

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Carrboro (the "Town") and its discretely presented component unit 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, a political subdivision of Orange County, is governed by an elected mayor and a six-member Town 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.

Carrboro Tourism Development Authority

Effective March 1, 2013, a 3% hotel and motel room occupancy tax was established by the Council. As part of establishing this tax, the Town formed the Carrboro Tourism Development Authority ("CTDA") which is a public authority under the Local Government Budget and Fiscal Control Act. The members of the CTDA are appointed by the Town's Town Council. The CTDA receives revenue through the occupancy tax, which is levied and collected by the Town and remitted to the CTDA net of administration fees on a quarterly basis. The CTDA shall use at least two-thirds of the funds remitted to promote travel and tourism in the Town, and shall use the remainder for tourism-related expenditures. The CTDA, which has a June 30 year end, is presented as if it were a proprietary fund (discrete presentation). Requests for complete financial statements for the CTDA may be directed to the Finance Officer, c/o Carrboro Tourism Development Authority, 301 West Main Street, Carrboro, North Carolina 27510.

B. Basis of presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. 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 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

Town of Carrboro, North Carolina
Notes to Financial Statements

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.

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. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The Town reports the following major governmental funds:

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

Revolving Loan Fund. The Revolving Loan Fund is used to account for loans made to various local businesses. The primary revenue source consists of principal and interest repayments made on these loans. The Town has elected to report this fund as major.

Bond Fund. The Bond Fund accounts for the financial resources to be used for the acquisition or construction of greenways and sidewalks. The Town has elected to report this fund as major.

Capital Projects Fund. The Capital Projects Fund accounts for the financial resources to be used for the acquisition or construction of major capital facilities. Additionally, the Town has legally adopted a Capital Reserve Fund and Payment in Lieu Reserve Fund. The Capital Reserve Fund and Payment in Lieu Reserve Fund are consolidated in the Capital Projects Fund. The budgetary comparisons for the Capital Reserve Fund has been included in the supplemental information. The Capital Reserve Fund accounts for resources to be used for future major capital purchases or projects. The Payment in Lieu Reserve Fund accounts for payments received from developers in lieu of providing on-site recreational areas and open spaces. The funds are held in reserve for use in one of four geographically defined quadrants of the Town (where the residential development is located) for use in acquisition and development of recreational facilities present or future.

Grants Administration Fund. The Grants Administration Fund was established to account for grant funds that are restricted for a particular project.

The Town reports the following non-major governmental funds:

Affordable Housing Fund. The Affordable Housing Fund was established to advance the Town of Carrboro's goal of increasing the stock of affordable, safe and decent housing within the Town and its planning jurisdiction.

Energy Efficiency Revolving Loan Fund. The Energy Efficiency Revolving Loan Fund was established to advance the Town of Carrboro's goal of increasing energy efficiency in buildings within the Town in cooperation with the Southeast Energy Efficiency Alliance.

Small Business and Non-Profit Loan/Grant COVID 19 Emergency Fund. The Small Business and Non-Profit Loan/Grant COVID 19 Emergency Fund is used to account for loans made to various local businesses as a result of the COVID-19 pandemic. The loans were provided for personnel and other recurring expenses for such businesses during the State/Town declared COVID 19 emergency. The primary revenue sources

consists of a transfer from the Revolving Loan Fund, a contribution from the Carrboro Tourism Development Authority, and funding received under the CARES Act.

Facilities Rehabilitation Capital Projects Fund. The Facilities Rehabilitation Capital Projects Fund accounts for the financial resources to be used for the rehabilitation and improvement of various Town facilities.

The Town reports the following major enterprise fund:

Storm Water Utility Enterprise Fund. This fund is used to account for the operations of the Town's stormwater management department.

The Town reports the following non-major enterprise fund:

Parking Enterprise Fund. This fund is used to account for all parking related expenses for the growing needs of parking facilities in the Town. The Town Council has requested a parking study to consider the implementation of parking fees for various parking facilities. The Parking Enterprise Fund will be funded with a transfer from the General Fund, until such time that the Fund can generate its own revenue source.

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 and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 storm water utility enterprise fund are charges to customers for sales and services. The principal operating revenues of the Town's parking enterprise fund will be charges to customers for sales and services, following commencement of such fees in future years. Operating expenses for enterprise funds 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 nonoperating 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 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 long-term debt and acquisitions under direct borrowing installment purchase agreements are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year end, except for property taxes. Ad valorem taxes receivable are not accrued as 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 the billing and collecting of 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 to the fiscal year in which they are received. Uncollected taxes that were billed in periods 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 beer and wine 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 Carrboro because the tax is levied by Orange County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Grant revenues which are unearned at year end are recorded as deferred inflows of resources. 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 are 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 by general revenues.

D. Budgetary data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Storm Water Utility Enterprise Fund, and Parking Utility Enterprise Fund. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the Revolving Loan Fund, the Small Business and Non-Profit Loan/Grant COVID 19 Emergency Fund, the Bond Fund, the Capital Projects Fund, the Facilities Rehabilitation Capital Projects Fund, the Grants Administration Fund, the Affordable Housing Fund, and the Energy Efficiency Revolving Loan Fund. All budgets are prepared using the modified accrual basis of accounting.

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

Deposits and investments

All deposits of the Town and the CTDA are made in Council-designated official depositories and are secured as required by state law [G. S. 159-31]. The Town and the CTDA may designate as an official depository any bank or savings association whose principal office is located in North Carolina. Also, the Town and the CTDA 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 and the CTDA to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the state of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-

Town of Carrboro, North Carolina
Notes to Financial Statements

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 the CTDA's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than six months.

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.

Restricted assets

Credit deposits in the amount of \$41,785 are considered a liability and classified as restricted cash. The Town requires builders/contractors to pay a credit deposit when, due to circumstances beyond their control, there is uncompleted work on a construction project and the builder/contractor needs to have the Planning Department issue a Certificate of Occupancy for the property. Once the Town has ensured that the work has been satisfactorily completed, the credit deposit funds are released. Powell Bill funds in the amount of \$326,810 are also classified as restricted cash because they can be expended only for the purposes outlined in G. S. 136-41.1 through 136-41.4. Unexpended debt proceeds in the amount of \$286,255 are classified as restricted cash, as they may only be spent for the purposes of the related debt issuance.

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, 2020. 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.

Allowances for doubtful accounts

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

Inventory and prepaid items

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

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

Capital assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide financial statements.

Town of Carrboro, North Carolina
Notes to Financial Statements

Capital assets are defined by the government as assets with an initial individual cost of more than a certain amount and an estimated useful life in excess of two years.

Minimum capitalization costs are as follows:

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

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition 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 their estimated useful lives:

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

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 two items that meets this criterion, pension deferrals for the 2021 fiscal year and OPEB deferrals for the 2021 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 meet the criterion for this category: property taxes receivable and notes receivable which are net of allowance, as well as pension and OPEB-related deferrals.

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 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 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 the fund financial statements, governmental fund types recognize bond premiums, 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 issuance are reported as other financing sources. Issuance costs, whether or not held from the actual debt proceeds received, are reported as debt service expenditures.

Compensated absences

The vacation policy of the Town provides for the accumulation of annual vacation leave without any applicable maximum until December 31 of each calendar year. However, if an employee separates from service, payment for accumulated annual vacation leaves shall not exceed 240 hours (14 duty days for shift fire personnel). On December 31 of each calendar year, any employee with more than 240 hours (14 duty days for shift fire personnel) of accumulated leave shall have the excess accumulation converted to sick leave so that only 240 hours (14 duty days for shift fire personnel) are carried forward to January 1 of the next calendar year. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements and the proprietary fund type financial statements.

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

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:

Non-spendable 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.

Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepays - portion of fund balance that is not an available resource because it represents the year-end balance of prepaid assets, which are not spendable resources.

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 - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute." Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is

considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of Restricted net position and Restricted fund balance on the face of the balance sheet.

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

Other restrictions - portion of fund balances that are restricted by the restrictive nature of special revenue and capital project funds. These restrictions are classified by the functional nature of each fund (i.e., public safety, transportation, etc.).

Committed fund balance - This classification includes the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town’s governing body - the Town Council (highest level of decision-making authority). 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.

Economic development - portion of fund balance committed by the Council for economic development through the use of loans to various businesses.

Capital projects - portion of fund balance committed by the Council for completion of capital projects.

Affordable housing - portion of fund balance committed by the Council for providing safe and decent housing within the Town.

Energy efficiency - portion of fund balance committed by the Council for the goal of increasing energy efficiency in buildings within the Town.

Assigned fund balance - This classification includes the portion of fund balance that the Town intends to use for specific purposes.

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 appropriations by resource or appropriation within funds up to \$100,000.

Capital projects - portion of fund balance assigned by Town management for future capital projects.

Unassigned fund balance - This classification includes the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The general fund is the only fund that may report a positive unassigned fund balance amount.

The Town has a revenue-spending policy that provides policy for programs with multiple revenue sources. The Town will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-Town funds, Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance

first, followed in order by committed fund balance, assigned fund balance and, finally, unassigned fund balance. The Town has the authority to deviate from this policy if it is in the best interest of the Town.

The Council has adopted a policy of maintaining an unassigned fund balance within a range of 22.5% to 35% of budgeted appropriations. This policy also provides for the transfer of funds to Capital Projects when the unassigned fund balance exceeds 35%.

Defined benefit cost-sharing plans

For purposes of measuring the net pension liability, 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's employer contributions are recognized when due and the Town 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.

2. Stewardship, Compliance and Accountability

A. *Deficit in Fund Balance or Net Position of Individual Funds*

At June 30, 2021, the Town had a deficit in the Bond Fund in the amount of \$205,503, and in the Grants Administration Fund in the amount of \$138,952. The deficits in these funds are due to timing only, as grant revenues in the amounts of \$247,151 and \$174,350, respectively were not considered to be available as of June 30, 2021, and therefore are presented as deferred revenues.

3. Detail Notes on All Funds

A. Assets

Deposits

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

Town of Carrboro, North Carolina
Notes to Financial Statements

At June 30, 2021, the Town's deposits had a carrying amount of \$5,556,096 and a bank balance of \$5,919,465. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral under the pooling method. The carrying amount of deposits for the CTDA was \$117,814 and the bank balance of deposits was \$117,814. All of the bank balance was covered by federal depository insurance. At June 30, 2021, the Town's petty cash fund totaled \$150.

Investments

At June 30, 2021, the Town had \$14,538,347 invested with the North Carolina Capital Management Trust Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

Receivables

(a) Due from other governments

Amounts due from other governments consist of the following:

	<u>Other</u>	<u>County</u>	<u>State</u>	<u>Total</u>
General fund:				
Local option sales tax	\$ -	\$ -	\$ 1,402,067	\$ 1,402,067
Sales tax refunds	-	59,778	105,931	165,709
Utilities franchise, piped natural gas, telecommunications, and video sales programming	-	-	287,558	287,558
Solid waste disposal tax	-	-	3,853	3,853
NCVTS tag and tax proceeds	-	-	145,827	145,827
Other	<u>18,476</u>	<u>1,495</u>	<u>-</u>	<u>19,971</u>
	18,476	61,273	1,945,236	2,024,985
Grant Administration fund:				
Grant reimbursements	-	-	174,350	174,350
Bond fund:				
Grant reimbursements	-	-	302,804	302,804
Capital Projects fund				
Balance due under inter-local agreement	-	93,463	-	93,463
Stormwater Utility fund:				
Grant reimbursements	<u>104,820</u>	<u>-</u>	<u>-</u>	<u>104,820</u>
Total	<u>\$ 18,476</u>	<u>\$ 154,736</u>	<u>\$ 2,422,390</u>	<u>\$ 2,700,422</u>

(b) Notes receivable

The Revolving Loan Fund was established for the purpose of making loans to numerous local businesses. As of June 30, 2021, 2 of the 3 the Revolving Loan Fund notes receivable are fully reserved.

The following is a summary of notes receivable of the Revolving Loan Fund at June 30, 2021:

	<u>Interest Rate</u>	<u>Balance</u>
Bryan's Guitar	3.00	\$ 50,613
Carrboro Creative Co-working	2.00	15,161
Tesoro LLC	3.00	<u>58,849</u>
		124,623
Less allowance		<u>(65,774)</u>
Total		<u>\$ 58,849</u>

Town of Carrboro, North Carolina
Notes to Financial Statements

The Emergency Loan and Grant Fund was established for the purpose of making loans to numerous local businesses impacted by the COVID-19 pandemic. Ten percent of the amounts advanced to these businesses were considered grants, while the remaining 90% is to be repaid over a 7-year term, beginning on the first day of the month following a six-month grace period beginning on the dates of the individual loan agreements. The loans bear no interest.

The following is a summary of notes receivable of the Emergency Grant and Loan Fund at June 30, 2021:

	<u>Balance</u>
Armadillo Grill	\$ 20,625
Be Pure	11,989
Carrboro Coffee Company	20,089
Ceremony Salon	11,000
Creative Electric of NC	17,440
Dispute Settlement Center	22,500
F&F Car Care	18,000
Firefly Carrboro	4,821
Grow Your World	11,417
Lazarus Repair & Maintenance	11,726
OE Enterprises, Inc.	20,089
Open Eye Café	20,089
Pilot Mission, LLC	10,425
Twin House Music, LLC	12,954
Van Hook Enterprises, Inc.	11,251
Wax Poetic	<u>20,357</u>
	244,772
Less allowance	<u>(61,002)</u>
Total	<u>\$ 183,770</u>

The Energy Efficiency Revolving Loan Fund was created to advance the Town’s goal of increasing energy efficiency in buildings within the Town in cooperation with Southeast Energy Efficiency Alliance. As of June 30, 2021, the Energy Efficiency Revolving Loan Fund notes receivable balance was \$14,075.

The Affordable Housing Fund was created to advance the Town’s goal of increasing the stock of affordable, safe and decent housing within the Town and its planning jurisdiction. As of June 30, 2020, the Affordable Housing Fund notes receivable balance was \$1,282, net of allowances of \$355,320 for two notes receivable from separate nonprofit housing entities, which are forgivable in equal amounts over a 30-year period, as long as the entities remain in compliance with the requirements of the loan agreements.

Receivables - allowance for doubtful accounts

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

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

General fund:	
Property taxes	<u>\$ 72,661</u>

Town of Carrboro, North Carolina
Notes to Financial Statements

Capital assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 14,747,956	\$ -	\$ -	\$ 14,747,956
Construction-in-progress	<u>1,500,566</u>	<u>2,767,030</u>	<u>(1,676,949)</u>	<u>2,590,647</u>
Total capital assets not being depreciated	<u>16,248,522</u>	<u>2,767,030</u>	<u>(1,676,949)</u>	<u>17,338,603</u>
Capital assets being depreciated:				
Buildings and improvements	12,964,613	359,980	-	13,324,593
Land improvements	1,127,024	-	-	1,127,024
Infrastructure	15,445,231	1,314,128	-	16,759,359
Equipment and heavy equipment	6,901,234	424,618	(45,755)	7,280,097
Vehicles	<u>6,537,291</u>	<u>1,445,555</u>	<u>(992,772)</u>	<u>6,990,074</u>
Total capital assets being depreciated	<u>42,975,393</u>	<u>3,544,281</u>	<u>(1,038,527)</u>	<u>45,481,147</u>
Less accumulated depreciation for:				
Buildings and improvements	4,997,861	391,638	-	5,389,499
Land improvements	407,842	38,082	-	445,924
Infrastructure	4,652,383	556,207	-	5,208,590
Equipment and heavy equipment	5,375,700	484,184	(45,755)	5,814,129
Vehicles	<u>5,259,424</u>	<u>587,705</u>	<u>(992,772)</u>	<u>4,854,357</u>
Total accumulated depreciation	<u>20,693,210</u>	<u>\$ 2,057,816</u>	<u>\$ (1,038,527)</u>	<u>21,712,499</u>
Total capital assets being depreciated, net	<u>22,282,183</u>			<u>23,768,648</u>
Governmental activity capital assets, net	<u>\$ 38,530,705</u>			<u>\$ 41,107,251</u>

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

General government	\$ 76,459
Public safety	704,609
Planning	51,541
Public works	967,217
Parks and recreation	<u>257,990</u>
Total depreciation expense	<u>\$ 2,057,816</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Storm Water fund:				
Capital assets not being depreciated:				
Construction-in-progress	\$ 101,521	\$ 302,894	\$ (404,415)	\$ -
Total capital assets not being depreciated	<u>101,521</u>	<u>302,894</u>	<u>(404,415)</u>	<u>-</u>

Town of Carrboro, North Carolina
Notes to Financial Statements

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 114,998	\$ -	\$ -	\$ 114,998
Infrastructure	-	404,415	-	404,415
Equipment and heavy equipment	<u>182,995</u>	<u>-</u>	<u>-</u>	<u>182,995</u>
Total capital assets being depreciated	<u>297,993</u>	<u>404,415</u>	<u>-</u>	<u>702,408</u>
Less accumulated depreciation for:				
Buildings and improvements	3,833	3,833	-	7,666
Infrastructure	-	843	-	843
Equipment and heavy equipment	<u>45,749</u>	<u>36,600</u>	<u>-</u>	<u>82,349</u>
Total accumulated depreciation	<u>49,582</u>	<u>\$ 41,276</u>	<u>\$ -</u>	<u>90,858</u>
Total capital assets being depreciated, net	<u>248,411</u>			<u>611,550</u>
Business-type capital assets, net	<u>\$ 349,932</u>			<u>\$ 611,550</u>

Construction commitments

The Town has active capital projects as of June 30, 2021. At year end, the government's commitments with contractors/vendors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Bond Fund:		
Morgan Creek Greenway	\$ 282,002	\$ 4,608
Bolin Creek Greenway	201,631	1,271
Jones Creek Greenway	165,900	17,187
South Greensboro Street Sidewalk	<u>144,945</u>	<u>269,453</u>
	<u>794,478</u>	<u>292,519</u>
Capital Projects Fund:		
South Greensboro Street	1,165,733	1,341,835
Bus shelter improvements	-	117,500
Martin Luther King, Jr. Park	143,102	12,348
Town comprehensive plan	169,281	11,170
Unpaved road upgrades	30,987	136,645
2021 vehicles	<u>-</u>	<u>349,490</u>
	<u>1,509,103</u>	<u>1,968,988</u>
Facilities Rehabilitation Capital Projects Fund:		
Architectural services	77,210	47,700
Century Center floor improvements	-	3,926
Public works site design services	2,450	2,450
Town Hall improvements	<u>-</u>	<u>7,182</u>
	<u>79,660</u>	<u>61,258</u>
Stormwater Enterprise Fund:		
Infrastructure improvements	<u>-</u>	<u>31,454</u>
	<u>-</u>	<u>31,454</u>
Total	<u>\$ 2,383,241</u>	<u>\$ 2,354,219</u>

B. Liabilities

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities at the government-wide level at June 30, 2021 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General	\$ 677,204	\$ 338,085	\$ 1,015,289
Other governmental	<u>611,497</u>	<u>-</u>	<u>611,497</u>
Total governmental activities	<u>\$ 1,288,701</u>	<u>\$ 338,085</u>	<u>\$ 1,626,786</u>
Business-type activities:			
Storm water	<u>\$ 15,477</u>	<u>\$ 7,696</u>	<u>\$ 23,173</u>
Total business-type activities	<u>\$ 15,477</u>	<u>\$ 7,696</u>	<u>\$ 23,173</u>

Pension plan 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) or 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 of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the state of North Carolina. The State's ACFR 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, by calling (919) 981-5454, or at www.osc.nc.gov.

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 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.

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

Town of Carrboro, North Carolina
Notes to Financial Statements

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 Carrboro 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's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.20% 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 were \$965,751 for the year ended June 30, 2021.

Refunds of contributions. Town employees who have terminated services 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, 2021, the Town reported a liability of \$4,380,663 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability 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, 2020 (measurement date), the Town's proportion was 0.123%, which was a decrease of 0.002% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$1,436,183. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 553,201	\$ -
Changes of assumptions	326,007	-
Net difference between projected and actual earnings on pension plan investments	616,461	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	87,417	51,931
Town contributions subsequent to the measurement date	<u>965,751</u>	<u>-</u>
Total	<u>\$ 2,548,837</u>	<u>\$ 51,931</u>

\$965,751 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending

Town of Carrboro, North Carolina
Notes to Financial Statements

June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>June 30,</u>	
2022	\$ 421,497
2023	568,341
2024	358,877
2025	182,440
2026	-
Thereafter	<u>-</u>
Total	<u>\$ 1,531,155</u>

Actuarial assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 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.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2020 (measurement date) are summarized in the following table:

Town of Carrboro, North Carolina
Notes to Financial Statements

	<u>Target Allocation</u>	<u>Long- Term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 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 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. 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 liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability	\$ <u>8,887,888</u>	\$ <u>4,380,663</u>	\$ <u>634,842</u>

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

(b) Law Enforcement Officers' Special Separation Allowance

(i) Plan description

The Town 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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85% of the

Town of Carrboro, North Carolina
Notes to Financial Statements

annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	8
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	<u>36</u>
 Total	 <u><u>44</u></u>

A separate report was not issued for the plan.

(ii) 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 Statement 73.

(iii) Actuarial assumptions:

The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

The discount rate is based on the weekly average of the S&P Municipal Bond 20 Year High Grade Rate Index determined as of December 31, 2019.

Mortality rates are based on Pub-2010 amount-weighted tables with adjustments for mortality improvements based on Scale MP-2019.

(iv) Change in actuarial assumptions:

On the prior measurement date (December 31, 2019), the Municipal Bond Index Rate, on which the discount rate is based, was 3.26%. Since the Prior Measurement Date, the Municipal Bond Index Rate has decreased to 1.93% as of the Measurement Date (December 31, 2020). This resulted in a \$39,325 increase in the Total Pension Liability.

(v) 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

Town of Carrboro, North Carolina
Notes to Financial Statements

budget. 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. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$142,446 as benefits came due for the reporting period.

(vi) *Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions:*

At June 30, 2021, the Town reported a total pension liability of \$2,057,740. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$244,511.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 112,464	\$ 3,628
Changes of assumptions	475,934	21,146
Town benefit payments and plan administrative expense made subsequent to the measurement date	<u>77,027</u>	<u>-</u>
Total	<u>\$ 665,425</u>	<u>\$ 24,774</u>

\$77,027 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2022	\$ 143,004
2023	136,728
2024	135,683
2025	112,280
2026	35,929
Thereafter	<u>-</u>
Total	<u>\$ 563,624</u>

(vii) *Sensitivity of the Town's total pension liability to changes in the discount rate:*

The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (0.93 percent) or 1 percentage point higher (2.93 percent) than the current rate:

	<u>1% Decrease (0.93%)</u>	<u>Discount Rate (1.93%)</u>	<u>1% Increase (2.93%)</u>
Total pension liability	<u>\$ 2,215,770</u>	<u>\$ 2,057,740</u>	<u>\$ 1,911,823</u>

Changes in the Total Pension Liability

	<u>2021</u>
Beginning balance	\$ 1,498,927
Service cost	57,596
Interest on the total pension liability	46,540
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	62,506
Changes of assumptions or other inputs	534,823
Benefit payments	(142,652)
Other changes	-
Ending balance of the total pension liability	<u>\$ 2,057,740</u>

The plan currently uses mortality tables that vary by age, 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.

(vii) *Total expense, liabilities, and deferred outflows and inflows of resources related to pensions:*

Following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 1,436,183	\$ 244,511	\$ 1,680,694
Pension liability	4,380,663	2,057,740	6,438,403
Proportionate share of net pension liability	0.123%	n/a	

Deferred outflows of resources

Differences between expected and actual experience	\$ 553,201	\$ 112,464	\$ 665,665
Changes of assumptions	326,007	475,934	801,941
Net difference between projected and actual earnings on plan investments	616,461	-	616,461
Changes in proportion and differences between contributions and proportionate share of contributions	87,417	-	87,417
Benefit payments and administrative costs paid subsequent to the measurement date	965,751	77,027	1,042,778

Deferred inflows of resources

Differences between expected and actual experience	-	3,628	3,628
Changes of assumptions	-	21,146	21,146
Changes in proportion and differences between contributions and proportionate share of contributions	51,931	-	51,931

(c) Supplemental Retirement Income Plan

Plan description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to employees of the Town. For law enforcement officers, the Town contributes 5% of the employee’s salary and for all other employees the contribution is 3%. 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 is included in the Annual Comprehensive Financial Report (ACFR) for the state of North Carolina. The State’s ACFR 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 5% of each law enforcement officer’s salary, and all amounts contributed are vested immediately. The Town has also elected to contribute each month an amount equal to 3% of each participating general employee’s salary. Also, the participants may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2021 were \$762,250, which consisted of \$325,340 from the Town and \$436,910 from the employees.

Additionally, the Town has elected to include all permanent, full-time employees under this plan.

(d) Other post-employment benefits (OPEB)

Plan description. In addition to providing pension benefits, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits provided. For employees hired prior to July 1, 2007, this plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees’ Retirement System and have at least ten years of continuous creditable service with the Town. The Town pays a percentage of the insurance premium paid to private insurers based on the table below. Employees have the option of purchasing dependent coverage at the Town’s group rates. Employees hired on or after July 1, 2007 who retire with a minimum of ten years of creditable service are not allowed to remain on the Town’s group insurance; rather, they receive a stipend. For those employees, the Town pays a percentage of the stipend based on the table below. The stipend is based on the Employee Only insurance premium as of July 1, 2007 (\$417.46) and increases based on changes in the consumer price index. As of July 1, 2019, the stipend was \$525.22 per month. Employees hired on or after July 1, 2007 who retire with less than ten years of service are not eligible for postemployment coverage. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Retired Employee’s Years of Creditable Service	Date Hired	
	Pre-July 1, 2007	On or After July 1, 2007
Less than 10 years	Not eligible for coverage	Not eligible for coverage
10 to 14 years	50%	50%
15 to 19 years	75%	75%
20 years and up	100%	100%

Town of Carrboro, North Carolina
Notes to Financial Statements

Membership of the HCB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	46
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>155</u>
Total	<u><u>201</u></u>

Total OPEB liability

The Town's total OPEB liability of \$20,948,477 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent, including real wage growth
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Discount rate	2.21 percent
Healthcare cost trend rates	Pre-Medicare - 7.00% decreasing to an ultimate rate of 4.50% by 2026 Medicare - 5.00% decreasing to an ultimate rate of 4.50% by 2021

The discount rate is based on the June average of the Bond Buyer 20-year General Obligation Bond Index published weekly by The Bond Buyer.

Changes in the total OPEB liability

	<u>2020</u>
Beginning balance	\$ 16,222,984
Service cost	548,056
Interest on the total pension liability	579,983
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(27,789)
Changes of assumptions or other inputs	4,028,868
Benefit payments	<u>(403,625)</u>
Ending balance of the total OPEB liability	<u><u>\$ 20,948,477</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS.

Town of Carrboro, North Carolina
Notes to Financial Statements

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

	<u>1% Decrease (1.21%)</u>	<u>Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Total OPEB liability	<u>\$ 25,130,157</u>	<u>\$ 20,948,477</u>	<u>\$ 17,717,324</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$ 17,231,839</u>	<u>\$ 20,948,477</u>	<u>\$ 25,876,196</u>

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2021, the Town recognized OPEB expense of \$619,651. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 3,204,396
Changes of assumptions	3,485,161	1,798,171
Benefit payments and administrative costs made subsequent to the measurement date	<u>346,390</u>	<u>-</u>
Total	<u>\$ 3,831,551</u>	<u>\$ 5,002,567</u>

Town of Carrboro, North Carolina
Notes to Financial Statements

\$346,390 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2022	\$ (508,387)
2023	(508,387)
2024	(508,387)
2025	(370,990)
2026	(139,453)
Thereafter	<u>518,198</u>
Total	<u>\$ (1,517,406)</u>

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. If the member is a firefighter, rescue squad worker or local law enforcement officer killed in the line of duty, their beneficiary may also be entitled to a \$100,000 line-of-duty death benefit. This lump sum benefit is administered jointly by the North Carolina Industrial Commission and the Department of the State Treasurer. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. 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. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

The Town provides additional group term life insurance through The Hartford Financial Services Group, Inc. The death benefit provided by the Town is \$25,000. Employees may purchase additional supplemental insurance. The supplemental amounts are available in increments of \$25,000, up to an additional voluntary coverage of \$100,000. The premiums for the supplemental insurance are deducted from payroll on an after-tax basis.

Town of Carrboro, North Carolina
Notes to Financial Statements

Deferred outflows and inflows of resources

Deferred outflows of resources at year end is comprised of the following:

	<u>Deferred Outflows</u>
Contributions to pension plan in current fiscal year	\$ 965,751
Benefit payments and administrative expenses for LEOSSA made subsequent to measurement date	77,027
Benefit payments made for OPEB subsequent to measurement date	346,390
Differences between actual and expected experience	665,665
Changes of assumptions	4,287,102
Net difference between projected and actual earnings on pension plan investments	616,461
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>87,417</u>
Total	<u>\$ 7,045,813</u>

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

	<u>Statement of Net Position</u>	<u>Governmental Funds Balance Sheet</u>
Taxes receivable, less penalties	\$ -	\$ 171,516
Notes receivable, net	-	257,976
Unavailable contribution revenues	-	449,834
Changes in assumptions	1,819,317	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	51,931	-
Differences between expected and actual experience	<u>3,208,024</u>	<u>-</u>
Total	<u>\$ 5,079,272</u>	<u>\$ 879,326</u>

Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability of \$5 million per occurrence and auto liability coverage of \$5 million 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 pools are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting Risk Management Services Department of the NC League of Municipalities. The pools are audited by certified public accountants, and the audited financial statements are available to the Town upon request.

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

Town of Carrboro, North Carolina
Notes to Financial Statements

In accordance with G.S. 159-29, the Town’s employees who have access to \$100 or more at any given time of the Town’s funds are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$50,000. The remaining employees who have access to funds are bonded for \$10,000 per occurrence.

Long-term obligations

(a) General obligation indebtedness

The Town’s general obligation bonds serviced by the governmental funds were issued to provide long-term financing for the construction of sidewalks and greenways utilized in the operations of the Bond Fund. These bonds were issued to refinance the previous Bond Anticipation Notes acquired for the same purpose. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town.

Bonds payable at June 30, 2021, is comprised of the following individual issue:

General Obligation Bonds

\$4,600,000 Sidewalk and Greenway Series 2013 Bonds, requiring principal payment on February 1 each year in the amount of \$250,000 with a final principal payment of \$100,000 due upon maturity (February 1, 2032); interest payments are due August 1 and February 1 each year. Interest rates vary between 2.0% and 3.5% over the life of the loan. The bonds contain certain redemption provisions that grant the Town the option to redeem the bonds in whole or in \$5,000 increments prior to the maturity date, but not before February 1, 2024, provided advanced notice is given.

\$ 2,600,000

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 250,000	\$ 62,500
2023	250,000	57,500
2024	250,000	52,500
2025	250,000	46,875
2026 - 2030	1,250,000	149,250
2031 - 2032	<u>350,000</u>	<u>14,500</u>
	<u>\$ 2,600,000</u>	<u>\$ 383,125</u>

(b) Direct borrowing installment purchase agreements - equipment - General Fund

The Town has direct borrowing installment purchase agreements for the purchase and/or improvement of personal property including vehicles and equipment. The installment purchase notes payable at June 30, 2021, are as follows:

Town of Carrboro, North Carolina
Notes to Financial Statements

The financing contract requires an annual level payment of \$50,735 due June 29, including interest of 2.85%. The financing institution holds a security interest in all or a portion of the property purchased or improved. Payments are due beginning June 29, 2018, and annually thereafter, with a final payment of all outstanding principal and accrued and unpaid interest due on June 29, 2022.

\$ 49,329

The financing contract requires an annual level payment of \$278,649 due November 1, including interest of 1.04%. The financing institution holds a security interest in all or a portion of the property purchased or improved. Payments are due beginning November 1, 2021, and annually thereafter, with a final payment of all outstanding principal and accrued and unpaid interest due on November 1, 2027.

1,871,923

Total

\$ 1,921,252

Annual debt service payments of the direct borrowing installment purchases for equipment as of June 30, 2021 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 308,564	\$ 20,820
2023	261,877	16,772
2024	264,601	14,048
2025	267,353	11,297
2026	270,133	8,516
Thereafter	<u>548,724</u>	<u>8,575</u>
Total	<u>\$ 1,921,252</u>	<u>\$ 80,028</u>

(c) Direct borrowing installment purchase agreement - improvements - General Fund

The Town has direct borrowing installment purchase agreement for improvements. The installment purchase note payable at June 30, 2021, is as follows:

Installment purchase agreement to finance the construction of the fire substation. The financing contract requires semi-annual payments of \$108,333 due July 15 and January 15, plus interest at 4.07%. Payments are due annually beginning July 15, 2009, and annually thereafter, with a final payment of all outstanding principal and accrued and unpaid interest due on July 15, 2024. The financing institution holds a first lien security interest on the property and first priority security interest in any and all fixtures used in connection with the operation of the property.

\$ 758,333

Annual debt service payments of the direct borrowing installment purchase for improvements as of June 30, 2021 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 216,667	\$ 28,660
2023	216,667	19,841
2024	216,667	11,023
2025	<u>108,332</u>	<u>2,204</u>
Total	<u>\$ 758,333</u>	<u>\$ 61,728</u>

Town of Carrboro, North Carolina
Notes to Financial Statements

(d) Changes in long-term debt obligations

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>	<u>Current Portion of Balance</u>
Governmental activities:					
General obligation - bonds	\$ 2,850,000	\$ -	\$ (250,000)	\$ 2,600,000	\$ 250,000
Premium on bond	55,964	-	(4,867)	51,097	4,866
Direct borrowing installment purchases - improvements	975,000	-	(216,667)	758,333	216,667
Direct borrowing installment purchases - equipment	170,976	1,871,923	(121,647)	1,921,252	308,564
Compensated absences	826,999	527,665	(486,691)	867,973	486,691
Total OPEB liability	16,065,479	4,679,615	-	20,745,094	346,390
Net pension liability (LGERS)	3,375,107	939,483	-	4,314,590	-
Total pension liability (LEO)	<u>1,498,927</u>	<u>558,813</u>	<u>-</u>	<u>2,057,740</u>	<u>74,101</u>
Total governmental activities	<u>25,818,452</u>	<u>8,577,499</u>	<u>(1,079,872)</u>	<u>33,316,079</u>	<u>1,687,279</u>
Business-type activities:					
Compensated absences	11,768	9,575	(4,737)	16,606	4,737
Total OPEB liability	157,505	45,878	-	203,383	-
Net pension liability (LGERS)	<u>40,184</u>	<u>25,889</u>	<u>-</u>	<u>66,073</u>	<u>-</u>
Total business-type activities	<u>209,457</u>	<u>81,342</u>	<u>(4,737)</u>	<u>286,062</u>	<u>4,737</u>
Total long-term obligations	<u>\$ 26,027,909</u>	<u>\$ 8,658,841</u>	<u>\$ (1,084,609)</u>	<u>\$ 33,602,141</u>	<u>\$ 1,692,016</u>

Compensated absences have typically been liquidated in the General Fund.

The Town's legal debt margin at June 30, 2021 was \$192,607,719.

C. Interfund balances and activity

Transfers to/from other funds

Transfers to/from other funds at June 30, 2021 consist of the following:

From the General Fund to the Capital Projects Fund in the amounts of (1) \$303,131 to support the purchase of vehicles, and (2) \$30,000 to support the unpaved roads improvement project.	\$ 333,131
From the General Fund to the Affordable Housing Fund for general support for the purposes of the fund.	112,500
From the General Fund to the Parking Operations Enterprise Fund to support operations until such time as the fund begins generating revenues.	171,775
From the General Fund to the Grants Administration Fund in the amounts of (1) \$9,110 to support municipal parking lot projects, and (2) \$9,634 to support the purchase of fire equipment.	18,744
From the Grants Administration Fund to the General Fund to reimburse the General Fund for items paid in prior years that were eligible for reimbursement under the Coronavirus Relief Fund grant received in the current fiscal year	58,500
From the Bond Fund to the General Fund to close out various projects	4,132
From the Capital Projects Fund to the General Fund to close out various projects	121,036

Town of Carrboro, North Carolina
Notes to Financial Statements

From the Stormwater Enterprise Fund to the Capital Projects Fund to provide loans to support parking lot projects.

50,000
869,818
\$

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.

Balances due to/from other funds

Due to the General Fund for cash deficits from the :

Bond Fund \$ 211,209

D. Net investment in capital assets

Governmental activities:

Capital assets	\$ 41,107,251
Less: related debt:	
General obligation bonds	2,600,000
Premium on bond issuance	51,097
Direct borrowing installment purchases - improvements	758,333
Direct borrowing installment purchases - equipment	1,921,252
Add: unexpended debt proceeds	<u>286,255</u>

Net investment in capital assets \$ 36,062,824

Business-type activities:

Capital assets	<u>\$ 611,550</u>
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Net investment in capital assets \$ 611,550

E. Fund balance

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

Total fund balance - General Fund	\$ 17,818,427
Less:	
Inventories	(15,191)
Prepays	(259,869)
Stabilization by state statute	(2,430,918)
Powell Bill (streets)	(326,810)
Appropriated fund balance in subsequent fiscal year's budget	(1,189,720)
Capital projects	<u>(2,000,000)</u>
Unassigned fund balance	11,595,919
Working capital/fund balance policy	<u>5,703,256</u>
Remaining fund balance	<u>\$ 5,892,663</u>

The Town of Carrboro has adopted a minimum fund balance policy for the General Fund, which instructs management to conduct business of the Town in such a manner that available fund balance is between 22.5% and 35.0% of the General Fund budget.

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

General Fund	<u>\$ 129,028</u>
Grants Administration Fund	<u>\$ 8,122</u>
Bond Fund	<u>\$ 5,879</u>
Capital Projects Fund	<u>\$ 349,490</u>

4. Summary Disclosure of Significant Contingencies and Uncertainties

A. 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 to 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.

B. Employment security benefits

The Town has elected to pay the direct cost of employment security benefits in lieu of unemployment payroll taxes. A liability for such payments could accrue in the period following the discharge of an employee. The Town made payments of \$1,319 for employment security benefits during the current fiscal year.

C. Claims and contingent liabilities

The Town is at times involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on the Town's financial position or results of operations.

D. COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel strain of the coronavirus ("COVID-19") to be a pandemic. The COVID-19 pandemic is having widespread, rapidly evolving, and unpredictable impacts on global society, economies, and business practices. Federal and state governments have implemented measures in an effort to contain the virus, including social distancing, travel restrictions, border closures, limitations on public gatherings, work from home, supply chain logistical changes, and closure of non-essential businesses. The COVID-19 pandemic has impacted and may continue to impact the Town, including employees, partners, and communities, and there is substantial uncertainty in the nature and degree of its continued effects over time. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

5. Related-Party Transactions

The Town collected occupancy tax proceeds in the amount of \$85,884. Of this amount, 3%, or \$2,578, was withheld as administration fees in the General Fund for the collection of the tax, with the remaining \$83,306 due to the CTDA. Amounts are remitted from the Town to the CTDA on a quarterly basis during the following month after the quarter end; therefore, there exists a payable from the Town (primary government) to the CTDA (component unit) for the

fourth quarter (April through June) collections in the amount of \$34,113. During the year ended June 30, 2020, the CTDA paid the Town \$175,000 to provide small business loans to local businesses impacted by the COVID-19 pandemic. During the year ended June 30, 2021, remaining funds of \$65,596 that were not utilized for small business loans were returned to the CTDA, and are included in Payments from the Town of Carrboro on the statement of activities.

6. Future Expected Annual Cell Tower Revenue

The Town entered into contractual arrangements with four wireless communication service providers. The lease contracts have staggering maturity dates.

The Town has allowed these providers to have equipment on the Town-owned cell towers and has allowed service provider equipment on the Town's site. The lessee is responsible for keeping in full force and effect a comprehensive general liability insurance policy of at least \$2,000,000 from any one occurrence in respect to bodily injury (including death) and damage to property. The lessee agrees that no part of the equipment, building or improvements constructed, erected or placed by the lessee on the tower or site shall be considered as being affixed or part of the tower or site, and will be removed by the lessee upon termination of the contractual agreement.

The expected annual cell tower revenues for which contracts are in place as of June 30, 2021 are as follows:

2022	\$	99,421
2023		<u>98,090</u>
	\$	<u>197,511</u>