

**TOWN OF PITTSBORO
NORTH CAROLINA**

Financial Statements and
Supplementary Information

Year Ended June 30, 2015

Governing Board

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

Town Officials

Bryan L. Gruesbeck, Town Manager
Alice F. Lloyd, Town Clerk
Nancy H.B. Emslie, Finance Officer

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FINANCIAL SECTION



Rives & Associates, LLP
Certified Public Accountants

Member:
American Institute of
Certified Public Accountants

Member:
North Carolina Association of
Certified Public Accountants

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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, 2015, 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, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town Pittsboro ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Town of Pittsboro ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Pittsboro, North Carolina as of June 30, 2015, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 14, the Other Postemployment Benefits Schedule of Funding Progress and Schedule of Employer Contributions on page 54 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions on pages 55 and 56, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2015 on our consideration of the Town of Pittsboro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Pittsboro's internal control over financial reporting and compliance.

River & Associates LLP

Raleigh, North Carolina
October 14, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

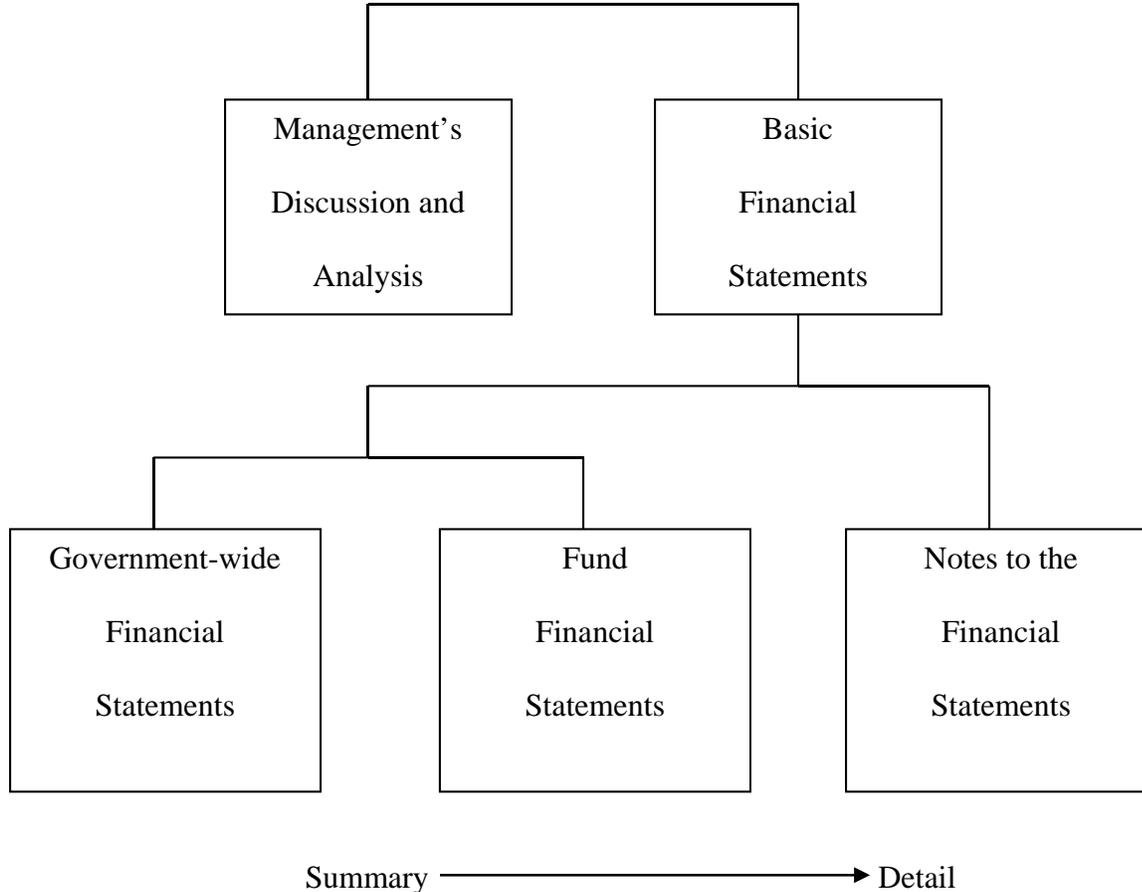
- ... The assets of the Town of Pittsboro exceeded its liabilities at the close of the fiscal year by \$21,747,269 (**net position**).
- ... The government's total net position *increased* by \$1,132,219 due to *increases* in both the *governmental* and *business-type* activities net position.
- ... As of the close of the current fiscal year, Pittsboro's governmental funds reported combined ending fund balances of \$3,868,281 an increase of \$683,497 in comparison with the prior year. Approximately 16% of this total amount, or \$631,821, is non spendable or restricted.
- ... At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,030,767, or 80% of total general fund expenditures and transfers out for the fiscal year.
- ... The Town of Pittsboro's total debt (net of compensated absences, net pension liability and other postemployment benefits) decreased by \$326,969 during the current fiscal year. The key factor in this decrease was loan payments made during the year. This also includes new long-term debt for the general fund.

Overview of the Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town of Pittsboro's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Town of Pittsboro
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-wide Financial Statements

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

The two government-wide statements report the Town of Pittsboro's net position and how it has changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town of Pittsboro's financial condition.

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

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (See figure 1) provide a more detailed look at the Town of Pittsboro's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Pittsboro, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town of Pittsboro's budget ordinance. All of the funds of the Town of Pittsboro can be divided into two categories: governmental funds and proprietary funds.

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

The Town of Pittsboro adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, management of the Town and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current

Town of Pittsboro
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

period activities. The budgetary statements provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town of Pittsboro succeeded in providing the services a planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statements shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – The Town of Pittsboro has one kind of proprietary fund. The *Enterprise Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. 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'S DISCUSSION AND ANALYSIS (Continued)

Government-Wide Financial Analysis

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$4,120,452	\$3,440,408	\$ 3,741,914	\$ 3,126,115	\$ 7,862,366	\$ 6,566,523
Capital assets	3,882,258	3,988,596	12,491,749	12,961,812	16,374,007	16,950,408
Deferred outflows or resources	<u>125,706</u>	<u>-</u>	<u>85,895</u>	<u>-</u>	<u>211,601</u>	<u>-</u>
Total assets and deferred outflow of resources	8,128,416	7,429,004	16,319,558	16,087,927	24,447,974	23,516,931
Long-term liabilities outstanding	209,699	126,420	1,395,030	1,725,925	1,604,729	1,852,345
Other liabilities	158,582	138,498	538,702	596,311	697,284	734,809
Deferred inflows of resources	<u>324,104</u>	<u>18,908</u>	<u>210,959</u>	<u>-</u>	<u>535,063</u>	<u>18,908</u>
Total liabilities and deferred outflow of resources	692,385	283,826	2,144,691	2,322,236	2,837,076	2,606,062
Net position						
Net investment in capital assets	3,777,148	3,988,596	10,846,177	10,884,161	14,623,325	14,872,757
Restricted	631,821	396,370	2,035,414	1,553,960	2,667,235	1,950,330
Unrestricted	<u>3,109,719</u>	<u>2,760,212</u>	<u>1,346,990</u>	<u>1,327,570</u>	<u>4,456,709</u>	<u>4,087,782</u>
Total net position	<u>\$7,518,688</u>	<u>\$7,145,178</u>	<u>\$14,228,581</u>	<u>\$13,765,691</u>	<u>\$21,747,269</u>	<u>\$20,910,869</u>

Town of Pittsboro
North Carolina

MANAGEMENT'S 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 resources of the Town of Pittsboro exceeded liabilities and deferred inflows by \$21,747,269 as of June 30, 2015. The Town's net position *increased* by \$1,132,219 for the fiscal year ended June 30, 2015. However, the largest portion, \$14,623,325 (67.2%), 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, \$2,667,235 (12.2%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,456,709 (20.5%) is unrestricted. Also, the Town of Pittsboro implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$295,819. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Pittsboro's management.

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

- ... Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.64% for the year ending June 30, 2015.
- ... Continued reduction of debt due to timely payments and continued aggressive collection of development fees.
- ... Conservative spending habits.

Town of Pittsboro
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Charges for services	\$ 512,575	\$ 474,757	\$ 2,624,860	\$ 2,473,622	\$ 3,137,435	\$ 2,948,379
Operating grants and contributions	286,269	259,110	-	-	286,269	259,110
Capital grants and contributions	3,600	-	746,710	397,052	750,310	397,052
General revenues						
Property taxes	2,012,132	1,888,141	-	-	2,012,132	1,888,141
Other taxes	1,215,396	963,700	-	-	1,215,396	963,700
Grants and contributions not restricted to specific programs	65,067	73,173	-	-	65,067	73,173
Other	42,630	71,942	20,725	17,863	63,355	89,805
Total revenues	<u>4,137,669</u>	<u>3,730,823</u>	<u>3,392,295</u>	<u>2,888,537</u>	<u>7,529,964</u>	<u>6,619,360</u>
Expenses						
General government	1,015,388	955,433	-	-	1,015,388	955,433
Public safety	1,457,996	1,419,993	-	-	1,457,996	1,419,993
Transportation	417,490	417,979	-	-	417,490	417,979
Economic & physical development	79,614	-	-	-	79,614	-
Environmental protection	340,028	323,263	-	-	340,028	323,263
Culture and recreation	287,758	146,538	-	-	287,758	146,538
Interest on long-term debt	148	-	-	-	-	-
Water and sewer	-	-	2,799,323	2,795,801	2,799,323	2,795,801
Total expenses	<u>3,598,422</u>	<u>3,263,206</u>	<u>2,799,323</u>	<u>2,795,801</u>	<u>6,397,597</u>	<u>6,059,007</u>
Increase in net position before transfers	539,247	467,617	592,972	92,736	1,132,367	560,353
Transfers	10,000	-	(10,000)	-	-	-
Increase in net position	549,247	467,617	582,972	92,736	1,132,219	560,353
Net position, July 1 (consolidated)	7,145,178	6,677,561	13,765,691	13,672,955	20,910,869	20,350,516
Net position, beginning, restated	<u>6,969,441</u>	<u>6,677,561</u>	<u>13,645,609</u>	<u>13,672,955</u>	<u>20,615,050</u>	<u>20,350,516</u>
Net position, June 30	<u>\$ 7,518,688</u>	<u>\$ 7,145,178</u>	<u>\$ 14,228,581</u>	<u>\$ 13,765,691</u>	<u>\$ 21,747,269</u>	<u>\$ 20,910,869</u>

Town of Pittsboro
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental Activities – Governmental activities increased the Town's net position by \$549,247, accounting for 2% of the total growth in the government's net assets. Key elements of this increase are as follows:

- ... Increased property tax revenues due to property tax increase
- ... Close control of expenditures

Business-type Activities – Business-type activities increased the Town's net position by \$582,972 accounting for 2% of the total growth in the government's net assets. Key elements of this increase are as follows:

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

Financial Analysis of the Town of Pittsboro's Funds

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

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

The General Fund is the chief operating fund of the Town of Pittsboro. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,030,767 while total fund balance reached \$3,777,119. 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 80% of total General Fund expenditures.

At June 30, 2015, the governmental funds of the Town of Pittsboro reported a combined fund balance of \$3,868,281 a \$683,497 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.

Town of Pittsboro
North Carolina

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Proprietary Funds – The Town of Pittsboro’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,346,990. The total increase in net position for the fund was \$19,420. 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, 2015 totals \$14,623,325 (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	
	2015	2014	2015	2014	2015	2014
Land	\$553,000	\$553,000	\$10,200	\$10,200	\$563,200	\$563,200
Buildings and systems	263,409	272,513	48,958	53,317	312,367	325,830
Improvements other than building	-	-	12,208,035	9,737,329	12,208,035	9,737,329
Furniture and equipment	480,504	523,009	223,435	300,304	703,939	823,313
Infrastructure	2,361,691	2,374,672	-	-	2,361,691	2,374,672
Vehicles and motorized equipment	189,048	101,243	-	-	189,048	101,243
Construction in progress	34,606	164,159	1,121	2,860,662	35,727	3,024,821
Total	\$3,882,258	\$3,988,596	\$12,491,749	\$12,961,812	\$16,374,007	\$16,950,408

Town of Pittsboro
North Carolina

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

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

Long-term Debt – As of June 30, 2015, the Town of Pittsboro had total debt outstanding of \$1,980,350. 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	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ -	\$ -	\$ 521,000	\$ 743,500	\$ 521,000	\$ 743,500
Notes payable	105,110	-	1,124,572	1,334,151	1,229,682	1,334,151
Compensated absences	71,427	66,839	44,333	40,000	115,760	106,839
OPEB	67,514	59,581	46,394	40,733	113,908	100,314
Penion related debt	-	254,209	-	173,702	-	427,911
	<u>\$ 244,051</u>	<u>\$ 380,629</u>	<u>\$ 1,736,299</u>	<u>\$ 2,332,086</u>	<u>\$ 1,980,350</u>	<u>\$ 2,712,715</u>

The Town of Pittsboro’s total debt decreased by \$732,365 (26%) 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 \$39,558,249. The Town has no bonds authorized at June 30, 2015.

Additional information regarding the Town’s long-term debt can be found in the Notes to the Financial Statements, Section III-B-6 (pages 49-51), of this report.

Economic Factors and Next Year’s Budgets and Rates

Fiscal Year 2014-2015 saw the Town of Pittsboro continue incremental growth following years slow economic growth. Residential and commercial construction grew slowly with additional growth anticipated in different areas of Town in the near future. Construction continued in Kensington Park - a twelve unit single family residential development on Park Drive. The Town reviewed plans for a nine-unit “pocket neighborhood” on Davies St. Existing businesses - Walker Auto Parts and Pittsboro Feed - began construction on bigger facilities on East Street.

Town of Pittsboro
North Carolina

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Chatham Park’s first projects were approved in 2014-2015 as the University of North Carolina’s Health Services began construction on two (2) medical office buildings and a hospice care facility. The projects are part of a “Planned Development District” zoning that creates a master plan for approximately 7,000 acres in the Town of Pittsboro’s “Extra Territorial Jurisdiction.” The Town’s leadership will be reviewing 27 “small area plans” within Chatham Park. These will include a multitude of mixed uses and require careful infrastructure and financial planning.

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

Year	Water Customers
2011	1,512
2012	1,523
2013	1,576
2014	1,603
2015	1,650

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

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

Budget Highlights for the Year Ending June 30, 2016

Governmental Activities –An ad valorem tax rate of \$0.4333 per \$100.00 assessed value was recommended and adopted in the base budget for the official tax rate for the Town of Pittsboro for fiscal year 2015-2016. This rate is based on the most recent valuation and uses and anticipated collection rate of 97% which is consistent with prior years.

Ad valorem taxes (\$1,972,659) account for 50% of the total General Fund revenue. Other major revenue streams for the Town include sales taxes, tipping fees and utility franchise taxes. These revenues are projected to bring in \$644,325 (14%), \$351,698 (9%) and \$116,150 (3%) respectively. These four revenues account for 76% of the total General Fund revenues.

The fiscal year 2015-2016 General Fund budget of \$4,021,963 is an 8% increase over the fiscal year 2014-2015 budget.

Town of Pittsboro
North Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Enterprise Activities

Operating revenues in the Enterprise Fund are generated primarily through the sale of water and sewer utilities. It is anticipated that \$2,612,384 will be generated in fiscal year 2015-2016. This represents 95% of the revenues in the Enterprise Fund. Other revenues include reuse water charges - \$59,388 (2%), penalties and late fees - \$84,000 (3%).

At \$2,756,772 the fiscal year 2015-2016 Enterprise Fund Budget is (3%) less than the fiscal year 2014-2015 budget. For FY 15-16 there is no General Fund Balance Appropriation compared to the previous year of which \$219,656 was appropriated.

Requests for Information

This report is designed to provide an overview of the Town of Pittsboro's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager or Finance Officer.

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

BASIC FINANCIAL STATEMENTS

TOWN OF PITTSBORO, NORTH CAROLINA

Exhibit 1

Statement of Net Position

June 30, 2015

	Primary Government			Town of Pittsboro ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,511,937	\$ 3,201,329	\$ 6,713,266	\$ 367,391
Taxes receivables (net)	97,295	-	97,295	-
Accrued interest receivable on taxes	15,275	-	15,275	-
Accounts receivable	13,995	390,273	404,268	-
Due from other governments	265,419	34,857	300,276	-
Due from component unit	38,533	-	38,533	-
Inventories	-	-	-	120,651
Prepaid items	4,361	-	4,361	3,254
Restricted cash	173,637	115,455	289,092	-
Total current assets	<u>4,120,452</u>	<u>3,741,914</u>	<u>7,862,366</u>	<u>491,296</u>
Non-current assets:				
Net pension asset:	125,706	85,895	211,601	-
Capital assets:				
Land, non-depreciable improvements and construction in progress	587,606	11,321	598,927	9,000
Other capital assets, net of depreciation	3,294,652	12,480,428	15,775,080	89,856
Total capital assets	<u>3,882,258</u>	<u>12,491,749</u>	<u>16,374,007</u>	<u>98,856</u>
Total assets	<u>8,128,416</u>	<u>16,319,558</u>	<u>24,447,974</u>	<u>590,152</u>
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan in current fiscal year	82,657	53,714	136,371	-
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	124,230	76,844	201,074	121,433
Accrued interest payable	-	5,134	5,134	-
Customer deposits	-	115,455	115,455	-
Current portion of long-term liabilities	34,352	341,269	375,621	-
Total current liabilities	<u>158,582</u>	<u>538,702</u>	<u>697,284</u>	<u>121,433</u>
Long-term liabilities:				
Due in more than one year	209,699	1,395,030	1,604,729	-
Total liabilities	<u>368,281</u>	<u>1,933,732</u>	<u>2,302,013</u>	<u>121,433</u>
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	15,371	-	15,371	-
Pension deferrals	308,733	210,959	519,692	-
Total deferred inflows of resources	<u>324,104</u>	<u>210,959</u>	<u>535,063</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	3,777,148	10,846,177	14,623,325	98,856
Restricted for:				
Stabilization by State Statute	458,184	-	458,184	-
Other functions	173,637	2,035,414	2,209,051	85,149
Unrestricted	3,109,719	1,346,990	4,456,709	284,714
Total net position	<u>\$ 7,518,688</u>	<u>\$ 14,228,581</u>	<u>\$ 21,747,269</u>	<u>\$ 468,719</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, 2015

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			Town of Pittsboro ABC Board
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 1,015,388	\$ 88,572	\$ -	\$ -	\$ (926,816)	\$ -	\$ (926,816)	\$ -
Public safety	1,457,996	1,005	7,529	-	(1,449,462)	-	(1,449,462)	-
Transportation	417,490	2,000	124,450	-	(291,040)	-	(291,040)	-
Economic and physical development	79,614	-	150,000	-	70,386	-	70,386	-
Environmental protection	340,028	377,133	-	-	37,105	-	37,105	-
Cultural and recreation	287,758	43,865	4,290	3,600	(236,003)	-	(236,003)	-
Interest on long-term debt	148	-	-	-	(148)	-	(148)	-
Total governmental activities	3,598,422	512,575	286,269	3,600	(2,795,978)	-	(2,795,978)	-
Business-type activities:								
Water and sewer	2,799,323	2,624,860	-	746,710	-	572,247	572,247	-
Total primary government	\$ 6,397,745	\$ 3,137,435	\$ 286,269	\$ 750,310	(2,795,978)	572,247	(2,223,731)	-
Component unit								
ABC Board	\$ 817,954	\$ 954,550	\$ -	\$ -				136,596
General revenues:								
Taxes:								
Property taxes, levied for general purpose					2,012,132	-	2,012,132	-
Other taxes					1,215,396	-	1,215,396	-
Grants and contributions not restricted to specific programs					65,067	-	65,067	-
Unrestricted investment earnings					2,195	1,353	3,548	34
Miscellaneous					40,435	19,372	59,807	2,853
Transfers					10,000	(10,000)	-	(79,248)
Total general revenues and transfers					3,345,225	10,725	3,355,950	(76,361)
Change in net position					549,247	582,972	1,132,219	60,235
Net position, beginning, previously reported					7,145,178	13,765,691	20,910,869	408,484
Restatement					(175,737)	(120,082)	(295,819)	-
Net position, beginning, restated					6,969,441	13,645,609	20,615,050	408,484
Net position, ending					\$ 7,518,688	\$ 14,228,581	\$ 21,747,269	\$ 468,719

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, 2015

	<u>Major Fund</u>	<u>Total Non-</u>	<u>Total</u>
	<u>General</u>	<u>Major Funds</u>	<u>Governmental</u>
			<u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 3,420,775	\$ 91,162	\$ 3,511,937
Restricted cash	173,637	-	173,637
Taxes receivable - net	97,295	-	97,295
Accounts receivable	13,995	-	13,995
Due from other governments	265,419	-	265,419
Prepaid items	4,361	-	4,361
Due from component unit	38,533	-	38,533
Total assets	<u>\$ 4,014,015</u>	<u>\$ 91,162</u>	<u>\$ 4,105,177</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 124,230	\$ -	\$ 124,230
Total liabilities	<u>124,230</u>	<u>-</u>	<u>124,230</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes, licenses and fees	15,371	-	15,371
Taxes receivable	97,295	-	97,295
Total deferred inflows of resources	<u>112,666</u>	<u>-</u>	<u>112,666</u>
FUND BALANCES			
Restricted			
Stabilization by State Statute	458,184	-	458,184
Streets	121,046	-	121,046
Public Safety	52,591	-	52,591
Assigned			
Subsequent year's expenditures	114,531		114,531
Capital Projects Funds	-	91,162	91,162
Unassigned	3,030,767	-	3,030,767
Total fund balances	<u>3,777,119</u>	<u>91,162</u>	<u>3,868,281</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,014,015</u>	<u>\$ 91,162</u>	<u>\$ 4,105,177</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, 2015**

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

Total Fund Balance, Governmental Funds		\$ 3,868,281
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 6,298,754	
Accumulated depreciation	<u>(2,416,496)</u>	3,882,258
Net pension asset		125,706
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		82,657
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
Earned revenues considered deferred inflows of resources in fund statements.		97,295
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).		(244,051)
Pension related deferrals		<u>(308,733)</u>
Net position of governmental activities		<u><u>\$ 7,518,688</u></u>

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

TOWN OF PITTSBORO, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

Exhibit 4

	<u>Major Fund</u>	<u>Total Non-</u>	<u>Total</u>
	<u>General Fund</u>	<u>Major Funds</u>	<u>Governmental</u>
			<u>Funds</u>
REVENUES			
Ad valorem taxes	\$ 2,012,132	\$ -	\$ 2,012,132
Other taxes and licenses	1,207,597	-	1,207,597
Unrestricted intergovernmental	77,246	-	77,246
Restricted intergovernmental	280,740	-	280,740
Permits and fees	126,805	-	126,805
Sales and services	401,273	-	401,273
Investment earnings	2,192	3	2,195
Miscellaneous	12,178	-	12,178
Total revenues	<u>4,120,163</u>	<u>3</u>	<u>4,120,166</u>
EXPENDITURES			
Current:			
General government	890,893	-	890,893
Public safety	1,551,766	-	1,551,766
Transportation	423,490	4,847	428,337
Economic and physical development	94,614	-	94,614
Environmental protection	340,028	-	340,028
Cultural and recreational	209,035	-	209,035
Debt service:			
Principal	36,286	-	36,286
Interest	148	-	148
Total expenditures	<u>3,546,260</u>	<u>4,847</u>	<u>3,551,107</u>
Excess (deficiency) of revenues over expenditures	<u>573,903</u>	<u>(4,844)</u>	<u>569,059</u>
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	10,200	-	10,200
Transfer to other funds	(40,108)	(200)	(40,308)
Sales of capital assets	3,150	-	3,150
Proceeds from loan	141,396	-	141,396
Total other financing sources (uses)	<u>114,638</u>	<u>(200)</u>	<u>114,438</u>
Net change in fund balance	688,541	(5,044)	683,497
Fund balances, beginning	<u>3,088,578</u>	<u>96,206</u>	<u>3,184,784</u>
Fund balances, ending	<u>\$ 3,777,119</u>	<u>\$ 91,162</u>	<u>\$ 3,868,281</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, 2015

Exhibit 4

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

Net changes in fund balances- total governmental funds	\$	683,497
<p>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.</p>		
Capital outlay expenditures which were capitalized	\$	141,364
Depreciation expense for governmental assets		(106,338)
		<u>(247,702)</u>
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		82,657
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issues		(141,396)
Principal payments on long-term debt		36,286
		<u>(105,110)</u>
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in deferred revenue for tax revenues		<u>14,352</u>
<p>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.</p>		
Compensated absences		(4,588)
Pension expense		(7,290)
Other postemployment benefits		(7,933)
		<u>(19,811)</u>
Total changes in net position of governmental activities	\$	<u><u>549,247</u></u>

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

TOWN OF PITTSBORO, NORTH CAROLINA

Exhibit 5

General Fund

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015**

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 1,896,439	\$ 1,896,439	\$ 2,012,132	\$ 115,693
Other taxes and licenses	1,016,500	1,009,500	1,207,597	198,097
Unrestricted intergovernmental	51,000	46,500	77,246	30,746
Restricted intergovernmental	137,000	287,000	280,740	(6,260)
Permits and fees	57,000	75,704	126,805	51,101
Sales and services	347,950	352,950	401,273	48,323
Investment earnings	3,000	3,000	2,192	(808)
Miscellaneous	10,100	11,050	12,178	1,128
Total revenues	<u>3,518,989</u>	<u>3,682,143</u>	<u>4,120,163</u>	<u>438,020</u>
Expenditures:				
Current:				
General government	878,465	919,739	890,893	28,846
Public safety	1,627,035	1,780,135	1,551,766	228,369
Transportation	583,641	545,241	423,490	121,751
Economic and physical development	-	150,000	94,614	55,386
Environmental protection	334,950	340,950	340,028	922
Cultural and recreational	238,013	241,013	209,035	31,978
Debt Service:				
Principal	-	-	36,286	(36,286)
Interest	-	-	148	(148)
Total expenditures	<u>3,662,104</u>	<u>3,977,078</u>	<u>3,546,260</u>	<u>430,818</u>
Revenues over (under) expenditures	<u>(143,115)</u>	<u>(294,935)</u>	<u>573,903</u>	<u>868,838</u>
Other financing sources (uses):				
Transfers from other funds	-	10,000	10,200	200
Transfers to other funds	(50,000)	(94,610)	(40,108)	54,502
Sale of capital assets	5,000	5,000	3,150	(1,850)
Proceeds from loan	-	141,396	141,396	-
Fund balance appropriated	188,115	233,649	-	(233,649)
Total other financing sources (uses)	<u>143,115</u>	<u>295,435</u>	<u>114,638</u>	<u>(180,797)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 500</u>	688,541	<u>\$ 688,041</u>
Fund balance, beginning			<u>3,088,578</u>	
Fund balance, ending			<u>\$ 3,777,119</u>	

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

Statement of Net Position

Proprietary Fund

June 30, 2015

	<u>Major Enterprise Fund</u> <u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,201,329
Accounts receivable (net) - billed	333,456
Accounts receivable (net) - unbilled	56,817
Due from other governments	34,857
Prepaid items	-
Restricted cash and cash equivalents	115,455
Total current assets	<u>3,741,914</u>
Noncurrent assets:	
Net pension asset	85,895
Capital assets:	
Land and construction in progress	11,321
Other capital assets, net of depreciation	12,480,428
Capital assets	<u>12,491,749</u>
Total noncurrent assets	<u>12,577,644</u>
Total assets	<u>\$ 16,319,558</u>
DEFERRED OUTFLOWS OF RESOURCES	
Contributions to pension plan in current	<u>\$ 53,714</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	76,844
Accrued bond interest	5,134
Customer deposits	115,455
Current portion of long-term debt	341,269
Total current liabilities	<u>538,702</u>
Noncurrent liabilities:	
Accrued vacation	44,333
Other postemployment benefits	46,394
Non-current portion of long-term debt	1,304,303
Total noncurrent liabilities	<u>1,395,030</u>
Total liabilities	<u>1,933,732</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	210,959
NET POSITION	
Net investment in capital assets	10,846,177
Restricted for capital projects	2,035,414
Unrestricted	1,346,990
Total net position	<u>\$ 14,228,581</u>

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, 2015

Exhibit 7

	Major Enterprise Fund
	Water and Sewer Fund
OPERATING REVENUES	
Water sales	\$ 1,351,362
Sewer charges	1,174,294
Reuse water charges	55,080
Reconnection fees and penalties	44,124
Miscellaneous	19,372
Total operating revenues	2,644,232
OPERATING EXPENSES	
Administrative	383,160
Water operations	804,517
Sewer treatment	614,166
Public utilities	422,228
Depreciation	532,046
Total operating expenses	2,756,117
Operating income (loss)	(111,885)
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	1,353
Interest and other charges	(43,206)
Water and sewer access charges	746,710
Total nonoperating revenues (expenses)	704,857
Income (loss) before contributions and transfers	592,972
Transfer from other funds	185,675
Transfer to other funds	(195,675)
Change in net position	582,972
Total net position, previously reported	13,765,691
Restatement	(120,082)
Total net position, restated	13,645,609
Total net position, ending	\$ 14,228,581

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

TOWN OF PITTSBORO, NORTH CAROLINA
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2015

Exhibit 8

	Major Enterprise Fund
	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 2,726,346
Cash paid for goods and services	(1,439,829)
Cash paid to or on behalf of employees for services	(840,751)
Customer deposits received	66,163
Other operating revenues	19,372
Net cash provided (used) by operating activities	531,301
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to other funds	(10,000)
Total cash flow from noncapital financing activities	(10,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contribution - access fees	746,710
Principal paid on bonds/loans	(432,079)
Interest paid on bonds/loans	(43,206)
Acquisition and construction of capital assets	(61,983)
Net cash provided (used) by capital and related financing activities	209,442
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	1,353
Net increase (decrease) in cash and cash equivalents	732,096
Balances, beginning	2,584,688
Balances, ending	\$ 3,316,784
Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income (loss)	\$ (111,885)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	532,046
Pension expense	4,982
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	(13,858)
Decrease (increase) in due from other governments	115,344
Increase (decrease) in accounts payable and accrued liabilities	(32,582)
Decrease (increase) in prepaid items	14,811
Increase (decrease) in customer deposits	66,163
Increase (decrease) in accrued vacation	4,333
(Increase) decrease in deferred outflows of resources for pensions	(53,714)
Increase (decrease) in other postemployment benefits	5,661
Total adjustments	643,186
Net cash provided by operating activities	\$ 531,301

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

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

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

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

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

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

I. Summary of Significant Accounting Policies (Continued)

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

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental fund:

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

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

I. Summary of Significant Accounting Policies (Continued)

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable for the fiscal year in which they are received. Uncollected taxes that were billed during this period prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

I. Summary of Significant Accounting Policies (Continued)

D. Budgetary Data

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United State or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's and ABC Board's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT- Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The Town and ABC Board have neither investments nor an investment policy at year end.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Town and ABC Board consider al highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

I. Summary of Significant Accounting Policies (Continued)

3. Restricted Assets

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

Town of Pittsboro Restricted Cash

Governmental Activities			
General Fund			
	Streets	\$	121,046
	Public Safety		52,591
			173,637
Total governmental activities			173,637
Business-type Activities			
Water and Sewer Fund			
	Customer deposits		115,455
			115,455
Total Business-type Activities			115,455
Total Restricted Cash		\$	289,092

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2014. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

I. Summary of Significant Accounting Policies (Continued)

6. Inventory and Prepaid Items

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

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

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

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

I. Summary of Significant Accounting Policies (Continued)

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2015 fiscal year. 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 several items that met this criterion for this category – prepaid property taxes, property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. Long-Term Obligations

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

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

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

I. Summary of Significant Accounting Policies (Continued)

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State Statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for Public Safety – portion of fund balance that represents unused loan proceeds restricted for the purchase of police vehicles.

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. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

I. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

12. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Pittsboro's employer contributions are recognized when due and the Town of Pittsboro has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Stewardship, Compliance, and Accountability

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2015, the expenditures made in the Town's General Fund for debt service exceeded authorized appropriations made by the governing board by \$36,434. This over-expenditure occurred because the authorized appropriations were made under capital outlay expenditures and the Town did not properly allocate expenditures to debt service. Management and the Board will more closely review the budget categories in future years to ensure compliance

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

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 of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has not adopted a formal policy regarding custodial risk for deposits.

At June 30, 2015, the Town's deposits had a carrying amount of \$7,001,958 and a bank balance of \$7,262,929. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$366,391 and the bank balance was \$368,895. Of the bank balance \$250,000 was covered by federal depository insurance and \$118,895 was covered by collateral under the pooling method. At June 30, 2015, the Town's petty cash fund totaled \$400.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

III. Detail Notes on All Funds (Continued)

2. Receivables - Allowances for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes penalties levied and outstanding in the amount of \$4,037.

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2015 is net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 26,503
Accounts receivable	<u>9,762</u>
Total General Fund	36,265
Water and Sewer Fund:	
Accounts receivable	<u>50,901</u>
Total	<u>\$ 87,166</u>

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

III. Detail Notes on All Funds (Continued)

3. Capital Assets
Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 553,000	\$ -	\$ -	\$ 553,000
Construction in progress	164,159	4,847	134,400	34,606
Total capital assets not being depreciated	717,159	4,847	134,400	587,606
Capital assets being depreciated:				
Buildings	423,563	-	-	423,563
Furniture and equipment	926,257	15,000	-	941,257
Vehicles	669,776	121,517	-	791,293
Infrastructure	3,420,635	134,400	-	3,555,035
Total assets being depreciated	5,440,231	270,917	-	5,711,148
Less accumulated depreciation for:				
Buildings	151,050	9,104	-	160,154
Furniture and equipment	403,248	57,505	-	460,753
Vehicles	568,533	33,712	-	602,245
Infrastructure	1,045,963	147,381	-	1,193,344
Total accumulated depreciation	2,168,794	247,702	-	2,416,496
Total capital assets being depreciated, net	3,271,437			3,294,652
Total governmental activities capital assets, net	\$ 3,988,596			\$ 3,882,258

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

General government	\$ 17,524
Public safety	39,842
Transportation	146,600
Environmental protection	-
Recreation	43,736
	\$ 247,702

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

III. Detail Notes on All Funds (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities – Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 10,200	\$ -	\$ -	\$ 10,200
Construction in progress	2,860,662	4,750	2,864,291	1,121
Total capital assets not being depreciated	2,870,862	4,750	2,864,291	11,321
Capital assets being depreciated:				
Buildings	163,682	-	-	163,682
Other improvements	16,555,108	2,916,317	-	19,471,425
Equipment	2,135,367	5,207	-	2,140,574
Total assets being depreciated	18,854,157	2,921,524	-	21,775,681
Less accumulated depreciation for:				
Buildings	110,365	4,359	-	114,724
Other improvements	6,817,779	445,611	-	7,263,390
Equipment	1,835,063	82,076	-	1,917,139
Total accumulated depreciation	8,763,207	532,046	-	9,295,253
Total capital assets being depreciated, net	10,090,950			12,480,428
Total governmental activities capital assets, net	\$12,961,812			\$12,491,749

Construction Commitments

The Town has no active construction commitments as of June 30, 2015.

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Buildings and leasehold improvements	\$ 163,931	\$ -	\$ -	\$ 163,931
Store and administrative equipment	47,465	365	-	47,830
Total assets being depreciated	211,396	365	-	211,761
Less accumulated depreciation:				
Total accumulated depreciation	97,171	15,734	-	112,905
Total ABC Board capital assets, net	\$ 114,225			\$ 98,856

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

III. Detail Notes on All Funds (Continued)

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House or Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

III. Detail Notes on All Funds (Continued)

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Pittsboro employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Pittsboro's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Pittsboro were \$136,371 for the year ended June 30, 2015.

Refunds of Contributions – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Town reported an asset of \$211,601 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Town's proportion was 0.0359%, which was an increase of 0.0004% from its proportion measured as of June 30, 2013.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

III. Detail Notes on All Funds (Continued)

For the year ended June 30, 2015, the Town recognized pension expense of \$12,272. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 23,121
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	492,603
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	3,968
Town contributions subsequent to the measurement date	136,371	-
Total	\$ 136,371	\$ 519,692

\$132,323 was reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (129,940)
2017	(129,940)
2018	(129,940)
2019	(129,872)
2020	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

III. Detail Notes on All Funds (Continued)

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

III. Detail Notes on All Funds (Continued)

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town’s proportionate share of the net pension asset to changes in the discount rate. The following presents the Town’s proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Town’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 718,265	\$ 211,601	\$ (994,518)

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

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

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

III. Detail Notes on All Funds (Continued)

All full time law enforcement officers of the Town are covered by the Separation Allowance. At June 30, 2015, 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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- ... contributions to the pension plan and earnings on those contributions are irrevocable
- ... pension plan assets are dedicated to providing benefits to plan members
- ... pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

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 \$23,386 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.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

III. Detail Notes on All Funds (Continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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, 2015 were \$24,960, which consisted of \$11,466 from the Town and \$13,494 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, 2015, 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, 2015 were \$94,617, which consisted of \$68,197 from the Town and \$26,420 from the general employees.

e. Other Postemployment Benefits

Healthcare Benefits

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

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

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

III. Detail Notes on All Funds (Continued)

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, 2015, the Town's total contributions were \$23,386.

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.

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	\$ 36,326
Interest on net OPEB obligation	654
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>36,980</u>
Contributions made	<u>(23,386)</u>
Increase (decrease) in net OPEB obligation	13,594
Net OPEB obligation, beginning of year	<u>100,314</u>
Net OPEB obligation, end of year	<u><u>\$ 113,908</u></u>

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

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 36,980	63.10%	\$ 13,594
2014	\$ 27,510	49.50%	\$ 13,886
2013	\$ 26,813	38.39%	\$ 16,519

Funded Status and Funding Progress. As of December 31, 2014, 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 \$294,252. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,893,809 and the ratio of the UAAL to the covered payroll was 14.7 percent.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

III. Detail Notes on All Funds (Continued)

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.

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 – 2014 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

III. Detail Notes on All Funds (Continued)

Inflation rate – The expected long-term inflation assumption of 3.75 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2007 Annual Report of the Board of Trustees of Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

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

Based on the historical and expected returns of the Town’s short-term investment portfolio, a discount rate of 4.00 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2015 was thirty years.

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

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 136,371

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

III. Detail Notes on All Funds (Continued)

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

Prepaid taxes (General Fund)	\$	15,371
Taxes Receivable, less penalties (General Fund)	\$	97,295
Pension deferrals	\$	519,692

4. Risk Management

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

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

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

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

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

III. Detail Notes on All Funds (Continued)

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, 2015 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%.	\$ 155,000
Water and Sewer Bonds (FHA); issued November 1, 1994; maturing serially to June 1, 2034; interest at 5.25%.	366,000
	\$ 521,000

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

Year Ending June 30	Business-type Activities General Obligation Bonds	
	Principal	Interest
2016	\$ 168,000	\$ 26,655
2017	14,000	18,533
2018	15,000	17,798
2019	15,000	17,010
2020	16,000	16,223
2021-2025	95,000	67,463
2026-2030	110,000	40,425
2031-2034	88,000	11,550
Total	\$ 521,000	\$ 215,657

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

III. Detail Notes on All Funds (Continued)

Notes Payable

Serviced by the General Fund:

Note payable with a financial institution to finance the purchase of police vehicles; issued on February 12, 2015; due in four annual installments of \$36,433 including interest at 1.98%; matures June 30, 2018; secured by vehicles. \$ 105,110

Serviced by the Water and Sewer Fund:

ARRA Federal Revolving Loan; issued August 4, 2009; due in twenty annual installments of \$62,319 beginning on May 1st after the project has been completed for six months; non-interest bearing; maximum amount of loan is \$1,246,370; project was completed in December 2010. \$ 912,064

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%. 26,247

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. 126,261

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. 60,000

\$ 1,124,572

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

Year Ending June 30	Governmental Activities Notes Payable		Business-type Activities Notes Payable	
	Principal	Interest	Principal	Interest
2016	\$ 34,352	\$ 2,081	\$ 173,269	\$ 4,086
2017	35,032	1,401	135,916	1,863
2018	35,726	707	85,738	685
2019	-	-	60,805	-
2020	-	-	60,805	-
2021-2025	-	-	304,025	-
2025-2030	-	-	304,014	-
Total	<u>\$ 105,110</u>	<u>\$ 4,189</u>	<u>\$ 1,124,572</u>	<u>\$ 6,634</u>

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

III. Detail Notes on All Funds (Continued)

The Town has a legal debt margin of \$39,558,249 at June 30, 2015.

b. Change in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Note Payable	\$ -	\$ 141,396	\$ 36,286	\$ 105,110	\$ 34,352
Net pension liability (LGERS)	254,209	-	254,209	-	-
Compensated absences	66,839	4,588	-	71,427	-
Other postemployment benefits	59,581	7,933	-	67,514	-
Governmental activity long-term liabilities	\$ 380,629	\$ 153,917	\$ 290,495	\$ 244,051	\$ 34,352
Business-type activities:					
<u>Water and Sewer Fund</u>					
General obligation bonds	\$ 743,500	\$ -	\$ 222,500	\$ 521,000	\$ 168,000
Notes Payable	1,334,151	-	209,579	1,124,572	173,269
Net pension liability (LGERS)	173,702	-	173,702	-	-
Compensated absences	40,000	4,333	-	44,333	-
Other postemployment benefits	40,733	5,661	-	46,394	-
Water Sewer Fund long-term liabilities	\$ 2,332,086	\$ 9,994	\$ 605,781	\$ 1,736,299	\$ 341,269
Business activity long-term liabilities	\$ 2,332,086	\$ 9,994	\$ 605,781	\$ 1,736,299	\$ 341,269

The ABC Board had no long-term debt at June 30, 2015.

c. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2015, consist of the following:

From Capital Reserve Fund to General Fund	\$ 10,000
From General Fund to Pocket Park Project	(40,108)
From Alpha Install of the Veologica Building Project to the General Fund	<u>200</u>
	<u>(\$29,908)</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.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

III. Detail Notes on All Funds (Continued)

d. Fund Balance

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

Total fund balance-General Fund	\$ 3,777,119
Less:	
Stabilization by State Statute	458,184
Streets-Powell Bill	121,046
Public Safety	52,591
Appropriated Fund Balance in 2016 budget	114,531
Remaining Fund Balance	\$ 3,030,767

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, 2015.

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 \$1,573 to the Council during the year ended June 30, 2015.

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

TOWN OF PITTSBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2015

VII. Significant Effects of Subsequent Events

Subsequent events have been evaluated through October 14, 2015, the date which the financial statements were available to be issued. There were no recognized events meriting disclosure.

VIII. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$175,737 and \$120,082, respectively.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

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)
12/31/2014	\$ -	\$ 294,252	\$ 294,252	0%	\$ 1,893,809	15.54%
12/31/2013	-	215,809	215,809	0%	1,821,230	11.85%
12/31/2012	-	248,943	248,943	0%	1,806,803	13.78%
12/31/2011	-	183,668	183,668	0%	1,879,439	9.77%
12/31/2010	-	164,500	164,500	0%	1,801,127	9.13%
12/31/2009	-	143,208	143,208	0%	1,713,570	8.36%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2015	\$ 36,980	63.10%
2014	27,510	49.50%
2013	26,813	38.39%
2012	34,264	17.65%
2011	31,688	19.08%
2010	22,097	27.36%

TOWN OF PITTSBORO, NORTH CAROLINA
Town of Pittsboro's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Two Fiscal Years *

Schedule 2

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Pittsboro's proportion of the net pension liability (asset) (%)	0.0359%	0.0355%
Pittsboro's proportion of the net pension liability (asset) (\$)	\$ (211,601)	\$ 427,911
Pittsboro's covered-employee payroll	\$ 1,893,809	\$ 1,821,230
Pittsboro's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-11.17%	23.50%
Plan fiduciary net position as a percentage of the total pension liability **	102.64%	94.35%

* The amount presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

TOWN OF PITTSBORO, NORTH CAROLINA
Town of Pittsboro's Contributions
Required Supplementary Information
Last Two Fiscal Years

Schedule 3

Local Government Employees' Retirement System

	2015	2014
Contractually required contribution	\$ 136,371	\$ 133,161
Contributions in relation to the contractually required contribution	136,371	133,161
Contribution deficiency (excess)	\$ -	\$ -
Pittsboro's covered-employee payroll	\$ 1,893,809	\$ 1,821,230
Contribution as a percentage of covered-employee payroll	7.20%	7.31%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 4

General Fund

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

For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes - current year	\$ 1,859,439	\$ 1,911,824	\$ 52,385
Taxes - prior years	32,000	95,310	63,310
Interest and penalties	5,000	4,998	(2)
Total	<u>1,896,439</u>	<u>2,012,132</u>	<u>115,693</u>
Other taxes and licenses:			
Local option sales tax	607,000	666,365	59,365
Hold harmless tax	200,000	229,510	29,510
Utilities sales tax	105,000	147,746	42,746
Telecommunications tax	34,000	40,734	6,734
Video sales tax	28,000	37,815	9,815
Other taxes and licenses	35,500	85,427	49,927
Total	<u>1,009,500</u>	<u>1,207,597</u>	<u>198,097</u>
Unrestricted intergovernmental:			
ABC Board profit distribution	46,000	72,596	26,596
Other	500	4,650	4,150
Total	<u>46,500</u>	<u>77,246</u>	<u>30,746</u>
Restricted intergovernmental:			
State street aid - Powell Bill	120,000	124,450	4,450
FVRC grant	15,000	4,290	(10,710)
Chatham Park Development	150,000	150,000	-
Other	2,000	2,000	-
Total	<u>287,000</u>	<u>280,740</u>	<u>(6,260)</u>
Permits and fees:			
Zoning fees	7,000	12,183	5,183
Business registration fees	7,000	7,799	799
Plan review fees	6,000	55,999	49,999
Other fees	14,704	16,834	2,130
Recreation fees	40,000	33,990	(6,010)
Off-duty police officer fees	1,000	-	(1,000)
Total	<u>75,704</u>	<u>126,805</u>	<u>51,101</u>
Sales and services:			
Solid waster revenues	334,950	377,133	42,183
Recreation	5,000	9,875	4,875
Facilities rental	13,000	14,265	1,265
Total	<u>352,950</u>	<u>401,273</u>	<u>48,323</u>
Investment earnings	<u>3,000</u>	<u>2,192</u>	<u>(808)</u>
Miscellaneous	<u>11,050</u>	<u>12,178</u>	<u>1,128</u>
Total revenues	<u>3,682,143</u>	<u>4,120,163</u>	<u>438,020</u>

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 4

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2015
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	\$ 23,097	\$ 22,644	\$ 453
Payroll taxes	1,871	1,732	139
Professional services	28,000	22,700	5,300
Travel and training	4,000	653	3,347
Advertising	50	-	50
Departmental supplies	2,050	2,690	(640)
Dues and subscriptions	7,500	9,797	(2,297)
Insurance and bonds	3,000	3,008	(8)
Contingency	1,000	-	1,000
Total	<u>70,568</u>	<u>63,224</u>	<u>7,344</u>
Administration:			
Salaries and employee benefits	396,889	397,014	(125)
Payroll taxes	25,762	24,720	1,042
Professional services	7,000	554	6,446
Telephone	6,000	5,612	388
Travel and training	5,000	5,426	(426)
Maintenance - equipment	1,500	29	1,471
Postage	-	400	(400)
Advertising	1,000	1,244	(244)
Office supplies	18,500	14,550	3,950
Dues and subscriptions	6,000	6,337	(337)
Insurance and bonds	5,512	6,543	(1,031)
Tax billing and collection	4,000	4,060	(60)
Contracted services	23,000	24,553	(1,553)
Total	<u>500,163</u>	<u>491,042</u>	<u>9,121</u>
Planning:			
Salaries and employee benefits	98,245	97,543	702
Payroll taxes	6,139	4,948	1,191
Travel and training	2,500	973	1,527
Telephone	2,000	1,187	813
Professional services	75,000	87,145	(12,145)
Postage	1,000	283	717
Utilities	-	42	(42)
Maintenance - equipment	-	541	(541)
Advertising	1,000	1,146	(146)
Departmental supplies	4,000	3,124	876
Dues and subscriptions	1,000	500	500
Community retirement program	1,874	832	1,042
Contracted services	15,600	13,832	1,768
Capital outlay	7,500	7,000	500
Insurance and bonds	2,304	3,329	(1,025)
Total	<u>218,162</u>	<u>222,425</u>	<u>(4,263)</u>

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 4

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2015
(Continued)

	Budget	Actual	Variance Positive (Negative)
Legal:			
Dues and subscriptions	\$ 300	\$ 40	\$ 260
Travel and training	1,000	240	760
Professional services	30,000	30,000	-
Total	<u>31,300</u>	<u>30,280</u>	<u>1,020</u>
Public buildings (Engineering):			
Salaries and employee benefits	44,890	34,972	9,918
Payroll taxes	5,836	4,132	1,704
Professional services	20,000	13,218	6,782
Telephone	1,000	1,758	(758)
Travel and training	1,000	990	10
Advertising	250	331	(81)
Postage	100	293	(193)
Utilities	-	42	(42)
Vehicle repairs	500	571	(71)
Departmental supplies	3,000	1,987	1,013
Dues and subscriptions	1,000	1,373	(373)
Contracted services	12,600	15,303	(2,703)
Capital Outlay	7,500	7,000	500
Insurance	2,370	1,952	418
Total	<u>100,046</u>	<u>83,922</u>	<u>16,124</u>
Total general government	<u>920,239</u>	<u>890,893</u>	<u>29,346</u>
Public safety:			
Police:			
Salaries and employee benefits	815,202	713,566	101,636
Payroll taxes	49,612	43,581	6,031
Professional services	8,800	5,826	2,974
Separation benefit	27,550	26,674	876
Federal asset forfeiture	11,704	-	11,704
Telephone	11,000	8,111	2,889
Travel and training	12,000	11,308	692
Maintenance - equipment	2,500	1,700	800
Vehicle repairs	39,000	35,699	3,301
Automotive supplies	32,500	25,982	6,518
Departmental supplies	35,800	35,577	223
Advertising	-	79	(79)
Contracted services	14,500	13,530	970
Uniforms and accessories	18,000	12,370	5,630
Dues and subscriptions	2,800	1,610	1,190
Insurance and bonds	36,939	31,324	5,615
Investigations	5,000	3,015	1,985
Community policing support	4,000	3,897	103
Capital outlay - equipment	177,896	102,585	75,311
Total	<u>1,304,803</u>	<u>1,076,434</u>	<u>228,369</u>

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 4

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2015
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Fire:			
Pittsboro Volunteer Fire and Rescue			
Department - contribution	\$ 475,332	\$ 475,332	\$ -
Total	<u>475,332</u>	<u>475,332</u>	<u>-</u>
Total public safety	<u>1,780,135</u>	<u>1,551,766</u>	<u>228,369</u>
Transportation:			
Streets and maintenance:			
Salaries and employee benefits	161,475	131,642	29,833
Payroll taxes	6,994	8,516	(1,522)
Professional services	-	30	(30)
Travel and training	1,000	135	865
Telephone and postage	2,000	1,794	206
Advertising	-	78	(78)
Utilities	50,000	58,360	(8,360)
Maintenance - equipment	14,000	6,713	7,287
Vehicle repairs	9,000	5,847	3,153
Automotive supplies	20,000	12,367	7,633
Maintenance and repairs - building	1,000	1,507	(507)
Maintenance and repairs - roads	-	716	(716)
Departmental supplies	10,600	9,767	833
Contracted services	10,000	2,698	7,302
Dues and subscriptions	1,000	-	1,000
Insurance and bonds	9,672	9,355	317
Powell bill	175,000	139,922	35,078
Capital outlay - buildings	4,000	3,575	425
Total	<u>475,741</u>	<u>393,022</u>	<u>82,719</u>
Public Works:			
Utilities	36,000	12,082	23,918
Maintenance and repairs - building	15,000	2,771	12,229
Maintenance - equipment	1,000	341	659
Contracted services	13,000	11,127	1,873
Insurance and bonds	2,000	1,138	862
Departmental supplies	2,500	3,009	(509)
Total	<u>69,500</u>	<u>30,468</u>	<u>39,032</u>
Total transportation	<u>545,241</u>	<u>423,490</u>	<u>121,751</u>

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 4

General Fund

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

For the Fiscal Year Ended June 30, 2015

(Continued)

	Budget	Actual	Variance Positive (Negative)
Cultural and recreational:			
Recreation:			
Salaries and employee benefits	\$ 96,926	\$ 84,080	\$ 12,846
Payroll taxes	5,673	4,410	1,263
Professional services	20,000	12,550	7,450
Travel and training	2,500	2,317	183
Contracted services	33,100	28,478	4,622
Telephone and postage	2,000	1,411	589
Utilities	6,000	6,187	(187)
Departmental supplies	6,200	11,104	(4,904)
Seasonal decorations	5,000	4,525	475
Building and grounds maintenance	40,500	37,374	3,126
Events and programming	11,000	8,583	2,417
Capital outlay	8,000	7,001	999
Insurance and bonds	3,114	-	3,114
Dues and subscriptions	1,000	1,015	(15)
Total	<u>241,013</u>	<u>209,035</u>	<u>31,978</u>
Economic and physical development:			
Salaries and employee benefits	5,052	-	5,052
Payroll taxes	1,198	-	1,198
Professional services	66,250	39,977	26,273
Contracted services	56,500	39,314	17,186
Departmental supplies	6,000	323	5,677
Capital outlay	15,000	15,000	-
Total	<u>150,000</u>	<u>94,614</u>	<u>55,386</u>
Environmental protection:			
Sanitation	340,950	340,028	922
Total	<u>340,950</u>	<u>340,028</u>	<u>922</u>
Debt service:			
Principal	-	36,286	(36,286)
Interest	-	148	(148)
Total	<u>-</u>	<u>36,434</u>	<u>(36,434)</u>
Total expenditures	<u>3,977,578</u>	<u>3,546,260</u>	<u>431,318</u>
Revenues over (under) expenditures	(295,435)	573,903	869,338
Other financing sources (uses):			
Transfers from other funds	10,000	10,200	200
Transfers to other funds:	(94,610)	(40,108)	54,502
Sale of capital assets	5,000	3,150	(1,850)
Proceeds from loan	141,396	141,396	-
Total	<u>61,786</u>	<u>114,638</u>	<u>52,852</u>

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 4

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2015
 (Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Fund balance appropriated	\$ 233,649	\$ -	\$ 233,649
Net change in fund balance	<u>\$ -</u>	688,541	<u>\$ 688,541</u>
Fund balance, beginning		<u>3,088,578</u>	
Fund balance, ending		<u>\$ 3,777,119</u>	

TOWN OF PITTSBORO, NORTH CAROLINA
Combining Balance Sheet
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2015

Schedule 5

	Capital Projects Fund	Alpha Install Upfit Project of the Veologica Building Project	East Street Sidewalk Extension Project	NC HWY 87 Sidewalk Project	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 7,013	\$ -	\$ 15,020	\$ 69,129	\$ 91,162
Due from other governments	-	-	-	-	-
Total assets	\$ 7,013	\$ -	\$ 15,020	\$ 69,129	\$ 91,162
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES					
Designated for specific purposes	7,013	-	15,020	69,129	91,162
Total liabilities and fund balances	\$ 7,013	\$ -	\$ 15,020	\$ 69,129	\$ 91,162

TOWN OF PITTSBORO, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2015

Schedule 6

	<u>Capital Projects Fund</u>	<u>Alpha Install Upfit Project of the Veologica Building Project</u>	<u>East Street Sidewalk Extension Project</u>	<u>NC HWY 87 Sidewalk Project</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES					
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	3	-	-	-	3
Total revenues	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>
EXPENDITURES					
Transportation	-	-	831	4,016	4,847
Cultural and recreational	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>831</u>	<u>4,016</u>	<u>4,847</u>
Excess (deficiency) of revenues over expenditures	<u>3</u>	<u>-</u>	<u>(831)</u>	<u>(4,016)</u>	<u>(4,844)</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds					
General Fund	-	-	-	-	-
Transfers to other funds:					
General Fund	<u>-</u>	<u>(200)</u>	<u>-</u>	<u>-</u>	<u>(200)</u>
Net change in fund balance	3	(200)	(831)	(4,016)	(5,044)
Fund balances, beginning	<u>7,010</u>	<u>200</u>	<u>15,851</u>	<u>73,145</u>	<u>96,206</u>
Fund balances, ending	<u>\$ 7,013</u>	<u>\$ -</u>	<u>\$ 15,020</u>	<u>\$ 69,129</u>	<u>\$ 91,162</u>

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 7

Capital Projects Fund

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

For the Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ 100	\$ 3	\$ (97)
Total revenues	100	3	(97)
Other Financing Sources (Uses)			
Transfer to General Fund	(100)	-	100
Net change in fund balance	<u>\$ -</u>	3	<u>\$ 3</u>
Fund balance, beginning		<u>7,010</u>	
Fund balance, ending		<u>\$ 7,013</u>	

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 8

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, 2015

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
NC Rural Center Grant	\$ 128,000	\$ 128,200	\$ -	\$ 128,200	\$ 200
Total revenues	128,000	128,200	-	128,200	200
Expenditures:					
Construction	134,400	134,400	-	134,400	-
Total expenditures	134,400	134,400	-	134,400	-
Revenues over (under) expenditures	(6,400)	(6,200)	-	(6,200)	200
Other Financing Sources (Uses)					
:Transfers in (out)					
General Fund	6,400	6,400	(200)	6,200	(200)
Total other financing sources (uses)	6,400	6,400	(200)	6,200	(200)
Net change in fund balance	\$ -	\$ 200	(200)	\$ -	\$ -
Fund balance, beginning			200		
Fund balance, ending			\$ -		

TOWN OF PITTSBORO, NORTH CAROLINA **Schedule 9**
Capital Projects Fund - East Street Sidewalk Extension Project
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2015

	Project Authorization	Actual Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
CMAQ Grant	\$ 136,000	\$ 8,155	\$ -	\$ 8,155	\$ (127,845)
Total revenues	<u>136,000</u>	<u>8,155</u>	<u>-</u>	<u>8,155</u>	<u>(127,845)</u>
Expenditures:					
Construction	166,608	-	-	-	166,608
Engineering	25,000	26,304	-	26,304	(1,304)
Contingency	17,000	-	831	831	16,169
Total expenditures	<u>208,608</u>	<u>26,304</u>	<u>831</u>	<u>27,135</u>	<u>181,473</u>
Revenues over (under) expenditures	<u>(72,608)</u>	<u>(18,149)</u>	<u>(831)</u>	<u>(18,980)</u>	<u>53,628</u>
Other Financing Sources (Uses)					
Transfers in (out):					
General Fund	72,608	34,000	-	34,000	(38,608)
Total other financing sources (uses)	<u>72,608</u>	<u>34,000</u>	<u>-</u>	<u>34,000</u>	<u>(38,608)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 15,851</u>	<u>(831)</u>	<u>\$ 15,020</u>	<u>\$ 15,020</u>
Fund balance, beginning			<u>15,851</u>		
Fund balance, ending			<u>\$ 15,020</u>		

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 10

Capital Projects Fund - NC HWY 87 Sidewalk Project

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

From Inception and For the Year Ended June 30, 2015

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Construction	\$ 56,000	\$ -	\$ -	\$ -	\$ 56,000
Surveying and design	15,000	3,455	4,016	7,471	7,529
Contingency	5,600	-	-	-	5,600
Total expenditures	76,600	3,455	4,016	7,471	69,129
Revenues over (under) expenditures	(76,600)	(3,455)	(4,016)	(7,471)	(69,129)
Other Financing Sources (Uses)					
Transfers in (out):					
General Fund	76,600	76,600	-	76,600	-
Total other financing sources (uses)	76,600	76,600	-	76,600	-
Net change in fund balance	\$ -	\$ 73,145	(4,016)	\$ 69,129	\$ 69,129
Fund balance, beginning			73,145		
Fund balance, ending			\$ 69,129		

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 11

Water and Sewer Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Water sales	\$ 1,333,480	\$ 1,351,362	\$ 17,882
Sewer charges	1,136,320	1,174,294	37,974
Reuse water charges	56,650	55,080	(1,570)
Reconnection fees and penalties	60,000	44,124	(15,876)
Miscellaneous	24,000	19,372	(4,628)
Total operating revenues	<u>2,610,450</u>	<u>2,644,232</u>	<u>33,782</u>
Nonoperating revenues:			
Interest earnings	<u>2,000</u>	<u>550</u>	<u>(1,450)</u>
Total revenues	<u>2,612,450</u>	<u>2,644,782</u>	<u>32,332</u>
Expenditures:			
Administrative			
Salaries and employee benefits	184,636	194,055	(9,419)
Payroll taxes	6,429	7,334	(905)
Professional services	161,000	161,238	(238)
Travel and training	600	255	345
Telephone and postage	8,500	9,453	(953)
Departmental supplies	5,000	3,713	1,287
Vehicle and equipment maintenance	500	114	386
Dues and subscriptions	3,000	3,192	(192)
Insurance	3,193	2,267	926
Contracted services	8,500	8,667	(167)
Total	<u>381,358</u>	<u>390,288</u>	<u>(8,930)</u>
Water operations:			
Salaries and employee benefits	344,742	325,969	18,773
Payroll taxes	21,705	19,329	2,376
Professional services	2,500	-	2,500
Telephone and postage	11,900	11,688	212
Travel and training	4,800	2,887	1,913
Supplies	49,800	46,602	3,198
Advertising	250	3,191	(2,941)
Dues and subscriptions	1,200	625	575
Insurance	18,531	15,617	2,914
Chemicals	165,000	148,026	16,974
Contracted services	107,000	100,093	6,907
Building and grounds maintenance	57,000	50,698	6,302
Vehicle and equipment maintenance	38,400	25,316	13,084
Utilities	60,000	66,173	(6,173)
Other operating expenditures	11,300	6,172	5,128
Total	<u>894,128</u>	<u>822,386</u>	<u>71,742</u>

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 11

**Water and Sewer Fund
 Schedule of Revenues and Expenditures
 Budget and Actual (Non - GAAP)
 For the Fiscal Year Ended June 30, 2015
 (Continued)**

	Budget	Actual	Variance Positive (Negative)
Sewer treatment:			
Salaries and employee benefits	\$ 293,139	\$ 281,607	\$ 11,532
Payroll taxes	17,229	16,328	901
Professional services	3,000	110	2,890
Telephone and postage	3,600	3,557	43
Travel and training	2,000	3,005	(1,005)
Supplies	22,800	29,639	(6,839)
Dues and subscriptions	3,500	1,618	1,882
Insurance	14,656	12,955	1,701
Chemicals	36,000	22,238	13,762
Contracted services	146,875	105,688	41,187
Vehicle and equipment maintenance	26,334	25,825	509
Buildings and grounds maintenance	30,390	29,393	997
Utilities	60,000	65,671	(5,671)
Other operating expenditures	13,000	11,149	1,851
Total	672,523	608,783	63,740
Public utilities:			
Salaries and employee benefits	277,475	273,774	3,701
Payroll taxes	16,554	15,486	1,068
Professional services	-	8,349	(8,349)
Telephone and postage	8,500	8,824	(324)
Travel and training	3,500	2,403	1,097
Supplies	103,500	54,210	49,290
Advertising	-	-	-
Dues and subscriptions	1,000	1,349	(349)
Insurance	20,043	17,888	2,155
Contracted services	1,000	1,830	(830)
Vehicle and equipment maintenance	70,000	35,215	34,785
Other operating expenditures	10,000	13,688	(3,688)
Total	511,572	433,016	78,556
Debt service:			
Interest and other charges	42,700	43,206	(506)
Principal	433,000	432,079	921
Total	475,700	475,285	415

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 11

Water and Sewer Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2015

(Continued)

	Budget	Actual	Variance Positive (Negative)
Capital outlay:			
Water operations - building	\$ 58,500	\$ -	\$ 58,500
Water operations - equipment	18,000	6,871	11,129
Public utilities - building	6,000	3,541	2,459
Total	<u>82,500</u>	<u>10,412</u>	<u>72,088</u>
 Total expenditures	 <u>3,017,781</u>	 <u>2,740,170</u>	 <u>277,611</u>
 Revenues over (under) expenditures	 (405,331)	 (95,388)	 309,943
Other financing sources (uses):			
Transfers (to) from other funds:			
Capital projects	185,675	185,675	-
Total	<u>185,675</u>	<u>185,675</u>	<u>-</u>
 Fund balance appropriated	 <u>219,656</u>	 <u>-</u>	 <u>219,656</u>
 Revenues and other sources over (under) expenditures and other uses	 <u>\$ -</u>	 90,287	 <u>\$ 90,287</u>
 Fund balances, beginning		 <u>1,177,278</u>	
 Fund balances, ending		 <u>\$ 1,267,565</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, 2015
(Continued)

Schedule 11

	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 90,287	
Reconciling items:			
Payment of debt principal		432,079	
Capital outlay		10,412	
Decrease (increase) in accrued vacation pay		(4,333)	
Decrease (increase) in other postemployment benefits		(5,661)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		53,714	
Pension expense		(4,982)	
Depreciation		(532,046)	
Investment earnings in Water and Sewer Capital Reserve Fund		803	
Other		(8,336)	
Water and sewer access charges		746,710	
Transfer to Capital Reserve Fund		(195,675)	
Total reconciling items		492,685	
Change in net position		\$ 582,972	

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 12

Water and Sewer Capital Reserve Fund

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

For the Fiscal Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ 1,000	\$ 803	\$ (197)
Water and sewer access charges	<u>207,000</u>	<u>746,710</u>	<u>539,710</u>
Total revenues	<u>208,000</u>	<u>747,513</u>	<u>539,513</u>
Other financing sources (uses):			
Transfer to Water and Sewer Fund	(195,675)	(195,675)	-
Reserve for water and sewer improvements	<u>(208,000)</u>	<u>-</u>	<u>208,000</u>
Total other sources	<u>(403,675)</u>	<u>(195,675)</u>	<u>208,000</u>
Fund balance appropriated	<u>195,675</u>	<u>-</u>	<u>(195,675)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	551,838	<u>\$ 551,838</u>
Fund balance, beginning		<u>1,433,577</u>	
Fund balance, ending		<u>\$ 1,985,415</u>	

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 13

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, 2015

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

TOWN OF PITTSBORO, NORTH CAROLINA

Schedule 14

Capital Projects Fund - USEPA 319 Project

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

From Inception and For the Year Ended June 30, 2015

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

OTHER SCHEDULES

TOWN OF PITTSBORO, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2015

Schedule 15

<u>Fiscal Year</u>	Uncollected Balance June 30, 2014	<u>Additions</u>	Collections And Credits	Uncollected Balance June 30, 2015
2014-2015	\$ -	\$ 6,303	\$ 2,241	\$ 4,062
2013-2014	701	1,788,605	1,748,489	40,817
2012-2013	40,396	-	16,864	23,532
2011-2012	21,046	-	1,891	19,155
2010-2011	26,623	-	6,022	20,601
2009-2010	6,067	-	36	6,031
2008-2009	1,673	-	46	1,627
2007-2008	1,040	-	57	983
2006-2007	4,027	-	19	4,008
2005-2006	1,118	-	97	1,021
2004-2005	1,384	-	38	1,346
2003-2004	1,053	-	732	321
2002-2003	386	-	92	294
	<u>\$ 105,514</u>	<u>\$ 1,794,908</u>	<u>\$ 1,776,624</u>	123,798
Less: allowance for uncollectible accounts:				
	General Fund			<u>26,503</u>
	Ad valorem taxes receivable - net			<u>\$ 97,295</u>
<u>Reconciliation with revenues:</u>				
	Ad valorem taxes - General Fund			\$ 2,012,132
Reconciling items:				
	Landfill Fees			(250,743)
	Interest collected			(6,361)
	Taxes written off			4,527
	Discounts allowed			7,864
	Other			9,205
	Subtotal			<u>(235,508)</u>
	Total collections and credits			<u>\$ 1,776,624</u>

TOWN OF PITTSBORO, NORTH CAROLINA
Analysis of Current Tax Levy
Town-Wide Levy
For the Fiscal Year Ended June 30, 2015

Schedule 16

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed					
at current rate	\$ 411,808,305	0.4333	\$ 1,784,365	\$ 1,784,043	\$ 322
Exemptions	81,293,935		-	-	-
Penalties			307	307	-
Total	<u>\$ 493,102,240</u>		<u>1,784,672</u>	<u>1,784,350</u>	<u>322</u>
Discoveries:					
Current year taxes	574,647	0.4333	2,490	2,080	410
Prior year taxes	-		5,805	5,424	381
Penalties	-		-	-	-
Abatements	(512,652)		(4,362)	(3,666)	(696)
Total Property Valuation	<u><u>\$ 493,164,235</u></u>				
Net levy			1,788,605	1,788,189	417
Uncollected taxes at June 30, 2015			(40,817)	(40,817)	-
Current year's taxes collected			<u>\$ 1,747,788</u>	<u>\$ 1,747,372</u>	<u>\$ 417</u>
Current levy collection percentage			<u>97.72%</u>	<u>97.72%</u>	<u>100.00%</u>

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

Schedule 17

Fiscal Period	Tax Rate per \$100	Real Property	Personal Property	Utilities	Total
2005 - 2006 *	0.3730	\$ 212,410,358	\$ 18,062,849	\$ 4,349,426	\$ 234,822,633
2006 - 2007	0.3730	235,158,177	25,654,692	4,282,842	265,095,711
2007 - 2008	0.3730	277,304,290	26,428,418	5,263,807	308,996,515
2008 - 2009	0.3630	314,564,161	24,840,821	5,748,207	345,153,189
2009 - 2010 *	0.3020	384,236,871	26,241,722	6,033,894	416,512,487
2010 - 2011	0.3020	389,129,971	20,991,493	5,843,106	415,964,570
2011 - 2012	0.3020	400,659,937	25,025,000	5,630,625	431,315,562
2012 - 2013	0.3673	400,057,011	25,549,226	5,929,783	431,536,020
2013 - 2014	0.4033	462,524,849	23,647,126	5,783,435	491,955,410
2014 - 2015	0.4333	464,070,194	23,409,673	5,531,918	493,011,785

Property is assessed at 100% of estimated sound value.

* Revaluation

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

Schedule 18

Fiscal Period	Tax Levy	Collected Current	Percent Collected	Collected Prior Levies	Total Collected	Balances Delinquent
2005 - 2006	\$ 881,631	\$ 861,256	97.69%	19,749	\$ 881,005	\$ 57,339
2006 - 2007	999,533	978,758	97.92%	16,850	995,608	68,967
2007 - 2008	1,174,202	1,147,118	97.69%	166,630	1,313,748	72,582
2008 - 2009	1,266,373	1,237,312	97.71%	255,068	1,492,380	65,296
2009 - 2010	1,268,850	1,246,111	98.21%	30,799	1,276,910	50,237
2010 - 2011	1,268,283	1,236,575	97.50%	20,592	1,257,167	72,176
2011 - 2012	1,310,756	1,247,429	95.17%	25,590	1,273,019	80,442
2012 - 2013	1,574,600	1,529,237	97.12%	49,568	1,578,805	82,599
2013 - 2014	1,927,978	1,887,582	97.90%	34,645	1,922,227	82,943
2014 - 2015	1,788,605	1,748,489	97.76%	28,135	1,776,624	97,295

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

Schedule 19

Fiscal Period	Licenses and Permits	Interest	Revenues from Other Agencies	Other	Gross Revenues from Utilities
2005 - 2006	\$ 8,865	\$ 196,734	\$ 674,183	\$ 392,689	\$ 1,826,897
2006 - 2007	12,700	258,790	768,385	350,653	2,340,580
2007 - 2008	18,639	186,503	910,944	444,156	2,134,775
2008 - 2009	5,324	57,462	813,798	461,249	2,056,944
2009 - 2010	10,990	10,928	2,040,286	484,446	2,556,046
2010 - 2011	27,863	9,290	2,340,927	645,533	2,876,531
2011 - 2012	16,231	8,749	688,758	1,250,308	2,814,937
2012 - 2013	18,534	6,289	965,528	1,595,157	2,624,810
2013 - 2014	61,413	4,828	963,700	1,293,227	2,881,948
2014 - 2015	119,006	3,548	1,215,396	771,437	3,390,942

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

Schedule 20

Fiscal Period	General Government	Public Safety	Streets and Sanitation	Cultural and Recreation	Economic and Physical Development	Debt Service	Utilities	
							Operating	Debt Service
2005 - 2006	\$ 405,766	\$ 807,936	\$ 565,690	\$ 12,693	\$ -	\$ -	\$ 1,241,340	\$ 271,676
2006 - 2007	499,728	896,126	581,625	179,420	-	-	1,771,901	270,106
2007 - 2008	514,234	986,150	651,303	42,097	-	-	1,813,338	268,866
2008 - 2009	792,038	1,098,459	683,096	59,502	-	-	1,753,806	271,354
2009 - 2010	777,465	1,273,180	762,229	80,058	-	-	2,134,276	268,811
2010 - 2011	828,158	1,376,215	744,591	87,539	-	-	2,300,593	359,096
2011 - 2012	918,763	1,387,625	523,461	84,587	-	-	2,165,485	406,365
2012 - 2013	940,246	1,444,785	691,799	88,740	-	-	2,218,671	452,362
2013 - 2014	765,887	1,369,288	751,058	103,548	-	-	2,218,912	491,350
2014 - 2015	890,893	1,551,766	763,518	209,035	94,614	36,434	2,224,071	475,285

COMPLIANCE SECTION



Rives & Associates, LLP
Certified Public Accountants

Member:
American Institute of
Certified Public Accountants

Member:
North Carolina Association of
Certified Public Accountants

www.rivescpa.com

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Pittsboro ("the Town") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 14, 2015. Our report includes a reference to other auditors who audited the financial statements of the Town of Pittsboro ABC Board, as described in our report on the Town of Pittsboro's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Pittsboro ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rives & Associates LLP

Raleigh, North Carolina
October 14, 2015

TOWN OF PITTSBORO, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued:		Unmodified		
Internal control over financial reporting:				
Material weaknesses identified?	_____	yes	_____ S _____	no
Significant deficiency(s) identified that are not considered to be material weaknesses?	_____	yes	_____ S _____	none reported
Noncompliance material to financial statements noted	_____	yes	_____ S _____	no

Federal Awards

Identification of major federal programs:

There are no major Federal awards.

State Awards

Identification of major State programs:

There are no major State awards.

TOWN OF PITTSBORO, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE NOTED.

TOWN OF PITTSBORO, NORTH CAROLINA
Summary Schedule of Prior Year Audit Finding
For the Year Ended June 30, 2015

Finding 2014-01: Controls over financial reporting

Status: Finding has been corrected.