of Agriculture grant	-	236,000	(236,000)	-	-	-
Total Town Commons Project	-	349,717	(349,717)	-	-	-
Adams Tract						
Miscellaneous	-	4,243	-	-	4,243	4,243
Clean Water Act Grant	202,000	202,000	-	-	202,000	-
Total Adams Tract	202,000	206,243	-	-	206,243	4,243
Old Fayetteville Road Sidewalk						
Federal pass-through grant	73,025	-	-	9,334	9,334	(63,691)
Total Old Fayetteville Road Sidewalk	73,025	-	-	9,334	9,334	(63,691)
Jones Ferry Road Sidewalk						
Federal pass-through grant	18,000	-	-	-	-	(18,000)
Total Jones Ferry Road Sidewalk	18,000	-	-	-	-	(18,000)
Brewer Lane Sidewalk						
Federal pass-through grant	74,351	-	-	-	-	(74,351)
Total Brewer Lane Sidewalk	74,351	-	-	-	-	(74,351)
Main Street Sidewalk						
Federal pass-through grant	6,025	-	-	-	-	(6,025)
Total Main Street Sidewalk	6,025	-	-	-	-	(6,025)
Total revenues	377,701	560,260	(349,717)	12,124	222,667	(155,034)
Expenditures						
Town Commons Project						
Professional services	-	25,247	(25,247)	-	-	-
Architectural services	-	947	(947)	-	-	-
Miscellaneous (fundraising expense)	-	10,822	(10,822)	-	-	-
Equipment (bandstand)	-	38,600	(38,600)	-	-	-
Project management	-	37,617	(37,617)	-	-	-
Phase I construction	-	222,195	(222,195)	-	-	-
Total Town Commons Project	-	335,428	(335,428)	-	-	-
Martin Luther King Park						
Miscellaneous	1,017	1,017	-	-	1,017	-
Land	552,701	552,701	-	-	552,701	-
Design	42,532	41,619	-	-	41,619	913
Total Martin Luther King Park	596,250	595,337	-	-	595,337	913
Hillsborough Road Widening Project						
Contractual services	29,163	-	-	29,163.00	29,163	-
Total Hillsborough Road Widening Project	29,163	-	-	29,163	29,163	-

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - PROJECT AUTHORIZATION
AND ACTUAL - CAPITAL PROJECTS FUND
From Project Inception and for the Year Ended June 30, 2006

Schedule 4
Page 2 of 2

	Project Authorization	Prior Years	Closed Out Projects	Actual Current Year	Total to Date	Variance Positive (Negative)
Adams Tract						
Professional services	6,500	6,500	-	-	6,500	-
Engineering	10,000	10,000	-	-	10,000	-
Land	776,474	776,474	-	-	776,474	-
Total Adams Tract	792,974	792,974	-	-	792,974	-
Old Fayetteville Road Sidewalk						
Construction	124,667	-	-	-	-	124,667.00
Design	27,223	13,488	-	3,677	17,165	10,058
Total Old Fayetteville Road Sidewalk	151,890	13,488	-	3,677	17,165	134,725
Jones Ferry Road Sidewalk						
Construction	6,668	-	-	-	-	6,668
Design	15,842	8,271	-	3,939	12,210	3,632
Total Jones Ferry Road Sidewalk	22,510	8,271	-	3,939	12,210	10,300
Brewer Lane Sidewalk						
Construction	79,813	-	-	-	-	79,813
Design	13,126	6,788	-	4,536	11,324	1,802
Total Jones Ferry Road Sidewalk	92,939	6,788	-	4,536	11,324	81,615
Main Street Sidewalk						
Construction	4,531	-	-	-	-	4,531
Design	3,000	-	-	-	-	3,000
Total Main Street Sidewalk	7,531	-	-	-	-	7,531
Public Works Facility Land						
Professional services	6,068	10,856	-	-	10,856	(4,788)
Engineering	4,051	-	-	-	-	4,051
Park Supplies	5,000	5,750	-	-	5,750	(750)
Land	751,881	739,879	-	-	739,879	12,002
Total Public Works Facility Land	767,000	756,485	-	-	756,485	10,515
Total expenditures	2,460,257	2,508,771	(335,428)	41,315	2,214,658	245,599
Revenues under expenditures	(2,082,556)	(1,948,511)	(14,289)	(29,191)	(1,991,991)	90,565
Other financing sources (uses)						
Transfers in						
From General Fund	43,250	43,250	-	-	43,250	-
From Capital Reserve Fund	132,632	129,819	-	2,813	132,632	-
From Payment in Lieu Reserve Fund	279,000	279,000	-	-	279,000	-
Transfers out						
To General Fund	(13,326)	-	-	(13,326)	(13,326)	-
To Capital Reserve Fund	(14,008)	-	14,289	(14,008)	281	14,289
To Capital Projects Fund	-	-	-	-	-	-
To Payment in Lieu Reserve Fund	-	-	-	-	-	-
Proceeds from installment purchase agreements	1,641,000	1,641,000	-	-	1,641,000	-
Total other financing sources (uses)	2,068,548	2,093,069	14,289	(24,521)	2,082,837	14,289
Revenues, other sources over (under) expenditures and other uses	(14,008)	144,558	-	(53,712)	90,846	104,854
Fund balance appropriated	14,008	-	-	-	-	(14,008)
Revenues, other sources and fund balance appropriated over (under) expenditures and other uses	\$ -	\$ 144,558	\$ -	(53,712)	\$ 90,846	\$ 90,846
Fund balance, beginning of year				144,558		
Fund balance, end of year				\$ 90,846		

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - PROJECT AUTHORIZATION
AND ACTUAL - BOND FUND

Schedule 5
Page 1 of 3

From Project Inception and for the Year Ended June 30, 2006

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Interest Earned-Sidewalk Bond	\$ -	\$ -	\$ 9,529	\$ 9,529.00	\$ 9,529.00
Bond projects					
Morgan Creek Greenway					
Federal STP-DA funds	520,000	-	-	-	(520,000)
Total Morgan Creek Greenway	520,000	-	-	-	(520,000)
Bolin Creek Greenway					
Federal STP-DA funds	56,000	-	-	-	(56,000)
Total Bolin Creek Greenway	56,000	-	-	-	(56,000)
Bolin Forest Sidewalk					
Federal STP-DA funds	15,960	-	-	-	(15,960)
Bond Proceeds	-	-	-	-	-
Donations	2,100	-	2,100	2,100	-
Total Bolin Forest Sidewalk	18,060	-	2,100	2,100	(15,960)
Hannah Street Sidewalk					
Federal STP-DA funds	55,564	-	-	-	(55,564)
Bolin Creeek Co-Housing	99,556	-	-	-	(99,556)
Bond Proceeds	-	-	-	-	-
Total Hannah Street Sidewalk	155,120	-	-	-	(155,120)
Total revenues	749,180	-	11,629	11,629	(737,551)
Expenditures					
General					
Professional services	28,000	-	4,312	4,312	23,688
Miscellaneous	2,000	1,428	-	1,428	572
Construction	-	-	-	-	-
Contingency	56,551	-	-	-	56,551
Design	25,764	160,000	(158,100)	1,900	23,864
Total General	112,315	161,428	(153,788)	7,640	104,675
Morgan Creek Greenway					
Construction	600,000	-	-	-	600,000
Design	50,000	-	-	-	50,000
Total Morgan Creek Greenway	650,000	-	-	-	650,000
Bolin Creek Greenway					
Design	70,000	-	-	-	70,000
Total Bolin Creek Greenway	70,000	-	-	-	70,000
Quail Roost Sidewalk					
Engineering Inspections	1,331	-	1,436	1,436	(105)
Construction	129,056	-	129,056	129,056	-
Design	15,507	12,408	3,099	15,507	-
Total Quail Roost Sidewalk	145,894	12,408	133,591	145,999	(105)
Lisa Drive Sidewalk					
Engineering Inspections	1,805	-	1,805.00	1,805	-
Construction	112,605	-	112,605.00	112,605	-
Design	12,262	12,333	1,057	13,390	(1,128)
Total Lisa Drive Sidewalk	126,672	12,333	115,467	127,800	(1,128)
Bolin Forest Sidewalk					
Miscellaneous	306	-	307	307	(1)
Engineering Inspections	6,260	-	25	25	6,235
Construction	47,473	-	-	-	47,473
Design	12,370	10,370	2,579	12,949	(579)
Total Bolin Forest Sidewalk	66,409	10,370	2,911	13,281	53,128

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - PROJECT AUTHORIZATION
AND ACTUAL - BOND FUND
From Project Inception and for the Year Ended June 30, 2006

Schedule 5
Page 2 of 3

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Hannah Street Sidewalk					
Engineering Inspections	\$ 26,430	\$ -	\$ -	\$ -	\$ 26,430
Construction	200,396	-	-	-	200,396
Design	13,452	9,685	7,181	16,866	(3,414)
Total Hannah Street Sidewalk	240,278	9,685	7,181	16,866	223,412
N. Greensboro Street Sidewalk					
Engineering Inspections	33,760	-	403	403	33,357
Construction	256,076	-	-	-	256,076
Design	35,717	-	37,451	37,451	(1,734)
Total N. Greensboro Street Sidewalk	325,553	-	37,854	37,854	287,699
Williams Street Sidewalk					
Engineering Inspections	3,720	-	44	44	3,676
Construction	28,200	-	-	-	28,200
Design	4,959	-	4,959	4,959	-
Total Williams Street Sidewalk	36,879	-	5,003	5,003	31,876
Lloyd Street Sidewalk					
Engineering Inspections	965	-	11	11	954
Construction	7,300	-	-	-	7,300
Design	2,491	-	2,491	2,491	-
Total Lloyd Street Sidewalk	10,756	-	2,502	2,502	8,254
Jones Ferry Sidewalk					
Engineering Inspections	1,670	-	15	15	1,655
Construction	12,661	-	-	-	12,661
Design	3,709	-	3,838	3,838	(129)
Total Jones Ferry Sidewalk	18,040	-	3,853	3,853	14,187
Fowler Street Sidewalk					
Engineering Inspections	1,460	-	16	16	1,444
Construction	11,081	-	-	-	11,081
Design	3,394	-	3,393	3,393	1
Total Fowler Street Sidewalk	15,935	-	3,409	3,409	12,526
S. Greensboro Street Sidewalk					
Engineering Inspections	4,360	-	55	55	4,305
Construction	33,095	-	-	-	33,095
Design	5,447	-	5,472	5,472	(25)
Total S. Greensboro Street Sidewalk	42,902	-	5,527	5,527	37,375
Pleasant Sidewalk					
Professional Services	4,312	-	-	-	4,312
Engineering Inspections	-	-	-	-	-
Design	13,911	-	15,690	15,690	(1,779)
Total Pleasant Sidewalk	18,223	-	15,690	15,690	2,533
Ashe Sidewalk					
Design	7,008	-	7,008	7,008	-
Total Ashe Sidewalk	7,008	-	7,008	7,008	-
Elm Street Sidewalk					
Design	9,958	-	9,958	9,958	-
Total Elm Street Sidewalk	9,958	-	9,958	9,958	-
Shelton Street Sidewalk					
Design	11,365	-	11,399	11,399	(34)
Total Shelton Street Sidewalk	11,365	-	11,399	11,399	(34)
Bim Street Sidewalk					
Design	9,486	-	9,485	9,485	1
Total Bim Street Sidewalk	9,486	-	9,485	9,485	1

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - PROJECT AUTHORIZATION
AND ACTUAL - BOND FUND
From Project Inception and for the Year Ended June 30, 2006

Schedule 5
Page 3 of 3

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Davie Street Sidewalk Design	\$ 10,985	\$ -	\$ 11,019	\$ 11,019	\$ (34)
Total Davie Street Sidewalk	10,985	-	11,019	11,019	(34)
Estes Sidewalk Design	14,446	-	14,446	14,446	-
Total Estes Sidewalk	14,446	-	14,446	14,446	-
Pine Sidewalk Design	9,404	-	9,404	9,404	-
Total Pine Sidewalk	9,404	-	9,404	9,404	-
Cheek Sidewalk Design	13,056	-	13,055	13,055	1
Total Cheek Sidewalk	13,056	-	13,055	13,055	1
James Street Sidewalk Design	25,317	-	25,892	25,892	(575)
Total James Street Sidewalk	25,317	-	25,892	25,892	(575)
Total expenditures	1,990,881	206,224	290,866	497,090	1,493,791
Revenues under expenditures	(1,241,701)	(206,224)	(279,237)	(485,461)	756,240
Other financing sources (uses)					
Transfers in					
From General Fund	11,700	11,700	-	11,700	-
From Capital Reserve Fund	239,988	239,988	-	239,988	-
Transfers out					
To Capital Reserve Fund	(239,988)	-	(239,988)	(239,988)	-
Bond proceeds	1,230,001	-	-	-	(1,230,001)
Total other financing sources (uses)	1,241,701	251,688	(239,988)	11,700	(1,230,001)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 45,464	(519,225)	\$ (473,761)	\$ (473,761)
Fund balance, beginning of year			45,464		
Fund balance, end of year			<u>\$ (473,761)</u>		

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
PAYMENT IN LIEU RESERVE FUND
Year Ended June 30, 2006

Schedule 6

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment earnings	\$ -	\$ -	3,475	\$ 3,475
Total revenues	<u>\$ -</u>	<u>\$ -</u>	3,475	<u>\$ 3,475</u>
Fund balance, beginning of year			<u>121,434</u>	
Fund balance, end of year			<u>\$ 124,909</u>	

ADDITIONAL FINANCIAL DATA

This section contains additional information on property taxes.

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

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2006

Schedule 7

<u>Year of Levy</u>	<u>Uncollected Balance July 1, 2005</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2006</u>
2006	\$ -	\$ 8,820,233	\$ 8,695,718	\$ 124,515
2005	117,677	-	74,943	42,734
2004	36,682	-	7,995	28,687
2003 and prior	180,459	-	4,247	176,212
	334,818	<u>\$ 8,820,233</u>	<u>\$ 8,782,903</u>	372,148
Less allowance for uncollectible accounts	<u>(92,253)</u>			<u>(104,343)</u>
Receivables, net	<u>\$ 242,565</u>			<u>\$ 267,805</u>
Reconciliation of revenues with collections:				
General Fund				\$ 8,578,222
General Fund vehicle license fees				<u>222,500</u>
Total revenues				8,800,722
Reconciling items:				
Adjustments				2,195
Penalties and interest				<u>(20,014)</u>
				<u>\$ 8,782,903</u>

TOWN OF CARRBORO, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY
Year Ended June 30, 2006

Schedule 8

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,372,401,330	\$ 0.6244	\$ 8,569,274	\$ 7,995,101	\$ 574,173
Penalties and interest	-		13,562	13,562	-
Total	1,372,401,330		8,582,836	8,008,663	574,173
Discoveries:					
Current year taxes	889,974	0.6244	5,557	5,557	-
Total gross levy	1,373,291,304		8,588,393	8,014,220	574,173
Vehicle tag fee	-		231,840	-	231,840
Total property valuation	<u>\$ 1,373,291,304</u>				
Abatements/adjustments			-	-	-
Net levy			8,820,233	8,014,220	806,013
Uncollected taxes at June 30, 2006			124,515	46,176	78,339
Current year's taxes collected			<u>\$ 8,695,718</u>	<u>\$ 7,968,044</u>	<u>\$ 727,674</u>
Current levy collection percentage			<u>98.59%</u>	<u>99.42%</u>	<u>90.28%</u>

THIS PAGE LEFT INTENTIONALLY BLANK.

SUPPLEMENTARY INFORMATION

STATISTICAL SECTION

THIS PAGE LEFT INTENTIONALLY BLANK.

Statistical Section

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

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

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

Financial Trends Information:

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

Table 1

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ 12,653,977	\$ 15,674,503	\$ 17,735,292
Restricted	543,192	500,280	814,718
Unrestricted	<u>7,031,287</u>	<u>7,689,017</u>	<u>8,812,078</u>
Total governmental activities net assets	<u>\$ 20,228,456</u>	<u>\$ 23,863,800</u>	<u>\$ 27,362,088</u>
Primary government			
Invested in capital assets, net of related debt	\$ 12,653,977	\$ 15,674,503	\$ 17,735,292
Restricted	543,192	500,280	814,718
Unrestricted	<u>7,031,287</u>	<u>7,689,017</u>	<u>8,812,078</u>
Total primary government net assets	<u>\$ 20,228,456</u>	<u>\$ 23,863,800</u>	<u>\$ 27,362,088</u>

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

Table 2

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses			
Governmental activities:			
General government	\$ 2,325,813	\$ 2,406,566	\$ 2,568,563
Public Safety	3,970,899	4,031,288	4,219,432
Planning	906,766	1,057,324	943,711
Transportation	817,003	917,900	841,313
Public Works	2,775,381	1,754,626	2,874,392
Parks and recreation	1,182,059	1,206,197	1,244,258
Economic and Community Development	25,000	140,405	63,000
Interest on long-term debt	196,168	170,476	180,274
Total governmental activities expenses	<u>12,199,089</u>	<u>11,684,782</u>	<u>12,934,943</u>
 Total primary government expenses	 <u>\$ 12,199,089</u>	 <u>\$ 11,684,782</u>	 <u>\$ 12,934,943</u>
 Program Revenues			
Governmental activities:			
Charges for services:			
Public Safety	\$ 410,203	\$ 423,505	\$ 413,970
Planning	400,831	313,146	365,758
Public Works	111,335	106,197	88,309
Parks and Recreation	179,150	247,421	269,006
Economic and Community Development	73,023	74,905	78,685
Operating grants and contributions	629,886	747,236	723,297
Capital grants and contributions	-	1,130,949	1,392,470
Total governmental activities program revenues	<u>1,804,428</u>	<u>3,043,359</u>	<u>3,331,495</u>
 Total primary government program revenues	 <u>\$ 1,804,428</u>	 <u>\$ 3,043,359</u>	 <u>\$ 3,331,495</u>
 Net Expense			
Governmental activities	\$ (10,394,661)	\$ (8,641,423)	\$ (9,603,448)
 Total primary government net expense	 <u>\$ (10,394,661)</u>	 <u>\$ (8,641,423)</u>	 <u>\$ (9,603,448)</u>
 General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes	\$ 10,909,066	\$ 11,561,864	\$ 12,185,361
Unrestricted intergovernmental revenues	531,121	549,086	608,951
Miscellaneous and unrestr. investment earnings	146,056	165,820	307,424
Total governmental activities	<u>11,586,243</u>	<u>12,276,770</u>	<u>13,101,736</u>
 Total primary government	 <u>\$ 11,586,243</u>	 <u>\$ 12,276,770</u>	 <u>\$ 13,101,736</u>
 Change in Net Assets			
Governmental activities	\$ 1,191,582	\$ 3,635,347	\$ 3,498,288
 Total primary government	 <u>\$ 1,191,582</u>	 <u>\$ 3,635,347</u>	 <u>\$ 3,498,288</u>

Table 3

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

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$ 574,630	\$ 813,052	\$ 668,365	\$ 1,069,442	\$ 1,284,894	\$ 1,251,462	\$ 1,085,035	\$ 1,930,188	\$ 1,612,492	\$ 2,764,370
Unreserved, designated	310,938	324,645	528,142	710,648	923,228	538,158	877,347	756,958	894,434	1,182,684
Unreserved, undesignated	1,206,432	1,700,141	2,077,237	2,023,360	2,326,017	2,930,759	3,417,726	3,595,765	4,667,033	5,367,952
Total general fund	2,092,000	2,837,838	3,273,744	3,803,450	4,534,139	4,720,379	5,380,108	6,282,911	7,173,959	9,315,006
All Other Governmental Funds										
Reserved	164,934	216,227	45,197	3,000	-	88,423	-	2,463	27,644	560,080
Unreserved, reported in:										
Special revenue funds	165,258	261,434	343,254	1,008,942	1,135,298	1,330,029	1,382,960	1,317,854	1,004,601	1,182,811
Capital projects funds	931,852	2,387,292	2,789,096	921,605	300,482	301,228	288,001	190,021	162,378	(942,995)
Debt service funds	71,274	14,243	26,720	21,276	-	-	-	-	-	-
Total all other governmental funds	1,262,044	2,864,953	3,177,547	1,933,547	1,435,780	1,719,680	1,650,961	1,510,338	1,194,623	799,896
Total, all governmental funds	\$ 3,354,044	\$ 5,702,791	\$ 6,451,291	\$ 5,736,997	\$ 5,969,919	\$ 6,440,059	\$ 7,031,069	\$ 7,793,249	\$ 8,368,582	\$ 10,114,902

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

Table 4

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Taxes	3,899,470	4,373,320	4,818,643	5,260,124	5,874,291	6,638,670	7,324,513	7,791,921	8,227,622	8,578,222
Licenses, fees and permits	1,499,303	1,750,618	1,900,287	1,992,311	2,106,683	2,102,576	2,278,779	2,705,076	2,874,741	3,089,493
Fines and penalties	240,312	246,347	278,939	306,947	316,531	444,264	387,152	428,338	439,840	460,350
Charges for services	603,053	656,373	697,549	756,576	789,213	869,242	564,627	531,121	549,086	613,183
Special assessments	763,341	780,791	722,657	563,093	771,994	809,595	689,984	629,856	552,907	565,374
Intergovernmental	641,598	665,585	791,466	791,015	833,552	746,206	747,441	995,332	917,919	955,371
Restricted governmental	100,837	99,030	108,100	102,230	115,009	151,403	179,150	179,150	236,134	258,309
Investment earnings	180,647	315,872	299,562	330,941	333,572	131,432	78,616	51,269	130,270	291,873
Other revenues	237,416	189,680	195,467	202,595	162,866	162,568	167,324	129,649	444,023	157,349
Total revenues	8,165,977	9,079,616	9,812,660	10,305,832	11,305,711	11,755,956	12,333,960	13,441,802	14,372,542	14,965,723
Expenditures										
General government	1,826,348	1,815,508	2,249,075	1,384,454	1,829,253	1,868,732	1,923,071	2,409,684	2,421,531	2,543,543
Public Safety	2,342,415	2,740,252	2,577,735	2,884,355	3,175,326	3,521,900	3,442,054	3,945,853	4,257,421	4,257,421
Planning	-	-	-	731,761	843,909	952,097	922,863	911,521	1,071,142	956,304
Transportation	-	-	-	-	576,728	702,753	747,737	817,003	917,900	841,313
Public Works	2,103,514	1,883,597	2,338,045	2,742,633	2,743,076	2,654,718	2,919,627	3,086,021	3,073,794	3,033,855
Parks and recreation	586,823	542,194	612,945	653,469	808,179	893,066	994,878	1,130,239	1,035,472	1,171,869
Economic & Community Dev.	622,036	665,325	455,053	550,647	82,505	45,000	138,041	25,000	140,000	63,000
Capital outlay	-	-	-	-	-	-	-	-	1,029,693	332,181
Debt service	164,017	258,356	315,410	295,297	299,765	304,789	300,630	224,737	162,707	176,902
Interest	548,026	560,050	634,481	665,014	793,893	730,600	848,478	893,239	1,019,472	939,841
Principal	-	-	-	-	-	-	-	-	-	-
Total expenditures	8,193,179	8,583,282	9,183,344	9,910,640	11,160,634	11,570,655	12,237,379	13,365,297	14,897,489	14,316,249
Excess of revenues over (under) expenditures	(27,202)	496,334	629,316	395,192	145,077	185,301	196,611	76,505	(524,947)	655,474
Other Financing Sources (Uses)										
Proceeds from borrowing	471,558	3,494,500	442,452	832,473	840,434	349,550	1,105,139	543,192	1,100,280	1,092,846
Proceeds from refunding	-	-	-	-	-	637,250	(622,000)	-	-	-
Payments to escrow agent	-	-	-	-	-	-	-	-	-	-
Transfers in	255,962	358,299	441,807	684,894	320,883	488,504	332,474	604,723	695,528	705,992
Transfers out	(255,962)	(358,299)	(441,807)	(684,894)	(320,883)	(488,504)	(292,474)	(604,723)	(695,528)	(705,992)
Total other financing sources	471,558	3,494,500	442,452	832,473	840,434	349,550	1,160,389	543,192	1,100,280	1,092,846
Net change in fund balances	\$ 444,356	\$ 3,990,634	\$ 1,071,768	\$ 1,227,665	\$ 985,511	\$ 534,851	\$ 1,357,000	\$ 619,697	\$ 575,333	\$ 1,746,320
Capital outlay included in expenditures above	8,429	1,659,118	310,791	1,947,403	877,125	64,711	938,741	135,046	1,610,364	1,106,998
Debt service as a percentage of noncapital expenditures	8.7%	12.1%	10.7%	12.1%	10.6%	9.0%	10.2%	8.5%	8.9%	8.5%

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

Revenue Capacity Information:

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

Table 5

	2004	2005	2006
Function/Program			
Governmental activities:			
Public Safety	\$ 465,312	\$ 455,520	\$ 433,218
Public Works	535,810	1,640,413	1,977,871
Planning	423,781	343,545	371,758
Economic and Physical Development	-	113,241	66,066
Parks and Recreation	215,048	390,193	335,807
General Services	164,477	100,447	146,775
Total primary government	\$ 1,804,428	\$ 3,043,359	\$ 3,331,495

Town of Carrboro
Tax Revenues by Source, Governmental Funds ^a
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 6

Fiscal Year	Property Taxes
1997	\$ 3,899,470
1998	4,373,320
1999	3,968,929
2000	5,260,124
2001	5,874,291
2002	6,838,670
2003	7,324,513
2004	7,791,921
2005	8,227,662
2006	8,578,222
Change 1997-2006	120.0%

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

Table 7

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

Fiscal Year Ended June 30,	Tax Year	Real Property	Personal Property	Public Service Companies	Total Taxable Assessed Value	Direct Tax Rate (\$100 of Assessed Value)	Estimated Actual Taxable Value	Taxable Assessed Value as Percentage of Actual Taxable Value
1997	1996	\$ 454,016,162	\$ 61,463,835	\$ 10,571,493	\$ 526,051,490	\$ 0.7475	\$ 526,051,490	100%
1998	1997	599,928,018	75,591,001	10,971,748	686,490,767	0.6375	686,490,767	100%
1999	1998	638,188,022	83,472,647	11,431,726	733,092,395	0.6600	733,092,395	100%
2000	1999	674,703,509	93,373,946	13,389,138	781,466,593	0.6750	781,466,593	100%
2001	2000	718,095,878	99,234,383	13,414,474	830,744,735	0.7120	830,744,735	100%
2002	2001	916,537,233	106,149,593	14,063,739	1,036,750,565	0.0066	1,036,750,565	100%
2003	2002	952,750,323	105,406,710	14,015,046	1,072,172,079	0.0069	1,072,172,079	100%
2004	2003	1,005,282,825	108,676,566	14,505,050	1,128,464,441	0.0069	1,128,464,441	100%
2005	2004	1,029,610,609	108,489,664	14,468,769	1,152,569,042	0.0071	1,152,569,042	100%
2006	2005	1,252,027,870	105,636,174	14,737,286	1,372,401,330	0.0062	1,372,401,330	100%

Source: Orange County, North Carolina, Tax Assessor.

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

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

Table 8

Fiscal Year	Town of Carrboro	Orange County
	Direct Rate	Overlapping Rate
1997	0.7475	0.9975
1998	0.6375	0.8730
1999	0.6600	0.9020
2000	0.7650	0.9190
2001	0.7120	0.9290
2002	0.6568	0.8050
2003	0.6852	0.8300
2004	0.6852	0.8450
2005	0.7148	0.8800
2006	0.6244	0.8430

Source: Orange County, North Carolina, Tax Assessor.

Note: Using the formula mandated by state law to calculate the "revenue-neutral" tax rate, the Town was able to reduce the tax rate for FY2006 from the previous year's rate of 71.48 cents per \$100 valuation to 62.44 cents as a result of the reappraisal.

Table 9

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

Fiscal Year Ended June 30,	Tax Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
1997	1996	\$ 4,031,350	\$ 3,937,363	97.67%	\$ 76,373	\$ 4,013,736	99.56%
1998	1997	4,510,381	4,419,806	97.99%	73,794	4,493,600	99.63%
1999	1998	4,957,841	4,866,710	98.16%	73,594	4,940,304	99.65%
2000	1999	5,407,318	5,312,426	98.25%	82,469	5,394,895	99.77%
2001	2000	6,065,356	5,934,238	97.84%	107,117	6,041,355	99.60%
2002	2001	6,984,830	6,883,438	98.55%	81,338	6,964,776	99.71%
2003	2002	7,551,366	7,433,914	98.44%	93,910	7,527,824	99.69%
2004	2003	7,988,802	7,874,710	98.57%	79,095	7,953,805	99.56%
2005	2004	8,479,108	8,361,431	98.61%	73,180	8,434,611	99.48%
2006	2005	8,820,233	8,695,718	98.59%	-	8,695,718	98.59%

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

Table 10

	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
<u>Taxpayer</u>						
VAC Limited Partnership	\$ 26,899,561	1	1.96%	\$ 14,693,913	1	2.84%
Autumn Woods Apartments, Inc.	16,771,118	2	1.22%	-		0%
Villages of Chapel Hill	16,054,146	3	1.17%	8,466,087	5	1.64%
Crit NC III, LLC	15,875,154	4	1.16%	-		0%
Carr Mill Mall Limited	14,689,817	5	1.07%	7,499,933	6	1.46%
Carboro Shopping Center, Inc.	11,555,777	6	0.84%	-		0%
Altantic Multifamily	10,689,577	7	0.78%	-		0%
CAFJ Associates, LLC	10,263,710	8	0.75%	-		0%
Zell Samuel Trustee	9,499,360	9	0.64%	-		0%
Sterling Brook Delaware, LLC	8,510,770	10	0.62%	11,649,231	2	2.26%
Highland Hills, Ltd.	-		-	8,517,191	3	1.65%
Charter Properties	-		-	8,505,552	4	1.65%
Maq Southeast Properties	-		-	6,776,589	7	1.32%
Carolina Apt Properties	-		-	6,296,589	8	1.22%
Carolina Residential, Inc.	-		-	6,016,455	9	1.17%
Carboro Belman, SC	-		-	5,321,472	10	1.03%
Total	\$ 140,808,990		10.21%	\$ 83,743,012		16.24%

Source: County Board of Equalization and Assessment.

Debt Capacity Information:

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

Table 11

Fiscal Year	Governmental Activities					Total Primary Government	Per Capita
	General Obligation Bonds	Installment Purchase Agreements	Bond Anticipation Notes Payable				
1997	\$ 1,580,000	\$ 561,750	\$ -	-	2,141,750	\$ 141.66	
1998	1,413,000	3,643,200	-	-	5,056,200	327.54	
1999	1,243,000	3,621,629	-	-	4,864,629	303.81	
2000	1,119,000	3,912,629	-	-	5,031,629	299.82	
2001	991,000	4,087,170	-	-	5,078,170	294.56	
2002	859,000	3,838,120	-	-	4,697,120	269.08	
2003	737,250	4,231,781	-	-	4,969,031	282.57	
2004	575,393	4,043,591	-	-	4,618,984	261.73	
2005	433,536	4,266,256	-	-	4,699,792	266.31	
2006	331,679	4,521,157	1,230,000	-	6,082,836	337.94	

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

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

Table 12

Fiscal Year	General Bonded Debt Outstanding			Actual Taxable Value of Property	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Total				
1997	\$	1,580,000	\$	526,051,490	0.30	104.50
1998	1,413,000	1,413,000		686,490,767	0.21	91.53
1999	1,243,000	1,243,000		733,092,395	0.17	77.63
2000	1,119,000	1,119,000		781,466,593	0.14	66.68
2001	991,000	991,000		830,744,735	0.12	57.48
2002	859,000	859,000		1,036,750,565	0.08	49.21
2003	737,250	737,250		1,072,172,079	0.07	41.92
2004	575,393	575,393		1,128,465,441	0.05	32.60
2005	433,536	433,536		1,152,569,042	0.04	24.57
2006	331,679	331,679		1,372,401,330	0.02	18.43

Town of Carrboro
Direct and Overlapping Governmental Activities Debt
As of June 30, 2006

Table 13

	<u>Total Outstanding</u>	<u>Percentage Applicable to Town</u>	<u>Amount Applicable to Town</u>
<u>Town of Carrboro</u>			
General Obligation Debt			
Town of Carrboro general debt obligation	\$ 331,679	100.00%	\$ 331,679
Overlapping (bonded) Debt - Orange County			
Overlapping debt - Orange County	148,750,000	9.00%	13,601,949
Subtotal, overlapping debt			<u>13,601,949</u>
Total direct and overlapping debt			<u>\$ 13,933,628</u>

Sources:

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

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

Table 14

		Fiscal Year										Legal Debt Margin Calculation for Fiscal Year 2006	
		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Assessed value	\$ 1,372,401,330
Debt limit		\$ 42,084,119	\$ 54,919,261	\$ 58,647,392	\$ 62,517,327	\$ 66,459,579	\$ 82,940,045	\$ 85,773,766	\$ 90,277,235	\$ 92,205,523	\$ 109,792,106	Debt limit (8% of assessed value)	109,792,106
Total net debt applicable to limit		1,580,000	1,413,000	1,243,000	1,119,000	991,000	859,000	737,250	575,393	433,536	331,679	Debt applicable to limit:	
Legal debt margin		\$ 40,504,119	\$ 53,506,261	\$ 57,404,392	\$ 61,398,327	\$ 65,468,579	\$ 82,081,045	\$ 85,036,516	\$ 89,701,842	\$ 91,771,987	\$ 109,460,427	General obligation bonds	331,679
												Total gross bonded debt	331,679
												Total net debt applicable to limit	
												Legal debt margin	\$ 109,460,427
Total net debt applicable to the limit													
as a percentage of debt limit		3.75%	2.57%	2.12%	1.79%	1.49%	1.04%	0.86%	0.64%	0.47%	0.30%		

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

Demographic and Economic Information:

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

Table 15

Year	Population	Per Capita Personal Income	Median Age	Public School Enrollment	Unemployment Rate
1997	15,119	\$ 26,961	26.5	13,857	1.7%
1998	15,437	27,590	26.5	14,940	1.6%
1999	16,012	28,471	26.5	15,238	1.4%
2000	16,782	30,912	26.5	15,676	2.9%
2001	17,240	32,360	26.5	16,121	3.4%
2002	17,456	33,119	28.1	16,527	4.5%
2003	17,585	33,287	28.1	16,590	5.0%
2004	17,648	35,191	28.1	10,592	4.5%
2005	17,648	35,191	28.1	10,699	4.3%
2006	18,000	35,191	28.1	10,806	3.2%

Notes:

Orange County unemployment rate and per capita income used.

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

Public school enrollment is based on information received from Chapel Hill-Carrboro Schools and Orange County Schools for FY1997 to FY2003.

Public school enrollment is based on information received from Chapel Hill-Carrboro Schools for FY2004 through FY2006

Population for FY2006 is estimated.

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

Table 16

<u>Employer</u>	<u>2006</u>			<u>1997</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Harris Teeter	200	1	1.82%	Information		Information
Weaver Street Market	195	2	1.77%	Not		Not
Orange Water and Sewer	150	3	1.36%	Available		Available
Town of Carrboro	147	4	1.34%			
Elmo's Diner	90	5	0.82%			
Carrboro Elementary School	75	6	0.68%			
Food Lion	59	7	0.54%			
Fitch Lumber Company, Inc.	44	8	0.40%			
Willow Springs Long Term Care, LLC	40	9	0.36%			
Tarheel Janitorial	39	10	0.35%			
Total	<u>1,039</u>		<u>9.45%</u>			

Source:

Orange County Economic Development Commission

United States Census Bureau

Note:

Percentages based on estimated Town Employment of 11,000.

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

Table 17

<u>Function/Program</u>	Full-Time Equivalent Employees as of June 30									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government										
Mayor & Board of Aldermen	0	0	0	0	0	0	0	0	0	0
Town Manager	2	2	2	2	2	2	2	2	2	2
Economic Development	1	1	1	1	1	1	1	1	1	1
Town Clerk	1	1	1	1	1	1	1	1	1	1
Management Services	5	5	5	6	6	7	7	8	8	8
Human Resources	2	2	2	2	2	2	2	2	2	2
Public Safety										
Police	35	36	36	37	38	37	37	40	40	42
Fire	19	21	21	24	24	24	28	28	28	28
Planning	12	13	13	13	14	14	14	14	14	14
Public Works	33	33	34	35	35	35	35	35	35	35
Parks and Recreation	6	8	8	9	9	9	9	10	10	10
Total	116	122	123	130	132	132	136	141	141	143

Note:

The Town does not calculate part-time equivalents.

Operating Information:

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

Table 18

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
Revolving loan inquiries										
Small business counseling referrals										
Privilege licenses issued										
Public Safety										
Police (a)										
Major crimes	1,048	1,421	1,032	1,940	1,983	1,924	1,964	1,409	1,259	1,174
Criminal arrests	540	602	447	588	638	708	615	656	833	762
Motor vehicle accidents	561	518	355	538	553	586	498	541	546	524
Narcotics arrests	32	38	48	58	66	58	42	70	70	55
Fire (a)										
Fire and EMS responses	415	463	913	1,089	1,037	1,037	836	874	872	920
Inspections	338	368	438	382	281	365	259	420	363	400
Planning										
Annexations	5	6	2	3	3	3	6	2	2	2
Zoning permits	98	154	219	205	100	105	121	121	246	110
Building permits for new residential	12	72	168	135	129	84	61	72	57	41
Building permits for new commercial	5	3	8	7	9	8	4	38	7	22
Value of building permits issued	3,480,495	12,098,524	33,733,547	23,738,635	30,691,348	22,973,279	19,365,209	23,102,327	18,598,016	41,510,253
Public Works										
Paved streets maintained (miles)	26.02	27.08	30.94	32.5	29.16	31.09	31.83	34.83	35.23	37.03
Unpaved streets maintained (miles)	2.18	2.18	2.18	2.18	2.18	2.18	2.18	2.18	2.04	1.7
Paved bikeways maintained (miles)	1.7	1.7	2.03	2.03	3	3	3	3	3.09	3.09
Litter collection (hours annually)	232	267	325	360	370	408	370	400	400	400
Residential refuse collection (tons annually)	1,960	2,161	2,210	2,280	2,280	2,285	2,350	2,480	2,500	2,635
Multi-family & commercial refuse collection	4,493	4,563	4,130	4,480	4,480	5,026	5,150	4,470	4,710	4,600
Bus shelters maintained	10	12	12	12	14	16	16	18	18	18
Parks and Recreation										
Athletic activities offered	39	47	51	40	39	36	44	37	43	46
Athletic activity participants	3,423	3,674	3,984	2,399	2,368	2,200	2,512	2,507	2,694	2,470
Athletic activity hours	727	780	1,040	856	846	776	762	882	868	864
Other activities offered	N/A	N/A	N/A	N/A	N/A	N/A	N/A	187	198	213
Other activity participants	N/A	N/A	N/A	N/A	16,467	13,336	14,118	17,708	21,482	20,255
Century Center rentals (b)	N/A	N/A	N/A	N/A	39	231	200	1,269	1,052	1,351
Park rentals (c)	6	8	11	2	2	161	326	284	519	560

Sources: Town departments

Notes:

N/A - Information was not collected/available.

(a) FY2006 information has been estimated.

(b) Century Center open FY2001.

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

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

Table 19

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	18	18	18	20	25	30	36	42	42	42
Fire stations	1	1	1	1	1	1	1	1	1	1
Fire trucks	5	5	5	5	5	5	5	5	5	5
Public Works										
Refuse collection trucks	7	7	7	8	8	8	8	8	8	8
Replacement refuse collection trucks	2	2	2	3	3	3	3	3	3	3
Streets (miles)	28.2	29.26	33.12	34.68	31.34	33.18	37.57	37	39	38
Bikepaths (miles)	1.7	1.7	2.03	2.03	3	3	3	3	3	3
Streetslights	N/A	N/A	675	684	696	709	721	742	781	803
Parks and recreation										
Parkland (acres)	55	55	55	55	65	86	86	96	96	96
Parks (quantity)	6	6	6	6	7	8	8	8	9	9
Hiking trails	2	2	2	2	2	2	2	2	5	5
Dog parks	1	1	1	1	1	1	1	1	1	1
Soccer fields	-	-	-	-	1	1	1	1	1	1
Baseball/softball fields	5	5	5	5	5	5	5	5	5	5
Basketball courts	4	4	4	4	4	4	4	4	4	4
Tennis courts	6	6	6	6	6	6	6	6	6	6
Volleyball courts	2	2	2	2	2	2	2	2	2	2
Multi-purpose fields	1	1	1	1	1	3	3	3	3	3
Fishing ponds	1	1	1	1	1	1	1	1	1	1
Playgrounds	3	3	4	4	4	5	5	5	5	5
Picnic shelters	3	3	3	3	3	5	5	5	5	5

Sources:

Town Departments

Notes:

N/A - Information was not collected/available.

THIS PAGE LEFT INTENTIONALLY BLANK.

SUPPLEMENTARY INFORMATION

COMPLIANCE SECTION

THIS PAGE LEFT INTENTIONALLY BLANK.



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

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

To the Honorable Mayor, Board of Aldermen
and the Town Manager
Town of Carrboro
Carrboro, North Carolina

We have audited the financial statements of the governmental activities, each major fund, the budget to actual comparison for the General Fund and the annually budgeted major Capital Reserve Fund, and the aggregate remaining fund information of the Town of Carrboro, North Carolina as of and for the year ended June 30, 2006, which collectively comprise the Town of Carrboro's basic financial statements, and have issued our report thereon dated November 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Carrboro's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Carrboro's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. We noted certain matters that we reported to management of the Town of Carrboro in a separate letter dated November 16, 2006.

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

Dixon Hughes PLLC

November 16, 2006