

**TOWN OF PITTSBORO  
NORTH CAROLINA**

Financial Statements and  
Supplementary Information

Year Ended June 30, 2013

Governing Board

Randolph Voller, Mayor  
Pamela Baldwin  
Jay Farrell  
Michael Fiocco  
Bett Wilson Foley  
Beth Turner

Town Officials

Bryan L. Gruesbeck, Town Manager  
Alice F. Lloyd, Town Clerk  
Amanda Cartrette, Finance Officer



TOWN OF PITTSBORO, NORTH CAROLINA

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**FINANCIAL SECTION**

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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, 2013, 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.

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## **Opinion**

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, 2013, 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, the Law Enforcement Officer's Special Separation Allowance's and the Other Postemployment Benefits Schedules of Funding Progress and Schedules of Employer Contributions on pages 3 through 13 and page 46 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, and Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act, 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, and the Schedule of Expenditures of Federal Awards 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, Schedule of Expenditures of Federal Awards, 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 27, 2013 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 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 27, 2013

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**TOWN OF PITTSBORO  
NORTH CAROLINA**

**MANAGEMENT'S 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, 2013. 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 and deferred outflows of resources of the Town of Pittsboro exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$20,332,811 (**net position**).
- The government's total net position *increased* by \$924,363 due to *increases* in both the *governmental* and *business-type* activities net position.
- As of the close of the June 30, 2013 fiscal year, Pittsboro's governmental funds reported combined ending fund balances of \$2,663,838, an increase of \$120,962 in comparison with the prior year. Approximately 19% of this total amount, or \$523,252, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,140,586, or 63.1% 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 \$132,742 (5%) during the fiscal year. The key factor in this decrease was loan payments made during the year.

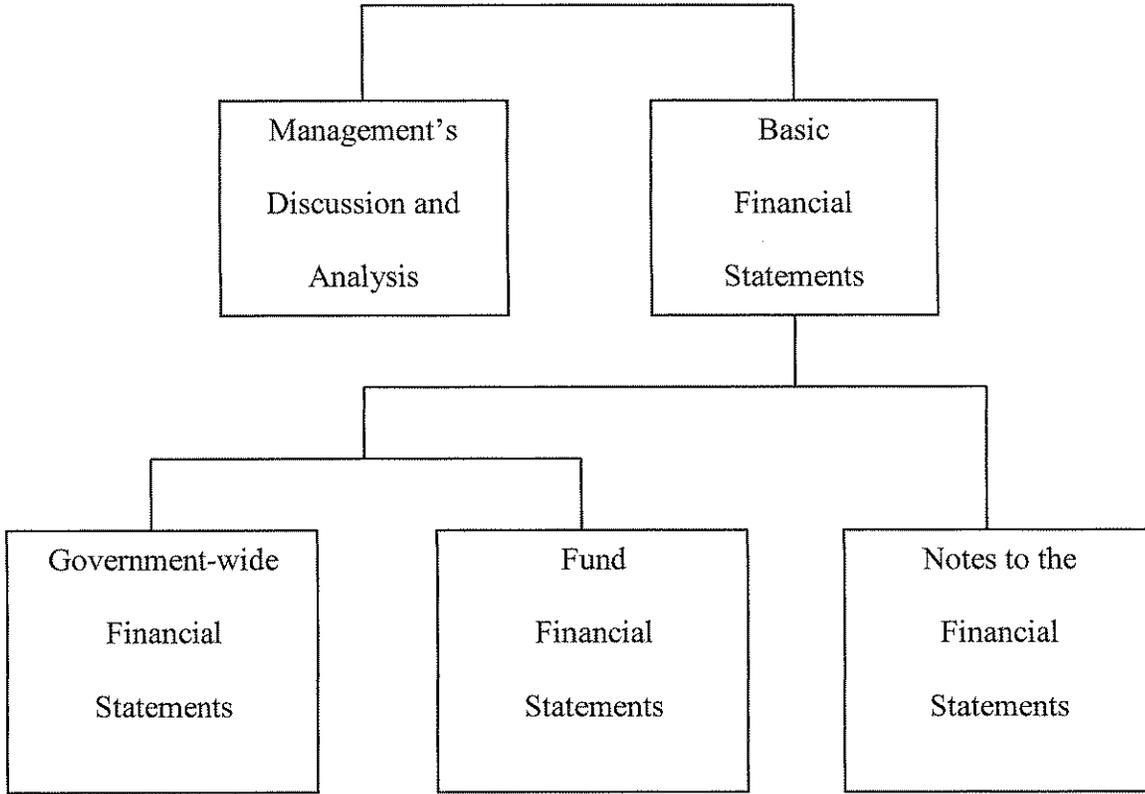
**Overview of the Financial Statements**

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.

**TOWN OF PITTSBORO  
NORTH CAROLINA**

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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



Summary  $\longrightarrow$  Detail

**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 deferred outflows and total liabilities and deferred inflows of resources. Measuring net position 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 1 and 2 of this report.

**Fund Financial Statements**

The fund financial statements (Exhibit 3 through Exhibit 8) 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

**TOWN OF PITTSBORO  
NORTH CAROLINA**

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

for them. It also authorizes the Town to obtain funds from identified sources to finance these current 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. The Town of 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	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 2,914,231	\$ 2,785,404	\$ 3,317,627	\$ 3,805,005	\$ 6,231,858	\$ 6,590,409
Capital assets	4,024,190	4,124,452	13,241,674	11,838,833	17,265,864	15,963,285
Total assets	6,938,421	6,909,856	16,559,301	15,643,838	23,497,722	22,553,694
Long-term liabilities						
outstanding	126,046	141,250	2,182,507	2,353,889	2,308,553	2,495,139
Other liabilities	138,421	146,811	703,839	541,357	842,260	688,168
Deferred inflows of resources	14,098				14,098	-
Total liabilities and deferred inflows of resources	278,565	288,061	2,886,346	2,895,246	3,164,911	3,183,307
Net position						
Invested in capital assets, net of related debt	4,024,190	4,121,452	10,727,564	9,191,981	14,751,754	13,313,433
Restricted	506,689	492,006	1,447,880	1,695,375	1,954,569	2,187,381
Unrestricted	2,128,977	2,005,337	1,497,511	1,861,236	3,626,488	3,866,573
Total net position	<u>\$ 6,659,856</u>	<u>\$ 6,618,795</u>	<u>\$ 13,672,955</u>	<u>\$ 12,748,592</u>	<u>\$ 20,332,811</u>	<u>\$ 19,367,387</u>

**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 and deferred outflows of the Town of Pittsboro exceeded liabilities and deferred inflows by \$20,332,811 as of June 30, 2013. The Town's net position *increased* by \$965,424 for the fiscal year ended June 30, 2013. However, the largest portion, \$14,751,754 (72.6%), 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, \$1,954,569 (9.6%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,626,488 (17.8%) 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 96.88% for the year ending June 30, 2013.
- 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	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 413,444	\$ 352,090	\$ 2,313,888	\$ 2,271,777	\$ 2,727,332	\$ 2,623,867
Operating grants and contributions	178,729	230,027	-	-	178,729	230,027
Capital grants and contributions	-	108,644	1,401,988	889,613	1,401,988	998,257
General revenues						
Property taxes	1,580,812	1,286,287	-	-	1,580,812	1,286,287
Other taxes	965,528	698,722	-	-	965,528	698,722
Grants and contributions not restricted to specific programs	51,220	214,256	-	-	51,220	214,256
Other	211,771	163,764	(164,388)	(149,910)	47,383	13,854
<b>Total revenues</b>	<b>3,401,504</b>	<b>3,053,790</b>	<b>3,551,488</b>	<b>3,011,480</b>	<b>6,952,992</b>	<b>6,065,270</b>
<b>Expenses</b>						
General government	1,056,249	942,133	-	-	1,056,249	942,133
Public safety	1,464,390	1,429,800	-	-	1,464,390	1,429,800
Transportation	384,872	358,101	-	-	384,872	358,101
Environmental protection	305,497	278,560	-	-	305,497	278,560
Culture and recreation	149,435	127,577	-	-	149,435	127,577
Water and sewer			2,627,125	2,638,963	2,627,125	2,638,963
<b>Total expenses</b>	<b>3,360,443</b>	<b>3,136,171</b>	<b>2,627,125</b>	<b>2,638,963</b>	<b>5,987,568</b>	<b>5,775,134</b>
<b>Increase in net position</b>	<b>41,061</b>	<b>(82,381)</b>	<b>924,363</b>	<b>372,517</b>	<b>965,424</b>	<b>290,136</b>
<b>Net position beginning of year</b>	<b>6,618,795</b>	<b>6,701,176</b>	<b>12,748,592</b>	<b>12,376,075</b>	<b>19,367,387</b>	<b>19,077,251</b>
<b>Net position end of year</b>	<b>\$ 6,659,856</b>	<b>\$ 6,618,795</b>	<b>\$ 13,672,955</b>	<b>\$ 12,748,592</b>	<b>\$ 20,332,811</b>	<b>\$ 19,367,387</b>

**TOWN OF PITTSBORO  
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MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

**Governmental Activities** – Governmental activities increased the Town’s net position by \$41,061. Key elements of this increase are as follows:

- Increased property tax revenues due to property tax increase
- Close control of expenditures
- Sales tax revenues were much greater than anticipated

**Business-type Activities** – Business-type activities increased the Town’s net position by \$924,363 accounting for 94.9% of the total growth in the government’s net position. 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, unassigned 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 \$2,140,586 while total fund balance reached \$2,649,608. 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 63.1% of total General Fund expenditures.

At June 30, 2013, the governmental funds of the Town of Pittsboro reported a combined fund balance of \$2,663,838, a \$120,962 increase over last year. Included in this change in fund balance is an increase in fund balance in the General Fund and a decrease 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.

**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 \$1,497,511. The total increase in net position for the

**TOWN OF PITTSBORO  
NORTH CAROLINA**

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

fund was \$924,363. 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, 2013 totals \$17,265,864 (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	
	2013	2012	2013	2012	2013	2012
Land	\$ 553,000	\$ 553,000	\$ 10,200	\$ 10,200	\$ 563,200	\$ 563,200
Buildings and systems	281,617	290,721	26,892	29,786	308,509	320,507
Improvements other than buildings	-	-	10,165,846	10,639,294	10,165,846	10,639,294
Furniture and equipment	580,951	642,116	322,083	367,745	903,034	1,009,861
Infrastructure	2,417,764	2,054,850	-	-	2,417,764	2,054,850
Vehicles and motorized equipment	95,749	98,924	-	-	95,749	98,924
Construction in progress	95,109	481,841	2,716,653	791,808	2,811,762	1,273,649
<b>Total</b>	<b>\$ 4,024,190</b>	<b>\$ 4,121,452</b>	<b>\$ 13,241,674</b>	<b>\$ 11,838,833</b>	<b>\$ 17,265,864</b>	<b>\$ 15,960,285</b>

**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, Note III (pages 33-35), of the Basic Financial Statements.

**Long-term Debt** – As of June 30, 2013, the Town of Pittsboro had total debt outstanding of \$2,514,110. 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	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ -	\$ -	\$ 960,500	\$ 1,159,567	\$ 960,500	\$ 1,159,567
Notes	-	-	1,553,610	1,487,286	1,553,610	1,487,286
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,514,110</u>	<u>\$ 2,646,853</u>	<u>\$ 2,514,110</u>	<u>\$ 2,646,853</u>

The Town of Pittsboro’s total debt decreased by \$132,743 (5%) 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 \$34,522,822. The Town has no bonds authorized at June 30, 2013.

Additional information regarding the Town’s long-term debt can be found in the Notes to the Financial Statements, Note III (pages 41-44), of this report.

**Economic Factors and Next Year’s Budgets and Rates**

Fiscal year 2012-2013 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.

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

Year	Water Customers
2010	1,488
2011	1,512
2012	1,523
2013	1,576

Chatham County continues to update its facilities in Pittsboro. The rebuilt historic Courthouse held opening ceremonies in April of 2013 after burning in 2010 and undergoing construction during subsequent years. The Chatham County Justice Center, also located in downtown Pittsboro, opened in

**TOWN OF PITTSBORO  
NORTH CAROLINA**

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

January 2013. Construction on the Chatham County Jail continues with completion expected sometime in 2014. Chatham County also obtained zoning approval from the Town of Pittsboro for a new Agri-Civic Center to be located adjacent to the Central Carolina Community College. Public improvements like these, while not taxable, provide water and sewer revenues.

Residential site plans and wastewater allocations received reviews and approvals at steady rates over the previous year. Bojangles began construction in late summer of 2013 and is nearing completion by the end of the year. Powell Place residential construction has been increasing with reported sales happening at a healthy pace. "Phase 2D" – an alteration of the previous master plan to less dense single family housing – was approved at Powell Place to allow for the project to better meet market conditions. Kensington Park – a twelve-unit, single-family residential development located on Park Drive – received approvals. Site work began during the summer of 2013.

Chatham Park Investors, LLC, submitted a master plan and request to rezone approximately 7,000 acres of the Town of Pittsboro's "Extra Territorial Jurisdiction" to a "Planned Development District". 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. If approved, initial development would begin on the north side of Pittsboro adjacent to the new Bojangles and Northwood High School.

**Budget Highlights for the Year Ending June 30, 2014**

**Governmental Activities** – The fiscal year 2013-2014 tax year valuation of \$435,823,513 is up \$4,287,493 (1%) from the prior year valuation of \$431,536,020. An ad valorem tax rate increase of \$0.0036, bringing the tax rate to \$0.4033 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 2013-2014. This represented the second consecutive year that additional taxes were used to balance the budget. However, the current tax rate still remains \$0.0267 below the \$0.43 rate/\$100 levied in 2003.

Ad valorem taxes (\$1,704,946) account for 49% 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 \$556,000 (16%), \$325,000 (9%) and \$111,000 (3%) respectively. These four revenues account for 77% of the total General Fund revenues.

It was necessary to take only \$22,434 from the General Fund balance to cover the revenue shortfall in fiscal year 2013-2014. This accounts for less than 1% of the total General Fund revenues.

The fiscal year 2013-2014 General Fund budget of \$3,473,612 is a 6% increase over the fiscal year 2012-2013 budget.

**Enterprise Activities**

Operating revenues in the Enterprise Fund are generated primarily through the sale of water and sewer utilities. It is anticipated that \$2,330,000 will be generated in fiscal year 2013-2014. This represents 79% of the revenues in the Enterprise Fund. Other revenues include reuse water charges - \$55,000, (2%), penalties and late fees - \$40,000 (1%).

**TOWN OF PITTSBORO  
NORTH CAROLINA**

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

It was necessary to take \$502,440 from the Enterprise Fund balance to cover the revenue shortfall in fiscal year 2013-2014. This accounts for 14% of the total Enterprise Fund revenues.

At \$2,955,440 the fiscal year 2013-2014 Enterprise Fund Budget is (9.2%) more than the fiscal year 2012-2013 budget.

**Requests for Information**

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

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## **BASIC FINANCIAL STATEMENTS**

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## TOWN OF PITTSBORO, NORTH CAROLINA

Exhibit 1

## Statement of Net Position

June 30, 2013

	Primary Government			Town of Pittsboro ABC Board
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 2,308,192	\$ 2,273,697	\$ 4,581,889	\$ 219,877
Taxes receivables (net)	82,599	-	82,599	-
Accrued interest receivable on taxes	15,275	-	15,275	-
Accounts receivable	32,326	342,340	374,666	-
Due from other governments	254,865	434,536	689,401	-
Due from compenent unit	9,603	-	9,603	-
Inventories	-	-	-	94,398
Prepaid items	1,476	-	1,476	3,273
Restricted cash	209,895	267,054	476,949	-
Total current assets	<u>2,914,231</u>	<u>3,317,627</u>	<u>6,231,858</u>	<u>317,548</u>
Non-current assets:				
Capital assets:				
Land, non-depreciable improvements and construction in progress	648,109	2,726,853	3,374,962	13,000
Other capital assets, net of depreciation	3,376,081	10,514,821	13,890,902	93,944
Total capital assets	<u>4,024,190</u>	<u>13,241,674</u>	<u>17,265,864</u>	<u>106,944</u>
Total assets	<u>6,938,421</u>	<u>16,559,301</u>	<u>23,497,722</u>	<u>424,492</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	138,421	251,010	389,431	80,675
Accrued interest payable	-	5,134	5,134	-
Customer deposits	-	47,582	47,582	-
Current portion of long-term liabilities	-	400,113	400,113	-
Total current liabilities	<u>138,421</u>	<u>703,839</u>	<u>842,260</u>	<u>80,675</u>
Long-term liabilities:				
Due in more than one year	126,046	2,182,507	2,308,553	-
Total liabilities	<u>264,467</u>	<u>2,886,346</u>	<u>3,150,813</u>	<u>80,675</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid taxes	14,098	-	14,098	-
Total deferred inflows of resources	<u>14,098</u>	<u>-</u>	<u>14,098</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	4,024,190	10,727,564	14,751,754	106,944
Restricted for:				-
Stabilization by State Statue	296,794	-	296,794	-
Restricted for other purposes	209,895	1,447,880	1,657,775	29,476
Unrestricted	2,128,977	1,497,511	3,626,488	207,397
Total net position	<u>\$ 6,659,856</u>	<u>\$ 13,672,955</u>	<u>\$ 20,332,811</u>	<u>\$ 343,817</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, 2013**

**Exhibit 2**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Total	Town of Pittsboro ABC Board	
<b>Primary government:</b>									
Governmental activities:									
General government	\$ 1,056,249	\$ 39,123	\$ -	\$ -	\$ (1,017,126)	\$ -	\$ (1,017,126)	\$ -	\$ -
Public safety	1,464,390	2,332	4,617	-	(1,457,441)	-	(1,457,441)	-	-
Transportation	384,872	2,000	119,966	-	(262,906)	-	(262,906)	-	-
Environmental protection	305,497	363,509	3,065	-	61,077	-	61,077	-	-
Cultural and recreation	149,435	6,480	51,081	-	(91,874)	-	(91,874)	-	-
Total governmental activities	<u>3,360,443</u>	<u>413,444</u>	<u>178,729</u>	<u>-</u>	<u>(2,768,270)</u>	<u>-</u>	<u>(2,768,270)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Water and sewer	2,627,125	2,313,888	-	1,401,988	-	1,088,751	1,088,751	-	-
<b>Total primary government</b>	<u>\$ 5,987,568</u>	<u>\$ 2,727,332</u>	<u>\$ 178,729</u>	<u>\$ 1,401,988</u>	<u>(2,768,270)</u>	<u>1,088,751</u>	<u>(1,679,519)</u>	<u>-</u>	<u>-</u>
Component unit									
ABC Board	\$ 681,226	\$ 766,960	\$ -	\$ -					85,734
<b>Total component unit</b>									<u>85,734</u>
General revenues:									
Taxes:									
Property taxes, levied for general purpose					1,580,812	-	1,580,812	-	-
Other taxes					965,528	-	965,528	-	-
Grants and contributions not restricted to specific programs					51,220	-	51,220	-	-
Unrestricted investment earnings					3,028	3,261	6,289	110	110
Miscellaneous					20,745	20,349	41,094	2,447	2,447
Transfers					187,998	(187,998)	-	(31,848)	(31,848)
Total general revenues and transfers					<u>2,809,331</u>	<u>(164,388)</u>	<u>2,644,943</u>	<u>(29,291)</u>	<u>(29,291)</u>
Change in net position					41,061	924,363	965,424	56,443	56,443
Net position, beginning					6,618,795	12,748,592	19,367,387	287,374	287,374
Net position, ending					<u>\$ 6,659,856</u>	<u>\$ 13,672,955</u>	<u>\$ 20,332,811</u>	<u>\$ 343,817</u>	<u>\$ 343,817</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, 2013

	<u>Major Fund</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Total Non- Major Funds</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,296,358	\$ 11,834	\$ 2,308,192
Restricted cash	209,895	-	209,895
Taxes receivable - net	82,599	-	82,599
Accounts receivable	32,326	-	32,326
Due from other governments	234,764	20,101	254,865
Prepaid items	1,476	-	1,476
Due from component unit	9,603	-	9,603
Total assets	<u>\$ 2,867,021</u>	<u>\$ 31,935</u>	<u>\$ 2,898,956</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 120,716	\$ 17,705	\$ 138,421
Total liabilities	<u>120,716</u>	<u>17,705</u>	<u>138,421</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenues	14,098	-	14,098
Deferred revenues	82,599	-	82,599
Total deferred inflows of resources	<u>96,697</u>	<u>-</u>	<u>96,697</u>
<b>FUND BALANCES</b>			
Restricted			
Stabilization by State Statute	276,693	-	276,693
Streets	209,895	-	209,895
Assigned			
Subsequent year's expenditures	22,434		22,434
Capital Projects Funds	-	14,230	14,230
Unassigned	2,140,586	-	2,140,586
Total fund balances	<u>2,649,608</u>	<u>14,230</u>	<u>2,663,838</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,867,021</u>	<u>\$ 31,935</u>	<u>\$ 2,898,956</u>

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

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

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

Total Fund Balance, Governmental Funds	\$ 2,663,838
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross capital assets at historical cost	\$ 5,953,391	
Accumulated depreciation	<u>(1,929,201)</u>	4,024,190

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.	82,599
--	--------

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>(126,046)</u>
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Net position of governmental activities	<u><u>\$ 6,659,856</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**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2013**

**Exhibit 4**

	<u>Major Fund</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Total Non- Major Funds</u>	
<b>REVENUES</b>			
Ad valorem taxes	\$ 1,578,655	\$ -	\$ 1,578,655
Other taxes and licenses	968,593	-	968,593
Unrestricted intergovernmental	35,905	-	35,905
Restricted intergovernmental	175,943	16,862	192,805
Permits and fees	18,534	-	18,534
Sales and services	379,159	-	379,159
Investment earnings	3,019	9	3,028
Miscellaneous	34,669	-	34,669
Total revenues	<u>3,194,477</u>	<u>16,871</u>	<u>3,211,348</u>
<b>EXPENDITURES</b>			
Current:			
General government	940,246	-	940,246
Public safety	1,444,785	-	1,444,785
Transportation	386,302	76,435	462,737
Environmental protection	305,497	-	305,497
Cultural and recreational	88,740	36,379	125,119
Total expenditures	<u>3,165,570</u>	<u>112,814</u>	<u>3,278,384</u>
Excess (deficiency) of revenues over expenditures	<u>28,907</u>	<u>(95,943)</u>	<u>(67,036)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from other funds	187,998	-	187,998
Transfer to other funds	(78,000)	78,000	-
Total other financing sources (uses)	<u>109,998</u>	<u>78,000</u>	<u>187,998</u>
Net change in fund balance	138,905	(17,943)	120,962
Fund balances, beginning	<u>2,510,703</u>	<u>32,173</u>	<u>2,542,876</u>
Fund balances, ending	<u>\$ 2,649,608</u>	<u>\$ 14,230</u>	<u>\$ 2,663,838</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, 2013**

Exhibit 4

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

Net changes in fund balances- total governmental funds		\$ 120,962
--	--	------------

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	135,566	
Depreciation expense for governmental assets	<u>(232,828)</u>	(97,262)

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	2,157
---	-------

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.

Compenstated absences	25,387	
Other postemployment benefits	<u>(10,183)</u>	<u>15,204</u>

Total changes in net position of governmental activities	<u>\$ 41,061</u>
--	------------------

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

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2013**

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 1,559,300	\$ 1,559,300	\$ 1,578,655	\$ 19,355
Other taxes and licenses	632,000	660,500	968,593	308,093
Unrestricted intergovernmental	46,000	46,000	35,905	(10,095)
Restricted intergovernmental	175,000	181,000	175,943	(5,057)
Permits and fees	16,000	25,000	18,534	(6,466)
Sales and services	359,700	375,700	379,159	3,459
Investment earnings	4,000	4,000	3,019	(981)
Miscellaneous	65,700	27,300	34,669	7,369
Total revenues	<u>2,857,700</u>	<u>2,878,800</u>	<u>3,194,477</u>	<u>315,677</u>
Expenditures:				
Current:				
General government	1,003,908	1,045,730	940,246	105,484
Public safety	1,456,774	1,503,774	1,444,785	58,989
Transportation	399,624	427,224	386,302	40,922
Environmental protection	328,000	328,000	305,497	22,503
Cultural and recreational	81,820	88,820	88,740	80
Total expenditures	<u>3,270,126</u>	<u>3,393,548</u>	<u>3,165,570</u>	<u>227,978</u>
Revenues over (under) expenditures	<u>(412,426)</u>	<u>(514,748)</u>	<u>28,907</u>	<u>543,655</u>
Other financing sources (uses):				
Transfers from other funds	187,998	187,998	187,998	-
Transfers to other funds	-	(132,000)	(78,000)	54,000
Fund balance appropriated	224,428	458,750	-	(458,750)
Total other financing sources (uses)	<u>412,426</u>	<u>514,748</u>	<u>109,998</u>	<u>(404,750)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	138,905	<u>\$ 138,905</u>
Fund balance, beginning			<u>2,510,703</u>	
Fund balance, ending			<u>\$ 2,649,608</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, 2013**

Exhibit 6

**Major**  
**Enterprise**  
**Fund**  


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**Water and**  
**Sewer Fund**  


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**ASSETS**

Current assets:

Cash and cash equivalents	\$ 2,273,697
Accounts receivable (net) - billed	292,342
Accounts receivable (net) - unbilled	49,998
Due from other governments	434,536
Restricted cash and cash equivalents	267,054
Total current assets	3,317,627

Noncurrent assets:

Capital assets:

Land and construction in progress	2,726,853
Other capital assets, net of depreciation	10,514,821
Capital assets	13,241,674
Total noncurrent assets	13,241,674
Total assets	\$ 16,559,301

**LIABILITIES**

Current liabilities:

Accounts payable and accrued liabilities	251,010
Accrued bond interest	5,134
Customer deposits	47,582
Current portion of long-term debt	400,113
Total current liabilities	703,839

Noncurrent liabilities:

Accrued vacation	34,830
Other postemployment benefits	33,680
Non-current portion of long-term debt	2,113,997
Total noncurrent liabilities	2,182,507
Total liabilities	2,886,346

**NET POSITION**

Net investment in capital assets	10,727,564
Restricted for capital projects	1,447,880
Unrestricted	1,497,511
Total net position	\$ 13,672,955

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, 2013**

Exhibit 7

	<b>Major Enterprise Fund</b> <hr/> <b>Water and Sewer Fund</b>
<b>OPERATING REVENUES</b>	
Water sales	\$ 1,190,518
Sewer charges	1,034,394
Reuse water charges	55,080
Reconnection fees and penalties	33,895
Miscellaneous	20,349
<b>Total operating revenues</b>	<u>2,334,236</u>
<b>OPERATING EXPENSES</b>	
Administrative	235,919
Water operations	794,402
Sewer treatment	517,017
Public utilities	439,987
Depreciation	568,179
<b>Total operating expenses</b>	<u>2,555,504</u>
<b>Operating income (loss)</b>	<u>(221,268)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	3,261
Interest and other charges	(71,620)
Water and sewer access charges	290,574
<b>Total nonoperating revenues (expenses)</b>	<u>222,215</u>
<b>Income (loss) before contributions and transfers</b>	947
Capital contribution - CDBG grant	837,400
Capital contribution - NC Rural Center grant	129,014
Capital contribution - Chatham County	145,000
Transfer to General Fund	(187,998)
<b>Change in net position</b>	924,363
<b>Total net position, beginning</b>	<u>12,748,592</u>
<b>Total net position, ending</b>	<u><u>\$ 13,672,955</u></u>

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

## TOWN OF PITTSBORO, NORTH CAROLINA

Exhibit 8

## Statement of Cash Flows

## Proprietary Fund

For the Year Ended June 30, 2013

	<b>Major Enterprise Fund</b>
	<b>Water and Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 2,392,091
Cash paid for goods and services	(1,123,409)
Cash paid to or on behalf of employees for services	(741,854)
Customer deposits received	1,780
Other operating revenues	20,349
Net cash provided (used) by operating activities	<u>548,957</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer to other funds	(187,998)
Total cash flow from noncapital financing activities	<u>(187,998)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital contribution - access fees	290,574
Capital contribution - NC Rural Center grant	129,014
Capital contribution - CDBG grant	837,400
Capital contribution - Chatham County	145,000
Principal paid on bonds/loans	(132,742)
Interest paid on bonds/loans	(71,620)
Acquisition and construction of capital assets	(1,971,020)
Net cash provided (used) by capital and related financing activities	<u>(773,394)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	3,261
Net increase (decrease) in cash and cash equivalents	(409,174)
Balances, beginning	<u>2,949,925</u>
Balances, ending	<u>\$ 2,540,751</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	<u>\$ (221,268)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	568,179
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	(13,845)
Decrease (increase) in due from other governments	92,049
Increase (decrease) in accounts payable and accrued liabilities	122,610
Increase (decrease) in customer deposits	1,780
Increase (decrease) in accrued vacation	(6,884)
Increase (decrease) in other postemployment benefits	6,336
Total adjustments	<u>770,225</u>
Net cash provided by operating activities	<u>\$ 548,957</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS**

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**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

**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.

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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 funds:

**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.

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

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operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the 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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Chatham County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Pittsboro. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Chatham County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period 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.

**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, Enterprise and Capital Projects Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Project. 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

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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 all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

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 Capital Project 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.

4. Ad Valorem Taxes Receivable

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

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based on the assessed values as of January 1, 2012. 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.

**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

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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

**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

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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.

**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.

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

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Assigned for Capital Improvement – 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, 2013, 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. 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

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of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial risk for deposits.

At June 30, 2013, the Town's deposits had a carrying amount of \$5,058,838 and a bank balance of \$5,091,935. Of the bank balance, \$498,000 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 \$219,077 and the bank balance was \$210,931. All of the bank balance was covered by federal depository insurance. At June 30, 2013, the Town's petty cash fund totaled \$400.

**2. Receivables - Allowances for Doubtful Accounts**

The amounts of taxes receivable presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2013 are net of an allowance for uncollectible taxes of \$23,815.

The amounts of accounts receivable presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2013 are net of an allowance for uncollectible amounts of \$45,000.

**3. Capital Assets**

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2013, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 553,000	\$ -	\$ -	\$ 553,000
Construction in progress	481,841	95,109	481,841	95,109
Total capital assets not being depreciated	<u>1,034,841</u>	<u>95,109</u>	<u>481,841</u>	<u>648,109</u>
<b>Capital assets being depreciated:</b>				
Buildings	423,563	-	-	423,563
Furniture and equipment	926,257	-	-	926,257
Vehicles	589,479	40,457	-	629,936
Infrastructure	2,843,685	481,841	-	3,325,526
Total assets being depreciated	<u>4,782,984</u>	<u>522,298</u>	<u>-</u>	<u>5,305,282</u>
<b>Less accumulated depreciation for:</b>				
Buildings	132,842	9,104	-	141,946
Furniture and equipment	284,141	61,165	-	345,306
Vehicles	490,555	43,632	-	534,187
Infrastructure	788,835	118,927	-	907,762
Total accumulated depreciation	<u>1,696,373</u>	<u>232,828</u>	<u>-</u>	<u>1,929,201</u>
Total capital assets being depreciated, net	<u>3,086,611</u>			<u>3,376,081</u>
<b>Total governmental activities capital assets, net</b>	<u>\$ 4,121,452</u>			<u>\$ 4,024,190</u>

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

General government	\$ 11,927
Public safety	52,726
Transportation	124,326
Environmental protection	859
Recreation	42,990
	<u>\$ 232,828</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities – Water and Sewer Fund:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 10,200	\$ -	\$ -	\$ 10,200
Construction in progress	791,808	1,924,845	-	2,716,653
Total capital assets not being depreciated	<u>802,008</u>	<u>1,924,845</u>	<u>-</u>	<u>2,726,853</u>
<b>Capital assets being depreciated:</b>				
Buildings	134,365	-	-	134,365
Other improvements	16,537,542	-	-	16,537,542
Equipment	2,025,942	46,179	-	2,072,121
Total assets being depreciated	<u>18,697,849</u>	<u>46,179</u>	<u>-</u>	<u>18,744,028</u>
<b>Less accumulated depreciation for:</b>				
Buildings	104,579	2,894	-	107,473
Other improvements	5,898,248	473,448	-	6,371,696
Equipment	1,658,197	91,841	-	1,750,038
Total accumulated depreciation	<u>7,661,024</u>	<u>568,183</u>	<u>-</u>	<u>8,229,207</u>
Total capital assets being depreciated, net	<u>11,036,825</u>			<u>10,514,821</u>
<b>Total governmental activities capital assets, net</b>	<u>\$11,838,833</u>			<u>\$13,241,674</u>

**Construction Commitments**

The government has active construction projects as of June 30, 2013. At year-end, the government's commitments with contractors are as follows:

Project	Spent to date	Remaining commitment
Hillsboro Street Transmission Line Replacement Project	<u>\$ 1,781,114</u>	<u>\$ 62,279</u>

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**Discretely presented component unit**

Activity for the ABC Board for the year ended June 30, 2013, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Capital assets being depreciated:</b>				
Buildings and leasehold improvements	\$ 94,367	51,218	-	\$ 145,585
Store and administrative equipment	34,199	9,962	-	44,161
Total assets being depreciated	<u>128,566</u>	<u>61,180</u>	<u>-</u>	<u>189,746</u>
<b>Less accumulated depreciation:</b>				
Total accumulated depreciation	<u>71,090</u>	<u>11,712</u>	<u>-</u>	<u>82,802</u>
<b>Total ABC Board capital assets, net</b>	<u>\$ 57,476</u>			<u>\$ 106,944</u>

**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 6.74% and 6.77%, 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, 2013, 2012, and 2011 were \$125,977, \$131,725, and \$105,586, 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

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**Discretely presented component unit**

Activity for the ABC Board for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets being depreciated:</b>				
Buildings and leasehold improvements	\$ 94,367	\$ 51,218	\$ -	\$ 145,585
Store and administrative equipment	34,199	9,962	-	44,161
Total assets being depreciated	<u>128,566</u>	<u>61,180</u>	<u>-</u>	<u>189,746</u>
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<b>Total ABC Board capital assets, net</b>	<u>\$ 57,476</u>			<u>\$ 106,944</u>

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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.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At June 30, 2013, 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 \$21,906 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

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

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.

*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, 2013 were \$42,656, which consisted of \$27,880 from the Town and \$14,776 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, 2013, 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, 2013 were \$91,172, which consisted of \$65,372 from the Town and \$25,800 from the general employees.

e. Other Postemployment Benefit

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, 2013, the Town's total contributions were \$10,294.

*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, 2013**

*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	\$ 25,781
Interest on net OPEB obligation	1,032
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	26,813
Contributions made	(10,294)
Increase (decrease) in net OPEB obligation	16,519
Net OPEB obligation, beginning of year	69,909
Net OPEB obligation, end of year	\$ 86,428

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, 2013 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 26,813	38.39%	\$ 16,519
2012	\$ 34,264	17.65%	\$ 28,218
2011	\$ 31,688	19.08%	\$ 25,642

*Funded Status and Funding Progress.* As of December 31, 2012, 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 \$248,943. The covered payroll (annual payroll of active employees covered by the plan) was \$1,806,803 and the ratio of the UAAL to the covered payroll was 13.77 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, 2013**

*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* – 2012 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 payroll on an open basis. The remaining amortization period at June 30, 2013 was thirty years.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

**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 is comprised of the following:

	Unavailable revenue	Unearned revenue
Prepaid taxes (General Fund)	\$ 14,048	\$
Prepaid fees (General Fund)	50	
Taxes receivable (General Fund)		82,599
Total	\$ 14,098	\$ 82,599

**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 up to a \$2,000,000 lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability and auto liability in excess of \$500,000, and \$300,000 statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

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, 2013 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%.	\$ 570,000
Water and Sewer Bonds (FHA); issued November 1, 1994; maturing serially to June 1, 2034; interest at 5.25%.	390,500
	\$ 960,500

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

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
2014	\$ 217,000	\$ 47,656
2015	222,500	37,391
2016	168,000	26,655
2017	14,000	18,533
2018	15,000	17,798
2019-2023	85,000	76,651
2024-2028	107,000	51,766
2029-2033	110,000	23,100
2034	22,000	1,155
Total	<u>\$ 960,500</u>	<u>\$ 300,705</u>

Notes Payable

ARRA Federal Revolving Loan; issued August 4, 2009; due in twenty annual installments of \$62,319 beginning on May 1<sup>st</sup> 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. \$ 1,033,673

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%. 103,939

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. 248,000

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. 168,000

\$ 1,553,610

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

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

Year Ending June 30	Business-type Activities	
	Notes Payable	
	Principal	Interest
2014	\$ 183,113	\$ 17,670
2015	209,147	13,249
2016	184,830	7,966
2017	135,467	4,757
2018	111,406	2,018
2019-2023	304,025	-
2024-2028	304,025	-
2029-2030	121,597	-
<b>Total</b>	<b>\$ 1,553,610</b>	<b>\$ 45,660</b>

The Town has a legal debt margin of \$34,522,822 at June 30, 2013.

b. Change in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 98,685	\$ -	\$ 25,387	\$ 73,298	\$ -
Other postemployment benefits	42,565	10,183	-	52,748	-
<b>Governmental activity long-term liabilities</b>	<b>\$ 141,250</b>	<b>\$ 10,183</b>	<b>\$ 25,387</b>	<b>\$ 126,046</b>	<b>\$ -</b>

Business-type activities:

Water and Sewer Fund

General obligation bonds	\$ 1,166,500	\$ -	\$ 206,000	\$ 960,500	\$ 217,000
Notes Payable	1,487,286	248,000	181,676	1,553,610	183,113
Compensated absences	41,714	-	6,884	34,830	-
Other postemployment benefits	27,344	6,336	-	33,680	-
<b>Water Sewer Fund long-term liabilities</b>	<b>\$ 2,722,844</b>	<b>\$ 254,336</b>	<b>\$ 394,560</b>	<b>\$ 2,582,620</b>	<b>\$ 400,113</b>
<b>Business activity long-term liabilities</b>	<b>\$ 2,722,844</b>	<b>\$ 254,336</b>	<b>\$ 394,560</b>	<b>\$ 2,582,620</b>	<b>\$ 400,113</b>

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

The ABC Board has no long-term debt at June 30, 2013.

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2013, consist of the following:

From Sewer Fund to General Fund – allocation of administrative costs	<u>\$ 187,998</u>
From General Fund to Connect Springdale Drive and Fox Chapel Lane Project	<u>\$ 78,000</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	\$ 2,649,608
Less:	
Stabilization by State Statute	276,693
Streets-Powell Bill	209,895
Appropriated Fund Balance in 2013 budget	22,434
Remaining Fund Balance	\$ 2,140,586

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, 2013.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

**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 \$1,468 to the Council during the year ended June 30, 2013.

**V. 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.

**VI. Significant Effects of Subsequent Events**

Subsequent events have been evaluated through November 27, 2013, the date which the financial statements were available to be issued. There were no recognized events meriting disclosure.

**VII. Change in Accounting Principles/Restatement**

The Town implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

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**SUPPLEMENTARY INFORMATION**

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**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Other Postemployment Benefits**  
**Required Supplementary Information**

**Schedule of Funding Progress**

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

**Schedule of Employer Contributions**

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

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**INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

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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, 2013

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes - current year	\$ 1,528,300	\$ 1,537,756	\$ 9,456
Taxes - prior years	26,000	32,673	6,673
Interest and penalties	5,000	8,226	3,226
Total	<u>1,559,300</u>	<u>1,578,655</u>	<u>19,355</u>
Other taxes and licenses:			
Local option sales tax	338,000	550,997	212,997
Hold harmless tax	120,000	193,660	73,660
Utilities franchise taxes	118,000	111,540	(6,460)
Telecommunications tax	36,000	34,750	(1,250)
Video sales tax	20,000	28,770	8,770
Other taxes and licenses	28,500	48,876	20,376
Total	<u>660,500</u>	<u>968,593</u>	<u>308,093</u>
Unrestricted intergovernmental:			
ABC profit distribution	46,000	35,905	(10,095)
Total	<u>46,000</u>	<u>35,905</u>	<u>(10,095)</u>
Restricted intergovernmental:			
State street aid - Power Bill	90,000	119,966	29,966
Governor's Highway Safety Grant	10,000	4,617	(5,383)
Federal Community Policing Grant	60,000	15,140	(44,860)
Domestic Violence Policing Grant	15,000	28,220	13,220
Other	6,000	8,000	2,000
Total	<u>181,000</u>	<u>175,943</u>	<u>(5,057)</u>
Permits and fees:			
Zoning fees	5,000	8,216	3,216
Other fees	10,000	9,703	(297)
Off-duty police officer fees	10,000	615	(9,385)
Total	<u>25,000</u>	<u>18,534</u>	<u>(6,466)</u>
Sales and services:			
Solid waster revenues	359,700	363,509	3,809
Recreation	6,000	4,480	(1,520)
Facilities rental	10,000	11,170	1,170
Total	<u>375,700</u>	<u>379,159</u>	<u>3,459</u>
Investment earnings	4,000	3,019	(981)
Miscellaneous	27,300	34,669	7,369
Total revenues	<u>2,878,800</u>	<u>3,194,477</u>	<u>315,677</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, 2013

(Continued)

	Budget	Actual	Variance Positive (Negative)
<b>Expenditures:</b>			
General government:			
Governing body			
Salaries and employee benefits	\$ 22,200	\$ 22,200	\$ -
Payroll taxes	1,800	1,698	102
Professional services	3,000	650	2,350
Travel and training	4,000	1,335	2,665
Advertising	-	48	(48)
Departmental supplies	1,500	3,013	(1,513)
Dues and subscriptions	7,500	7,777	(277)
Insurance and bonds	2,500	2,499	1
Contingency	1,000	-	1,000
Total	<u>43,500</u>	<u>39,220</u>	<u>4,280</u>
Administration			
Salaries and employee benefits	406,249	389,295	16,954
Payroll taxes	26,626	25,909	717
Professional services	19,500	19,462	38
Telephone	6,000	5,426	574
Travel and training	6,000	3,035	2,965
Maintenance - equipment	1,000	-	1,000
Postage	2,000	615	1,385
Advertising	1,500	129	1,371
Office supplies	18,500	15,300	3,200
Dues and subscriptions	6,500	6,205	295
Insurance and bonds	53,807	55,254	(1,447)
Tax billing and collection	3,200	3,622	(422)
Contracted services	30,600	29,011	1,589
Total	<u>581,482</u>	<u>553,263</u>	<u>28,219</u>
Planning			
Salaries and employee benefits	156,168	149,450	6,718
Payroll taxes	9,256	8,888	368
Travel and training	5,000	2,963	2,037
Telephone	1,200	738	462
Professional services	69,322	61,227	8,095
Postage	500	508	(8)
Advertising	1,000	775	225
Departmental supplies	26,900	18,252	8,648
Dues and subscriptions	1,000	1,085	(85)
Contracted services	16,600	10,657	5,943
Insurance and bonds	17,428	18,726	(1,298)
Total	<u>304,374</u>	<u>273,269</u>	<u>31,105</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, 2013

(Continued)

	Budget	Actual	Variance Positive (Negative)
Legal			
Dues and subscriptions	\$ 300	\$ 300	\$ -
Insurance	-	1,000	(1,000)
Travel and training	1,000	-	1,000
Professional services	26,200	22,000	4,200
Total	<u>27,500</u>	<u>23,300</u>	<u>4,200</u>
Public buildings			
Salaries and employee benefits	39,914	18,749	21,165
Payroll taxes	2,677	1,221	1,456
Professional services	5,000	1,163	3,837
Telephone	600	484	116
Travel and training	1,500	97	1,403
Advertising	3,000	535	2,465
Postage	300	28	272
Utilities	-	95	(95)
Capital outlay	15,000	14,685	315
Vehicle repairs	500	69	431
Departmental supplies	11,000	9,793	1,207
Dues and subscriptions	1,000	306	694
Contracted services	3,000	2,700	300
Insurance	5,383	1,269	4,114
Total	<u>88,874</u>	<u>51,194</u>	<u>37,680</u>
Total general government	<u>1,045,730</u>	<u>940,246</u>	<u>105,484</u>
Public safety:			
Police			
Salaries and employee benefits	735,974	692,604	43,370
Payroll taxes	49,320	48,537	783
Separation benefit	-	16,086	(16,086)
Professional services	8,000	7,898	102
Telephone and postage	10,500	10,944	(444)
Travel and training	12,000	11,263	737
Maintenance - equipment	2,000	698	1,302
Vehicle repairs	36,000	25,758	10,242
Automotive supplies	57,635	39,246	18,389
Departmental supplies	32,000	31,809	191
Contract towing	500	-	500
Contracted services	23,100	21,788	1,312
Uniforms and accessories	15,000	15,048	(48)
Dues and subscriptions	2,800	2,825	(25)
Insurance and bonds	130,287	132,291	(2,004)
Investigations	5,000	1,560	3,440
Fines and penalties	1,000	1,000	-
Capital outlay - equipment	23,000	25,772	(2,772)
Total	<u>1,144,116</u>	<u>1,085,127</u>	<u>58,989</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, 2013

(Continued)

	Budget	Actual	Variance Positive (Negative)
Fire			
Pittsboro Volunteer Fire and Rescue			
Department - contribution	\$ 359,658	\$ 359,658	\$ -
Total	<u>359,658</u>	<u>359,658</u>	<u>-</u>
Total public safety	<u>1,503,774</u>	<u>1,444,785</u>	<u>58,989</u>
Transportation:			
Streets and maintenance			
Salaries and employee benefits	135,611	136,364	(753)
Payroll taxes	8,974	8,363	611
Travel and training	1,300	385	915
Telephone and postage	1,200	1,817	(617)
Utilities	66,000	68,599	(2,599)
Maintenance - equipment	9,200	10,334	(1,134)
Vehicle repairs	3,000	6,394	(3,394)
Automotive supplies	22,000	14,057	7,943
Maintenance and repairs - building	12,000	14,194	(2,194)
Maintenance and repairs - roads	8,000	9,854	(1,854)
Drainage and storm water	5,000	421	4,579
Traffic control	3,000	59	2,941
Departmental supplies	23,000	11,448	11,552
Contracted services	60,500	48,679	11,821
Insurance and bonds	29,839	29,547	292
Sidewalks	32,600	18,962	13,638
Capital outlay - building	6,000	6,825	(825)
Capital outlay - equipment	-	-	-
Total	<u>427,224</u>	<u>386,302</u>	<u>40,922</u>
Cultural and recreational:			
Recreation			
Professional services	5,000	6,268	(1,268)
Contracted services	12,900	14,698	(1,798)
Telephone and postage	800	878	(78)
Utilities	4,600	4,711	(111)
Departmental supplies	3,100	3,445	(345)
Seasonal decorations	5,000	2,033	2,967
Christmas parade	1,000	255	745
Fall street fair	10,000	10,306	(306)
Building and grounds maintenance	46,000	45,726	274
Due and subscriptions	420	420	-
Total	<u>88,820</u>	<u>88,740</u>	<u>80</u>
Environmental protection:			
Sanitation	328,000	305,497	22,503
Total	<u>328,000</u>	<u>305,497</u>	<u>22,503</u>
Total expenditures	<u>3,393,548</u>	<u>3,165,570</u>	<u>227,978</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, 2013

(Continued)

	Budget	Actual	Variance Positive (Negative)
Revenues over (under) expenditures	\$ (514,748)	\$ 28,907	\$ 543,655
Other financing sources (uses):			
Transfers from other funds:			
Enterprise Funds	187,998	187,998	-
Transfers to other funds:			
Connect Springdale and Fox Chapel Lane	(132,000)	(78,000)	54,000
Total	<u>55,998</u>	<u>109,998</u>	<u>54,000</u>
Fund balance appropriated	458,750	-	458,750
Net change in fund balance	<u>\$ -</u>	138,905	<u>\$ 138,905</u>
Fund balances, beginning		<u>2,510,703</u>	
Fund balances, ending		<u>\$ 2,649,608</u>	

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2013**

**Schedule 3**

	<u>Capital Projects Fund</u>	<u>Southern Park Project</u>	<u>Rockridge Park Disc Golf Course Project</u>	<u>Alpha Install Upfit Project</u>	<u>Connect Springdale Drive and Fox Chapel Lane Project</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 6,982	\$ (2,992)	\$ -	\$ 6,400	\$ 1,444	\$ 11,834
Due from other governments	-	2,992	126	16,862	121	20,101
	<hr/>					
Total assets	<u>\$ 6,982</u>	<u>\$ -</u>	<u>\$ 126</u>	<u>\$ 23,262</u>	<u>\$ 1,565</u>	<u>\$ 31,935</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 17,705	\$ -	\$ 17,705
	<hr/>					
<b>FUND BALANCES</b>						
Designated for specific purposes	<u>6,982</u>	<u>-</u>	<u>126</u>	<u>5,557</u>	<u>1,565</u>	<u>14,230</u>
	<hr/>					
Total liabilities and fund balances	<u>\$ 6,982</u>	<u>\$ -</u>	<u>\$ 126</u>	<u>\$ 23,262</u>	<u>\$ 1,565</u>	<u>\$ 31,935</u>

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2013**

**Schedule 4**

	Capital Projects Fund	Southern Park Project	Rockridge Park Disc Golf Course Project	Alpha Install Upfit Project	Connect Springdale Drive and Fox Chapel Lane Project	Total Nonmajor Governmental Funds
<b>REVENUES</b>						
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ 16,862	\$ -	\$ 16,862
Investment earnings	9	-	-	-	-	9
Total revenues	9	-	-	16,862	-	16,871
<b>EXPENDITURES</b>						
Transportation	-	-	-	-	76,435	76,435
Cultural and recreational	-	-	18,674	17,705	-	36,379
Total revenues	-	-	18,674	17,705	76,435	112,814
Excess (deficiency) of revenues over expenditures	9	-	(18,674)	(843)	(76,435)	(95,943)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers from other funds:						
General Fund	-	-	-	-	78,000	78,000
Net change in fund balance	9	-	(18,674)	(843)	1,565	(17,943)
Fund balances, beginning	6,973	-	18,800	6,400	-	32,173
Fund balances, ending	\$ 6,982	\$ -	\$ 126	\$ 5,557	\$ 1,565	\$ 14,230

Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Investment earnings	\$ 100	\$ 9	\$ (91)
Total revenues	100	9	(91)
<b>Other Financing Sources (Uses)</b>			
Transfer to General Fund	(100)	-	100
Net change in fund balance	<u>\$ -</u>	9	<u>\$ 9</u>
Fund balance, beginning		<u>6,973</u>	
Fund balance, ending		<u>\$ 6,982</u>	

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Capital Projects Fund - Southern Park Project**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**From Inception and For the Year Ended June 30, 2013**

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Grants	\$ 441,541	\$ 441,541	\$ -	\$ 441,541	\$ -
Donations	10,000	10,000	-	10,000	-
Total revenues	<u>451,541</u>	<u>451,541</u>	<u>-</u>	<u>451,541</u>	<u>-</u>
<b>Expenditures:</b>					
Construction	420,141	423,914	-	423,914	(3,773)
Engineering	55,200	53,539	-	53,539	1,661
Survey	6,500	4,388	-	4,388	2,112
Total expenditures	<u>481,841</u>	<u>481,841</u>	<u>-</u>	<u>481,841</u>	<u>-</u>
Revenues over (under) expenditures	<u>(30,300)</u>	<u>(30,300)</u>	<u>-</u>	<u>(30,300)</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in (out) General Fund	<u>30,300</u>	<u>30,300</u>	<u>-</u>	<u>30,300</u>	<u>-</u>
Total other financing sources (uses)	<u>30,300</u>	<u>30,300</u>	<u>-</u>	<u>30,300</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**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, 2013**

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

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**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, 2013**

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
NC Rural Center Grant	\$ 128,000	\$ -	\$ 16,862	\$ 16,862	\$ (111,138)
Total revenues	<u>128,000</u>	<u>-</u>	<u>16,862</u>	<u>16,862</u>	<u>(111,138)</u>
<b>Expenditures:</b>					
Construction	134,400	-	17,705	17,705	116,695
Total expenditures	<u>134,400</u>	<u>-</u>	<u>17,705</u>	<u>17,705</u>	<u>116,695</u>
Revenues over (under) expenditures	<u>(6,400)</u>	<u>-</u>	<u>(843)</u>	<u>(843)</u>	<u>5,557</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in (out)					
General Fund	6,400	6,400	-	6,400	-
Total other financing sources (uses)	<u>6,400</u>	<u>6,400</u>	<u>-</u>	<u>6,400</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 6,400</u>	<u>(843)</u>	<u>\$ 5,557</u>	<u>\$ 5,557</u>
Fund balance, beginning			<u>6,400</u>		
Fund balance, ending			<u>\$ 5,557</u>		

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**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, 2013**

	Project Authorization	Prior Year	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
<b>Expenditures:</b>					
Construction	\$ 67,000	\$ -	\$ 65,435	\$ 65,435	\$ 1,565
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	78,000	-	76,435	76,435	1,565
Revenues over (under) expenditures	(78,000)	-	(76,435)	(76,435)	(1,565)
<b>Other Financing Sources (Uses)</b>					
Transfers in (out)					
General Fund	78,000	-	78,000	78,000	-
Total other financing sources (uses)	78,000	-	78,000	78,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,565	<u>\$ 1,565</u>	<u>\$ 1,565</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 1,565</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, 2013**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Water sales	\$ 1,221,200	\$ 1,190,518	\$ (30,682)
Sewer charges	1,043,000	1,034,394	(8,606)
Reuse water charges	55,000	55,080	80
Reconnection fees and penalties	40,000	33,895	(6,105)
Miscellaneous	24,000	20,349	(3,651)
Total operating revenues	<u>2,383,200</u>	<u>2,334,236</u>	<u>(48,964)</u>
<b>Nonoperating revenues:</b>			
Interest earnings	4,000	1,516	(2,484)
Total revenues	<u>2,387,200</u>	<u>2,335,752</u>	<u>(51,448)</u>
<b>Expenditures:</b>			
<b>Administrative</b>			
Salaries and employee benefits	151,682	147,331	4,351
Payroll taxes	8,974	8,434	540
Professional services	57,000	59,082	(2,082)
Travel and training	600	-	600
Telephone and postage	7,500	9,096	(1,596)
Advertising	300	-	300
Departmental supplies	3,950	3,325	625
Vehicle and equipment maintenance	3,500	-	3,500
Insurance	7,000	1,499	5,501
Contracted services	6,000	5,050	950
Other operating expenditures	2,600	2,190	410
Total	<u>249,106</u>	<u>236,007</u>	<u>13,099</u>
<b>Water operations:</b>			
Salaries and employee benefits	340,366	324,488	15,878
Payroll taxes	19,431	18,752	679
Professional services	5,000	300	4,700
Telephone and postage	12,000	11,545	455
Travel and training	6,000	3,903	2,097
Supplies	39,500	38,616	884
Advertising	1,000	150	850
Dues and subscriptions	3,400	3,512	(112)
Insurance	11,327	14,651	(3,324)
Chemicals	157,000	135,515	21,485
Contracted services	22,000	32,152	(10,152)
Vehicle and equipment maintenance	89,100	99,647	(10,547)
Utilities	60,000	57,830	2,170
Other operating expenditures	62,500	50,146	12,354
Total	<u>828,624</u>	<u>791,207</u>	<u>37,417</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, 2013**  
**(Continued)**

	Budget	Actual	Variance Positive (Negative)
<b>Sewer treatment:</b>			
Salaries and employee benefits	\$ 241,940	\$ 241,206	\$ 734
Payroll taxes	13,635	13,913	(278)
Professional services	4,000	3,668	332
Telephone and postage	3,600	3,998	(398)
Travel and training	2,000	1,753	247
Supplies	21,000	21,350	(350)
Advertising	-	94	(94)
Dues and subscriptions	4,000	5,997	(1,997)
Insurance	11,687	10,429	1,258
Chemicals	36,000	42,008	(6,008)
Contracted services	10,000	10,709	(709)
Vehicle and equipment maintenance	29,000	28,687	313
Utilities	65,000	60,312	4,688
Other operating expenditures	86,000	73,026	12,974
Total	<u>527,862</u>	<u>517,150</u>	<u>10,712</u>
<b>Public utilities:</b>			
Salaries and employee benefits	273,227	273,544	(317)
Payroll taxes	15,284	15,397	(113)
Professional services	2,500	2,486	14
Telephone and postage	7,500	8,526	(1,026)
Travel and training	3,000	2,489	511
Supplies	74,500	53,493	21,007
Advertising	-	145	(145)
Dues and subscriptions	800	947	(147)
Insurance	15,327	16,033	(706)
Contracted services	-	644	(644)
Vehicle and equipment maintenance	63,500	57,690	5,810
Utilities	1,000	357	643
Other operating expenditures	6,000	8,379	(2,379)
Total	<u>462,638</u>	<u>440,130</u>	<u>22,508</u>
<b>Debt service:</b>			
Interest and other charges	66,360	64,687	1,673
Principal	412,100	387,676	24,424
Total	<u>478,460</u>	<u>452,363</u>	<u>26,097</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, 2013**  
**(Continued)**

	Budget	Actual	Variance Positive (Negative)
Capital outlay:			
Water operations - building	\$ 35,273	\$ -	\$ 35,273
Water operations - equipment	8,500	46,179	(37,679)
Public utilities - building	8,000	-	8,000
Total	<u>51,773</u>	<u>46,179</u>	<u>5,594</u>
Total expenditures	<u>2,598,463</u>	<u>2,483,036</u>	<u>115,427</u>
Revenues over (under) expenditures	(211,263)	(147,284)	63,979
Other financing sources (uses):			
Transfers to other funds:			
General Fund	(187,998)	(187,998)	-
Total	<u>(187,998)</u>	<u>(187,998)</u>	<u>-</u>
Fund balance appropriated	399,261	-	399,261
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	(335,282)	<u>\$ (335,282)</u>
Fund balances, beginning		<u>1,719,337</u>	
Fund balances, ending		<u>\$ 1,384,055</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, 2013**  
**(Continued)**

	Budget	Actual	Variance Positive (Negative)
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other sources over expenditures and other uses		\$ (335,282)	
Reconciling items:			
Payment of debt principal		387,676	
Write-off Unamortized bond issuance costs		(6,933)	
Capital outlay		46,179	
Decrease (increase) in accrued vacation pay		6,884	
Decrease (increase) in other postemployment benefits		(6,336)	
Depreciation		(568,179)	
Investment earnings in Water and Sewer Capital Reserve Fund		1,285	
Other		(2,919)	
Water and sewer access charges		290,574	
Capital contribution - CDBG grant		837,400	
Capital contribution - NC Rural Center grant		129,014	
Capital contribution - Chatham County		145,000	
Total reconciling items		1,259,645	
Change in net position		\$ 924,363	

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**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, 2013**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Investment earnings	\$ 500	\$ 1,285	\$ 785
Water and sewer access charges	240,000	290,574	50,574
Total revenues	<u>240,500</u>	<u>291,859</u>	<u>51,359</u>
<b>Other financing sources (uses):</b>			
Reserve for water and sewer improvements	(240,500)	-	240,500
Total other sources	<u>(240,500)</u>	<u>-</u>	<u>240,500</u>
Fund balance appropriated	-	-	-
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	291,859	<u>\$ 291,859</u>
Fund balance, beginning		<u>757,570</u>	
Fund balance, ending		<u>\$ 1,049,429</u>	

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**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, 2013**

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Expenditures:</b>					
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>
<b>Other Financing Sources (Uses)</b>					
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>-</u>		
Fund balance, ending			<u>\$ -</u>		

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**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, 2013**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures:</b>					
Design	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
Total expenditures	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
<b>Other Financing Sources (Uses)</b>					
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**  
**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, 2013**

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Grant - NC Rural Center	\$ 496,126	\$ 397,467	\$ -	\$ 397,467	\$ (98,659)
Investment earnings	-	460	-	460	460
Total revenues	<u>496,126</u>	<u>397,927</u>	<u>-</u>	<u>397,927</u>	<u>(98,199)</u>
<b>Expenditures:</b>					
Construction	590,000	537,235	-	537,235	52,765
Design	92,500	92,192	2,300	94,492	(1,992)
Grant administration	13,400	13,720	413	14,133	(733)
Contingency	48,289	-	-	-	48,289
Total expenditures	<u>744,189</u>	<u>643,147</u>	<u>2,713</u>	<u>645,860</u>	<u>98,329</u>
Revenues over (under) expenditures	<u>(248,063)</u>	<u>(245,220)</u>	<u>(2,713)</u>	<u>(247,933)</u>	<u>130</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in (out)					
Water and Sewer Fund	63	63	-	63	-
Loan Proceeds	248,000	248,000	-	248,000	-
Total other financing sources (uses)	<u>248,063</u>	<u>248,063</u>	<u>-</u>	<u>248,063</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,843</u>	<u>(2,713)</u>	<u>\$ 130</u>	<u>\$ 130</u>
Fund balance, beginning			<u>2,843</u>		
Fund balance, ending			<u>\$ 130</u>		

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**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, 2013**

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Community Development Block Grant	\$ 850,000	\$ -	\$ 837,400	\$ 837,400	\$ (12,600)
Chatham County	223,000	78,000	145,000	223,000	-
Total revenues	<u>1,073,000</u>	<u>78,000</u>	<u>982,400</u>	<u>1,060,400</u>	<u>(12,600)</u>
<b>Expenditures:</b>					
Construction	1,458,125	-	1,442,053	1,442,053	16,072
Design	145,788	48,958	96,830	145,788	-
Grant administration	75,000	12,553	43,689	56,242	18,758
Legal services	2,500	2,000	500	2,500	-
Contingency	385,269	-	339,061	339,061	46,208
Total expenditures	<u>2,066,682</u>	<u>63,511</u>	<u>1,922,133</u>	<u>1,985,644</u>	<u>81,038</u>
Revenues over (under) expenditures	<u>(993,682)</u>	<u>14,489</u>	<u>(939,733)</u>	<u>(925,244)</u>	<u>68,438</u>
<b>Other Financing Sources (Uses)</b>					
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>744,303</u>	<u>248,000</u>	<u>992,303</u>	<u>(1,379)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 758,792</u>	<u>(691,733)</u>	<u>\$ 67,059</u>	<u>\$ 67,059</u>
Fund balance, beginning			<u>758,792</u>		
Fund balance, ending			<u>\$ 67,059</u>		

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## **OTHER SCHEDULES**

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**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2013**

<u>Fiscal Year</u>	Uncollected Balance <u>June 30, 2012</u>	<u>Additions</u>	Collections And Credits <u></u>	Uncollected Balance <u>June 30, 2013</u>
2012-2013	\$ -	\$ 9,913	\$ 3,836	\$ 6,077
2011-2012	3,721	1,574,600	1,529,237	49,084
2010-2011	63,327	153	31,710	31,770
2009-2010	7,901	-	604	7,297
2008-2009	1,889	-	(649)	2,538
2007-2008	1,334	-	189	1,145
2006-2007	4,112	-	82	4,030
2005-2006	1,191	-	66	1,125
2004-2005	1,415	-	31	1,384
2003-2004	1,053	-	-	1,053
2002-2003	983	-	72	911
2001-2002	13,627	-	13,627	-
	<u>\$ 100,553</u>	<u>\$ 1,584,666</u>	<u>\$ 1,578,805</u>	<u>106,414</u>

Less: allowance for uncollectible accounts:

General Fund 23,815

Ad valorem taxes receivable - net \$ 82,599

Reconciliation with revenues:

Ad valorem taxes - General Fund \$ 1,578,655

Penalties collected on ad valorem taxes - Agency Fund

Reconciling items:

Interest collected (8,226)

Taxes written off 32,416

Non-discoveries (21,742)

Other (2,298)

Subtotal 150

Total collections and credits \$ 1,578,805

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Analysis of Current Tax Levy**  
**Town-Wide Levy**  
**For the Fiscal Year Ended June 30, 2013**

	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	\$ 412,484,889	0.3673	\$ 1,515,057	\$ 1,486,500	\$ 28,557
Registered motor vehicles taxed					
at prior year's rate	19,051,131	0.3020	57,535	-	57,535
Penalties			2,008	2,008	-
Total	<u>\$ 431,536,020</u>		<u>1,574,600</u>	<u>1,488,508</u>	<u>86,092</u>
Net levy			1,574,600	1,488,508	86,092
Uncollected taxes at June 30, 2013			<u>(49,084)</u>	<u>(40,040)</u>	<u>(9,044)</u>
Current year's taxes collected			<u>\$ 1,525,516</u>	<u>\$ 1,448,468</u>	<u>\$ 77,048</u>
Current levy collection percentage			<u>96.88%</u>	<u>97.31%</u>	<u>89.49%</u>

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

Fiscal Period	Tax Rate per \$100	Real Property	Personal Property	Utilities	Total
2003 - 2004	0.4300	\$ 143,500,173	\$ 22,273,181	\$ 3,875,328	\$ 169,648,682
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

Property is assessed at 100% of estimated sound value.

\* Revaluation

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

<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>
2003 - 2004	\$ 731,051	\$ 703,865	96.28%	\$ 32,831	\$ 736,696	\$ 74,357
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

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

Fiscal Period	Licenses and Permits	Interest	Revenues from other agencies	Other	Gross revenues from utilities
2003 - 2004	\$ 9,937	\$ 50,973	\$ 768,462	\$ 333,282	\$ 1,234,064
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

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

Fiscal Period	General government	Public safety	Streets and sanitation	Cultural and recreation	Utilities	
					Operating	Debt service
2003 - 2004	\$ 302,025	\$ 691,816	\$ 643,086	\$ 12,753	1,072,305	\$ 285,885
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

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**COMPLIANCE SECTION**

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**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***

**Independent Auditors' Report**

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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Pittsboro, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Pittsboro's basic financial statements, and have issued our report thereon dated November 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Pittsboro'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 of Pittsboro's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Pittsboro'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 charge with governance.

Our consideration of the internal control was for 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as item 2013-01.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Pittsboro's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2013-01.

#### Town of Pittsboro's Response to Finding

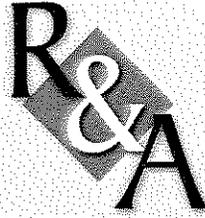
The Town of Pittsboro's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### 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 27, 2013



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## **Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act**

### **Independent Auditors' Report**

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

#### **Report on Compliance for Each Major Federal Program**

We have audited the Town of Pittsboro, North Carolina, with the types of compliance requirements described by in the *OMB Circular A-133 Compliance Supplement* and in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Pittsboro's major federal programs for the year ended June 30, 2013. The Town of Pittsboro's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town of Pittsboro's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Pittsboro's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Pittsboro's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the Town of Pittsboro complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

## **Report on Internal Control Over Compliance**

Management of the Town of Pittsboro is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Town of Pittsboro's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Pittsboro's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charge with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Rives & Associates, LLP*

Raleigh, North Carolina  
November 27, 2013

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2013**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

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**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**

Internal control over major federal programs:			
Material weaknesses identified?	_____	yes	_____ <input checked="" type="checkbox"/> no
Significant deficiency(s) identified that are not considered to be material weakness(es)?	_____	yes	_____ <input checked="" type="checkbox"/> none reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with Section 501(a) of Circular A-133	_____	yes	_____ <input checked="" type="checkbox"/> no

Identification of major federal programs:

**CFDA No. Name of Federal Program or Cluster**

14.228 - Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B Programs	\$ <u>300,000</u>
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Auditee qualified as low-risk auditee	_____	yes	_____ <input checked="" type="checkbox"/> no
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**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, 2013**  
**(Continued)**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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SIGNIFICANT DEFICIENCY

Finding 2013-01

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: There are a limited number of personnel for certain functions.

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.

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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None reported.

**TOWN OF PITTSBORO, NORTH CAROLINA**

**Corrective Action Plan**

**For the Year Ended June 30, 2013**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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SIGNIFICANT DEFICIENCY

Finding 2013-01

Name of contact person: Amanda Cartrette, 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, 2014

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Summary Schedule of Prior Year Audit Finding**  
**For the Year Ended June 30, 2013**

Finding 2012-01: 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.

**TOWN OF PITTSBORO, NORTH CAROLINA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass- Through Grantor's Number	Federal (Direct & Pass-through) Expenditures
<b>FEDERAL GRANTS</b>			
<b>Cash Programs:</b>			
<u>U.S. Department of Housing and Urban Development:</u>			
Passed-through N.C. Department of Commerce:			
Community Development Block Grant	14.228	05-D-2087	\$ 837,400
Total federal assistance			<u>\$ 837,400</u>

**Notes to the Schedule of Expenditures of Federal Awards:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Pittsboro and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.