

**TOWN OF PITTSBORO
NORTH CAROLINA**

Financial Statements and
Supplementary Information

Year Ended June 30, 2014

Governing Board

William G. Terry, Mayor
Pamela Baldwin
J.A. (Jay) Farrell
Michael A. Fiocco
Bett Wilson Foley
Beth Turner

Town Officials

Bryan L. Gruesbeck, Town Manager
Alice F. Lloyd, Town Clerk
(Vacant) Finance Officer

TOWN OF PITTSBORO, NORTH CAROLINA

Table of Contents

June 30, 2014

<u>Exhibit</u>		<u>Page</u>
	Financial Section	
	Independent Auditors' Report	1
	Management's Discussion and Analysis	3
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	15
2	Statement of Activities	16
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds.....	17
3	Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	18
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	19
4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
5	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund.....	21
6	Statement of Net Position – Proprietary Fund.....	22
7	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund.....	23
8	Statement of Cash Flows – Proprietary Fund.....	24
	Notes to the Financial Statements	25
	Schedule	
	Required Supplemental Financial Data:	
1	Other Postemployment Benefits – Schedule of Funding Progress and Schedule of Employer Contributions.....	48
	Individual Fund Statements and Schedules:	
2	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	49
3	Combining Balance Sheet for Non-Major Governmental Funds	54
4	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds.....	55
5	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund.....	56
6	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund - Rockridge Park Disc Golf Course Project	57
7	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund - Alpha Install Upfit for the Velogica Building Project.....	58

TOWN OF PITTSBORO, NORTH CAROLINA

Table of Contents

June 30, 2014

<u>Schedule</u>	<u>Page</u>
8	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund - Connect Springdale Drive and Fox Chapel Lane Project.....59
9	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund - East Street Sidewalk Extension Project 60
10	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund - NC HWY 87 Sidewalk Project 61
11	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP) – Water and Sewer Fund..... 62
12	Schedule of Revenues, Expenditures, and Changes in Fund Balance– Budget and Actual – Water and Sewer Capital Reserve Fund 66
13	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund – Downtown Area Water System Improvement Project 67
14	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund – Haw River Intake Project 68
15	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund - Credle Street Sewer Rehabilitation Project 69
16	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund-Hillsboro Street Transmission Line Replacement Project 70
17	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund – USEPA 319 Project..... 71
 Other Schedules:	
18	Schedule of Ad Valorem Taxes Receivable 72
19	Analysis of Current Tax Levy – Town-wide Levy..... 73
 Statistical Tables:	
20	Assessed Value of all Taxable Property (UNAUDITED)..... 74
21	Tax Levies and Tax Collections (UNAUDITED)..... 75
22	Revenues Other Than Property Taxes (UNAUDITED)..... 76
23	Expenditures for Selected Functions (UNAUDITED)..... 77
 Compliance Section:	
	Independent Auditors’ Report On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> 78
	Schedule of Findings and Questioned Costs..... 80
	Corrective Action Plan 82
	Summary Schedule of Prior Year Audit Findings 83

FINANCIAL SECTION



Rives & Associates, LLP
Certified Public Accountants

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American Institute of
Certified Public Accountants

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North Carolina Association of
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Independent Auditors' Report

To the Honorable Mayor
and Members of the Board of Commissioners
Town of Pittsboro
Pittsboro, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Pittsboro, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Pittsboro ABC Board. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town Pittsboro ABC Board, is based solely on the report of another auditor. 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 from material misstatement. The financial statements of the Town of Pittsboro ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Pittsboro, North Carolina as of June 30, 2014, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 14, the Other Postemployment Benefits Schedule of Funding Progress and Schedule of Employer Contribution on page 48, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Pittsboro, North Carolina. The combining and individual fund statements, budgetary schedules and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund statements, the budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2014 on our consideration of the Town of Pittsboro'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. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Pittsboro's internal control over financial reporting and compliance.

Rives & Associates LLP

Raleigh, North Carolina
November 11, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Pittsboro
North Carolina

MANAGEMENT DISCUSSION AND ANALYSIS

As management of the Town of Pittsboro, we offer readers of the Town of Pittsboro's financial statements this narrative overview and analysis of the financial activities of the Town of Pittsboro for the fiscal year ended June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

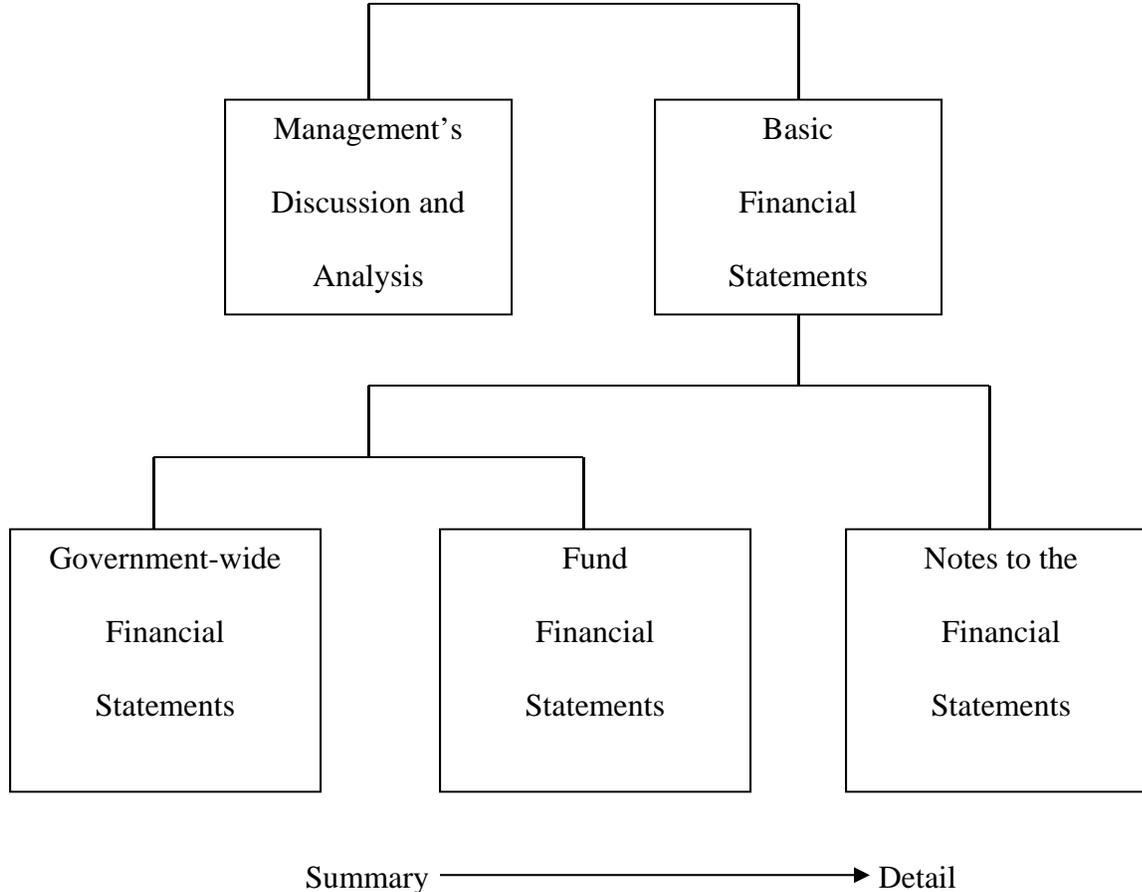
- The assets of the Town of Pittsboro exceeded its liabilities at the close of the fiscal year by \$20,910,869 (**net position**).
- The government's total net position *increased* by \$560,353 due to *increases* in both the *governmental* and *business-type* activities net position.
- As of the close of the current fiscal year, Pittsboro's governmental funds reported combined ending fund balances of \$3,184,784 an increase of \$520,946 in comparison with the prior year. Approximately 15% of this total amount, or \$492,576, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,559,093, or 85.6% of total general fund expenditures and transfers out for the fiscal year.
- The Town of Pittsboro's total debt (net of compensated absences) decreased by \$436,459 (17%) during the current fiscal year. The key factor in this decrease was loan payments made during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Pittsboro'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 of Pittsboro through the use of government-wide financial 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 Pittsboro.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

**Required Components of Annual Financial Report
Figure 1**



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town of Pittsboro's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town of Pittsboro's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund 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 of Pittsboro's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Town of Pittsboro
North Carolina

MANAGEMENT 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 of Pittsboro's finances, similar in format to a financial statement 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 of Pittsboro's net position and how it has changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town of Pittsboro's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town of Pittsboro's basic services such as public safety, sanitation, street maintenance, recreation and parks, and general administration. Property taxes, sales taxes, charges for services, and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Pittsboro. The final category is the component unit. Although legally separate from the Town of Pittsboro, the Pittsboro ABC Board is important to the Town because the Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits, if any, to the Town of Pittsboro.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements (See figure 1) provide a more detailed look at the Town of Pittsboro'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 of Pittsboro, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town of Pittsboro's budget ordinance. All of the funds of the Town of Pittsboro can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town of Pittsboro'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 give the reader a detailed short-term view that helps determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Pittsboro 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, 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

Town of Pittsboro
North Carolina

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

period activities. The budgetary statements provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town of Pittsboro succeeded in providing the services a 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 statements 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – The Town of Pittsboro has one kind of proprietary fund. The *Enterprise Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. Pittsboro uses an Enterprise Fund to account for its water and sewer activities. The fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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 begin on page 25 of this report.

Town of Pittsboro
North Carolina

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Government-Wide Financial Analysis

**The Town of Pittsboro's Net Position
Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$3,440,408	\$2,914,231	\$3,126,115	\$3,317,627	\$6,566,523	\$6,231,858
Capital assets	3,988,596	4,024,190	12,961,812	13,241,674	16,950,408	17,265,864
Total assets	7,429,004	6,938,421	16,087,927	16,559,301	23,516,931	23,497,722
Long-term liabilities						
outstanding	126,420	126,046	1,725,925	2,182,507	1,852,345	2,308,553
Other liabilities	138,498	138,421	596,311	703,839	734,809	842,260
Deferred inflows of resources	18,908	14,098			18,908	14,098
Total liabilities and deferred inflows of resources	283,826	278,565	2,322,236	2,886,346	2,606,062	3,164,911
Net position						
Invested in capital						
assets, net of						
related debt	3,988,596	4,024,190	10,884,161	10,727,564	14,872,757	14,751,754
Restricted	396,370	506,689	1,553,960	1,447,880	1,950,330	1,954,569
Unrestricted	2,760,212	2,128,977	1,327,570	1,497,511	4,087,782	3,626,488
Total net position	\$7,145,178	\$6,659,856	\$13,765,691	\$13,672,955	\$20,910,869	\$20,332,811

Town of Pittsboro
North Carolina

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Pittsboro exceeded liabilities and deferred inflows by \$20,910,869 as of June 30, 2014. The Town's net position *increased* by \$560,353 for the fiscal year ended June 30, 2014. However, the largest portion, \$14,872,757 (71.1%), reflects the Town's investment in capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Pittsboro'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 of Pittsboro's net position, \$1,950,330 (9.3%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,087,782 (19.6%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.90% for the year ending June 30, 2014.
- Continued reduction of debt due to timely payments and continued aggressive collection of development fees.
- Conservative spending habits.

Town of Pittsboro
North Carolina

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Charges for services	\$474,757	\$413,444	\$2,473,622	\$2,313,888	\$2,948,379	\$2,727,332
Operating grants and contributions	259,110	178,729	-	-	259,110	178,729
Capital grants and contributions	-	-	397,052	1,401,988	397,052	1,401,988
General revenues						
Property taxes	1,888,141	1,580,812	-	-	1,888,141	1,580,812
Other taxes	963,700	965,528	-	-	963,700	965,528
Grants and contributions not restricted to specific programs	73,173	51,220	-	-	73,173	51,220
Other	71,942	211,771	17,863	(164,388)	89,805	47,383
Total revenues	3,730,823	3,401,504	2,888,537	3,551,488	6,619,360	6,952,992
Expenses						
General government	955,433	1,056,249	-	-	955,433	1,056,249
Public safety	1,419,993	1,464,390	-	-	1,419,993	1,464,390
Transportation	417,979	384,872	-	-	417,979	384,872
Environmental protection	323,263	305,497	-	-	323,263	305,497
Culture and recreation	146,538	149,435	-	-	146,538	149,435
Water and sewer	-	-	2,795,801	2,627,125	2,795,801	2,627,125
Total expenses	3,263,206	3,360,443	2,795,801	2,627,125	6,059,007	5,987,568
Increase in net position	467,617	41,061	92,736	924,363	560,353	965,424
Net position beginning of year (as restated)	6,677,561	6,618,795	13,672,955	12,748,592	20,350,516	19,367,387
Net position end of year	\$7,145,178	\$6,659,856	\$13,765,691	\$13,672,955	\$20,910,869	\$20,332,811

Town of Pittsboro
North Carolina

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Governmental Activities – Governmental activities increased the Town’s net position by \$467,617, accounting for 71.2% of the total growth in the government’s net assets. Key elements of this increase are as follows:

- Increased property tax revenues due to property tax increase
- Close control of expenditures
- Increased activity with operating grants

Business-type Activities – Business-type activities increased the Town’s net position by \$92,736 accounting for 28.8% of the total growth in the government’s net assets. Key elements of this increase are as follows:

- Increased water and sewer revenues from new customers
- Increased grant revenue for water and sewer projects

Financial Analysis of the Town of Pittsboro’s Funds

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

Governmental Funds – The focus of the Town of Pittsboro’s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town’s financing requirements. 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 Pittsboro. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,559,093 while total fund balance reached \$3,088,578. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 85.6% of total General Fund expenditures.

At June 30, 2014, the governmental funds of the Town of Pittsboro reported a combined fund balance of \$3,184,784 a \$520,946 increase over last year. Included in this change in fund balance is an increase in fund balance in the General Fund and an increase in fund balance in the Non-Major Governmental Fund.

General Fund Budgetary Highlights – During the fiscal year, the Town of Pittsboro 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.

Town of Pittsboro
North Carolina

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Proprietary Funds – The Town of Pittsboro’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,327,570. The total increase in net position for the fund was \$92,736. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town of Pittsboro’s business-type activities.

Capital Assets and Debt Administration

Capital Assets – The Town of Pittsboro’s investment in capital assets for its governmental and business type activities as of June 30, 2014 totals \$16,950,408 (net of accumulated depreciation). These assets include buildings, streets, land, machinery and equipment, park facilities, and vehicles.

**The Town of Pittsboro’s Capital Assets
Figure 4**

(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$553,000	\$553,000	\$10,200	\$10,200	\$563,200	\$563,200
Buildings and systems	272,513	281,617	53,317	26,892	325,830	308,509
Improvements other than buildings	-	-	9,737,329	10,165,846	9,737,329	10,165,846
Furniture and equipment	523,009	580,951	300,304	322,083	823,313	903,034
Infrastructure	2,374,672	2,417,764	-	-	2,374,672	2,417,764
Vehicles and motorized equipment	101,243	95,749	-	-	101,243	95,749
Construction in progress	164,159	112,814	2,860,662	2,716,653	3,024,821	2,829,467
Total	\$3,988,596	\$4,041,895	\$12,961,812	\$13,241,674	\$16,950,408	\$17,283,569

Town of Pittsboro
North Carolina

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Additional information on the Town of Pittsboro’s capital assets can be found in the Notes to the Financial Statements, Section III-A-3 (pages 35-36), of the Basic Financial Statements.

Long-term Debt – As of June 30, 2014, the Town of Pittsboro had total debt outstanding of \$2,077,651. This entire amount of debt is backed by the full faith and credit of the Town of Pittsboro.

The Town of Pittsboro’s Outstanding Debt
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$-	\$-	\$743,500	\$960,500	\$743,500	\$960,500
Notes	-	-	1,334,151	1,553,611	1,334,151	1,553,611
	<u>\$-</u>	<u>\$-</u>	<u>\$2,077,651</u>	<u>\$2,514,111</u>	<u>\$2,077,651</u>	<u>\$2,514,111</u>

The Town of Pittsboro’s total debt decreased by \$436,460 (17%) during the past fiscal year primarily due to scheduled debt payments.

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 Pittsboro is \$32,618,216. The Town has no bonds authorized at June 30, 2014.

Additional information regarding the Town’s long-term debt can be found in the Notes to the Financial Statements, Section III-B-6 (pages 43-44), of this report.

Economic Factors and Next Year’s Budgets and Rates

Fiscal year 2013-2014 saw Pittsboro continue its slow climb from the economic downturn of recent years. Residential and commercial construction grew slowly with additional growth anticipated in different areas of Town in the near future. A new Bojangles began construction late summer 2013 and opened in the spring of 2014. A new Waffle House opened in the early summer of 2014.

The number of residential water customers continued to increase at a moderate pace:

Year	Water Customers
2011	1,512
2012	1,523
2013	1,576
2014	1,603

Town of Pittsboro
North Carolina

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Sixty (60) single-family residential lots were granted approvals in 2013. Powell Place infill residential construction increased with accompanying new home sales. “Phase 2D” – an alteration of the previous master plan to less dense single family housing – was approved at Powell Place with construction beginning in the summer of 2014. Kensington Park – a twelve-unit, single-family residential development located on Park Drive – received approvals in 2013. Site and house construction in Kensington Park continued in 2014.

Chatham Park Investors, LLC, submitted a master plan and request to rezone approximately 7,000 acres the Town of Pittsboro’s “Extra Territorial Jurisdiction” to a “Planned Development District” in May 2013 and approval was granted by the Town Board of Commissioners in June 2013. The ultimate effect of this development could add an estimated 60,000 people to the community over a 20 or 30-year timeframe. Town leadership is currently working with the developers on issues within the proposed plan. Construction on a medical office building associated with UNC Health Services began construction in 2013 and continued to 2014.

Budget Highlights for the Year Ending June 30, 2015

Governmental Activities –An ad valorem tax rate of \$0.4333 per \$100.00 assessed value, was recommended and adopted in the base budget for the official tax rate for the Town of Pittsboro for fiscal year 2014-2015. This rate is based on the most recent valuation and uses and anticipated collection rate of 97% which is consistent with prior years.

Ad valorem taxes (\$1,859,439) account for 50% of the total General Fund revenue. Other major revenue streams for the Town include sales taxes, tipping fees and utility franchise taxes. These revenues are projected to bring in \$607,000 (16%), \$334,950 (9%) and \$111,000 (3%) respectively. These four revenues account for 78% of the total General Fund revenues.

The fiscal year 2014-2015 General Fund budget of \$3,712,104 is a 3% increase over the fiscal year 2013-2014 budget.

Enterprise Activities

Operating revenues in the Enterprise Fund are generated primarily through the sale of water and sewer utilities. It is anticipated that \$2,469,800 will be generated in fiscal year 2014-2015. This represents 87% of the revenues in the Enterprise Fund. Other revenues include reuse water charges - \$56,650, (2%), penalties and late fees - \$60,000 (2.2%).

At \$2,832,106 the fiscal year 2014-2015 Enterprise Fund Budget is (3%) more than the fiscal year 2013-2014 budget.

Town of Pittsboro
North Carolina

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Requests for Information

This report is designed to provide an overview of the Town of Pittsboro'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 Town Manager or Finance Officer.

Town of Pittsboro
P.O. Box 759
Pittsboro, North Carolina 27312
919-542- 4621
www.pittsboronc.gov

BASIC FINANCIAL STATEMENTS

TOWN OF PITTSBORO, NORTH CAROLINA

Exhibit 1

Statement of Net Position

June 30, 2014

	Primary Government			Town of Pittsboro ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,922,354	\$ 2,415,013	\$ 5,337,367	\$ 235,484
Taxes receivables (net)	82,943	-	82,943	-
Accrued interest receivable on taxes	15,275	-	15,275	-
Accounts receivable	15,227	376,415	391,642	-
Due from other governments	238,049	150,201	388,250	-
Due from component unit	6,807	-	6,807	-
Inventories	-	-	-	108,170
Prepaid items	23,466	14,811	38,277	2,654
Restricted cash	136,287	169,675	305,962	-
Total current assets	<u>3,440,408</u>	<u>3,126,115</u>	<u>6,566,523</u>	<u>346,308</u>
Non-current assets:				
Capital assets:				
Land, non-depreciable improvements and construction in progress	717,159	2,870,862	3,588,021	9,000
Other capital assets, net of depreciation	3,271,437	10,090,950	13,362,387	105,225
Total capital assets	<u>3,988,596</u>	<u>12,961,812</u>	<u>16,950,408</u>	<u>114,225</u>
Total assets	<u>7,429,004</u>	<u>16,087,927</u>	<u>23,516,931</u>	<u>460,533</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	138,498	109,426	247,924	52,049
Accrued interest payable	-	5,134	5,134	-
Customer deposits	-	49,292	49,292	-
Current portion of long-term liabilities	-	432,459	432,459	-
Total current liabilities	<u>138,498</u>	<u>596,311</u>	<u>734,809</u>	<u>52,049</u>
Long-term liabilities:				
Due in more than one year	126,420	1,725,925	1,852,345	-
Total liabilities	<u>264,918</u>	<u>2,322,236</u>	<u>2,587,154</u>	<u>52,049</u>
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	18,908	-	18,908	-
Total deferred inflows of resources	<u>18,908</u>	<u>-</u>	<u>18,908</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	3,988,596	10,884,161	14,872,757	114,225
Restricted for:				
Stabilization by State Statue	260,083	-	260,083	-
Restricted for other purposes	136,287	1,553,960	1,690,247	32,956
Unrestricted	2,760,212	1,327,570	4,087,782	261,303
Total net position	<u>\$ 7,145,178</u>	<u>\$ 13,765,691</u>	<u>\$ 20,910,869</u>	<u>\$ 408,484</u>

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF PITTSBORO, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2014

Exhibit 2

Functions/Programs	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>			<u>Town of Pittsboro ABC Board</u>
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Primary government:								
Governmental activities:								
General government	\$ 955,433	\$ 47,772	\$ -	\$ -	\$ (907,661)	\$ -	\$ (907,661)	\$ -
Public safety	1,419,993	986	-	-	(1,419,007)	-	(1,419,007)	-
Transportation	417,979	17,000	124,304	-	(276,675)	-	(276,675)	-
Environmental protection	323,263	375,637	-	-	52,374	-	52,374	-
Cultural and recreation	146,538	33,362	134,806	-	21,630	-	21,630	-
Total governmental activities	<u>3,263,206</u>	<u>474,757</u>	<u>259,110</u>	<u>-</u>	<u>(2,529,339)</u>	<u>-</u>	<u>(2,529,339)</u>	<u>-</u>
Business-type activities:								
Water and sewer	<u>2,795,801</u>	<u>2,473,622</u>	<u>-</u>	<u>397,052</u>	<u>-</u>	<u>74,873</u>	<u>74,873</u>	<u>-</u>
Total primary government	<u>\$ 6,059,007</u>	<u>\$ 2,948,379</u>	<u>\$ 259,110</u>	<u>\$ 397,052</u>	<u>(2,529,339)</u>	<u>74,873</u>	<u>(2,454,466)</u>	<u>-</u>
Component unit								
ABC Board	<u>\$ 742,904</u>	<u>\$ 856,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,040</u>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					1,888,141	-	1,888,141	-
Other taxes					963,700	-	963,700	-
Grants and contributions not restricted to specific programs					73,173	-	73,173	-
Unrestricted investment earnings					2,629	2,199	4,828	47
Miscellaneous					57,313	27,664	84,977	3,519
Transfers					12,000	(12,000)	-	(52,939)
Total general revenues and transfers					<u>2,996,956</u>	<u>17,863</u>	<u>3,014,819</u>	<u>(49,373)</u>
Change in net position					467,617	92,736	560,353	64,667
Net position, beginning (as restated)					<u>6,677,561</u>	<u>13,672,955</u>	<u>20,350,516</u>	<u>343,817</u>
Net position, ending					<u>\$ 7,145,178</u>	<u>\$ 13,765,691</u>	<u>\$ 20,910,869</u>	<u>\$ 408,484</u>

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF PITTSBORO, NORTH CAROLINA

Exhibit 3

Balance Sheet
Governmental Funds
June 30, 2014

	<u>Major Fund</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Total Non- Major Funds</u>	
ASSETS			
Cash and cash equivalents	\$ 2,820,851	\$ 101,503	\$ 2,922,354
Restricted cash	136,287	-	136,287
Taxes receivable - net	82,943	-	82,943
Accounts receivable	15,227	-	15,227
Due from other governments	238,049	-	238,049
Prepaid items	23,466	-	23,466
Due from component unit	6,807	-	6,807
Total assets	<u>\$ 3,323,630</u>	<u>\$ 101,503</u>	<u>\$ 3,425,133</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 133,201	\$ 5,297	\$ 138,498
Total liabilities	<u>133,201</u>	<u>5,297</u>	<u>138,498</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes, licenses and fees	18,908	-	18,908
Taxes receivable	82,943	-	82,943
Total deferred inflows of resources	<u>101,851</u>	<u>-</u>	<u>101,851</u>
FUND BALANCES			
Restricted			
Stabilization by State Statute	260,083	-	260,083
Streets	136,287	-	136,287
Assigned			
Subsequent year's expenditures	133,115		133,115
Capital Projects Funds	-	96,206	96,206
Unassigned	2,559,093	-	2,559,093
Total fund balances	<u>3,088,578</u>	<u>96,206</u>	<u>3,184,784</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,323,630</u>	<u>\$ 101,503</u>	<u>\$ 3,425,133</u>

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF PITTSBORO, NORTH CAROLINA

Exhibit 3

**Balance Sheet
Governmental Funds
June 30, 2014**

Amounts reported for governmental activities in the Statement of Net Position (exhibit 1) are different because:

Total Fund Balance, Governmental Funds		\$ 3,184,784
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 6,157,390	
Accumulated depreciation	<u>(2,168,794)</u>	3,988,596
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		15,275
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		82,943
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year).		<u>(126,420)</u>
Net position of governmental activities		<u><u>\$ 7,145,178</u></u>

The accompanying notes to the financial statements are an integral part of these statements

TOWN OF PITTSBORO, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

Exhibit 4

	<u>Major Fund</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Total Non- Major Funds</u>	
REVENUES			
Ad valorem taxes	\$ 1,875,383	\$ -	\$ 1,875,383
Other taxes and licenses	963,700	-	963,700
Unrestricted intergovernmental	65,318	-	65,318
Restricted intergovernmental	164,772	119,493	284,265
Permits and fees	61,413	-	61,413
Sales and services	395,784	-	395,784
Investment earnings	2,601	28	2,629
Miscellaneous	8,689	-	8,689
Total revenues	<u>3,537,660</u>	<u>119,521</u>	<u>3,657,181</u>
EXPENDITURES			
Current:			
General government	765,887	-	765,887
Public safety	1,369,288	-	1,369,288
Transportation	427,795	29,759	457,554
Environmental protection	323,263	-	323,263
Cultural and recreational	103,548	116,695	220,243
Total expenditures	<u>2,989,781</u>	<u>146,454</u>	<u>3,136,235</u>
Excess (deficiency) of revenues over expenditures	<u>547,879</u>	<u>(26,933)</u>	<u>520,946</u>
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	1,691	(1,691)	-
Transfer to other funds	(110,600)	110,600	-
Total other financing sources (uses)	<u>(108,909)</u>	<u>108,909</u>	<u>-</u>
Net change in fund balance	438,970	81,976	520,946
Fund balances, beginning	<u>2,649,608</u>	<u>14,230</u>	<u>2,663,838</u>
Fund balances, ending	<u>\$ 3,088,578</u>	<u>\$ 96,206</u>	<u>\$ 3,184,784</u>

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF PITTSBORO, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014

Exhibit 4

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

Net changes in fund balances- total governmental funds	\$	520,946
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Governmental funds report capital outlays 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 in the current period.

Capital outlay expenditures which were capitalized	\$	186,294	
Depreciation expense for governmental assets		<u>(239,593)</u>	(53,299)

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

Change in deferred revenue for tax revenues		344
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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.

Compensated absences	\$	6,459	
Other postemployment benefits		<u>(6,833)</u>	<u>(374)</u>

Total changes in net position of governmental activities	\$	<u><u>467,617</u></u>
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The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF PITTSBORO, NORTH CAROLINA

Exhibit 5

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 1,735,946	\$ 1,735,946	\$ 1,875,383	\$ 139,437
Other taxes and licenses	926,700	926,700	963,700	37,000
Unrestricted intergovernmental	46,000	46,000	65,318	19,318
Restricted intergovernmental	127,000	128,900	164,772	35,872
Permits and fees	58,000	61,800	61,413	(387)
Sales and services	343,000	345,500	395,784	50,284
Investment earnings	4,000	4,000	2,601	(1,399)
Miscellaneous	25,200	25,200	8,689	(16,511)
Total revenues	<u>3,265,846</u>	<u>3,274,046</u>	<u>3,537,660</u>	<u>263,614</u>
Expenditures:				
Current:				
General government	1,083,227	872,962	765,887	107,075
Public safety	1,519,171	1,521,971	1,369,288	152,683
Transportation	459,728	515,977	427,795	88,182
Environmental protection	326,500	326,500	323,263	3,237
Cultural and recreational	92,120	106,320	103,548	2,772
Total expenditures	<u>3,480,746</u>	<u>3,343,730</u>	<u>2,989,781</u>	<u>353,949</u>
Revenues over (under) expenditures	<u>(214,900)</u>	<u>(69,684)</u>	<u>547,879</u>	<u>617,563</u>
Other financing sources (uses):				
Transfers from other funds	192,466	1,691	1,691	-
Transfers to other funds	-	(272,326)	(110,600)	161,726
Fund balance appropriated	22,434	340,319	-	(340,319)
Total other financing sources (uses)	<u>214,900</u>	<u>69,684</u>	<u>(108,909)</u>	<u>(178,593)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	438,970	<u>\$ 438,970</u>
Fund balance, beginning			<u>2,649,608</u>	
Fund balance, ending			<u>\$ 3,088,578</u>	

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF PITTSBORO, NORTH CAROLINA
Statement of Net Position
Proprietary Fund
June 30, 2014

Exhibit 6

	Major Enterprise Fund <hr/> Water and Sewer Fund <hr/>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,415,013
Accounts receivable (net) - billed	319,598
Accounts receivable (net) - unbilled	56,817
Due from other governments	150,201
Prepaid items	14,811
Restricted cash and cash equivalents	169,675
Total current assets	3,126,115
Noncurrent assets:	
Capital assets:	
Land and construction in progress	2,870,862
Other capital assets, net of depreciation	10,090,950
Capital assets	12,961,812
Total noncurrent assets	12,961,812
Total assets	\$ 16,087,927
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	109,426
Accrued bond interest	5,134
Customer deposits	49,292
Current portion of long-term debt	432,459
Total current liabilities	596,311
Noncurrent liabilities:	
Accrued vacation	40,000
Other postemployment benefits	40,733
Non-current portion of long-term debt	1,645,192
Total noncurrent liabilities	1,725,925
Total liabilities	2,322,236
NET POSITION	
Net investment in capital assets	10,884,161
Restricted for capital projects	1,553,960
Unrestricted	1,327,570
Total net position	\$ 13,765,691

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF PITTSBORO, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2014

Exhibit 7

	Major Enterprise Fund <hr/> Water and Sewer Fund <hr/>
OPERATING REVENUES	
Water sales	\$ 1,251,991
Sewer charges	1,134,271
Reuse water charges	50,490
Reconnection fees and penalties	36,870
Miscellaneous	27,664
Total operating revenues	<hr/> 2,501,286 <hr/>
OPERATING EXPENSES	
Administrative	389,633
Water operations	842,864
Sewer treatment	541,834
Public utilities	431,935
Depreciation	534,000
Total operating expenses	<hr/> 2,740,266 <hr/>
Operating income (loss)	<hr/> (238,980) <hr/>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	2,199
Interest and other charges	(55,535)
Water and sewer access charges	382,983
Total nonoperating revenues (expenses)	<hr/> 329,647 <hr/>
Income (loss) before contributions and transfers	<hr/> 90,667 <hr/>
Capital contribution - CDBG grant	12,600
Capital contribution - NC Rural Center grant	1,469
Transfer to Other Funds	(12,000)
Change in net position	<hr/> 92,736 <hr/>
Total net position, beginning	<hr/> 13,672,955 <hr/>
Total net position, ending	<hr/> \$ 13,765,691 <hr/>

The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF PITTSBORO, NORTH CAROLINA
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2014

Exhibit 8

	<u>Major Enterprise Fund</u> <u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 2,723,882
Cash paid for goods and services	(1,401,533)
Cash paid to or on behalf of employees for services	(948,905)
Customer deposits received	1,710
Other operating revenues	27,664
Net cash provided (used) by operating activities	<u>402,818</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to other funds	(12,000)
Total cash flow from noncapital financing activities	<u>(12,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contribution - access fees	382,983
Capital contribution - NC Rural Center grant	1,469
Capital contribution - CDBG grant	12,600
Principal paid on bonds/loans	(436,459)
Interest paid on bonds/loans	(55,535)
Acquisition and construction of capital assets	(254,138)
Net cash provided (used) by capital and related financing activities	<u>(349,080)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	2,199
Net increase (decrease) in cash and cash equivalents	43,937
Balances, beginning	2,540,751
Balances, ending	<u>\$ 2,584,688</u>
Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income (loss)	\$ (238,980)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	534,000
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	(34,075)
Decrease (increase) in due from other governments	284,335
Increase (decrease) in accounts payable and accrued liabilities	(141,584)
Increase in prepaid items	(14,811)
Increase (decrease) in customer deposits	1,710
Increase (decrease) in accrued vacation	5,170
Increase (decrease) in other postemployment benefits	7,053
Total adjustments	<u>641,798</u>
Net cash provided by operating activities	<u>\$ 402,818</u>

The accompanying notes to the financial statements are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Pittsboro (“the Town”) and its discretely presented component unit, the Town of Pittsboro ABC Board, 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 Pittsboro is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town’s financial statements in order to emphasize that it is legally separate from the Town.

Town of Pittsboro ABC Board

The members of the ABC Board’s governing board are appointed by the Town. In addition, the ABC Board is required by State Statute to distribute its surpluses, if any, to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity’s administrative offices at the Town of Pittsboro ABC Board, P.O. Box 642, Pittsboro, North Carolina 27312.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and 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.

Fund Financial Statements: The fund financial statements provide information about the Town’s funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (Continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and various other taxes and licenses. The primary expenditures are for public safety, streets, sanitation, parks and recreation and general government services.

The Town reports the following non-major governmental fund:

Capital Projects Funds. Capital Projects Funds were established to account for funds that are restricted for use for a particular purpose, mainly the acquisition of equipment, construction of special projects and renovations of the Town's capital assets.

The Town reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations.

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 and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using 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. Non-exchange 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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 capital leases 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 revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, 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, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable for the fiscal year in which they are received. Uncollected taxes that were billed during this period prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (Continued)

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Water and Sewer Fund and Capital Projects Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting. Appropriations are made at the departmental level and are amended as necessary by the governing board. The manager may make interdepartmental transfers (limited to 10% of the department's budget) without Board approval. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. All amendments greater than 10% of a department's budget must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the Town and the ABC Board 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 association whose principal office is located in North Carolina. Also, the Town and ABC Board 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 State 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). The Town's and ABC Board's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT- Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The Town and ABC Board have neither investments nor an investment policy at year end.

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. The Town and ABC Board consider al highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (Continued)

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Any unexpended balances of grant or loan funds for the Capital Projects Funds are classified as restricted assets in the appropriate fund because their use is completely restricted to the purpose for which the grants and/or loans were intended. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintain, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Pittsboro Restricted Cash

Governmental Activities		
General Fund		
	Streets	\$ 136,287
Total governmental activities		136,287
Business-type Activities		
Water and Sewer Fund		
	Customer deposits	49,292
	Unexpended bond proceeds	120,383
Total Business-type Activities		169,675
Total Restricted Cash		\$ 305,962

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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2013. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

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 that were written off in prior years.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (Continued)

6. Inventory and Prepaid Items

The inventories of the ABC Board are valued at cost (first-in, first-out), which approximates market. The inventories of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

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.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. 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 the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings and improvements	15 - 50 years
Furniture and equipment	5 - 40 years
Infrastructure	15 - 25 years
Vehicles	5 - 8 years

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Buildings and leasehold improvements	5 - 30 years
Store and administrative equipment	7 years

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (Continued)

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only two items that met this criterion for this category – prepaid property taxes and property taxes receivable.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. 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 does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (Continued)

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents 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.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town has no nonspendable fund balance.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Capital Projects – portion of fund balance that represents unspent debt or grant proceeds that are restricted for the construction of certain capital projects.

Committed Fund Balance –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Pittsboro’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (Continued)

Assigned Fund Balance – portion of fund balance that the Town of Pittsboro intends to use for specific purposes.

Assigned for Capital Projects Funds – portion of fund balance assigned by the Board of Commissioners for capital expenditures.

Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriation within a fund up to 10% of any department's appropriation.

Unassigned Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town of Pittsboro does not have a formal revenue spending policy for programs with multiple revenue sources.

The Town of Pittsboro has not adopted a minimum fund balance policy for the General Fund.

II. Stewardship, Compliance, and Accountability

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2014, no expenditures in the Town's General Fund exceeded the authorized appropriations made by the governing board.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and the ABC Board 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 or the ABC Board's agents in these units' names. 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 and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. 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.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detail Notes on All Funds (Continued)

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, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for under-collateralization. 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 credit risk 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. The ABC Board has not adopted a formal policy regarding custodial risk for deposits.

At June 30, 2014, the Town's deposits had a carrying amount of \$5,642,929 and a bank balance of \$5,871,728. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$234,684 and the bank balance was \$263,114. Of the bank balance \$250,000 was covered by federal depository insurance and \$13,114 was covered by collateral under the pooling method. At June 30, 2014, the Town's petty cash fund totaled \$400.

2. Receivables - Allowances for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes penalties levied and outstanding in the amount of \$3,144.

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2014 is net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 22,571
Accounts receivable	<u>8,600</u>
Total General Fund	31,171
Water and Sewer Fund:	
Accounts receivable	<u>48,162</u>
Total	<u>\$ 79,333</u>

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detail Notes on All Funds (Continued)

3. Capital Assets
Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 553,000	\$ -	\$ -	\$ 553,000
Construction in progress	112,814	146,454	95,109	164,159
Total capital assets not being depreciated	665,814	146,454	95,109	717,159
Capital assets being depreciated:				
Buildings	423,563	-	-	423,563
Furniture and equipment	926,257	-	-	926,257
Vehicles	629,936	39,840	-	669,776
Infrastructure	3,325,526	95,109	-	3,420,635
Total assets being depreciated	5,305,282	134,949	-	5,440,231
Less accumulated depreciation for:				
Buildings	141,946	9,104	-	151,050
Furniture and equipment	345,306	57,942	-	403,248
Vehicles	534,187	34,346	-	568,533
Infrastructure	907,762	138,201	-	1,045,963
Total accumulated depreciation	1,929,201	239,593	-	2,168,794
Total capital assets being depreciated, net	3,376,081			3,271,437
Total governmental activities capital assets, net	\$ 4,041,895			\$ 3,988,596

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

General government	\$ 9,791
Public safety	43,269
Transportation	143,543
Environmental protection	-
Recreation	42,990
	\$ 239,593

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detail Notes on All Funds (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities – Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 10,200	\$ -	\$ -	\$ 10,200
Construction in progress	2,716,653	144,009	-	2,860,662
Total capital assets not being depreciated	2,726,853	144,009	-	2,870,862
Capital assets being depreciated:				
Buildings	134,365	29,317	-	163,682
Other improvements	16,537,542	17,566	-	16,555,108
Equipment	2,072,121	63,246	-	2,135,367
Total assets being depreciated	18,744,028	110,127	-	18,854,157
Less accumulated depreciation for:				
Buildings	107,473	2,892	-	110,365
Other improvements	6,371,696	446,083	-	6,817,779
Equipment	1,750,038	85,025	-	1,835,063
Total accumulated depreciation	8,229,207	534,000	-	8,763,207
Total capital assets being depreciated, net	10,514,821			10,090,950
Total governmental activities capital assets, net	\$13,241,674			\$12,961,812

Construction Commitments

The Town has no active construction commitment as of June 30, 2014.

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Buildings and leasehold improvements	\$ 145,585	\$ 18,346	\$ -	\$ 163,931
Store and administrative equipment	44,161	3,304	-	47,465
Total assets being depreciated	189,746	61,180	-	211,396
Less accumulated depreciation:				
Total accumulated depreciation	82,802	14,369	-	97,171
Total ABC Board capital assets, net	\$ 106,944			\$ 114,225

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detail Notes on All Funds (Continued)

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town 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 six percent 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 7.07% and 7.55%, respectively, of annual covered payroll. The contribution requirements of members and of the Town are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$133,161, \$125,977, and \$131,725, respectively. The contributions made by the Town equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The Town of Pittsboro 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 percent 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.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detail Notes on All Funds (Continued)

All full time law enforcement officers of the Town are covered by the Separation Allowance. At June 30, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	11
Active plan members	-
Total	13

A separate report was not issued for the plan.

2. 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.

3. 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 has not done an actuarial valuation on these benefits, because they have deemed the amount paid each year would be immaterial. For the current year, the Town paid \$13,623 in benefits. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. 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.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detail Notes on All Funds (Continued)

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2014 were \$28,201, which consisted of \$11,930 from the Town and \$16,271 from the law enforcement officers.

d. Section 401(k) Plan for General Employees

Plan Description. The Town contributes to a 401(k) Plan, a defined contribution plan administered by the Prudential Insurance Company of America. The Plan provides retirement benefits to the general employees, other than law enforcement, employed by the Town.

Funding Policy. The Town annually determines the amount of contributions. For the year ended June 30, 2014, the Town contributed five percent (5.0%) on each general employee's salary. Also, the general employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2014 were \$92,665, which consisted of \$67,583 from the Town and \$25,082 from the general employees.

e. Other Postemployment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town provides postretirement health care benefits to retirees of the Town. The Plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least fifteen years of credible service with the Town.

The Town pays the full cost of coverage for these benefits through private insurers. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates. The Town may amend the benefit provisions. A separate report was not issued for the Plan.

Funding Policy. By Town resolution, the Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees who have twenty five (25) years of service and reduced costs for those between fifteen (15) through twenty four (24) years of service. No coverage is provided for any employee who is sixty five (65) or over. For the year June 30, 2014, the Town's total contributions were \$13,624.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. The Enterprise Fund records the estimated liability for its portion on an annual basis.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detail Notes on All Funds (Continued)

Annual OPEB Cost and Net OPEB Obligation. The Town's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$	27,030
Interest on net OPEB obligation		480
Adjustment to annual required contribution		-
Annual OPEB cost (expense)		27,510
Contributions made		(13,624)
Increase (decrease) in net OPEB obligation		13,886
Net OPEB obligation, beginning of year		86,428
Net OPEB obligation, end of year	\$	100,314

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2014 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 27,510	49.50%	\$ 13,886
2013	\$ 26,813	38.39%	\$ 16,519
2012	\$ 34,264	17.65%	\$ 28,218

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$215,809. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,821,230 and the ratio of the UAAL to the covered payroll was 11.8 percent.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumption about the probability of occurrence of events into the future.

Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detail Notes on All Funds (Continued)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits provided at the time or each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used included techniques that are designed to reduce the effects of short-term vitality in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality – Life expectancies were based on mortality table from the National Center for Health Statistics. The 2005 United States Life Tables for Males and Females were used.

Turnover – Non-group specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for development of an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Center for Medicare & Medicaid Services. A rate of 12.00 percent initially, reduced to an ultimate rate of 6.00 percent after six years was used.

Health insurance premiums – 2013 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected long-term inflation assumption of 3.8 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2007 Annual Report of the Board of Trustees of Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

Payroll growth rate – The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount rate of 4.00 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2014 was thirty years.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detail Notes on All Funds (Continued)

2. Other Employment Benefits

The Town has elected to provide death benefits to 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 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 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. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

Deferred inflows of resources at year-end are comprised of the following:

	Unavailable revenue	Unearned revenue
Prepaid taxes (General Fund)	\$ 14,124	\$
Prepaid fees and licenses (General Fund)	4,784	
Taxes receivable (General Fund)		82,943
Total	\$ 18,908	\$ 82,943

4. 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 (3) self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1,000,000 per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detail Notes on All Funds (Continued)

The Town carries commercial insurance for all other risks of loss. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area of the State that has been mapped and designated an “A” area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town also is eligible to and has purchased commercial flood insurance for another \$5,000,000 of coverage per structure.

In accordance with G.S. 159-29, the Town’s employees that have access to \$100 or more at any given time of the Town’s funds are performance bonded through a commercial surety bond. The town clerk and mayor are bonded for \$50,000 each through a commercial surety bond. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

5. Claims, Judgments and Contingent Liabilities

The Town is contingently liable in respect to other claims in the normal course of its operations. Should the Town become liable in these matters, such liability would be satisfied by budgetary appropriation in excess of insurance coverage in a subsequent year.

6. Long-Term Obligations

a. General Obligation Indebtedness

Those general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2014 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water and Sewer Fund:

\$2,500,000 Water and Sewer Refunding Bonds; issued July 1, 2001;
maturing serially to June 1, 2016; interest at 4.10% to 4.80%. \$ 365,000

Water and Sewer Bonds (FHA); issued November 1, 1994; maturing
serially to June 1, 2034; interest at 5.25%. 378,500

\$ 743,500

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detail Notes on All Funds (Continued)

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	<u>Business-type Activities</u>	
	<u>General Obligation Bonds</u>	
	Principal	Interest
2015	\$ 222,500	\$ 37,391
2016	168,000	26,655
2017	14,000	18,533
2018	15,000	17,798
2019	15,000	17,010
2020-2024	90,000	72,188
2025-2029	109,000	46,148
2030-2034	110,000	17,325
Total	<u>\$ 743,500</u>	<u>\$ 253,048</u>

Notes Payable

ARRA Federal Revolving Loan; issued August 4, 2009; due in twenty annual installments of \$62,319 beginning on May 1st after the project has been completed for six months; non-interest bearing; maximum amount of loan is \$1,246,370; project was completed in December 2010. \$ 972,868

Branch Banking & Trust Loan; issued December 10, 2010; due in ten semiannual installments of \$26,525 beginning on June 10, 2011; interest rate at 2.49%. 77,681

Branch Banking & Trust Loan; issued September 26, 2012; due in ten semiannual installments of \$26,124; interest rate at 1.77%, to assist in the financing of the Hillsboro Street Transmission Line Replacement Project. 175,602

Central Electric Membership Corporation; issued September 26, 2011; twenty quarterly installments of \$12,000 beginning on January 1, 2012; non-interest bearing; secured by a deed of trust. 108,000

\$ 1,334,151

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detail Notes on All Funds (Continued)

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	Business-type Activities Notes Payable	
	Principal	Interest
2015	\$ 209,959	\$ 6,211
2016	185,656	4,086
2017	148,071	1,863
2018	60,805	685
2019	60,805	-
2020-2024	304,025	-
2025-2029	304,025	-
2030	60,805	-
Total	<u>\$ 1,334,151</u>	<u>\$ 12,845</u>

The Town has a legal debt margin of \$32,618,216 at June 30, 2014.

b. Change in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 73,298	\$ -	\$ 6,459	\$ 66,839	\$ -
Other postemployment benefits	52,748	6,833	-	59,581	-
Governmental activity long-term liabilities	<u>\$ 126,046</u>	<u>\$ 6,833</u>	<u>\$ 6,459</u>	<u>\$ 126,420</u>	<u>\$ -</u>
Business-type activities:					
Water and Sewer Fund					
General obligation bonds	\$ 960,500	\$ -	\$ 217,000	\$ 743,500	\$ 222,500
Notes Payable	1,553,610	-	219,459	1,334,151	209,959
Compensated absences	34,830	5,170	-	40,000	-
Other postemployment benefits	33,680	7,053	-	40,733	-
Water Sewer Fund long-term liabilities	<u>\$ 2,582,620</u>	<u>\$ 12,223</u>	<u>\$ 436,459</u>	<u>\$ 2,158,384</u>	<u>\$ 432,459</u>
Business activity long-term liabilities	<u>\$ 2,582,620</u>	<u>\$ 12,223</u>	<u>\$ 436,459</u>	<u>\$ 2,158,384</u>	<u>\$ 432,459</u>

The ABC Board had no long-term debt at June 30, 2014.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detail Notes on All Funds (Continued)

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2014, consist of the following:

From General Fund to East Street Sidewalk Extension Project	\$ 34,000
From General Fund to NC HWY 87 Sidewalk Project	<u>76,600</u>
	<u>\$110,600</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts providing matching funds for various grant programs.

D. Fund Balance

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance-General Fund	\$ 3,088,578
Less:	
Stabilization by State Statute	260,083
Streets-Powell Bill	136,287
Appropriated Fund Balance in 2015 budget	133,115
Remaining Fund Balance	\$ 2,559,093

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

The Town had no encumbrances at June 30, 2014.

IV. Jointly Governed Organization

The Town, in conjunction with various counties and other municipalities, established the Triangle J Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member of the Council's governing board. The Town paid membership fees of \$1,511 to the Council during the year ended June 30, 2014.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2014

V. Prior Period Adjustment

During the fiscal year ended June 30, 2014, the Town determined that a project (Alpha Install Upfit Project) that was previously expensed should have remained as construction in progress due to the project not being completed. Therefore, an adjustment to beginning fund balance has been recorded to account for the construction in progress, the net effect of which increased the beginning fund balance by \$17,705.

VI. 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.

VII. Significant Effects of Subsequent Events

Subsequent events have been evaluated through November 11, 2014, the date which the financial statements were available to be issued. There were no recognized events meriting disclosure.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

Other Postemployment Benefits
Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2013	\$ -	\$ 215,809	\$ 215,809	0%	\$ 1,821,230	11.85%
12/31/2012	-	248,943	248,943	0%	1,806,803	13.78%
12/31/2011	-	183,668	183,668	0%	1,879,439	9.77%
12/31/2010	-	164,500	164,500	0%	1,801,127	9.13%
12/31/2009	-	143,208	143,208	0%	1,713,570	8.36%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2014	\$ 27,510	17.98%
2013	26,813	17.98%
2012	34,264	17.65%
2011	31,688	19.08%
2010	22,097	27.36%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 2

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes - current year	\$ 1,704,946	\$ 1,844,502	\$ 139,556
Taxes - prior years	26,000	21,787	(4,213)
Interest and penalties	5,000	9,094	4,094
Total	<u>1,735,946</u>	<u>1,875,383</u>	<u>139,437</u>
Other taxes and licenses:			
Local option sales tax	528,000	588,444	60,444
Hold harmless tax	180,000	204,747	24,747
Utilities franchise taxes	111,000	73,735	(37,265)
Telecommunications tax	34,000	24,695	(9,305)
Video sales tax	28,000	21,995	(6,005)
Other taxes and licenses	45,700	50,084	4,384
Total	<u>926,700</u>	<u>963,700</u>	<u>37,000</u>
Unrestricted intergovernmental:			
ABC profit distribution	46,000	65,018	19,018
Other	-	300	300
Total	<u>46,000</u>	<u>65,318</u>	<u>19,318</u>
Restricted intergovernmental:			
State street aid - Power Bill	110,000	124,304	14,304
FVRC grant	15,000	15,165	165
Other	3,900	25,303	21,403
Total	<u>128,900</u>	<u>164,772</u>	<u>35,872</u>
Permits and fees:			
Zoning fees	9,000	8,547	(453)
Other fees	4,000	25,490	21,490
Recreation fees	43,800	26,390	(17,410)
Off-duty police officer fees	5,000	986	(4,014)
Total	<u>61,800</u>	<u>61,413</u>	<u>(387)</u>
Sales and services:			
Solid waster revenues	325,000	375,637	50,637
Recreation	7,500	6,972	(528)
Facilities rental	13,000	13,175	175
Total	<u>345,500</u>	<u>395,784</u>	<u>50,284</u>
Investment earnings	<u>4,000</u>	<u>2,601</u>	<u>(1,399)</u>
Miscellaneous	<u>25,200</u>	<u>8,689</u>	<u>(16,511)</u>
Total revenues	<u>3,274,046</u>	<u>3,537,660</u>	<u>263,614</u>

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 2

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2014
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	\$ 22,844	\$ 22,744	\$ 100
Payroll taxes	1,835	1,740	95
Professional services	28,000	21,575	6,425
Travel and training	4,000	458	3,542
Advertising	-	70	(70)
Contracted services	3,000	2,175	825
Departmental supplies	1,500	2,727	(1,227)
Dues and subscriptions	7,500	6,682	818
Insurance and bonds	2,500	2,829	(329)
Contingency	1,000	-	1,000
Total	<u>72,179</u>	<u>61,000</u>	<u>11,179</u>
Administration:			
Salaries and employee benefits	230,736	203,629	27,107
Payroll taxes	25,521	23,339	2,182
Professional services	7,000	555	6,445
Telephone	6,000	5,663	337
Travel and training	5,000	4,692	308
Maintenance - equipment	1,000	206	794
Postage	2,000	789	1,211
Advertising	1,000	214	786
Office supplies	26,050	16,135	9,915
Dues and subscriptions	6,000	6,350	(350)
Insurance and bonds	4,800	5,601	(801)
Tax billing and collection	4,000	3,915	85
Contracted services	26,100	23,660	2,440
Total	<u>345,207</u>	<u>294,748</u>	<u>50,459</u>
Planning:			
Salaries and employee benefits	167,154	156,367	10,787
Payroll taxes	10,353	8,849	1,504
Travel and training	5,000	3,317	1,683
Telephone	4,000	2,291	1,709
Professional services	75,000	73,830	1,170
Postage	1,000	244	756
Advertising	1,000	925	75
Departmental supplies	18,000	844	17,156
Dues and subscriptions	1,500	999	501
Community retirement program	5,000	3,992	1,008
Contracted services	39,500	45,367	(5,867)
Insurance and bonds	3,710	3,294	416
Total	<u>331,217</u>	<u>300,319</u>	<u>30,898</u>

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 2

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2014
(Continued)

	Budget	Actual	Variance Positive (Negative)
Legal:			
Dues and subscriptions	\$ 300	\$ 40	\$ 260
Travel and training	1,000	225	775
Professional services	30,000	26,004	3,996
Total	<u>31,300</u>	<u>26,269</u>	<u>5,031</u>
Public buildings:			
Salaries and employee benefits	58,184	54,690	3,494
Payroll taxes	5,733	5,491	242
Professional services	5,000	5,284	(284)
Telephone	2,000	1,743	257
Travel and training	1,000	1,042	(42)
Advertising	250	-	250
Postage	200	31	169
Vehicle repairs	500	203	297
Departmental supplies	4,500	1,121	3,379
Dues and subscriptions	1,000	705	295
Contracted services	12,500	11,298	1,202
Insurance	2,192	1,943	249
Total	<u>93,059</u>	<u>83,551</u>	<u>9,508</u>
Total general government	<u>872,962</u>	<u>765,887</u>	<u>107,075</u>
Public safety:			
Police:			
Salaries and employee benefits	779,147	688,425	90,722
Payroll taxes	48,136	42,390	5,746
Separation benefit	27,550	26,674	876
Professional services	8,000	5,265	2,735
Telephone	10,000	8,993	1,007
Travel and training	12,000	3,352	8,648
Maintenance - equipment	2,000	534	1,466
Vehicle repairs	36,000	25,557	10,443
Automotive supplies	51,000	34,210	16,790
Departmental supplies	32,300	28,636	3,664
Advertising	-	102	(102)
Contracted services	13,500	15,005	(1,505)
Uniforms and accessories	16,000	15,122	878
Dues and subscriptions	2,800	280	2,520
Insurance and bonds	36,225	31,980	4,245
Investigations	5,000	3,051	1,949
Community policing support	4,000	3,023	977
Capital outlay - equipment	33,000	31,376	1,624
Total	<u>1,116,658</u>	<u>963,975</u>	<u>152,683</u>

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 2

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2014
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Fire:			
Pittsboro Volunteer Fire and Rescue			
Department - contribution	\$ 405,313	\$ 405,313	\$ -
Total	<u>405,313</u>	<u>405,313</u>	<u>-</u>
Total public safety	<u>1,521,971</u>	<u>1,369,288</u>	<u>152,683</u>
Transportation:			
Streets and maintenance:			
Salaries and employee benefits	176,653	166,966	9,687
Payroll taxes	8,088	7,528	560
Professional services	-	885	(885)
Travel and training	500	270	230
Telephone and postage	2,000	1,687	313
Utilities	50,000	57,251	(7,251)
Maintenance - equipment	14,000	9,883	4,117
Vehicle repairs	9,000	4,017	4,983
Automotive supplies	20,000	13,583	6,417
Maintenance and repairs - building	1,000	4,499	(3,499)
Maintenance and repairs - roads	-	106	(106)
Departmental supplies	10,600	6,327	4,273
Contracted services	10,000	1,001	8,999
Dues and subscriptions	1,000	-	1,000
Insurance and bonds	12,136	9,057	3,079
Powell bill	115,500	89,822	25,678
Capital outlay - equipment	20,000	18,449	1,551
Total	<u>450,477</u>	<u>391,331</u>	<u>59,146</u>
Public Works:			
Utilities	34,000	13,660	20,340
Maintenance and repairs - building	15,000	7,504	7,496
Maintenance - equipment	1,000	-	1,000
Contracted services	13,000	11,751	1,249
Insurance and bonds	-	1,334	(1,334)
Departmental supplies	2,500	2,215	285
Total	<u>65,500</u>	<u>36,464</u>	<u>29,036</u>
Total transportation	<u>515,977</u>	<u>427,795</u>	<u>88,182</u>

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 2

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Cultural and recreational:			
Recreation:			
Professional services	\$ 20,000	\$ 3,100	\$ 16,900
Contracted services	14,500	18,399	(3,899)
Telephone and postage	500	305	195
Utilities	6,000	4,658	1,342
Departmental supplies	3,200	3,905	(705)
Seasonal decorations	5,000	7,051	(2,051)
Building and grounds maintenance	45,700	57,552	(11,852)
Events and programming	11,000	8,538	2,462
Due and subscriptions	420	40	380
Total	<u>106,320</u>	<u>103,548</u>	<u>2,772</u>
Environmental protection:			
Sanitation	<u>326,500</u>	<u>323,263</u>	<u>3,237</u>
Total	<u>326,500</u>	<u>323,263</u>	<u>3,237</u>
Total expenditures	<u>3,343,730</u>	<u>2,989,781</u>	<u>353,949</u>
Revenues over (under) expenditures	(69,684)	547,879	617,563
Other financing sources (uses):			
Transfers from other funds:			
Enterprise Funds	1,691	1,691	-
Transfers to other funds:			
East Street sidewalk extension project	(34,000)	(34,000)	-
319 USEPA project	(161,726)	-	161,726
NC HWY 87 sidewalk project	(76,600)	(76,600)	-
Total	<u>(270,635)</u>	<u>(108,909)</u>	<u>161,726</u>
Fund balance appropriated	<u>340,319</u>	<u>-</u>	<u>340,319</u>
Net change in fund balance	<u>\$ -</u>	<u>438,970</u>	<u>\$ 438,970</u>
Fund balances, beginning		<u>2,649,608</u>	
Fund balances, ending		<u>\$ 3,088,578</u>	

TOWN OF PITTSBORO, NORTH CAROLINA
Combining Balance Sheet
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2014

Schedule 3

	<u>Capital Projects Fund</u>	<u>Rockridge Park Disc Golf Course Project</u>	<u>Alpha Install Upfit Project of the Veologica Building Project</u>	<u>Connect Springdale Drive and Fox Chapel Lane Project</u>	<u>East Street Sidewalk Extension Project</u>	<u>NC HWY 87 Sidewalk Project</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 7,010	\$ -	\$ 200	\$ -	\$ 17,693	\$ 76,600	\$ 101,503
Due from other governments	-	-	-	-	-	-	-
Total assets	<u>\$ 7,010</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ 17,693</u>	<u>\$ 76,600</u>	<u>\$ 101,503</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,842	\$ 3,455	\$ 5,297
FUND BALANCES							
Designated for specific purposes	7,010	-	200	-	15,851	73,145	96,206
Total liabilities and fund balances	<u>\$ 7,010</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ 17,693</u>	<u>\$ 76,600</u>	<u>\$ 101,503</u>

TOWN OF PITTSBORO, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2014

Schedule 4

	Capital Projects Fund	Rockridge Park Disc Golf Course Project	Alpha Install Upfit Project of the Veologica Building Project	Connect Springdale Drive and Fox Chapel Lane Project	East Street Sidewalk Extension Project	NC HWY 87 Sidewalk Project	Total Nonmajor Governmental Funds
REVENUES							
Restricted intergovernmental	\$ -	\$ -	\$ 111,338	\$ -	\$ 8,155	\$ -	\$ 119,493
Investment earnings	28	-	-	-	-	-	28
Total revenues	28	-	111,338	-	8,155	-	119,521
EXPENDITURES							
Transportation	-	-	-	-	26,304	3,455	29,759
Cultural and recreational	-	-	116,695	-	-	-	116,695
Total expenditures	-	-	116,695	-	26,304	3,455	146,454
Excess (deficiency) of revenues over expenditures	28	-	(5,357)	-	(18,149)	(3,455)	(26,933)
OTHER FINANCING SOURCES (USES)							
Transfers from other funds							
General Fund	-	-	-	-	34,000	76,600	110,600
Transfers to other funds:							
General Fund	-	(126)	-	(1,565)	-	-	(1,691)
Net change in fund balance	28	(126)	(5,357)	(1,565)	15,851	73,145	81,976
Fund balances, beginning	6,982	126	5,557	1,565	-	-	14,230
Fund balances, ending	\$ 7,010	\$ -	\$ 200	\$ -	\$ 15,851	\$ 73,145	\$ 96,206

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 5

Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ 100	\$ 28	\$ (72)
Total revenues	100	28	(72)
Other Financing Sources (Uses)			
Transfer to General Fund	(100)	-	100
Net change in fund balance	<u>\$ -</u>	28	<u>\$ 28</u>
Fund balance, beginning		<u>6,982</u>	
Fund balance, ending		<u>\$ 7,010</u>	

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 6

Capital Projects Fund - Rockridge Park Disc Golf Course Project

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Engineering	\$ 18,674	\$ 18,674	\$ -	\$ 18,674	\$ -
Total expenditures	<u>18,674</u>	<u>18,674</u>	<u>-</u>	<u>18,674</u>	<u>-</u>
Revenues over (under) expenditures	<u>(18,674)</u>	<u>(18,674)</u>	<u>-</u>	<u>(18,674)</u>	<u>-</u>
Other Financing Sources (Uses)					
Transfers in (out)					
General Fund	18,674	18,800	(126)	18,674	-
Total other financing sources (uses)	<u>18,674</u>	<u>18,800</u>	<u>(126)</u>	<u>18,674</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 126</u>	<u>(126)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>126</u>		
Fund balance, ending			<u>\$ -</u>		

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 7

Capital Projects Fund - Alpha Install Upfit of the Veologica Building Project
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 From Inception and For the Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
NC Rural Center Grant	\$ 128,000	\$ 16,862	\$ 111,338	\$ 128,200	\$ 200
Total revenues	128,000	16,862	111,338	128,200	200
Expenditures:					
Construction	134,400	17,705	116,695	134,400	-
Total expenditures	134,400	17,705	116,695	134,400	-
Revenues over (under) expenditures	(6,400)	(843)	(5,357)	(6,200)	200
Other Financing Sources (Uses)					
Transfers in (out)					
General Fund	6,400	6,400	-	6,400	-
Total other financing sources (uses)	6,400	6,400	-	6,400	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 5,557</u>	(5,357)	<u>\$ 200</u>	<u>\$ 200</u>
Fund balance, beginning			<u>5,557</u>		
Fund balance, ending			<u>\$ 200</u>		

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 8

Capital Projects Fund - Connect Springdale Drive and Fox Lane Project
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Construction	\$ 65,435	\$ 65,435	\$ -	\$ 65,435	\$ -
Engineering	2,000	3,000	-	3,000	(1,000)
Administration	3,000	2,000	-	2,000	1,000
Contingency	6,000	6,000	-	6,000	-
Total expenditures	<u>76,435</u>	<u>76,435</u>	<u>-</u>	<u>76,435</u>	<u>-</u>
Revenues over (under) expenditures	<u>(76,435)</u>	<u>(76,435)</u>	<u>-</u>	<u>(76,435)</u>	<u>-</u>
Other Financing Sources (Uses)					
Transfers in (out)					
General Fund	76,435	78,000	(1,565)	76,435	-
Total other financing sources (uses)	<u>76,435</u>	<u>78,000</u>	<u>(1,565)</u>	<u>76,435</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,565</u>	<u>(1,565)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>1,565</u>		
Fund balance, ending			<u>\$ -</u>		

TOWN OF PITTSBORO, NORTH CAROLINA
Capital Projects Fund - East Street Sidewalk Extension Project
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2014

Schedule 9

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
CMAQ Grant	\$ 136,000	\$ -	\$ 8,155	\$ 8,155	\$ (127,845)
Total revenues	<u>136,000</u>	<u>-</u>	<u>8,155</u>	<u>8,155</u>	<u>(127,845)</u>
Expenditures:					
Construction	128,000	-	-	-	128,000
Engineering	25,000	-	26,304	26,304	(1,304)
Contingency	17,000	-	-	-	17,000
Total expenditures	<u>170,000</u>	<u>-</u>	<u>26,304</u>	<u>26,304</u>	<u>143,696</u>
Revenues over (under) expenditures	<u>(34,000)</u>	<u>-</u>	<u>(18,149)</u>	<u>(18,149)</u>	<u>15,851</u>
Other Financing Sources (Uses)					
Transfers in (out)					
General Fund	34,000	-	34,000	34,000	-
Total other financing sources (uses)	<u>34,000</u>	<u>-</u>	<u>34,000</u>	<u>34,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	15,851	<u>\$ 15,851</u>	<u>\$ 15,851</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 15,851</u>		

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 10

Capital Projects Fund - NC HWY 87 Sidewalk Project

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Construction	\$ 56,000	\$ -	\$ -	\$ -	\$ 56,000
Surveying and design	15,000	-	3,455	3,455	11,545
Contingency	5,600	-	-	-	5,600
Total expenditures	<u>76,600</u>	<u>-</u>	<u>3,455</u>	<u>3,455</u>	<u>73,145</u>
Revenues over (under) expenditures	<u>(76,600)</u>	<u>-</u>	<u>(3,455)</u>	<u>(3,455)</u>	<u>(73,145)</u>
Other Financing Sources (Uses)					
Transfers in (out)					
General Fund	76,600	-	76,600	76,600	-
Total other financing sources (uses)	<u>76,600</u>	<u>-</u>	<u>76,600</u>	<u>76,600</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	73,145	<u>\$ 73,145</u>	<u>\$ 73,145</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 73,145</u>		

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 11

Water and Sewer Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales	\$ 1,258,000	\$ 1,251,991	\$ (6,009)
Sewer charges	1,072,000	1,134,271	62,271
Reuse water charges	55,000	50,490	(4,510)
Reconnection fees and penalties	40,000	36,870	(3,130)
Miscellaneous	24,000	27,664	3,664
Total operating revenues	<u>2,449,000</u>	<u>2,501,286</u>	<u>52,286</u>
Nonoperating revenues:			
Interest earnings	4,000	2,199	(1,801)
Total revenues	<u>2,453,000</u>	<u>2,503,485</u>	<u>50,485</u>
Expenditures:			
Administrative			
Salaries and employee benefits	299,745	300,551	(806)
Payroll taxes	6,288	5,838	450
Professional services	33,742	39,762	(6,020)
Travel and training	600	315	285
Telephone and postage	8,500	9,384	(884)
Advertising	300	75	225
Departmental supplies	3,950	3,816	134
Vehicle and equipment maintenance	2,500	-	2,500
Dues and subscriptions	-	2,500	(2,500)
Insurance	3,386	2,268	1,118
Contracted services	25,100	24,094	1,006
Other operating expenditures	1,000	1,030	(30)
Total	<u>385,111</u>	<u>389,633</u>	<u>(4,522)</u>
Water operations:			
Salaries and employee benefits	360,684	345,001	15,683
Payroll taxes	21,020	19,753	1,267
Professional services	5,000	-	5,000
Telephone and postage	12,000	11,336	664
Travel and training	6,300	3,682	2,618
Supplies	56,500	33,739	22,761
Advertising	300	-	300
Dues and subscriptions	1,100	1,314	(214)
Insurance	17,182	15,714	1,468
Chemicals	170,000	144,119	25,881
Contracted services	103,000	73,246	29,754
Vehicle and equipment maintenance	99,500	96,674	2,826
Utilities	60,000	64,072	(4,072)
Other operating expenditures	13,300	8,646	4,654
Total	<u>925,886</u>	<u>817,296</u>	<u>108,590</u>

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 11

Water and Sewer Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2014

(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Sewer treatment:			
Salaries and employee benefits	\$ 280,472	\$ 281,277	\$ (805)
Payroll taxes	16,418	16,519	(101)
Professional services	3,000	3,823	(823)
Telephone and postage	3,600	3,524	76
Travel and training	2,000	2,681	(681)
Supplies	21,500	21,056	444
Dues and subscriptions	3,500	3,027	473
Insurance	13,344	15,820	(2,476)
Chemicals	36,000	26,605	9,395
Contracted services	90,200	83,908	6,292
Vehicle and equipment maintenance	25,600	11,940	13,660
Utilities	65,000	63,950	1,050
Other operating expenditures	11,300	7,704	3,596
Total	<u>571,934</u>	<u>541,834</u>	<u>30,100</u>
Public utilities:			
Salaries and employee benefits	280,565	268,770	11,795
Payroll taxes	16,335	14,486	1,849
Professional services	-	2,452	(2,452)
Telephone and postage	7,500	9,377	(1,877)
Travel and training	3,000	4,129	(1,129)
Supplies	79,500	43,776	35,724
Advertising	-	193	(193)
Dues and subscriptions	800	1,558	(758)
Insurance	20,641	18,024	2,617
Contracted services	4,000	2,086	1,914
Vehicle and equipment maintenance	50,500	37,229	13,271
Utilities	1,000	357	643
Other operating expenditures	21,000	22,712	(1,712)
Total	<u>484,841</u>	<u>425,149</u>	<u>59,692</u>
Debt service:			
Interest and other charges	66,370	55,535	10,835
Principal	424,980	436,459	(11,479)
Total	<u>491,350</u>	<u>491,994</u>	<u>(644)</u>

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 11

**Water and Sewer Fund
 Schedule of Revenues and Expenditures
 Budget and Actual (Non - GAAP)
 For the Fiscal Year Ended June 30, 2014
 (Continued)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Capital outlay:			
Water operations - building	\$ 70,000	\$ 25,570	\$ 44,430
Water operations - equipment	18,000	-	18,000
Public utilities - building	38,290	6,786	31,504
Total	<u>126,290</u>	<u>32,356</u>	<u>93,934</u>
 Total expenditures	 <u>2,985,412</u>	 <u>2,698,262</u>	 <u>287,150</u>
 Revenues over (under) expenditures	 (532,412)	 (194,777)	 337,635
Other financing sources (uses):			
Transfers to other funds:			
Capital projects	(12,000)	(12,000)	-
General Fund	-	-	-
Total	<u>(12,000)</u>	<u>(12,000)</u>	<u>-</u>
 Fund balance appropriated	 <u>297,066</u>	 <u>-</u>	 <u>297,066</u>
 Revenues and other sources over (under) expenditures and other uses	 <u>\$ (247,346)</u>	 (206,777)	 <u>\$ 40,569</u>
 Fund balances, beginning		 <u>1,384,055</u>	
 Fund balances, ending		 <u>\$ 1,177,278</u>	

TOWN OF PITTSBORO, NORTH CAROLINA
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2014
(Continued)

Schedule 11

	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ (206,777)	
Reconciling items:			
Payment of debt principal		436,459	
Capital outlay		32,356	
Decrease (increase) in accrued vacation pay		(5,170)	
Decrease (increase) in other postemployment benefits		(7,053)	
Depreciation		(534,000)	
Investment earnings in Water and Sewer Capital Reserve Fund			
Other		(20,131)	
Water and sewer access charges		382,983	
Capital contribution - CDBG grant		12,600	
Capital contribution - NC Rural Center grant		1,469	
Total reconciling items		299,513	
Change in net position		\$ 92,736	

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 12

Water and Sewer Capital Reserve Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ 500	\$ 1,165	\$ 665
Water and sewer access charges	207,000	382,983	175,983
Total revenues	<u>207,500</u>	<u>384,148</u>	<u>176,648</u>
Other financing sources (uses):			
Reserve for water and sewer improvements	(207,500)	-	207,500
Total other sources	<u>(207,500)</u>	<u>-</u>	<u>207,500</u>
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	384,148	<u>\$ 384,148</u>
Fund balance, beginning		<u>1,049,429</u>	
Fund balance, ending		<u>\$ 1,433,577</u>	

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 13

Capital Projects Fund - Downtown Area Water System Improvement Project
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Design	\$ 143,700	\$ 46,290	\$ -	\$ 46,290	\$ 97,410
Grant preparation and administration	52,870	38,860	-	38,860	14,010
Total expenditures	<u>196,570</u>	<u>85,150</u>	<u>-</u>	<u>85,150</u>	<u>111,420</u>
Other Financing Sources (Uses)					
Transfers in (out)					
Water and Sewer Fund	196,570	211,320	-	211,320	14,750
Total other financing sources (uses)	<u>196,570</u>	<u>211,320</u>	<u>-</u>	<u>211,320</u>	<u>14,750</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 126,170</u>	<u>-</u>	<u>\$ 126,170</u>	<u>\$ 126,170</u>
Fund balance, beginning			<u>126,170</u>		
Fund balance, ending			<u>\$ 126,170</u>		

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 14

Capital Projects Fund - Haw River Intake Project

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Design	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
Total expenditures	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Other Financing Sources (Uses)					
Transfers in (out)					
Water and Sewer Fund	50,000	50,000	-	50,000	-
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 50,000</u>	<u>-</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>
Fund balance, beginning			<u>50,000</u>		
Fund balance, ending			<u>\$ 50,000</u>		

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 15

Capital Projects Fund - Credle Street Sewer Rehabilitation Project

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Grant - NC Rural Center	\$ 496,126	\$ 496,126	\$ 1,469	\$ 497,595	\$ 1,469
Investment earnings	459	460	-	460	1
Total revenues	<u>496,585</u>	<u>496,586</u>	<u>1,469</u>	<u>498,055</u>	<u>1,470</u>
Expenditures:					
Construction	647,552	537,235	99,666	636,901	10,651
Design	95,000	94,492	-	94,492	508
Grant administration	14,500	14,133	-	14,133	367
Contingency	-	-	-	-	-
Total expenditures	<u>757,052</u>	<u>645,860</u>	<u>99,666</u>	<u>745,526</u>	<u>11,526</u>
Revenues over (under) expenditures	<u>(260,467)</u>	<u>(149,274)</u>	<u>(98,197)</u>	<u>(247,471)</u>	<u>12,996</u>
Other Financing Sources (Uses)					
Transfers in (out)					
Water and Sewer Fund	12,467	63	12,404	12,467	-
Loan Proceeds	248,000	248,000	-	248,000	-
Total other financing sources (uses)	<u>260,467</u>	<u>248,063</u>	<u>12,404</u>	<u>260,467</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 98,789</u>	<u>(85,793)</u>	<u>\$ 12,996</u>	<u>\$ 12,996</u>
Fund balance, beginning (as restated)			<u>98,789</u>		
Fund balance, ending			<u>\$ 12,996</u>		

TOWN OF PITTSBORO, NORTH CAROLINA **Schedule 16**
Capital Projects Fund - Hillsboro Street Transmission Line Replacement Project
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Community Development Block Grant	\$ 850,000	\$ 837,400	\$ 12,600	\$ 850,000	\$ -
Chatham County	223,000	223,000	-	223,000	-
Total revenues	<u>1,073,000</u>	<u>1,060,400</u>	<u>12,600</u>	<u>1,073,000</u>	<u>-</u>
Expenditures:					
Construction	1,458,125	1,442,053	-	1,442,053	16,072
Design	145,788	145,788	-	145,788	-
Grant administration	75,000	56,242	6,485	62,727	12,273
Legal services	2,500	2,500	-	2,500	-
Contingency	385,269	339,061	36,737	375,798	9,471
Total expenditures	<u>2,066,682</u>	<u>1,985,644</u>	<u>43,222</u>	<u>2,028,866</u>	<u>37,816</u>
Revenues over (under) expenditures	<u>(993,682)</u>	<u>(925,244)</u>	<u>(30,622)</u>	<u>(955,866)</u>	<u>37,816</u>
Other Financing Sources (Uses)					
Transfers in (out)					
Water and Sewer Fund	504,682	504,303	-	504,303	(379)
Loan Proceeds - USDA	240,000	240,000	-	240,000	-
Loan Proceeds	249,000	248,000	-	248,000	(1,000)
Total other financing sources (uses)	<u>993,682</u>	<u>992,303</u>	<u>-</u>	<u>992,303</u>	<u>(1,379)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 67,059</u>	<u>(30,622)</u>	<u>\$ 36,437</u>	<u>\$ 36,437</u>
Fund balance, beginning			<u>67,059</u>		
Fund balance, ending			<u>\$ 36,437</u>		

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 17

Capital Projects Fund - USEPA 319 Project

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
USEPA 319 Grant	\$ 161,726	\$ -	\$ -	\$ -	\$ (161,726)
Total revenues	<u>161,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(161,726)</u>
Expenditures:					
Construction	94,226	-	-	-	94,226
Design	63,000	-	-	-	63,000
Supplies	4,500	-	1,121	1,121	3,379
Total expenditures	<u>161,726</u>	<u>-</u>	<u>1,121</u>	<u>1,121</u>	<u>160,605</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(1,121)</u>	<u>(1,121)</u>	<u>(1,121)</u>
Other Financing Sources (Uses)					
Transfers in (out)					
Water and Sewer Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,121)</u>	<u>\$ (1,121)</u>	<u>\$ (1,121)</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ (1,121)</u>		

OTHER SCHEDULES

TOWN OF PITTSBORO, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2014

Schedule 18

Fiscal Year	Uncollected Balance June 30, 2013	Additions	Collections And Credits	Uncollected Balance June 30, 2014
2013-2014	\$ -	\$ 777	\$ 76	\$ 701
2012-2013	6,077	1,927,978	1,893,659	40,396
2011-2012	49,084	-	28,038	21,046
2010-2011	31,770	-	5,147	26,623
2009-2010	7,297	-	1,230	6,067
2008-2009	2,538	-	865	1,673
2007-2008	1,145	-	105	1,040
2006-2007	4,030	-	3	4,027
2005-2006	1,125	-	7	1,118
2004-2005	1,384	-	-	1,384
2003-2004	1,053	-	-	1,053
2002-2003	911	-	525	386
	<u>\$ 106,414</u>	<u>\$ 1,928,755</u>	<u>\$ 1,929,655</u>	105,514
Less: allowance for uncollectible accounts:				
	General Fund			22,571
Ad valorem taxes receivable - net				\$ 82,943
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 1,875,383
Reconciling items:				
	Interest collected			(8,973)
	Taxes written off			69,633
	Non-discoveries			(3,061)
	Other			(3,327)
	Subtotal			54,272
Total collections and credits				\$ 1,929,655

TOWN OF PITTSBORO, NORTH CAROLINA
Analysis of Current Tax Levy
Town-Wide Levy
For the Fiscal Year Ended June 30, 2014

Schedule 19

	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	\$ 462,524,849	0.4033	\$ 1,829,950	\$ 1,804,282	\$ 25,668
Registered motor vehicles taxed					
at prior year's rate	23,647,236	0.4033	95,369	-	95,369
Penalties			2,659	2,659	-
Total	<u>\$ 486,172,085</u>		<u>1,927,978</u>	<u>1,806,941</u>	<u>121,037</u>
Net levy			1,927,978	1,806,941	121,037
Uncollected taxes at June 30, 2014			(40,396)	(36,964)	(3,432)
Current year's taxes collected			<u>\$ 1,887,582</u>	<u>\$ 1,769,977</u>	<u>\$ 117,605</u>
Current levy collection percentage			<u>97.90%</u>	<u>97.95%</u>	<u>97.16%</u>

TOWN OF PITTSBORO, NORTH CAROLINA
Assessed Value of All Taxable Property
(UNAUDITED)

Schedule 20

Fiscal Period	Tax Rate per \$100	Real Property	Personal Property	Utilities	Total
2004 - 2005	0.4300	\$ 149,633,292	\$ 21,992,754	\$ 3,875,349	\$ 175,501,395
2005 - 2006 *	0.3730	212,410,358	18,062,849	4,349,426	234,822,633
2006 - 2007	0.3730	235,158,177	25,654,692	4,282,842	265,095,711
2007 - 2008	0.3730	277,304,290	26,428,418	5,263,807	308,996,515
2008 - 2009	0.3630	314,564,161	24,840,821	5,748,207	345,153,189
2009 - 2010 *	0.3020	384,236,871	26,241,722	6,033,894	416,512,487
2010 - 2011	0.3020	389,129,971	20,991,493	5,843,106	415,964,570
2011 - 2012	0.3020	400,659,937	25,025,000	5,630,625	431,315,562
2012 - 2013	0.3673	400,057,011	25,549,226	5,929,783	431,536,020
2013 - 2014	0.4033	462,524,849	23,647,126	5,783,435	491,955,410

Property is assessed at 100% of estimated sound value.

* Revaluation

TOWN OF PITTSBORO, NORTH CAROLINA
Tax Levies and Tax Collections
(UNAUDITED)

Schedule 21

<u>Fiscal Period</u>	<u>Tax Levy</u>	<u>Collected Current</u>	<u>Percent Collected</u>	<u>Collected Prior Levies</u>	<u>Total Collected</u>	<u>Balances Delinquent</u>
2004 - 2005	\$ 760,569	\$ 737,035	96.91%	36,171	\$ 773,206	\$ 68,134
2005 - 2006	881,631	861,256	97.69%	19,749	881,005	57,339
2006 - 2007	999,533	978,758	97.92%	16,850	995,608	68,967
2007 - 2008	1,174,202	1,147,118	97.69%	166,630	1,313,748	72,582
2008 - 2009	1,266,373	1,237,312	97.71%	255,068	1,492,380	65,296
2009 - 2010	1,268,850	1,246,111	98.21%	30,799	1,276,910	50,237
2010 - 2011	1,268,283	1,236,575	97.50%	20,592	1,257,167	72,176
2011 - 2012	1,310,756	1,247,429	95.17%	25,590	1,273,019	80,442
2012 - 2013	1,574,600	1,529,237	97.12%	49,568	1,578,805	82,599
2013 - 2014	1,927,978	1,887,582	97.90%	34,645	1,922,227	82,943

TOWN OF PITTSBORO, NORTH CAROLINA
Revenues Other Than Property Taxes
(UNAUDITED)

Schedule 22

<u>Fiscal Period</u>	<u>Licenses and Permits</u>	<u>Interest</u>	<u>Revenues from Other Agencies</u>	<u>Other</u>	<u>Gross Revenues from Utilities</u>
2004 - 2005	\$ 10,420	\$ 64,592	\$ 623,894	\$ 396,084	\$ 2,459,012
2005 - 2006	8,865	196,734	674,183	392,689	1,826,897
2006 - 2007	12,700	258,790	768,385	350,653	2,340,580
2007 - 2008	18,639	186,503	910,944	444,156	2,134,775
2008 - 2009	5,324	57,462	813,798	461,249	2,056,944
2009 - 2010	10,990	10,928	2,040,286	484,446	2,556,046
2010 - 2011	27,863	9,290	2,340,927	645,533	2,876,531
2011 - 2012	16,231	8,749	688,758	1,250,308	2,814,937
2012 - 2013	18,534	6,289	965,528	1,595,157	2,624,810
2013 - 2014	61,413	4,828	963,700	1,293,227	2,881,948

TOWN OF PITTSBORO, NORTH CAROLINA
Expenditures for Selected Functions
(UNAUDITED)

Schedule 23

Fiscal Period	General Government	Public Safety	Streets and Sanitation	Cultural and Recreation	Utilities	
					Operating	Debt Service
2004 - 2005	\$ 375,258	\$ 701,621	\$ 593,472	\$ 11,567	\$1,133,271	\$ 281,515
2005 - 2006	405,766	807,936	565,690	12,693	1,241,340	271,676
2006 - 2007	499,728	896,126	581,625	179,420	1,771,901	270,106
2007 - 2008	514,234	986,150	651,303	42,097	1,813,338	268,866
2008 - 2009	792,038	1,098,459	683,096	59,502	1,753,806	271,354
2009 - 2010	777,465	1,273,180	762,229	80,058	2,134,276	268,811
2010 - 2011	828,158	1,376,215	744,591	87,539	2,300,593	359,096
2011 - 2012	918,763	1,387,625	523,461	84,587	2,165,485	406,365
2012 - 2013	940,246	1,444,785	691,799	88,740	2,218,671	452,362
2013 - 2014	765,887	1,369,288	751,058	103,548	2,218,912	491,350

COMPLIANCE SECTION



Member:
American Institute of
Certified Public Accountants

Rives & Associates, LLP
Certified Public Accountants

Member:
North Carolina Association of
Certified Public Accountants

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**Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And
Other Matters Based On An Audit Of Financial Statements Performed
In Accordance With *Government Auditing Standards***

To the Honorable Mayor
and Members of the Board of Commissioners
Town of Pittsboro
Pittsboro, North Carolina

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Pittsboro ("the Town") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 11, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rives & Associates LLP

Raleigh, North Carolina
November 11, 2014

TOWN OF PITTSBORO, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified		
Internal control over financial reporting:			
Material weaknesses identified?	_____	yes	_____ <input checked="" type="checkbox"/> no
Significant deficiency(s) identified that are not considered to be material weaknesses?	_____ <input checked="" type="checkbox"/>	yes	_____ none reported
Noncompliance material to financial statements noted	_____	yes	_____ <input checked="" type="checkbox"/> no

Federal Awards

Identification of major federal programs:

There are no major Federal awards.

State Awards

Identification of major State programs:

There are no major State awards.

TOWN OF PITTSBORO, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY

Finding 2014-01

Criteria: Management should have sufficient controls over financial reporting such that the financial statements are materially correct without proposed audit adjustments.

Condition: During the audit, audit adjustments were proposed to management.

Effect: Management has elected to record all the proposed adjustments to the Town's books and records.

Cause: The Town's Finance Officer position was vacant from April 2014 through year-end.

Recommendation: Management should continue to strive to improve the accuracy of year-end financial reporting by implementing a year-end closing checklist of procedures and possible adjustments.

Questioned Costs: None.

Management's Response: Management agrees with the finding and will review its year-end closing procedures and will work on implementing and developing a closing checklist of procedures and possible adjustments.

The Town has filled the Finance Officer's position.

TOWN OF PITTSBORO, NORTH CAROLINA
Corrective Action Plan
For the Year Ended June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY

Finding 2014-01

Name of contact person: Nancy Emslie, Finance Officer

Corrective Action Plan: The Finance Department will review its year-end closing procedures and continue to work on improving the year-end closing checklist of procedures to minimize the likelihood of material audit adjustments.

Proposed Completion Date: June 30, 2015

TOWN OF PITTSBORO, NORTH CAROLINA
Summary Schedule of Prior Year Audit Finding
For the Year Ended June 30, 2014

Finding 2013-01: Segregation of Duties

Status: Duties are being separated as much as possible and alternative controls are being implemented to compensate for lack of separation. The governing board is becoming more involved in providing some of these controls.

Finding has not been corrected for the year ended June 30, 2014.