

TOWN OF TARBORO, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR FISCAL YEAR ENDING
JUNE 30, 2012

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**For the Fiscal Year Ended
JUNE 30, 2012**

Prepared by:

**KARLA G. McCALL
FINANCE DIRECTOR**

Member of the Government Finance Officers Association of the United States and Canada

Published November 6, 2012

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INTRODUCTORY SECTION



Town of Tarboro

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November 6, 2012

To the Honorable Mayor, Town Council, and Town Manager:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Town of Tarboro for the fiscal year ended June 30, 2012.

This report consists of management's representations concerning the finances of the Town of Tarboro. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Tarboro has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Tarboro's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Tarboro's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Tarboro's financial statements have been audited by Flowers and Stanley L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Tarboro for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Tarboro's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report. A state mandated "Single Audit" was required and performed for this fiscal year.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town of Tarboro's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The Town of Tarboro is located along the Tar River in the northeast part of North Carolina. It is the county seat of Edgecombe County. The Town was incorporated in 1760 and has a population of approximately 11,415. The Town of Tarboro takes pride in the vast amount of recreation facilities, which the Town provides its citizens. These facilities include a 128 acre park and athletic complex on which is constructed 4 softball fields, 1 baseball field, 2 soccer fields, 4 tennis courts, picnic shelters, walking trails and playground facilities. The Town also owns and maintains 4 public swimming pools, 2 recreation centers, a senior center, 4 youth softball/baseball fields and 4 public parks.

The Town operates under a Council/Manager form of government. The Mayor is elected at-large on a non-partisan basis for a four-year term. Eight Council members are elected from wards on a non-partisan basis to four-year staggered terms. A professional manager is employed to administer the operation of the Town. A team of seven department heads assists the manager in operating the Town.

The Town operates an electric system and a water and sewer system, providing service to approximately 6,200 households and businesses within the Town and the surrounding area. It provides a full range of municipal services, including police and fire protection, sanitation, street construction and maintenance, planning and zoning, building inspection, and recreation and parks.

Budgetary Control

The annual budget serves as the foundation for the Town of Tarboro's financial planning and control. The Town has a formal operating budget process, which begins in February of each year. The Town Council receives the recommended budget in May. The council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the Town's fiscal year. Legal budgetary control for operating budgets is exercised at the fund and department level. The Town Manager may make transfers of appropriations within a fund. Transfers of appropriations between funds, however, require the approval of the Town Council. Formal budgetary integration and encumbrance accounting are employed as management control devices during the year. Budget to actual comparisons are provided in this report for each individual governmental fund and proprietary funds for which an appropriated annual budget has been adopted.

Local economy

The economic outlook for the Town of Tarboro is cautiously optimistic. Tarboro has not been immune to the effects of the downturn in the nation's economy. However, residential, commercial, and industrial construction, while slowed, has continued throughout the downturn providing optimism that once

corrected the Town will continue to grow. New residential construction has been in the form of infill development of existing subdivisions.

Major initiatives

The Town received grant funds from the U.S. Department of Housing and Urban Development in the amount of \$614,147 and \$412,191 from the North Carolina Rural Economic Development Center to assist in providing a generator as part of the expansion of the Sara Lee Bakery. The Company has completed the expansion of their facility and will provide 45 additional jobs and contribute to economic growth and development of the Town.

The Town used funding provided by the North Carolina Department of Transportation Powell Bill Allocation in the amount of \$555,267 for street reconstruction. These improvements were part of the five year street maintenance plan.

Financial Analysis of the Town

General Fund:

The economy has been a major concern for the Town of Tarboro. For FY 2011-2012 General Fund revenues from sales taxes and investment earnings have shown growth. These increases help to maintain personnel and operating costs without requiring additional property tax increases. Personnel and benefits are one of the largest operational costs to the Town. The budget for FY 11-12 did not include a pay plan adjustment or a merit pay increase for the employees.

Water and Sewer Fund:

The Water and Sewer fund continued to improve due to a rate increase in the prior fiscal year.

Electric Fund:

There was no rate increase in electricity for FY 2011-2012.

Solid Waste Fund:

The Solid Waste fund had been absorbing increased landfill costs from prior years which was steadily decreasing the fund balance. The Town Council approved an increase in the rate from \$19.50 to \$20.50 per month per customer to cover costs and begin restoring fund balance.

Debt Administration

During the fiscal year ended June 30, 2000, the Town retired the last of its remaining bonded debt. The Town has no bond rating due to the fact that it has no bonded debt.

Under North Carolina law, the Town's general obligation bonded debt is subject to a legal limitation based on 8% of the total assessed value of real and personal property. As of June 30, 2012, the Town's legal debt limit is approximately \$69,450,000.

Awards and Acknowledgements

Certificate of Achievement for Excellence in Financial Reporting Program - The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Tarboro for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. This was the 22nd consecutive year that the Town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report (CAFR) continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments - A number of individuals are responsible for the preparation of this report. I would like to express my appreciation to the Mayor, Town Council, and Town Manager for their continuing interest and support in conducting the financial operations of the Town in a responsible and progressive manner. Appreciation is also expressed to the staff of Flowers and Stanley, L.L.P., CPAs.

My special thanks go to the Finance Department staff members whose dedication contributes to the efficiency and high standards of the Department. Finally, I would like to thank all of the Town Department Heads, and their staff members, for their cooperation throughout the year.

Respectfully submitted,



Karla G. McCall

Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Tarboro
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



Linda C. Davidson

President

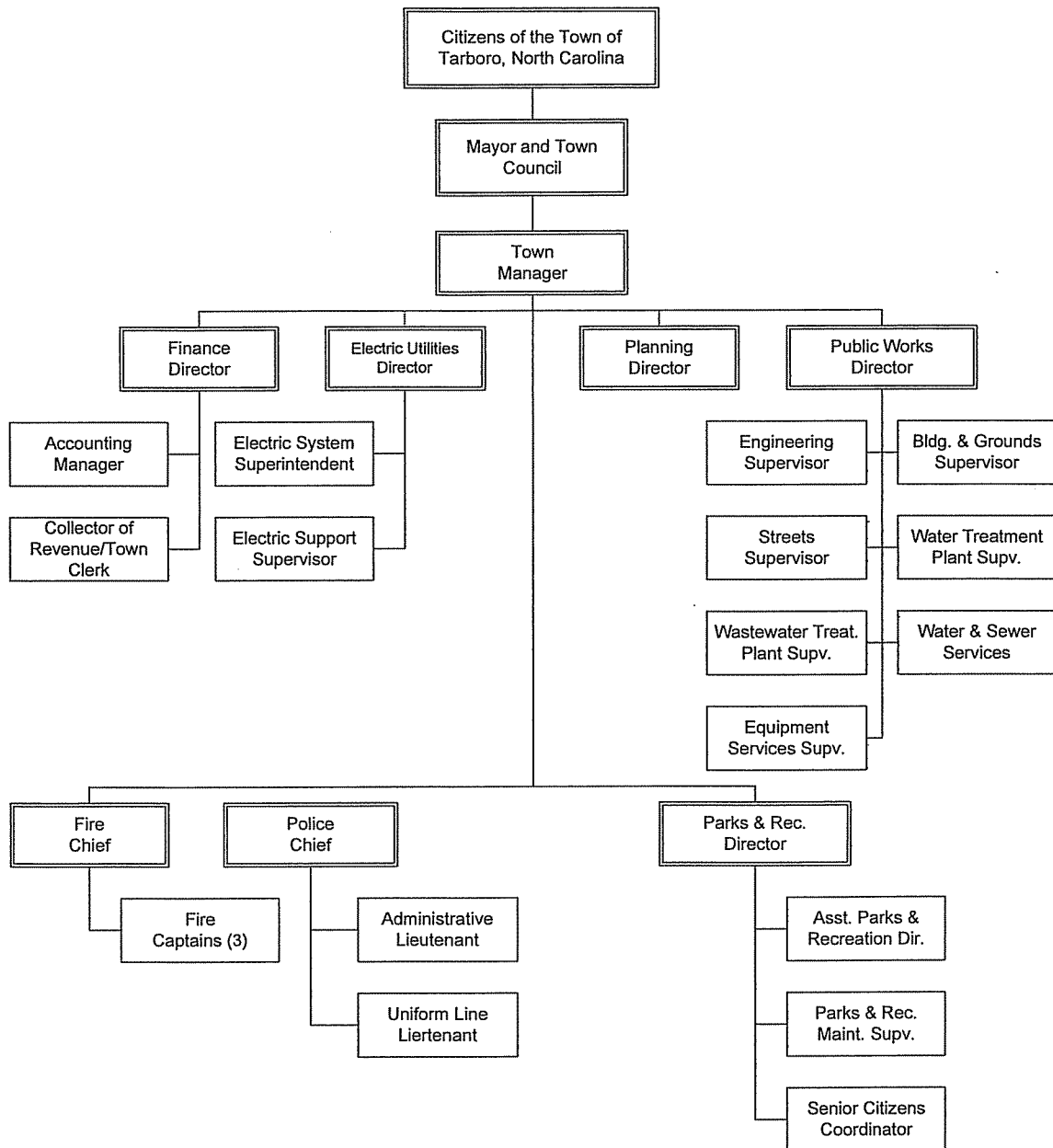
Jeffrey R. Emer

Executive Director

TOWN OF TARBORO, NORTH CAROLINA

ORGANIZATIONAL CHART

MANAGER, DEPARTMENT HEADS & SUPERVISORS



TOWN OF TARBORO, NORTH CAROLINA
Principal Officials
June 30, 2012

ELECTED OFFICIALS

<u>Title</u>	<u>Name</u>	<u>Total Length Of Service</u>	<u>Term Expires</u> ¹
Mayor	Donald A. Morris	30 Years	December, 2013
Councilman Ward 1	Gerrelene Walker	2 Years	December, 2013
Councilman Ward 2	Alden W. Hull	4 Years	December, 2015
Councilman Ward 3	Ricky C. Page	2 Years	December, 2013
Councilman Ward 4	Carol Ruffin	1 Month	December, 2015
Councilman Ward 5	Candis B. Owens	2 Years	December, 2013
Councilman Ward 6	Deborah Jordan	1 Month	December, 2015
Councilman Ward 7	Taro Knight	2 Years	December, 2013
Councilman Ward 8	Garland Shephard	1 Month	December, 2015

¹ The Mayor serves a four-year term. Councilmen serve four-year staggered terms.

APPOINTED OFFICIALS

<u>Title</u>	<u>Name</u>	<u>Length of Time In This Position</u>	<u>Length of Employment With The Town of Tarboro</u>
Town Manager	M. Alan Thornton	1 Year	1 Year
Finance Director	Karla G. McCall	1 Year	1 Year
Police Chief	Damon Williams	4 Months	4 Months
Public Works Director	Troy R. Lewis	1 Year	11 Years
Electric Utilities Director	Robert Harrison III	3 Years	28 Years
Fire Chief	Frankie A. Winslow	3 Months	21 Years
Recreation Director	Cheryl Gay	1 Year	1 Year
Planning Director	Joshua Edmondson	1 Month	1 Month

FINANCIAL SECTION

Flowers & Stanley, L.L.P.

Certified Public Accountants

3403 North Main Street – Tarboro, North Carolina 27886

Phone: 252-823-3125 Fax: 252-823-3201

Charles R. Flowers Jr., CPA
Michael L. Stanley, CPA

Eric B. Harrell, CPA
Anne Y. Mann, CPA

Members
North Carolina Association of
Certified Public Accountants

American Institute of
Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor
and Members of the Town Council
Town of Tarboro, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Tarboro, North Carolina as of and for the year ended June 30, 2012, which collectively comprise the Town of Tarboro's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Tarboro's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Tarboro, North Carolina as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2012, on our consideration of the Town of Tarboro's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

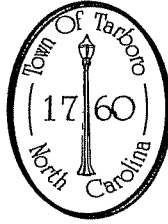
Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding and Progress and Schedules of Employer Contributions 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Tarboro's financial statements as a whole. The introductory information, combining and individual non-major fund financial statements, budgetary schedules other schedules, and the statistical tables, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act are not a required part of the financial statements. The combining and individual non-major fund financial statements, budgetary schedules, other schedules and the accompanying schedule of expenditures of federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory information and the statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Flowers & Stanley, LLP

Tarboro, North Carolina
November 6, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS



TOWN OF TARBORO

Management's Discussion and Analysis

As management of the Town of Tarboro, we offer readers of the Town of Tarboro's financial statements this narrative overview and analysis of the financial activities of the Town of Tarboro for the fiscal year ended June 30, 2012. 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

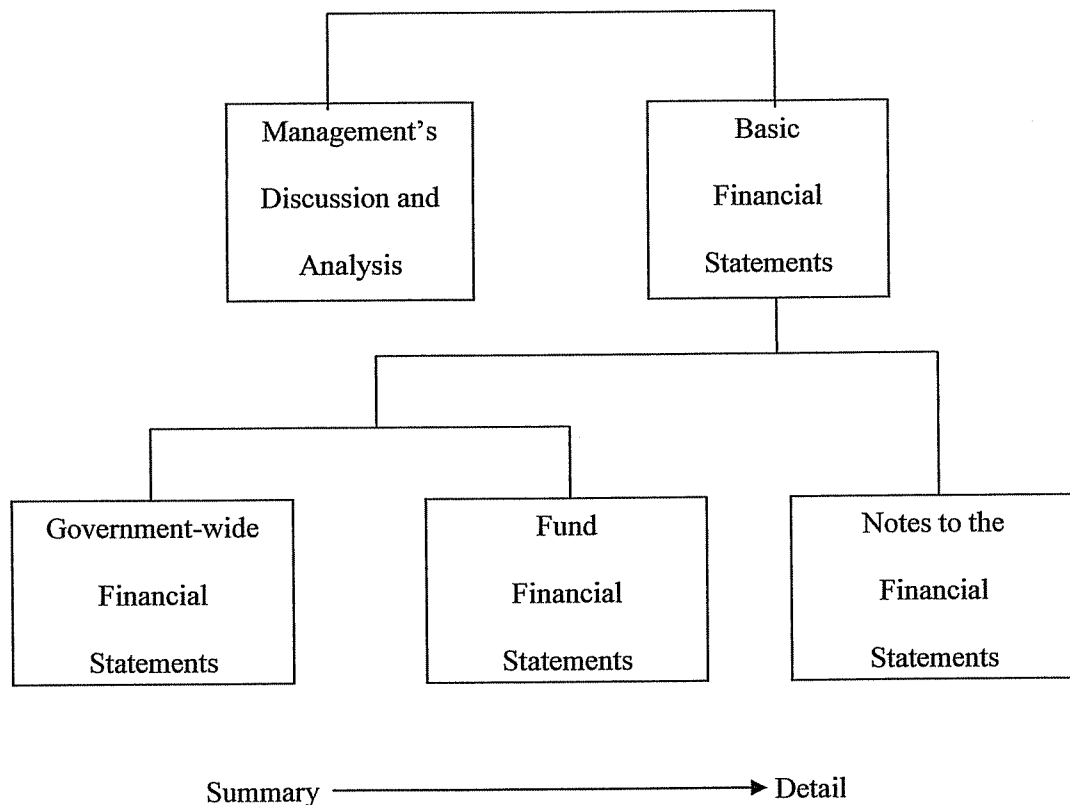
- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$62,837,922. The assets of the governmental activities exceeded liabilities by \$19,939,069 and the assets of the business-type activities exceeded liabilities by \$42,898,853.
- The government's total net assets decreased by \$1,706,762, due in part to Other Postemployment Benefits expense and annual depreciation expense.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,352,469, an increase of \$619,271 in comparison with the prior year. Approximately 66.55 percent of this total amount, or \$2,896,645, is non-spendable, restricted, or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,455,824, or 15.25 percent of total General Fund expenditures for the fiscal year.
- As of the close of the current fiscal year, the Town's business-type funds reported combined ending net assets of \$42,898,853, a decrease of \$768,990.
- The Town of Tarboro experienced devastating losses caused by Hurricane Irene on August 27, 2011. The President of the United States approved a federal emergency declaration for Edgecombe County. The Federal Emergency Management Agency grant funds covered a portion of the expenses associated with the Hurricane related damages, and as of June 30, 2012 an amount equal to \$218,238 had been collected in the General Fund and \$50,267 was recorded as a grant receivable to be collected in the next fiscal year.
- Water & Sewer fund expenses include all costs associated with emergency treatment of the public water supply as a result of heavy rains during Hurricane Irene as FEMA denied reimbursement of these expenses. An appeal has been filed with FEMA for reimbursement of expenses in the amount of \$84,197. These additional expenses contributed to the decrease in net assets.

Overview of the Financial Statements

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

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'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'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's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to 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's net assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes 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, electric services and solid waste services offered by the Town of Tarboro. The government-wide financial statements are on Exhibits 3 and 4 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Tarboro, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Tarboro 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'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* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Tarboro adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. 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 – Town of Tarboro maintains three enterprise funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Tarboro uses enterprise funds to account for its water and sewer activity, for its electric operations and for solid waste operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Proprietary fund financial statements provide separate information for the water and sewer, electric, and solid waste activities, all of which are considered to be major funds of the Town.

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 34 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Tarboro's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 58 of this report.

Net Assets - The following (Figure 2) reflects condensed information on the Town's net assets.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Assets						
Current and other assets	\$ 5,928,661	\$ 4,469,456	\$ 9,717,238	\$ 9,349,886	\$ 15,645,899	\$ 13,819,342
Capital assets	17,417,865	18,800,428	37,362,264	38,334,887	54,780,129	57,135,315
Total Assets	\$ 23,346,526	\$ 23,269,884	\$ 47,079,502	\$ 47,684,773	\$ 70,426,028	\$ 70,954,657
Liabilities						
Long-term liabilities						
outstanding	\$ 2,421,415	\$ 1,985,149	\$ 1,349,228	\$ 1,152,353	\$ 3,770,643	\$ 3,137,502
Other liabilities	986,042	407,894	2,831,421	2,864,577	3,817,463	3,272,471
Total Liabilities	\$ 3,407,457	\$ 2,393,043	\$ 4,180,649	\$ 4,016,930	\$ 7,588,106	\$ 6,409,973
Net Assets						
Invested in capital assets, net of related debt	\$ 17,417,865	\$ 18,800,428	\$ 37,230,175	\$ 38,195,460	\$ 54,648,040	\$ 56,995,888
Restricted	1,950,877	2,292,281	-	-	1,950,877	2,292,281
Unrestricted	570,327	(215,868)	5,668,678	5,472,383	6,239,005	5,256,515
Total Net Assets	\$ 19,939,069	\$ 20,876,841	\$ 42,898,853	\$ 43,667,843	\$ 62,837,922	\$ 64,544,684

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities by \$62,837,922 as of June 30, 2012. The Town's net assets decreased by \$1,706,762 for the fiscal year ended June 30, 2012. However, the largest portion reflects the depreciation of capital assets. An additional portion of the Town's net assets \$1,950,877 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$570,327 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.37%, which is comparable to the statewide average of 97.42%.
- Increased sales tax revenue of approximately \$233,750 due to economic growth in the Town.
- The Town has no bonded indebtedness since June 30, 2000.

Changes in Net Assets

The Town's total revenues and expenditures for governmental and business-type activities are reflected in Figure 3.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for services	\$ 1,696,191	\$ 1,706,822	\$ 32,187,538	\$ 34,033,522	\$ 33,883,729	\$ 35,740,344
Grants & Contributions:						
Operating	752,763	590,040	421,223	-	1,173,986	590,040
Capital	87,454	164,376	1,062,118	244,650	1,149,572	409,026
General Revenues:						
Property taxes	3,822,127	3,194,009	-	-	3,822,127	3,194,009
Other taxes	271,248	240,565	-	-	271,248	240,565
Other	2,939,695	2,575,359	21,145	10,753	2,960,840	2,586,112
Total Revenues	<u>\$ 9,569,478</u>	<u>\$ 8,471,171</u>	<u>\$ 33,692,024</u>	<u>\$ 34,288,925</u>	<u>\$ 43,261,502</u>	<u>\$ 42,760,096</u>
Expenses:						
General Government	\$ 3,408,646	\$ 3,597,888	\$ -	\$ -	\$ 3,408,646	\$ 3,597,888
Public Safety	4,413,543	4,557,785	-	-	4,413,543	4,557,785
Transportation	2,658,802	2,553,295	-	-	2,658,802	2,553,295
Economic & Physical						
Development	54,786	163,040	-	-	54,786	163,040
Culture & Recreation	1,139,510	1,146,491	-	-	1,139,510	1,146,491
Water & Sewer	-	-	4,723,604	4,548,503	4,723,604	4,548,503
Electric	-	-	27,410,531	28,410,410	27,410,531	28,410,410
Solid Waste	-	-	1,158,842	1,062,547	1,158,842	1,062,547
Total Expenses	<u>\$ 11,675,287</u>	<u>\$ 12,018,499</u>	<u>\$ 33,292,977</u>	<u>\$ 34,021,460</u>	<u>\$ 44,968,264</u>	<u>\$ 46,039,959</u>
Increase (Decrease) in Net Assets before transfers	\$ (2,105,809)	\$ (3,547,328)	\$ 399,047	\$ 267,465	\$ (1,706,762)	\$ (3,279,863)
Transfers	<u>1,168,037</u>	<u>1,656,900</u>	<u>(1,168,037)</u>	<u>(1,656,900)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	\$ (937,772)	\$ (1,890,428)	\$ (768,990)	\$ (1,389,435)	\$ (1,706,762)	\$ (3,279,863)
Net Assets, July 1	20,876,841	22,483,309	43,667,843	45,057,278	64,544,684	67,540,587
Prior period adjustments	-	283,960	-	-	-	283,960
Net Assets, June 30	<u>\$ 19,939,069</u>	<u>\$ 20,876,841</u>	<u>\$ 42,898,853</u>	<u>\$ 43,667,843</u>	<u>\$ 62,837,922</u>	<u>\$ 64,544,684</u>

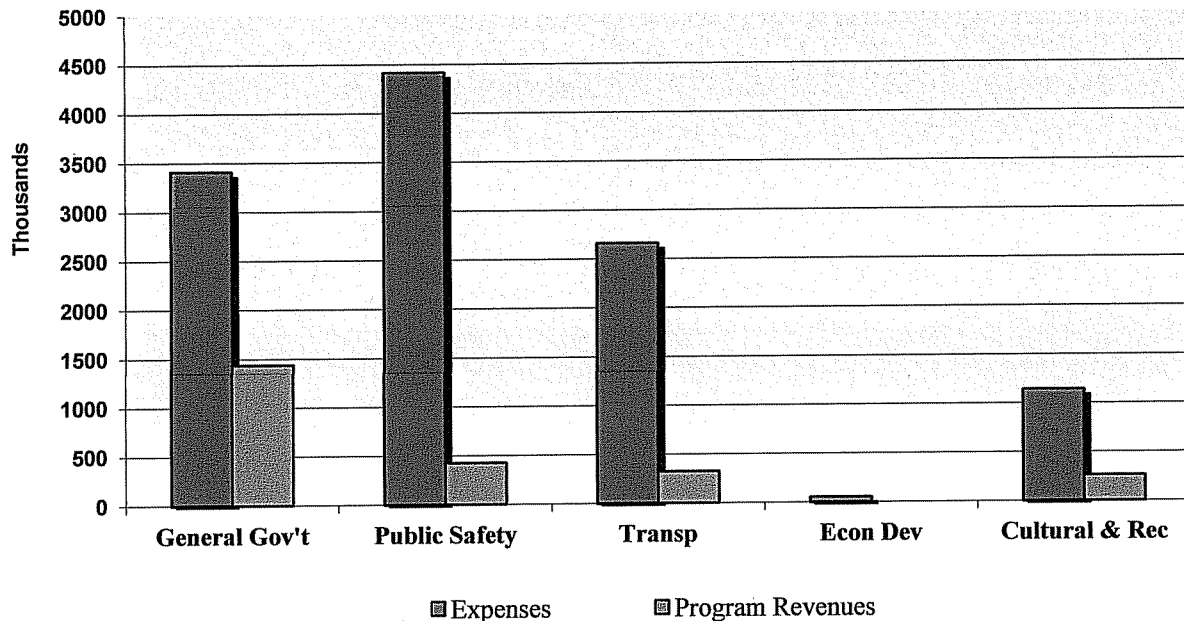
Governmental Activities

Governmental activities decreased the Town's net assets by \$937,772. Key elements of the current year governmental activities in the net assets are as follows:

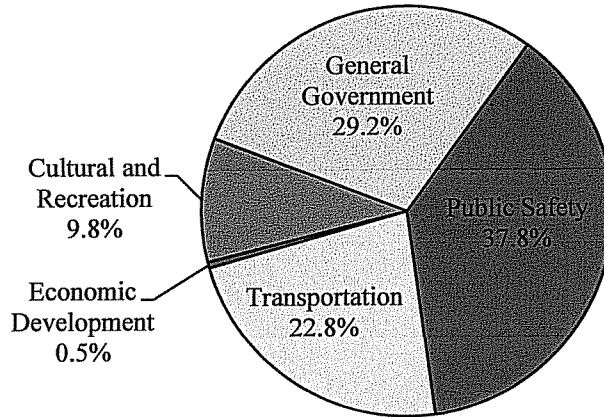
- Revenues increased by \$1,080,075, mainly due to an increase in tax collections as a result of an increase in tax rate and an increase in sales tax revenues related to improved economic conditions.
- Public safety accounts for the largest portion of total expenditures for governmental activities at 37.8 percent.
- Transfers from other funds decreased by \$470,842, with the majority of this amount resulting from a one-time \$500,000 reimbursement transfer from the Solid Waste Fund to the General Fund in fiscal year 2010-2011.

See figures 4 and 5 for governmental revenues and expenditures summary.

Town of Tarboro
Expenses and Program Revenues-Governmental Activities
June 30, 2012 - Figure 4



Town of Tarboro
Expenditures-Governmental Activities - Figure 5

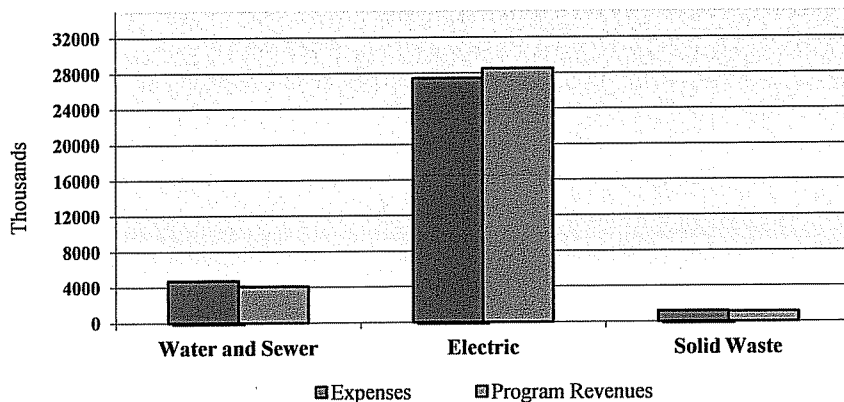


Business-type activities

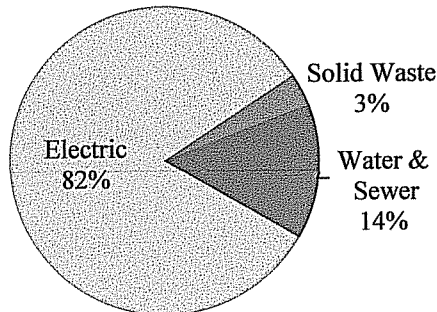
- Business-type activities decreased the Town's net assets by \$768,990. Key elements of the current year's activities are as follows:
- Operating revenues decreased by \$599,453, mainly due to a decrease in utility usage based on weather patterns.
- Operating expenditures decreased by a combined \$728,275, mainly due to the reduction in purchased power based on customer usage as a result of weather patterns.

See figures 6 and 7 for business-type revenues and expenditures summary.

Town of Tarboro
Expenses and Program Revenues--Business-Type Activities
June 30, 2012 - Figure 6



Town of Tarboro
Expenses - Business-type Activities
June 30, 2012 - Figure 7



Financial Analysis of the Town's Funds

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

Governmental Funds – The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, unassigned fund balance can be a useful means 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. At the end of the current fiscal year, unassigned fund balance of the General was \$1,455,824, while total fund balance reached \$4,314,611. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balances to total fund expenditures. Unassigned fund balance represents 15.2% of total General Fund expenditures, while total fund balance represents 45.2% of that same amount.

As of the end of the current year, the Town's governmental funds reported combined ending fund balances of \$4,352,469 up \$619,271 in comparison with the prior year. This increase is due in part to increased revenues from property tax and sales tax. The Town increased the property tax rate from \$0.36 to \$0.41 per \$100 of taxable value which is reflected in the increase in property tax revenues. The Town is experiencing a gradual increase in sales tax revenues due to improved economic conditions.

Of the fund balance, \$1,455,824 or 33.4% is unassigned and is available for spending at the government's discretion. The remainder of fund balance is non-spendable, restricted or assigned to indicate that is previously committed and not available for new spending. Included in this fund balance are increases in both the General Fund and Special Revenue Funds.

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

Revenues exceeded the budget amount by \$523,649 primarily due to FEMA reimbursements for expenditures related to Hurricane Irene and increased sales tax revenues. Expenditures were held below budget by \$855,301 due, in part, to the decrease in wages caused by changes between retired employees and new employees, and street improvement expenditures being less than estimated.

Proprietary Funds – The Town of Tarboro's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Net assets at the end of the year amounted to \$27,025,768 for the Electric Fund, \$15,556,790 for the Water and Sewer Fund and \$316,295 for the Solid Waste Fund. The total changes in net assets for all three funds was (\$78,269), (\$627,993) and (\$62,728) respectively for a total net change of (\$768,990). Depreciation expense and transfers to other funds account for the reduction in net assets.

Capital Asset and Debt Administration

Capital assets. The Town of Tarboro's investment in capital assets for its governmental and business-type activities as of June 30, 2012, totals \$54,780,129 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, distribution system and vehicles.

Major capital asset transactions during the year include the following:

Governmental Funds:

Additions

- Construction – Street Improvements \$505,792
- Replaced roof on the Braswell Center, MA Ray Center and Chamber building \$164,620
- Three (3) new squad cars for the police department \$74,668
- Replaced water heaters at the MA Ray Center \$16,151
- Construction – Tar River Recreation Trail \$14,063
- New exterior paint on Fire Department #1 \$12,765

Retirements

- No retirements

Proprietary Funds:

Additions

- Electric Distribution System additions \$254,743
- Construction – Sara Lee Electric Generator \$1,025,462
- Electric SCADA System and Lighting Improvements \$39,591
- Hydraulic Valve Machine – Water \$51,163
- Waste Water Treatment Plant Improvements \$129,280

Retirements

- No retirements

Town of Tarboro, North Carolina
Capital Assets
Figure 8

	Governmental	Business-type	Total	
	Activities	Activities		
	2012	2012	2012	2011
Land	\$ 1,909,193	\$ 1,285,932	\$ 3,195,125	\$ 3,195,125
Buildings & Other				
Improvements	3,924,233	10,992	3,935,225	3,954,113
Infrastructure	11,025,120	-	11,025,120	12,139,842
Substations, Lines,				
Equipment	-	22,493,070	22,493,070	22,463,055
Load Management	-	2,000	2,000	2,000
Plant & Distribution				
Systems	-	13,154,754	13,154,754	14,070,556
Equipment	559,319	354,406	913,725	1,050,503
Construction				
in progress	-	61,110	61,110	260,121
 Total Capital Assets (net of accumulated depreciation)	 \$ 17,417,865	 \$ 37,362,264	 \$ 54,780,129	 \$ 57,135,315

Additional information on the Town's capital assets can be found in Note III-A.

Long-term Debt. As of June 30, 2012, the Town of Tarboro had no bonded debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is \$69,450,380.

Economic Factors and Next Year's Budgets and Rates

The following are key economic indicators of the Town. These factors have been considered when preparing the budget for fiscal year ending June 30, 2013.

- The economic outlook for the Town of Tarboro remains cautiously optimistic. Tarboro has not been immune to the effects of the downturn in the nation's economy. Tarboro has joined the International Council of Shopping Centers, attending conferences and conventions with retailers to proactively recruit new businesses. Occupancy rates for multifamily developments remain stable and the Tarboro resale market for single family homes continues to be stronger than surrounding communities.
- The Town of Tarboro is partnering with NC Rural Economic Development Center, Golden Leaf Foundation, Carolinas Gateway partnership and the NC Industrial Development Fund to assist in the expansion to Superior Essex. In order to facilitate the recent expansion project for Superior Essex Inc. the Town is providing a return of fifty percent (50%) of annual tax revenue for projects investing over five million dollars (\$5,000,000) over a ten-year period. The Town has projected grant awards in the amount of \$1,400,000 to assist in serving the power generation needs of Superior Essex. This project is anticipated to create 116 jobs over the next 5 years.
- The Town continues to pursue additional grants and initiate new programs to stimulate economic growth in the commercial, industrial and residential sectors of Tarboro.

Budget Highlights for the Fiscal Year Ending June 30, 2013

Governmental Activities: The governmental fund's primary revenue sources are property taxes and intergovernmental revenues. For the fiscal year ending June 30, 2013, the budget decreased 1.6% over the prior year. The Town's budget contains several revenue sources that are dependent on the general economy. Among these are sales taxes, property taxes, interest income, and permit fees. The Town is anticipating a gradual increase in sales tax revenues as indicated by the increase in these revenues in fiscal year 2011-2012. The Town anticipates an overall reduction in spending to offset a cost of living increase of 2.5% for employees. The general fund continues to have no bonded indebtedness.

Business – type Activities: Edgecombe County landfill costs continue to increase and the Council approved an increase in solid waste fees from \$20.25 to \$20.86 per month for FY 2012-2013.

Water and sewer rates will not increase for FY 2012-2013.

There is no anticipated increase in wholesale electric rates for FY 2012-2013.

The largest increments of expenses in the business-type activities are in the cost of purchased power, and employee compensation benefits.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Town of Tarboro, P. O. Box 220, Tarboro, NC 27886.

BASIC FINANCIAL STATEMENTS

Town of Tarboro, North Carolina
Statement of Net Assets
June 30, 2012

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 2,798,504	\$ 4,694,956	\$ 7,493,460
Taxes receivable (net)	548,894	-	548,894
Accrued interest receivable on taxes	104,628	-	104,628
Accounts receivable (net)	935,216	3,625,580	4,560,796
Inventories	48,915	1,396,702	1,445,617
Restricted cash and cash equivalents	1,492,105	-	1,492,105
Restricted receivables	399	-	399
Total Current Assets	<u>\$ 5,928,661</u>	<u>\$ 9,717,238</u>	<u>\$ 15,645,899</u>
Capital Assets:			
Land, non-depreciable improvements, and construction in progress	\$ 1,909,193	\$ 1,347,042	\$ 3,256,235
Other capital assets, net of depreciation	15,508,672	36,015,222	51,523,894
Total Capital Assets	<u>\$ 17,417,865</u>	<u>\$ 37,362,264</u>	<u>\$ 54,780,129</u>
Total Assets	<u>\$ 23,346,526</u>	<u>\$ 47,079,502</u>	<u>\$ 70,426,028</u>
Liabilities			
Current Liabilities:			
Accounts payable	\$ 131,608	\$ 2,308,013	\$ 2,439,621
Unearned revenue	134,892	-	134,892
Compensated absences	63,372	26,046	89,418
Current Portion of ARRA Revolving Loan	-	7,338	7,338
Customer deposits	-	490,024	490,024
Claims payable	150,000	-	150,000
Payable from restricted assets	506,170	-	506,170
Total Current Liabilities	<u>\$ 986,042</u>	<u>\$ 2,831,421</u>	<u>\$ 3,817,463</u>
Noncurrent Liabilities:			
Compensated absences	\$ 464,731	\$ 191,002	\$ 655,733
Net pension obligation	171,002	-	171,002
Other post employment benefits	1,785,682	1,033,475	2,819,157
ARRA revolving loan	-	124,751	124,751
Total Noncurrent Liabilities	<u>\$ 2,421,415</u>	<u>\$ 1,349,228</u>	<u>\$ 3,770,643</u>
Total Liabilities	<u>\$ 3,407,457</u>	<u>\$ 4,180,649</u>	<u>\$ 7,588,106</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 17,417,865	\$ 37,230,175	\$ 54,648,040
Restricted for:			
Transportation	986,334	-	986,334
Public Safety	28,928	-	28,928
Stabilization by State Statute	935,615	-	935,615
Unrestricted	570,327	5,668,678	6,239,005
Total Net Assets	<u>\$ 19,939,069</u>	<u>\$ 42,898,853</u>	<u>\$ 62,837,922</u>

The notes to the financial statements are an integral part of this statement.

Town of Tarboro, North Carolina
Statement of Activities
For the Year Ended June 30, 2012

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenditures	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 3,408,646	\$ 1,419,931	\$ 16,654	\$ -	\$ (1,972,061)	\$ -	\$ (1,972,061)
Public Safety	4,413,543	87,811	338,339	-	(3,987,393)	-	(3,987,393)
Transportation	2,658,802	-	322,850	-	(2,335,952)	-	(2,335,952)
Economic and Physical Development	54,786	-	-	87,454	32,668	-	32,668
Cultural and Recreation	1,139,510	188,449	74,920	-	(876,141)	-	(876,141)
Total Governmental Activities	<u>\$ 11,675,287</u>	<u>\$ 1,696,191</u>	<u>\$ 752,763</u>	<u>\$ 87,454</u>	<u>\$ (9,138,879)</u>	<u>\$ -</u>	<u>\$ (9,138,879)</u>
Business-type Activities:							
Electric	\$ 27,410,531	\$ 27,183,200	\$ 243,627	\$ 1,062,118	\$ -	\$ 1,078,414	\$ 1,078,414
Water and Sewer	4,723,604	4,012,131	75,173	-	-	(636,300)	(636,300)
Solid Waste	1,158,842	992,207	102,423	-	-	(64,212)	(64,212)
Total Business-type Activities	<u>\$ 33,292,977</u>	<u>\$ 32,187,538</u>	<u>\$ 421,223</u>	<u>\$ 1,062,118</u>	<u>\$ -</u>	<u>\$ 377,902</u>	<u>\$ 377,902</u>
Total Primary Government	<u>\$ 44,968,264</u>	<u>\$ 33,883,729</u>	<u>\$ 1,173,986</u>	<u>\$ 1,149,572</u>	<u>\$ (9,138,879)</u>	<u>\$ 377,902</u>	<u>\$ (8,760,977)</u>
General Revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 3,822,127	\$ -	\$ 3,822,127
Other taxes and licenses					271,248	-	271,248
Grants and contributions not restricted to specific programs					2,676,160	-	2,676,160
Unrestricted investment earnings					17,408	21,145	38,553
Miscellaneous					246,127	-	246,127
General Revenues not including transfers					<u>\$ 7,033,070</u>	<u>\$ 21,145</u>	<u>\$ 7,054,215</u>
Transfers							
Total General Revenues, and Transfers					<u>1,168,037</u>	<u>(1,168,037)</u>	<u>-</u>
					<u>\$ 8,201,107</u>	<u>\$ (1,146,892)</u>	<u>\$ 7,054,215</u>
Change in Net Assets					\$ (937,772)	\$ (768,990)	\$ (1,706,762)
Net Assets-Beginning					20,876,841	43,667,843	64,544,684
Net Assets-Ending					<u>\$ 19,939,069</u>	<u>\$ 42,898,853</u>	<u>\$ 62,837,922</u>

The notes to the financial statements are an integral part of this statement.

Town of Tarboro, North Carolina
Governmental Funds
Balance Sheet
June 30, 2012

Exhibit 3

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Governmental</u> <u>Non-Major</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Assets			
Cash and cash equivalents	\$ 2,743,868	\$ 54,636	\$ 2,798,504
Restricted Cash	1,492,105	-	1,492,105
Receivables, net:			
Taxes	548,894	-	548,894
Accounts	926,286	8,930	935,216
Restricted Receivables	399	-	399
Inventories	48,915	-	48,915
 Total Assets	 <u>\$ 5,760,467</u>	 <u>\$ 63,566</u>	 <u>\$ 5,824,033</u>
 Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 255,900	\$ 25,708	\$ 281,608
Payable from restricted assets	506,170	-	506,170
Deferred revenue	548,894	-	548,894
Unearned revenue	134,892	-	134,892
Total Liabilities	<u>\$ 1,445,856</u>	<u>\$ 25,708</u>	<u>\$ 1,471,564</u>
 Fund Balances:			
Non Spendable:			
Inventories	\$ 48,915	\$ -	\$ 48,915
Restricted:			
Stabilization by State Statute	926,685	8,930	935,615
Streets	986,334	-	986,334
Public Safety	-	28,928	28,928
Assigned:			
Insurance claims	744,885	-	744,885
Subsequent year's expenditures	151,968	-	151,968
Unassigned	1,455,824	-	1,455,824
Total Fund Balances	<u>\$ 4,314,611</u>	<u>\$ 37,858</u>	<u>\$ 4,352,469</u>
 Total Liabilities and Fund Balances	 <u>\$ 5,760,467</u>	 <u>\$ 63,566</u>	 <u>\$ 5,824,033</u>

The notes to the financial statements are an integral part of this statement.

Town of Tarboro, North Carolina
Governmental Funds
Balance Sheet
June 30, 2012

Exhibit 3

(continued)

Reconciliation of Fund Balance as Reported in the Balance Sheet - Governmental Funds
with Net Assets - Governmental Activities:

Fund balance as reported in the balance sheet governmental funds	\$ 4,352,469
--	--------------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	17,417,865
--	------------

Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are deferred in the funds.	104,628
--	---------

Liabilities for earned but deferred revenues in fund statements.	548,894
--	---------

Some liabilities, including compensated absences and pension and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds.	(2,484,787)
--	-------------

Net Assets of Governmental Activities	<u>\$ 19,939,069</u>
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The notes to the financial statements are an integral part of this statement.

Town of Tarboro, North Carolina
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2012

Exhibit 4

	Major Fund General Fund	Governmental Non-Major Funds	Total Governmental Funds
Revenues			
Ad valorem taxes	\$ 3,559,208	\$ -	\$ 3,559,208
Other taxes and licenses	271,248	-	271,248
Unrestricted intergovernmental	2,676,160	5,039	2,681,199
Restricted intergovernmental	645,711	164,356	810,067
Permits and fees	82,772	-	82,772
Sales and services	231,783	-	231,783
Investment earnings	16,903	505	17,408
Miscellaneous	246,127	30,150	276,277
Charges for services	1,376,597	-	1,376,597
Total Revenues	<u>\$ 9,106,509</u>	<u>\$ 200,050</u>	<u>\$ 9,306,559</u>
Expenditures			
Current:			
General Government	\$ 3,374,418	\$ -	\$ 3,374,418
Public Safety	3,753,071	178,694	3,931,765
Transportation	1,448,271	-	1,448,271
Cultural and Recreation	971,628	-	971,628
Economic Development	-	54,575	54,575
Capital outlay	-	74,668	74,668
Total Expenditures	<u>\$ 9,547,388</u>	<u>\$ 307,937</u>	<u>\$ 9,855,325</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (440,879)</u>	<u>\$ (107,887)</u>	<u>\$ (548,766)</u>
Other Financing Sources (Uses):			
Transfers from other funds	\$ 1,249,603	\$ 211	\$ 1,249,814
Transfers to other funds	-	(81,777)	(81,777)
Total Other Financing Sources (Uses)	<u>\$ 1,249,603</u>	<u>\$ (81,566)</u>	<u>\$ 1,168,037</u>
Net Change in Fund Balance	\$ 808,724	\$ (189,453)	\$ 619,271
Fund Balances:			
Beginning as previously reported	\$ 3,505,887	\$ 227,311	\$ 3,733,198
Ending	<u>\$ 4,314,611</u>	<u>\$ 37,858</u>	<u>\$ 4,352,469</u>

The notes to the financial statements are an integral part of this statement.

Town of Tarboro, North Carolina
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2012

Exhibit 4

Reconciliation of Net Change in Fund Balance in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Change in Net Assets - Governmental Activities.

Net changes in fund balances - total governmental funds	\$	619,271
---	----	---------

Change in fund balance because of change in inventory		-
---	--	---

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 depreciation exceeded capital outlays in the current period. As a result, the gain/loss on disposal of these assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal.

Depreciation		(2,178,778)
Capital outlay		796,215

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

Change in deferred revenue for tax revenues		262,919
---	--	---------

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

Compensated absences		(9,446)
Net pension obligations		(2,098)
Other post-employment benefits		(425,855)

Total Changes in Net Assets of Governmental Activities	\$	<u>(937,772)</u>
--	----	------------------

The notes to the financial statements are an integral part of this statement.

Town of Tarboro, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

Exhibit 5

	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 3,695,664	\$ 3,695,664	\$ 3,559,208	\$ (136,456)
Other taxes and licenses	210,610	210,610	271,248	60,638
Unrestricted intergovernmental	2,418,000	2,418,000	2,676,160	258,160
Restricted intergovernmental	380,000	396,963	645,711	248,748
Permits and fees	46,350	46,350	82,772	36,422
Sales and services	269,420	269,420	231,783	(37,637)
Investment earnings	1,458	1,458	16,903	15,445
Miscellaneous	30,121	167,798	246,127	78,329
Charges for services	1,376,597	1,376,597	1,376,597	-
Total Revenues	<u>\$ 8,428,220</u>	<u>\$ 8,582,860</u>	<u>\$ 9,106,509</u>	<u>\$ 523,649</u>
Expenditures:				
Current:				
General Government	\$ 3,656,877	\$ 3,852,203	\$ 3,374,418	\$ 477,785
Public Safety	3,825,817	3,834,676	3,753,071	81,605
Transportation	1,548,120	1,668,474	1,448,271	220,203
Cultural and Recreation	1,017,394	1,047,336	971,628	75,708
Total Expenditures	<u>\$ 10,048,208</u>	<u>\$ 10,402,689</u>	<u>\$ 9,547,388</u>	<u>\$ 855,301</u>
Revenues Over (Under) Expenditures	<u>\$ (1,619,988)</u>	<u>\$ (1,819,829)</u>	<u>\$ (440,879)</u>	<u>\$ 1,378,950</u>
Other Financing Sources (Uses):				
Transfers from other funds	\$ 1,186,058	\$ 1,186,058	\$ 1,249,603	\$ 63,545
Transfers to other funds	-	-	-	-
Fund balance appropriated	433,930	633,771	-	(633,771)
Total Other Financing Sources (Uses)	<u>\$ 1,619,988</u>	<u>\$ 1,819,829</u>	<u>\$ 1,249,603</u>	<u>\$ (570,226)</u>
Revenues and Other Sources				
Sources Over (Under)				
Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 808,724</u>	<u>\$ 808,724</u>
Fund Balances:				
Beginning of Year			3,505,887	
End of Year			<u>\$ 4,314,611</u>	

The notes to the financial statements are an integral part of this statement.

Town of Tarboro, North Carolina
Proprietary Funds
Statement of Net Assets
June 30, 2012

Exhibit 6

	Enterprise Funds			
	Electric Fund	Water and Sewer Fund	Solid Waste Fund	Total
Assets				
Current Assets:				
Cash and cash equivalents	\$ 2,430,243	\$ 1,901,141	\$ 363,572	\$ 4,694,956
Accounts receivable (net)	2,897,791	581,141	146,648	3,625,580
Inventories	1,318,730	77,972	-	1,396,702
Total Current Assets	<u>\$ 6,646,764</u>	<u>\$ 2,560,254</u>	<u>\$ 510,220</u>	<u>\$ 9,717,238</u>
Noncurrent Assets:				
Land and other non-depreciable assets	\$ 919,478	\$ 427,564	\$ -	\$ 1,347,042
Other capital assets, net of depreciation	22,630,368	13,362,044	22,810	36,015,222
Total Noncurrent Assets	<u>\$ 23,549,846</u>	<u>\$ 13,789,608</u>	<u>\$ 22,810</u>	<u>\$ 37,362,264</u>
Total Assets	<u>\$ 30,196,610</u>	<u>\$ 16,349,862</u>	<u>\$ 533,030</u>	<u>\$ 47,079,502</u>
Liabilities				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 2,179,619	\$ 83,801	\$ 44,593	\$ 2,308,013
Customer deposits	490,024	-	-	490,024
Current portion of ARRA Revolving Loan	-	7,338	-	7,338
Compensated absences (current)	13,820	10,212	2,014	26,046
Total Current Liabilities	<u>\$ 2,683,463</u>	<u>\$ 101,351</u>	<u>\$ 46,607</u>	<u>\$ 2,831,421</u>
Noncurrent Liabilities:				
Other post employment benefits	386,033	492,083	155,359	1,033,475
Compensated absences	101,346	74,887	14,769	191,002
ARRA revolving loan	-	124,751	-	124,751
Total Noncurrent Liabilities	<u>\$ 487,379</u>	<u>\$ 691,721</u>	<u>\$ 170,128</u>	<u>\$ 1,349,228</u>
Total Liabilities	<u>\$ 3,170,842</u>	<u>\$ 793,072</u>	<u>\$ 216,735</u>	<u>\$ 4,180,649</u>
Net Assets				
Invested in capital assets, net of related debt	\$ 23,549,846	\$ 13,657,519	\$ 22,810	\$ 37,230,175
Unrestricted	3,475,922	1,899,271	293,485	5,668,678
Total Net Assets	<u>\$ 27,025,768</u>	<u>\$ 15,556,790</u>	<u>\$ 316,295</u>	<u>\$ 42,898,853</u>

The notes to the financial statements are an integral part of this statement.

Town of Tarboro, North Carolina
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2012

Exhibit 7

	Enterprise Funds			
	Electric Fund	Water and Sewer Fund	Solid Waste Fund	Total
Operating Revenues				
Charges for services	\$ 27,057,402	\$ 3,953,764	\$ 992,207	\$ 32,003,373
Water and sewer taps	-	30,318	-	30,318
Other operating revenues	125,798	28,049	-	153,847
Total Operating Revenues	\$ 27,183,200	\$ 4,012,131	\$ 992,207	\$ 32,187,538
Operating Expenses				
Administration	\$ 1,942,812	\$ 2,203,837	\$ 1,113,555	\$ 5,260,204
Load management	174,765	-	-	174,765
Electric operations	635,238	-	-	635,238
Electric power purchases	23,115,683	-	-	23,115,683
Water treatment and distribution	-	799,066	-	799,066
Waste collection and treatment	-	723,501	-	723,501
Depreciation	1,542,033	997,200	45,287	2,584,520
Total Operating Expenses	\$ 27,410,531	\$ 4,723,604	\$ 1,158,842	\$ 33,292,977
Operating Income (Loss)	\$ (227,331)	\$ (711,473)	\$ (166,635)	\$ (1,105,439)
Nonoperating Revenues (Expenses)				
Investment earnings	11,354	8,307	1,484	21,145
Other non-operating revenues	243,627	75,173	102,423	421,223
Total Non-operating Expenses	\$ 254,981	\$ 83,480	\$ 103,907	\$ 442,368
Income (Loss) before Contributions and Transfers	\$ 27,650	\$ (627,993)	\$ (62,728)	\$ (663,071)
Capital contributions	1,062,118	-	-	1,062,118
Transfers (to)/from other funds	(1,168,037)	-	-	(1,168,037)
Change in Net Assets	\$ (78,269)	\$ (627,993)	\$ (62,728)	\$ (768,990)
Total Net Assets:				
Beginning	27,104,037	16,184,783	379,023	43,667,843
Ending	<u>\$ 27,025,768</u>	<u>\$ 15,556,790</u>	<u>\$ 316,295</u>	<u>\$ 42,898,853</u>

The notes to the financial statements are an integral part of this statement.

Town of Tarboro, North Carolina
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

Exhibit 8

	Enterprise Funds			
	Electric Fund	Water and Sewer Fund	Solid Waste Fund	Totals
Cash Flows from Operating Activities:				
Cash received from customers	\$ 27,457,947	\$ 3,995,949	\$ 985,913	\$ 32,439,809
Cash paid for goods and services	(24,876,436)	(2,243,754)	(763,213)	(27,883,403)
Cash paid to or on behalf of employees for services	(1,072,312)	(1,350,014)	(291,936)	(2,714,262)
Net Cash Provided (Used) by Operating Activities	\$ 1,509,199	\$ 402,181	\$ (69,236)	\$ 1,842,144
Cash Flows from Non-Capital Financing Activities:				
Transfers from other funds	\$ -	\$ -	\$ -	\$ -
Transfers to other funds	(1,168,037)	-	-	(1,168,037)
FEMA grant funds	156,981	-	89,734	246,715
Other non-capital financing	38,953	75,173	12,689	126,815
Net Cash Provided (Used) by Non-Capital Financing Activities	\$ (972,103)	\$ 75,173	\$ 102,423	\$ (794,507)
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	\$ (1,381,811)	\$ (230,086)	\$ -	\$ (1,611,897)
Principal paid on loans	-	(7,338)	-	(7,338)
Capital contributions-federal grants	730,354	-	-	730,354
Capital contributions-State grants	412,191	-	-	412,191
Capital contributions-local grants	10,000	-	-	10,000
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (229,266)	\$ (237,424)	\$ -	\$ (466,690)
Cash Flows from Investing Activities:				
Interest and dividends	\$ 11,354	\$ 8,307	\$ 1,484	\$ 21,145
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 319,184	\$ 248,237	\$ 34,671	\$ 602,092
Balances at beginning of Year	2,111,059	1,652,904	328,901	4,092,864
Balances at end of Year	\$ 2,430,243	\$ 1,901,141	\$ 363,572	\$ 4,694,956

The notes to the financial statements are an integral part of this statement.

Town of Tarboro, North Carolina
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

Exhibit 8

	Enterprise Funds			
	Electric Fund	Water and Sewer Fund	Solid Waste Fund	Totals
(continued)				
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ (227,331)	\$ (711,473)	\$ (166,635)	\$ (1,105,439)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	\$ 1,542,033	\$ 997,200	\$ 45,287	\$ 2,584,520
Changes in Assets and Liabilities:				
(Increase) Decrease in:				
Accounts receivable	281,712	(16,182)	(6,294)	259,236
Inventory	(63,315)	(3,915)	-	(67,230)
Increase (Decrease) in:				
Accounts payable & accrued liabilities	(111,490)	62,501	23,820	(25,169)
Customer deposits	(6,965)	-	-	(6,965)
Accrued vacation pay	12,145	(24,948)	4,282	(8,521)
Other postemployment benefits	82,410	98,998	30,304	211,712
Total Adjustments	\$ 1,736,530	\$ 1,113,654	\$ 97,399	\$ 2,947,583
Net Cash Provided By (Used In) Operating Activities	\$ 1,509,199	\$ 402,181	\$ (69,236)	\$ 1,842,144

The notes to the financial statements are an integral part of this statement.

Town of Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Tarboro 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 Tarboro is a municipal corporation, which is governed by an elected mayor and an eight-member council. Generally accepted accounting principles require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Governmental Accounting Standards Board Statement No. 14 have been considered and there are no agencies or entities, which should be presented as component units of the Town.

B. Basis of Presentation

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

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.

**Town of Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012**

The Town reports the following major governmental funds:

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

The Town reports the following non-major governmental funds:

Special Revenue Fund. This fund is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Fund. This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The Town reports the following major enterprise funds:

Electric Fund. This fund is used to account for the Town's electric operations.

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

Solid Waste Fund. This fund is used to account for the Town's solid waste 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 Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

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 enterprise funds 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 enterprise funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Edgecombe County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Tarboro. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Edgecombe County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes, which were billed during this period, are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, which are unearned at year-end, are recorded as unearned revenues. 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 assets 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.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989, that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

Town of Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

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, Special Revenue Funds and Enterprise Funds. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the Special Revenue Fund, Capital Projects Fund, and the Enterprise Capital Projects Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. 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 the multi-year funds. Budgetary control is exercised in all funds. Appropriations are made at the departmental (functional) level and can be amended as necessary by the governing board. The Town Manager is authorized to transfer appropriations within a fund; however, any revisions that alter total expenditures of any fund must be approved by the governing board. Budgeted amounts presented in the financial statements represent the amended budget ordinance as of June 30, 2012.

E. Assets, Liabilities, and Fund Equity

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain 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 investments with a maturity of more than one year at acquisition and non-money market 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 NCCMT Term Portfolio's securities are valued at fair value.

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

Powell Bill funds are classified as restricted cash because it can be expended only for the purpose of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date January 1); however interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2010.

Allowances for Doubtful Accounts

All receivables that historically experience uncollectable 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.

Inventories

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

The inventory of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: Land, \$5,000; Buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$5,000; furniture and equipment, \$5,000; and vehicles, \$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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	25
Buildings	50
Improvements	30
Vehicles	5
Furniture and equipment	5
Computer equipment	5

Town of Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

Compensated Absences

The vacation policy of the Town provides for the accumulation of earned vacation leave with such leave being fully vested when earned. For employees hired on or after July 1, 2000, the maximum accumulation allowed is 240 hours (340 hours for fire fighters). For employees hired before that date the maximum accumulation is 480 hours (680 hours for fire fighters). 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 portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

Net Assets/Fund Balances

Net Assets

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

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 balance 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.

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)].

Town of Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

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 is restricted by revenue source for certain emergency telephone system and law enforcement expenditures.

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 Tarboro's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

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

Assigned for insurance claims – portion of fund balance that has been budgeted by the Board for subsequent year's insurance claims.

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.

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 Tarboro has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer 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 lastly unassigned fund balance. The Finance Officer has authority to deviate from this policy if it is in the best interest of the Town.

The Town of Tarboro has also adopted a fund balance policy which instructs management to conduct the business of the Town in such a manner that undesignated available fund balance will be a minimum of 30% of budgeted expenditures for the general fund; 25% for the electric fund; 50% for the water & sewer fund; and 50% for the solid waste fund. Once the minimum fund balance percentage is realized, all revenue in excess of expenditures realized at the end of any given fiscal year will be credited as capital reserves.

Town of Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

II. Stewardship, Compliance, and Accountability

Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes:

There were no significant instances of noncompliance with North Carolina General Statutes for the year ended June 30, 2012.

2. Contractual Violations:

There were no contractual violations for the year ended June 30, 2012.

Deficit in Fund Balance or Net Assets of Individual Funds

There were no deficits in Fund Balance or Net Assets for the year ended June 30, 2012.

Excess of Expenditures over Appropriations

There were no excesses of expenditures over appropriations for the year ended June 30, 2012.

III. 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 units' 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 their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for 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 adopted a formal policy regarding custodial credit risk for deposits and also 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 Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

At June 30, 2012, the Town's deposits had a carrying amount of \$8,215,770 and a bank balance of \$8,622,930. Of the bank balance, \$6,750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2012 the Town's petty cash fund totaled \$3,225.

Investments

At June 30, 2012, the Town of Tarboro had \$766,570 invested with the North Carolina Capital Management Trust's Cash Portfolio.

Credit Risk. The Town limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The Town's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2012.

Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Assets are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>June 30, 2012</u>
Enterprise Funds:	
Electric Fund	\$ 50,911
Water and Sewer Fund	10,579
Solid Waste Fund	753
 Total	 <u>\$ 62,243</u>

Town of Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 1,909,193	\$ -	\$ -	\$ 1,909,193
Construction in Progress	31,937	-	31,937	-
Total	<u>\$ 1,941,130</u>	<u>\$ -</u>	<u>\$ 31,937</u>	<u>\$ 1,909,193</u>
 Capital Assets Being Depreciated:				
Buildings & improvements	\$ 8,858,779	\$ 248,025	\$ -	\$ 9,106,804
Infrastructure - streets	48,892,940	505,459	-	49,398,399
Infrastructure - sidewalk	549,028	-	-	549,028
Equipment	7,400,050	74,668	-	7,474,718
Total	<u>\$ 65,700,797</u>	<u>\$ 828,152</u>	<u>\$ -</u>	<u>\$ 66,528,949</u>
 Less Accumulated Depreciation for:				
Buildings & improvements	\$ 4,916,367	\$ 266,204	\$ -	\$ 5,182,571
Infrastructure - streets	36,753,098	1,620,181	-	38,373,279
Infrastructure - sidewalk	549,028	-	-	549,028
Equipment	6,623,006	292,393	-	6,915,399
Total	<u>\$ 48,841,499</u>	<u>\$ 2,178,778</u>	<u>\$ -</u>	<u>\$ 51,020,277</u>
 Total Capital Assets Being Depreciated, Net	<u>\$ 16,859,298</u>			<u>\$ 15,508,672</u>
 Governmental Activities Capital Assets, Net	<u>\$ 18,800,428</u>			<u>\$ 17,417,865</u>

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

General Government	\$ 100,946
Public Safety	321,239
Transportation	1,661,045
Cultural and Recreational	95,548
 Total Depreciation Expense	<u>\$ 2,178,778</u>

Town of Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

Continued:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Electric Fund:				
Capital Assets not Being Depreciated:				
Land	\$ 858,368	\$ -	\$ -	\$ 858,368
Construction in Progress	228,184	53,610	220,684	61,110
Total	<u>\$ 1,086,552</u>	<u>\$ 53,610</u>	<u>\$ 220,684</u>	<u>\$ 919,478</u>
 Capital Assets Being Depreciated:				
Substations, lines, & related equipment	\$ 45,563,206	\$ 1,479,627	\$ -	\$ 47,042,833
Office & maintenance equipment	3,083,917	69,258	-	3,153,175
Load management	269,713	-	-	269,713
Total	<u>\$ 48,916,836</u>	<u>\$ 1,548,885</u>	<u>\$ -</u>	<u>\$ 50,465,721</u>
 Less Accumulated Depreciation for:				
Substations, lines, & related equipment	\$ 23,100,151	\$ 1,449,612	\$ -	\$ 24,549,763
Office & maintenance equipment	2,925,456	92,421	-	3,017,877
Load management	267,713	-	-	267,713
Total	<u>\$ 26,293,320</u>	<u>\$ 1,542,033</u>	<u>\$ -</u>	<u>\$ 27,835,353</u>
 Total Capital Assets				
Being Depreciated, Net	<u>\$ 22,623,516</u>			<u>\$ 22,630,368</u>
 Electric Fund				
Capital Assets, Net	<u>\$ 23,710,068</u>			<u>\$ 23,549,846</u>

Town of Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

Continued:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Water & Sewer Fund:				
Capital Assets not Being Depreciated:				
Land	\$ 427,564	\$ -	\$ -	\$ 427,564
Construction in Progress	-	-	-	-
Total	<u>\$ 427,564</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 427,564</u>
 Capital Assets Being Depreciated:				
Plant & distribution system	\$ 32,899,194	\$ 43,578	\$ -	\$ 32,942,772
Office & maintenance equipment	1,636,323	186,508	-	1,822,831
Total	<u>\$ 34,535,517</u>	<u>\$ 230,086</u>	<u>\$ -</u>	<u>\$ 34,765,603</u>
 Less Accumulated Depreciation for:				
Plant & distribution system	\$ 18,828,638	\$ 959,380	\$ -	\$ 19,788,018
Office & maintenance equipment	1,577,721	37,820	-	1,615,541
Total	<u>\$ 20,406,359</u>	<u>\$ 997,200</u>	<u>\$ -</u>	<u>\$ 21,403,559</u>
 Total Capital Assets Being Depreciated, Net	<u>\$ 14,129,158</u>			<u>\$ 13,362,044</u>
 Water and Sewer Fund Capital Assets, Net	<u>\$ 14,556,722</u>			<u>\$ 13,789,608</u>

Town of Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

Continued:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Solid Waste Fund:				
Capital Assets				
Being Depreciated:				
Buildings	\$ 21,274	\$ -	\$ -	\$ 21,274
Maintenance equipment	800,783	-	-	800,783
Total	<u>\$ 822,057</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 822,057</u>
Less Accumulated				
Depreciation for:				
Buildings	\$ 9,573	\$ 709	\$ -	\$ 10,282
Maintenance equipment	744,387	44,578	-	788,965
Total	<u>\$ 753,960</u>	<u>\$ 45,287</u>	<u>\$ -</u>	<u>\$ 799,247</u>
Solid Waste Fund				
Capital Assets, Net	<u>\$ 68,097</u>			<u>\$ 22,810</u>
Business-type Activities				
Capital Assets, Net	<u>\$ 38,334,887</u>			<u>\$ 37,362,264</u>

B. Liabilities

Pension Plan Obligations

Local Governmental Employees' Retirement System

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

Town of Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.97% and 7.05%, respectively, of annual covered payroll. The contribution requirements of members and of the Town are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$436,219, \$420,858 and \$323,310, respectively. The contributions made by the Town equaled the required contributions for each year.

Law Enforcement Officers Special Separation Allowance

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. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	6
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	27
Total	<u>33</u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

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

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

Town of Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expense) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases.

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

Annual required contribution	\$ 74,571
Interest on net pension obligation	8,445
Adjustment to annual required contribution	(10,076)
	<hr/>
Annual Pension Cost	\$ 72,940
Contributions made	70,842
	<hr/>
Increase (Decrease) in Net Pension Obligation	\$ 2,098
	<hr/>
Net Pension Obligation, beginning of year	168,904
	<hr/>
Net Pension Obligation, end of year	<u>\$ 171,002</u>

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 66,634	51.47%	\$ 143,437
2011	74,277	65.71%	168,904
2012	72,940	97.12%	171,002

Town of Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

Funded Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$857,501. The covered payroll (annual payroll of active employees covered by the plan) was \$1,166,725, and the ratio of the UAAL to the covered payroll was 73.5%.

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 are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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, 2012 were \$76,551, which consisted of \$67,955 from the Town and \$8,596 from the law enforcement officers.

Firemen's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town of Tarboro, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund 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 the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Town of Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

Funding Policy. Plan members are required to contribute \$10 each month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

Other Postemployment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). This plan provides postretirement health benefits to retirees of the Town who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of creditable service with the System. The Town pays a portion of the premiums for the coverage of these benefits, up to the current rate for active employees. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2011, the date of the latest actuarial valuation:

	General <u>Employees</u>	Law Enforcement <u>Officers</u>
Retirees and dependents receiving benefits	67	6
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	144	27
Total	<u>211</u>	<u>33</u>

Funding Policy. The Town pays a portion of the cost of coverage, up to the current rate for active employees, for the healthcare benefits paid to qualified retirees under a Town ordinance that can be amended by Town Council. The Town's members pay the full cost for dependent coverage. The Town has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 17.5% of annual covered payroll. For the current year, the Town contributed \$340,100 or 5.6% of annual covered payroll.

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.

Town of Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

Annual OPEB Cost and Net OPEB Obligation. The Town's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (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	\$ 965,689
Interest on net OPEB obligation	87,264
Adjustment to annual required contribution	(75,286)
	<hr/>
Annual OPEB Cost (Expense)	\$ 977,667
Contributions made	340,100
	<hr/>
Increase (Decrease) in Net OPEB Obligation	\$ 637,567
Net OPEB Obligation, beginning of year	2,181,590
	<hr/>
Net OPEB Obligation, end of year	<u><u>\$ 2,819,157</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 986,974	22.70%	\$ 1,486,899
2011	986,974	29.60%	2,181,590
2012	977,667	58.50%	2,819,157

Town of Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

Funded Status and Funding Progress. As of December 31, 2011, 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 \$14,080,314. The covered payroll (annual payroll of active employees covered by the plan) was \$6,024,708 and the ratio of the UAAL to the covered payroll was 233.7 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far 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 multi-year 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 benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 9.50 to 5.0 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011, was 30 years.

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 benefits 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.

Town of Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

Internal Revenue Code Section 457 Plans

The Town offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all Town employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Town has complied with changes in the laws, which govern the Town's Deferred Compensation Plan, requiring all assets of the plans to be held in trust for the exclusive benefit of the participants and their beneficiaries.

Internal Revenue Code Section 401(k) Plan

The Town also offers its employees a deferred compensation plan created in accordance with Internal Revenue code Section 401(k). The plan is sponsored by the State of North Carolina and is governed by the Department of State Treasurer and the Plan's Board of Trustees. The Department and Board have contracted with Prudential Retirement Services to be the Plan administrator.

The plan is available to all Town employees. The plan permits the employees to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or financial hardships. The Town's contributions were calculated using a covered payroll amount of \$5,868,267, the Town's total payroll amount was \$6,046,486. Total contributions for the year ended June 30, 2012 were \$411,492, which consisted of \$352,096 from the Town and \$59,396 from employees. The Town's discretionary contribution and the employees' voluntary contribution represent 6.00% and 1.01% of the covered payroll amount, respectively.

Deferred / Unearned Revenues

The balance in deferred / unearned revenues at year-end is composed of the following elements:

	Deferred Revenue	Unearned Revenue
Prepaid taxes (General Fund)	\$ -	\$ 8,919
Taxes receivable (General Fund)	548,894	-
Other	-	24,201
Demolition assessments	-	101,772
Total	\$ 548,894	\$ 134,892

Town of Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

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 two 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 \$2 million per occurrence, property coverage up to the total insurance values of the property policy and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability and property coverage in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation.

The Town continues to carry commercial insurance for public officials' liability and law enforcement liability. Settled claims from all risks have not exceeded insurance coverage in any of the last 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 has total flood insurance coverage of \$2,500,000.

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 finance officer and tax collector are each individually bonded for \$50,000 each.

The Town operates a limited risk, self-insurance program to provide health benefits to Town employees. Premiums are paid into the General Fund by all other funds (including amounts withheld from employees) and are available to pay claims and administrative costs of the program. The inter-fund premiums are based upon actual estimates of the amounts needed to pay prior and current year claims. Administrative services are contracted with BlueCross BlueShield of North Carolina. Aggregate stop loss is purchased in the amount of 125% of expected annual claims and losses above \$50,000 on any one claim. Premiums are paid to the fund by the Town for employees and by the employee for dependents. Changes in the fund's claims liability amount were as follows:

Balance as of June 30, 2010	\$ 155,549
Changes in estimates, fiscal year 2011	<u>(93,482)</u>
Balance as of June 30, 2011	\$ 62,067
Changes in estimates, fiscal year 2012	<u>87,933</u>
Balance as of June 30, 2012	<u><u>\$ 150,000</u></u>

As of July 1, 2012, the Town has moved from a self-insured health benefits plan to a fully insured plan with Blue Cross Blue Shield of North Carolina. Premiums are paid directly to the insurance company to cover claims expense. This plan will eliminate the limited risk noted above.

Town of Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

Long-Term Obligations

a. Revolving ARRA Loan

A Promissory Note in the amount of \$146,765 was executed on January 6, 2010. The Federal Revolving Loan is due in annual installments of \$7,338 through May 2, 2030 at 0.00% interest. The balance of the revolving loan as of June 30, 2012 is \$132,089. Annual debt service payments are as follows:

Year Ending June 30,	Principal	Interest
2013	7,338	\$ -
2014	7,338	-
2015	7,338	-
2016	7,339	-
2017	7,339	-
2018 - 2022	36,691	-
2023 - 2027	36,691	-
2028 - 2030	22,015	-
Total	<u>\$ 132,089</u>	<u>\$ -</u>

b. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Activities:					
Compensated absences	\$ 518,657	\$ 220,140	\$ 210,694	\$ 528,103	\$ 63,372
Net pension obligation	168,904	2,098	-	171,002	-
Other postemployment benefits	1,359,827	684,362	258,507	1,785,682	-
Total	<u>\$ 2,047,388</u>	<u>\$ 906,600</u>	<u>\$ 469,201</u>	<u>\$ 2,484,787</u>	<u>\$ 63,372</u>
Business-type Activities:					
Compensated absences	\$ 225,569	\$ 16,427	\$ 24,948	\$ 217,048	\$ 26,046
ARRA revolving loan	139,427	-	7,338	132,089	7,338
Other postemployment benefits	821,763	293,305	81,593	1,033,475	-
Total	<u>\$ 1,186,759</u>	<u>\$ 309,732</u>	<u>\$ 113,879</u>	<u>\$ 1,382,612</u>	<u>\$ 33,384</u>

Compensated absences and other postemployment benefit obligation and net pension obligation for governmental activities have typically been liquidated in the General Fund.

Town of Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

C. Interfund Transfers and Activity

There are no balances due to/from other funds at June 30, 2012.

Transfers to/from other funds at June 30, 2012, consist of the following:

From the Electric Fund to the Capital Projects Fund	\$ 211
From the Electric Fund to the General Fund (Services)	1,186,058
From the Capital Projects Funds to the General Fund	63,545
From the Capital Projects Funds to the Electric Capital Projects Fund	<u>18,232</u>
Total	<u><u>\$1,268,046</u></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 provided matching funds for various grant programs.

D. Fund Balance

Total Fund Balance - General Fund	\$ 4,314,611
Less:	
Inventories	48,915
Stabilization by State Statute	926,685
Streets - Powell bill	986,334
Insurance claims	744,885
Appropriated Fund Balance in 2013 Budget	<u>151,968</u>
Remaining Fund Balance	<u><u>\$ 1,455,824</u></u>

IV. Jointly Governed Organizations

The Town, in conjunction with other local governments, is a member of the North Carolina Eastern Municipal Power Agency ("Agency"). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Agency's governing board. The 32 members, that receive power from the Agency, have signed power sales agreements to purchase a specified share of the power generated by the Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power for the year ended June 30, 2012 totaled \$23,115,683.

**Town of Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012**

The Town, in conjunction with five counties and other municipalities, established the Upper Coastal Plain 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 to the Council's governing board. The Town paid membership fees of \$4,816 to the Council during the fiscal year ended June 30, 2012.

V. Joint Ventures

The Town participates in three joint ventures with Edgecombe County ("County") as follows: Tarboro-Edgecombe Airport Authority, Edgecombe County Memorial Library, and Edgecombe County Cultural Arts Council, Inc.

Tarboro-Edgecombe Airport Authority

The Town, in conjunction with the County, participates in a regional airport. Each government appoints three members to the seven-member board. The seventh member is jointly appointed by both governments. The Airport is a joint venture established to facilitate economic expansion within the County and improve the quality of life for its citizens. The Airport has been in existence for twenty-six years, but it is not yet self-sustaining. The Town has an ongoing financial responsibility for the Airport because it and the County are legally obligated under the intergovernmental agreement that created the Airport to honor any deficiencies in the event that proceeds from other default remedies are insufficient. The Town contributed \$15,654 to the Airport during the fiscal year ended June 30, 2012. The governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2012. Complete financial statements for the Airport Authority can be obtained from the Airport's administrative offices at 500 Main Street, Tarboro, North Carolina 27886.

Edgecombe County Memorial Library

The Town also participates in a joint venture to operate a regional library with the County. Each government appoints three board members to the six-member board of the Library. The Town has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2012. In accordance with the intergovernmental agreement between the governments, the Town contributed \$146,528 to the Library to supplement its activities during the year ended June 30, 2012. Complete financial statements for the Library can be obtained from the Library's offices at 909 Main Street, Tarboro, North Carolina 27886.

Town of Tarboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

Edgecombe County Cultural Arts Council, Inc.

The Town also participates in a joint venture with the County to operate a regional Arts Council. The Town appoints six of the nineteen board members to the Board of Arts Council. Neither participating governments has any equity interest in the Arts Council, so no equity interest has been reflected in the financial statements at June 30, 2012. The Town contributed \$35,431 to the Arts Council during the year ended June 30, 2012. Complete financial statements for the Arts Council can be obtained from the Arts Council office at 130 Bridgers Street, Tarboro, North Carolina 27886.

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 moneys 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 moneys.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

Town of Tarboro, North Carolina
Law Enforcement Officers' Special Separation Allowance
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)
12/31/97	\$ -	\$ 244,030	\$ 244,030	\$ -	\$ 849,144	28.74%
12/31/98	-	241,171	241,171	-	854,257	28.23%
12/31/99	-	249,358	249,358	-	887,176	28.11%
12/31/00	-	379,424	379,424	-	968,123	39.19%
12/31/01	-	406,334	406,334	-	1,074,772	37.81%
12/31/02	-	460,527	460,527	-	1,090,623	42.23%
12/31/03	-	541,210	541,210	-	997,135	54.28%
12/31/04	-	550,061	550,061	-	1,021,735	53.84%
12/31/05	-	561,152	561,152	-	1,137,121	49.35%
12/31/06	-	521,523	521,523	-	1,145,907	45.51%
12/31/07	-	564,861	564,861	-	1,256,356	44.96%
12/31/08	-	612,936	612,936	-	1,412,040	43.41%
12/31/09	-	720,592	720,592	-	1,330,873	54.14%
12/31/10	-	723,975	723,975	-	1,296,123	55.86%
12/31/11	-	857,501	857,501	-	1,166,725	73.50%

Town of Tarboro, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1997	\$ 24,598	45.22%
1998	25,048	99.52%
1999	29,932	83.28%
2000	30,286	82.31%
2001	32,718	76.19%
2002	39,944	62.40%
2003	44,563	78.53%
2004	49,110	97.74%
2005	51,807	85.98%
2006	52,354	91.35%
2007	50,842	101.30%
2008	57,305	104.78%
2009	65,578	82.08%
2010	74,784	51.47%
2011	74,571	65.71%
2012	72,940	97.12%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part actuarial valuation follows:

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25 - 7.85%
*Includes inflation at	3.00%
Cost-of living adjustments	N/A

Town of Tarboro, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/07	\$ -	\$ 12,029,113	\$ 12,029,113	\$ -	\$ 5,844,561	205.82%
12/31/09	-	12,121,144	12,121,144	-	6,532,708	185.55%
12/31/11	-	14,080,314	14,080,314	-	6,024,708	233.71%

Town of Tarboro, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ 947,470	23.6%
2010	986,974	22.7%
2011	986,974	29.6%
2012	977,667	58.5%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part actuarial valuation follows:

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of Pay, open
Remaining amortization period	30 Years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.0%
Medical cost trend rate	
Pre-Medicare trend rate	9.50 - 5.00%
Post-Medicare trend rate	7.00 - 5.00%
Year of ultimate trend rate	2018
*Includes inflation at	3.00%

MAJOR GOVERNMENTAL FUNDS

Town of Tarboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad Valorem Taxes:			
Taxes	\$ 3,673,664	\$ 3,537,489	\$ (136,175)
Penalties and interest	22,000	21,719	(281)
Total	<u>\$ 3,695,664</u>	<u>\$ 3,559,208</u>	<u>\$ (136,456)</u>
Other Taxes and Licenses:			
Cable TV franchise	\$ 165,000	\$ 214,137	\$ 49,137
Rental vehicle tax	3,100	2,710	(390)
Dog licenses/Beer & Wine	2,010	1,859	(151)
Privilege licenses	40,500	52,542	12,042
Total	<u>\$ 210,610</u>	<u>\$ 271,248</u>	<u>\$ 60,638</u>
Unrestricted Intergovernmental:			
Local option sales taxes	\$ 1,270,000	\$ 1,614,660	\$ 344,660
Payments in lieu of taxes-outside sources	11,000	7,752	(3,248)
Utility franchise tax	900,000	812,341	(87,659)
Beer and wine tax	49,000	49,545	545
ABC profit distribution	8,000	2,500	(5,500)
Hold harmless reimbursements	180,000	189,362	9,362
Total	<u>\$ 2,418,000</u>	<u>\$ 2,676,160</u>	<u>\$ 258,160</u>
Restricted Intergovernmental:			
Powell Bill allocation	\$ 294,000	\$ 322,850	\$ 28,850
Federal nutrition program	50,000	48,368	(1,632)
Federal aging program	8,500	10,228	1,728
Other grants	44,463	264,265	219,802
Total	<u>\$ 396,963</u>	<u>\$ 645,711</u>	<u>\$ 248,748</u>
Permits and Fees:			
Building permits	\$ 25,000	\$ 63,878	\$ 38,878
Fees	21,350	18,894	(2,456)
Total	<u>\$ 46,350</u>	<u>\$ 82,772</u>	<u>\$ 36,422</u>
Sales and Services:			
Recreation department fees	\$ 203,500	\$ 163,449	\$ (40,051)
Sale of cemetery lots	25,000	25,000	-
Rent revenue	40,920	43,334	2,414
Total	<u>\$ 269,420</u>	<u>\$ 231,783</u>	<u>\$ (37,637)</u>
Investment Earnings	<u>\$ 1,458</u>	<u>\$ 16,903</u>	<u>\$ 15,445</u>

(continued)

Town of Tarboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues: (continued)			
Miscellaneous:			
Sale of materials	\$ 5,000	\$ 2,490	\$ (2,510)
Risk management	-	82,932	82,932
Other	162,798	160,705	(2,093)
Total	<u>\$ 167,798</u>	<u>\$ 246,127</u>	<u>\$ 78,329</u>
Charges for Services:			
Electric	\$ 570,632	\$ 570,632	\$ -
Water and Sewer	569,269	569,269	-
Solid Waste	236,696	236,696	-
Total	<u>\$ 1,376,597</u>	<u>\$ 1,376,597</u>	<u>\$ -</u>
Total Revenues	<u>\$ 8,582,860</u>	<u>\$ 9,106,509</u>	<u>\$ 523,649</u>
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits	\$ 61,424	\$ 61,118	\$ 306
Operating expenditures	23,000	9,822	13,178
Total	<u>\$ 84,424</u>	<u>\$ 70,940</u>	<u>\$ 13,484</u>
Administration:			
Salaries and employee benefits	\$ 608,329	\$ 283,485	\$ 324,844
Operating expenditures	349,676	334,330	15,346
Total	<u>\$ 958,005</u>	<u>\$ 617,815</u>	<u>\$ 340,190</u>
Finance - Accounting:			
Salaries and employee benefits	\$ 141,201	\$ 160,030	\$ (18,829)
Operating expenditures	115,500	102,711	12,789
Total	<u>\$ 256,701</u>	<u>\$ 262,741</u>	<u>\$ (6,040)</u>
Finance - Administration:			
Salaries and employee benefits	\$ 96,500	\$ 104,548	\$ (8,048)
Operating expenditures	45,300	38,841	6,459
Total	<u>\$ 141,800</u>	<u>\$ 143,389</u>	<u>\$ (1,589)</u>
Finance - Collections:			
Salaries and employee benefits	\$ 197,858	\$ 199,331	\$ (1,473)
Operating expenditures	67,100	65,852	1,248
Total	<u>\$ 264,958</u>	<u>\$ 265,183</u>	<u>\$ (225)</u>

(continued)

Town of Tarboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures: (continued)			
Planning and Economic Development:			
Salaries and employee benefits	\$ 159,476	\$ 112,263	\$ 47,213
Operating expenditures	45,504	27,332	18,172
Total	<u>\$ 204,980</u>	<u>\$ 139,595</u>	<u>\$ 65,385</u>
 General Government: (continued)			
Public Works:			
Salaries and employee benefits	\$ 1,089,732	\$ 1,061,399	\$ 28,333
Operating expenditures	373,570	356,564	17,006
Capital outlay	237,540	216,299	21,241
Total	<u>\$ 1,700,842</u>	<u>\$ 1,634,262</u>	<u>\$ 66,580</u>
 Payment to Outside Agencies			
Princeville Fire Tax Reimbursement	\$ 8,327	\$ 8,327	\$ -
Tarboro Edgecombe Airport	15,654	15,654	-
Edgecombe County Library	146,528	146,528	-
Blount-Bridgers House	35,431	35,431	-
Carolinas Gateway Partnership	34,553	34,553	-
Total	<u>\$ 240,493</u>	<u>\$ 240,493</u>	<u>\$ -</u>
 Total General Government	<u>\$ 3,852,203</u>	<u>\$ 3,374,418</u>	<u>\$ 477,785</u>
 Public Safety:			
Police:			
Salaries and employee benefits	\$ 2,113,734	\$ 2,117,361	\$ (3,627)
Operating expenditures	280,715	259,951	20,764
Capital outlay	-	-	-
Total	<u>\$ 2,394,449</u>	<u>\$ 2,377,312</u>	<u>\$ 17,137</u>
 Fire:			
Salaries and employee benefits	\$ 1,295,527	\$ 1,269,571	\$ 25,956
Operating expenditures	144,700	106,188	38,512
Total	<u>\$ 1,440,227</u>	<u>\$ 1,375,759</u>	<u>\$ 64,468</u>
 Total Public Safety	<u>\$ 3,834,676</u>	<u>\$ 3,753,071</u>	<u>\$ 81,605</u>

(continued)

Town of Tarboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures: (continued)			
Transportation:			
Streets and Highways:			
Salaries and employee benefits	\$ 526,935	\$ 545,259	\$ (18,324)
Capital outlay - Street construction	680,937	505,459	175,478
Operating expenditures	460,602	397,553	63,049
	<u>\$ 1,668,474</u>	<u>\$ 1,448,271</u>	<u>\$ 220,203</u>
Total Transportation			
Cultural and Recreation:			
Parks and Recreation:			
Salaries and employee benefits	\$ 619,894	\$ 610,570	\$ 9,324
Operating expenditures	427,442	361,058	66,384
	<u>\$ 1,047,336</u>	<u>\$ 971,628</u>	<u>\$ 75,708</u>
Total Cultural and Recreation			
Total Expenditures	<u>\$ 10,402,689</u>	<u>\$ 9,547,388</u>	<u>\$ 855,301</u>
Revenues Over (Under) Expenditures	<u>\$ (1,819,829)</u>	<u>\$ (440,879)</u>	<u>\$ 1,378,950</u>
Other Financing Sources (Uses):			
Transfers from other funds	\$ 1,186,058	\$ 1,249,603	63,545
Transfers to other funds	-	-	-
Fund balance appropriated	633,771	-	(633,771)
Total Other Financing Sources (Uses)	<u>\$ 1,819,829</u>	<u>\$ 1,249,603</u>	<u>\$ (570,226)</u>
Revenues and Other Financing			
Sources Over (Under) Expenditures			
and Other Financing Uses	<u>\$ -</u>	<u>\$ 808,724</u>	<u>\$ 808,724</u>
Fund balances, beginning		3,505,887	
Fund balances, ending		<u>\$ 4,314,611</u>	

NON-MAJOR GOVERNMENTAL FUNDS

Town of Tarboro, North Carolina
Combining Balance Sheet
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2012

	Emergency Telephone System Fund	Law Enforcement Fund	Lighting & Building Capital Project	Main Street EDA Project	Total Non Major Governmental Funds
Assets					
Cash and cash equivalents	\$ 32,856	\$ 21,780	\$ -	\$ -	\$ 54,636
Receivables - Net:					
Other	8,924	6	-	-	8,930
Total Assets	<u>\$ 41,780</u>	<u>\$ 21,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,566</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	<u>\$ 25,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,708</u>
Fund Balances:					
Restricted:					
Stabilization by State Statute	\$ 8,924	\$ 6	\$ -	\$ -	\$ 8,930
Public Safety	7,148	21,780	-	-	28,928
Unassigned	-	-	-	-	-
Total Fund Balances	<u>\$ 16,072</u>	<u>\$ 21,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,858</u>
Total Liabilities and Fund Balances	<u>\$ 41,780</u>	<u>\$ 21,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,566</u>

Town of Tarboro, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2012

	Emergency Telephone System Fund	Law Enforcement Fund	Lighting & Building Capital Project	Main Street EDA Capital Project	Total Non-Major Governmental Funds
Revenues:					
Unrestricted Intergovernmental	\$ -	\$ 5,039	\$ -	\$ -	\$ 5,039
Restricted Intergovernmental	107,052	-	156	57,148	164,356
Sales and Services	-	-	-	-	-
Investment earnings	412	93	-	-	505
Miscellaneous	-	-	-	30,150	30,150
Total Revenues	<u>\$ 107,464</u>	<u>\$ 5,132</u>	<u>\$ 156</u>	<u>\$ 87,298</u>	<u>\$ 200,050</u>
Expenditures:					
Current:					
Capital outlay	\$ 74,668	\$ -	\$ -	\$ -	\$ 74,668
Public safety	176,623	2,071	-	-	178,694
Economic Development	-	-	-	54,575	54,575
Total Expenditures	<u>\$ 251,291</u>	<u>\$ 2,071</u>	<u>\$ -</u>	<u>\$ 54,575</u>	<u>\$ 307,937</u>
Revenues Over (Under) Expenditures	<u>\$ (143,827)</u>	<u>\$ 3,061</u>	<u>\$ 156</u>	<u>\$ 32,723</u>	<u>\$ (107,887)</u>
Other Financing Sources (Uses):					
Transfers from other funds	\$ -	\$ -	\$ 211	\$ -	\$ 211
Transfers to other funds	-	-	(18,388)	(63,389)	(81,777)
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,177)</u>	<u>\$ (63,389)</u>	<u>\$ (81,566)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (143,827)</u>	<u>\$ 3,061</u>	<u>\$ (18,021)</u>	<u>\$ (30,666)</u>	<u>\$ (189,453)</u>
Fund Balance Beginning	159,899	18,725	18,021	30,666	227,311
Fund Balance Ending	<u><u>\$ 16,072</u></u>	<u><u>\$ 21,786</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 37,858</u></u>

NON-MAJOR SPECIAL REVENUE FUNDS

Town of Tarboro, North Carolina
Emergency Telephone System Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2012

	2012		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Restricted Intergovernmental	\$ 107,052	\$ 107,052	\$ -
Investment Earnings	70	412	342
Total Revenues	<u>\$ 107,122</u>	<u>\$ 107,464</u>	<u>\$ 342</u>
Expenditures:			
Telephone	\$ 75,000	\$ 51,233	\$ 23,767
Software Maintenance	30,000	27,284	2,716
Hardware Maintenance	15,447	17,738	(2,291)
S.L. 2012-158 Expenditures	155,037	155,036	1
Total Expenditures	<u>\$ 275,484</u>	<u>\$ 251,291</u>	<u>\$ 24,193</u>
Revenues Over (Under) Expenditures	\$ (168,362)	\$ (143,827)	\$ 24,535
Other Financing Sources (Uses):			
Fund Balance Appropriated	<u>168,362</u>	<u>-</u>	<u>(168,362)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ (143,827)</u>	<u>\$ (143,827)</u>
Fund Balances:			
Beginning of year, July 1		159,899	
End of year, June 30		<u>\$ 16,072</u>	

Town of Tarboro, North Carolina
Law Enforcement Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2012

	2012		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Unrestricted Intergovernmental	\$ 30,000	\$ 5,039	\$ (24,961)
Investment Earnings	200	93	(107)
Total Revenues	<u>\$ 30,200</u>	<u>\$ 5,132</u>	<u>\$ (25,068)</u>
Expenditures:			
Public Safety	<u>40,488</u>	<u>2,071</u>	<u>38,417</u>
Revenues Over (Under) Expenditures	\$ (10,288)	\$ 3,061	\$ 13,349
Other Financing Sources (Uses):			
Fund Balance Appropriated	<u>10,288</u>	<u>-</u>	<u>(10,288)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ 3,061</u>	<u>\$ 3,061</u>
Fund Balances:			
Beginning of year, July 1		18,725	
End of year, June 30		<u>\$ 21,786</u>	

NON-MAJOR CAPITAL PROJECTS FUNDS

Town of Tarboro, North Carolina
Main Street Capital Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted Intergovernmental:					
NC Main Street Energy Grant	\$ 196,671	\$ 60,829	\$ 57,148	\$ 117,977	\$ (78,694)
Expenditures:					
Economic Development	<u>393,342</u>	<u>150,753</u>	<u>54,575</u>	<u>205,328</u>	<u>188,014</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (196,671)</u>	<u>\$ (89,924)</u>	<u>\$ 2,573</u>	<u>\$ (87,351)</u>	<u>\$ 109,320</u>
Other Financing Sources (Uses):					
Transfer (to)from General fund	\$ 98,336	\$ 98,336	\$ (63,389)	\$ 34,947	\$ (63,389)
Main Street Business Owners	<u>98,335</u>	<u>22,254</u>	<u>30,150</u>	<u>52,404</u>	<u>(45,931)</u>
Total Other Financing Sources (Uses)	<u>\$ 196,671</u>	<u>\$ 120,590</u>	<u>\$ (33,239)</u>	<u>\$ 87,351</u>	<u>\$ (109,320)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ 30,666</u>	<u>\$ (30,666)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance:					
Beginning of year, July 1			30,666		
End of year, June 30			<u>\$ -</u>		

Town of Tarboro, North Carolina
Lighting & Building Capital Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted Intergovernmental:					
ARRA/NC Dept of Commerce	\$ 43,463	\$ 43,463	\$ 156	\$ 43,619	\$ 156
Expenditures:					
Capital outlay	<u>49,958</u>	<u>31,937</u>	<u>-</u>	<u>31,937</u>	<u>18,021</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (6,495)</u>	<u>\$ 11,526</u>	<u>\$ 156</u>	<u>\$ 11,682</u>	<u>\$ 18,177</u>
Other Financing Sources (Uses):					
Transfer from (to):					
General fund	\$ 6,495	\$ 6,495	\$ (156)	\$ 6,339	\$ (156)
Electric fund	-	-	211	211	211
Electric Capital Project fund	<u>-</u>	<u>-</u>	<u>(18,232)</u>	<u>(18,232)</u>	<u>(18,232)</u>
Total Other Financing Sources (Uses)	<u>\$ 6,495</u>	<u>\$ 6,495</u>	<u>\$ (18,177)</u>	<u>\$ (11,682)</u>	<u>\$ (18,177)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ 18,021</u>	<u>\$ (18,021)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance:					
Beginning of year, July 1			18,021		
End of year, June 30			<u>\$ -</u>		

ENTERPRISE FUNDS

Town of Tarboro, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating Revenues:			
Electricity sales	\$ 29,010,800	\$ 27,057,402	\$ (1,953,398)
Other operating revenues	117,000	125,798	8,798
Total Operating Revenues	<u>\$ 29,127,800</u>	<u>\$ 27,183,200</u>	<u>\$ (1,944,600)</u>
Non-operating Revenues:			
Interest on investments	\$ 998	\$ 11,354	\$ 10,356
Other non-operating revenue	134,918	243,627	108,709
Total Non-Operating Revenues	<u>\$ 135,916</u>	<u>\$ 254,981</u>	<u>\$ 119,065</u>
Total Revenues	<u>\$ 29,263,716</u>	<u>\$ 27,438,181</u>	<u>\$ (1,825,535)</u>
Expenditures:			
Administration and Operations:			
Salaries and employee benefits	\$ 1,162,753	\$ 1,072,312	\$ 90,441
Administration	801,490	775,945	25,545
Operations	763,130	635,238	127,892
Total	<u>\$ 2,727,373</u>	<u>\$ 2,483,495</u>	<u>\$ 243,878</u>
Other Operating Expenses:			
Load management	<u>\$ 190,000</u>	<u>\$ 174,765</u>	<u>\$ 15,235</u>
Electrical Power Purchases	<u>\$ 24,818,934</u>	<u>\$ 23,115,683</u>	<u>\$ 1,703,251</u>
Capital Outlay:			
Distribution system	\$ 200,000	\$ 200,480	\$ (480)
Equipment	21,109	8,405	12,704
Total Capital Outlay	<u>\$ 221,109</u>	<u>\$ 208,885</u>	<u>\$ 12,224</u>
Total Expenditures	<u>\$ 27,957,416</u>	<u>\$ 25,982,828</u>	<u>\$ 1,974,588</u>
Revenues Over (Under) Expenditures	<u>\$ 1,306,300</u>	<u>\$ 1,455,353</u>	<u>\$ 149,053</u>
Other Financing Sources (Uses):			
Transfer to General Fund	\$ (1,186,058)	\$ (1,186,058)	\$ -
Fund balance appropriated	28,517	-	(28,517)
Contribution to Reserves	(163,680)	-	163,680
Transfer to Electric Capital Project Fund	(1,579)	(101,579)	(100,000)
Transfer from Electric Capital Projects Fund	16,500	14,376	(2,124)
Transfer to Electric Capital Projects Fund	-	(211)	(211)
Total Other Financing Sources	<u>\$ (1,306,300)</u>	<u>\$ (1,273,472)</u>	<u>\$ 32,828</u>

(continued)

Town of Tarboro, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
(continued)			
Revenues Over Expenditures and Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 181,881</u>	<u>\$ 181,881</u>

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Reconciling Items:

Depreciation	\$ (1,542,033)
Increase in other postemployment benefits	(82,410)
Increase in accrued vacation pay	(12,145)
Capital outlays	208,885
Transfer from Electric to Capital Project Fund	101,579
Transfer to Electric from Capital Project Fund	(14,376)
Transfer from Capital Project Fund to Electric Capital Project Fund	18,232
Capital contributions	1,062,118
Total Reconciling Items	<u>\$ (260,150)</u>

Change in Net Assets	<u>\$ (78,269)</u>
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Town of Tarboro, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating Revenues:			
Water and Sewer Sales	\$ 4,037,200	\$ 3,953,764	\$ (83,436)
Water and sewer taps	8,500	30,318	21,818
Other operating revenues	24,776	28,049	3,273
Total Operating Revenues	<u>\$ 4,070,476</u>	<u>\$ 4,012,131</u>	<u>\$ (58,345)</u>
Nonoperating Revenues:			
Interest earnings	\$ 768	\$ 8,307	\$ 7,539
Other non-operating revenues	55,668	75,173	19,505
Total Operating Revenues	<u>\$ 56,436</u>	<u>\$ 83,480</u>	<u>\$ 27,044</u>
Total Revenues	<u>\$ 4,126,912</u>	<u>\$ 4,095,611</u>	<u>\$ (31,301)</u>
Expenditures:			
Water and Sewer Administration:			
Salaries and employee benefits	\$ 1,296,328	\$ 1,350,014	\$ (53,686)
Professional services	39,000	21,994	17,006
Administration	813,685	757,779	55,906
Total	<u>\$ 2,149,013</u>	<u>\$ 2,129,787</u>	<u>\$ 19,226</u>
Water Treatment and Distribution:			
Utilities	\$ 250,000	\$ 248,839	\$ 1,161
Other operating expenditures	589,197	550,227	38,970
Total	<u>\$ 839,197</u>	<u>\$ 799,066</u>	<u>\$ 40,131</u>
Waste Collection and Treatment:			
Utilities	\$ 296,000	\$ 322,028	\$ (26,028)
Other operating expenditures	454,668	401,473	53,195
Total	<u>\$ 750,668</u>	<u>\$ 723,501</u>	<u>\$ 27,167</u>
Capital Outlay:			
Equipment	\$ 242,779	\$ 186,508	\$ 56,271
Water Treatment Plant	-	-	-
Sewer Treatment	77,000	42,303	34,697
Total	<u>\$ 319,779</u>	<u>\$ 228,811</u>	<u>\$ 90,968</u>
Total Expenditures	<u>\$ 4,058,657</u>	<u>\$ 3,881,165</u>	<u>\$ 177,492</u>
Revenues Over (Under) Expenditures	<u>\$ 68,255</u>	<u>\$ 214,446</u>	<u>\$ 146,191</u>

(continued)

Town of Tarboro, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
(continued)			
Other Financing Sources (Uses):			
Fund balance appropriated	\$ 95,466	\$ -	\$ (95,466)
Contribution to Reserves.	(163,721)	-	163,721
	<u>\$ (68,255)</u>	<u>\$ -</u>	<u>\$ 68,255</u>
Total Other Financing Sources (Uses)			
Revenues Over Expenditures and Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 214,446</u>	<u>\$ 214,446</u>

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Reconciling Items:	
Depreciation	\$ (997,200)
Increase in other postemployment benefits	(98,998)
Decrease in accrued vacation pay	24,948
Capital outlay	228,811
Total Reconciling Items	<u>\$ (842,439)</u>
Change in Net Assets	<u>\$ (627,993)</u>

Town of Tarboro, North Carolina
Solid Waste Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating Revenues:			
Charge for Services:			
Solid waste collection & disposal charge	\$ 989,038	\$ 992,207	3,169
Non-Operating Revenues:			
Interest on investments	174	1,484	1,310
Solid Waste Disposal Tax	-	7,646	7,646
Other non-operating revenues	89,588	94,777	5,189
Total Revenues	<u>\$ 1,078,800</u>	<u>\$ 1,096,114</u>	<u>\$ 17,314</u>
Expenditures:			
Solid Waste Collection and Disposal:			
Salaries and employee benefits	\$ 306,922	\$ 291,935	\$ 14,987
Sanitary landfill fees	317,588	318,710	(1,122)
Administration	465,196	468,323	(3,127)
Total	<u>\$ 1,089,706</u>	<u>\$ 1,078,968</u>	<u>\$ 10,738</u>
Capital outlay	-	-	-
Total Expenditures	<u>\$ 1,089,706</u>	<u>\$ 1,078,968</u>	<u>\$ 10,738</u>
Revenues Over (Under) Expenditures	\$ (10,906)	\$ 17,146	\$ 28,052
Other Financing Sources (Uses):			
Fund balance appropriated	<u>10,906</u>	<u>-</u>	<u>(10,906)</u>
Revenues Over Expenditures and Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 17,146</u>	<u>\$ 17,146</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling Items:			
Depreciation		\$ (45,287)	
Increase in other postemployment benefits		(30,305)	
Increase in accrued vacation pay		(4,282)	
Capital outlay		-	
Total Reconciling Items		<u>\$ (79,874)</u>	
Change in Net Assets		<u>\$ (62,728)</u>	

ENTERPRISE FUNDS

CAPITAL PROJECTS

Town of Tarboro, North Carolina
Electric Capital Projects Fund
Sara Lee Generator Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Sara Lee Generator Project:					
CDBG Grant	\$ 675,000	\$ 63,308	\$ 611,692	\$ 675,000	\$ -
Rural Center Grant	450,000	-	412,191	412,191	(37,809)
Carolinas Gateway Partnership Grant	11,250	11,250	-	11,250	-
Total Revenues	<u>\$ 1,136,250</u>	<u>\$ 74,558</u>	<u>\$ 1,023,883</u>	<u>\$ 1,098,441</u>	<u>\$ (37,809)</u>
Expenditures:					
Sara Lee Generator Project:					
Professional services	\$ 102,500	\$ 85,808	\$ 16,400	\$ 102,208	\$ 292
Construction	1,046,579	-	1,009,062	1,009,062	37,517
Total Expenditures	<u>\$ 1,149,079</u>	<u>\$ 85,808</u>	<u>\$ 1,025,462</u>	<u>\$ 1,111,270</u>	<u>\$ 37,809</u>
Excess of Revenues Over (Under) Expenditures	\$ (12,829)	\$ (11,250)	\$ (1,579)	\$ (12,829)	\$ -
Other Financing					
Sources (Uses):					
Transfer from Electric fund	<u>12,829</u>	<u>11,250</u>	<u>1,579</u>	<u>12,829</u>	<u>-</u>
Unexpended Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Tarboro, North Carolina
Electric Capital Projects Fund
SCADA & Lighting Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
SCADA & Lighting Project:					
ARRA/NC Dept of Commerce	\$ 156,537	\$ 100,015	\$ 28,236	\$ 128,251	\$ (28,286)
Expenditures:					
SCADA & Lighting Project:					
Lighting	\$ 32,717	\$ 5,794	\$ 9,993	\$ 15,787	\$ 16,930
Equipment	183,636	154,037	29,599	183,636	-
Total Expenditures	\$ 216,353	\$ 159,831	\$ 39,592	\$ 199,423	\$ 16,930
Excess of Revenues Over (Under) Expenditures	\$ (59,816)	\$ (59,816)	\$ (11,356)	\$ (71,172)	\$ (11,356)
Other Financing					
Sources (Uses):					
Transfer from Electric fund	\$ 59,816	\$ 59,816	\$ (6,876)	\$ 52,940	\$ (6,876)
Transfer from Capital Project fund	-	-	18,232	18,232	18,232
Total Other Financings Sources (Uses)	\$ 59,816	\$ 59,816	\$ 11,356	\$ 71,172	\$ 11,356
Unexpended Balances	\$ -	\$ -	\$ -	\$ -	\$ -

Town of Tarboro, North Carolina
Electric Capital Projects Fund
Superior Essex Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Superior Essex Project:					
Carolinas Gateway	\$ 10,000	\$ -	\$ 10,000	\$ 10,000	\$ -
Rural Center Grant	640,000	-	-	-	(640,000)
Golden Leaf	500,000	-	-	-	(500,000)
Industrial Develop. Fund	250,000	-	-	-	(250,000)
Total Revenues	<u>\$ 1,400,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ (1,390,000)</u>
Expenditures:					
Superior Essex Project:					
Professional Services	\$ 35,000	\$ 7,500	\$ 17,500	\$ 25,000	\$ 10,000
Construction	1,465,000	-	36,110	36,110	1,428,890
Total Expenditures	<u>\$ 1,500,000</u>	<u>\$ 7,500</u>	<u>\$ 53,610</u>	<u>\$ 61,110</u>	<u>\$ 1,438,890</u>
 Excess of Revenues Over (Under) Expenditures					
	\$ (100,000)	\$ (7,500)	\$ (43,610)	\$ (51,110)	\$ 48,890
 Other Financing					
Sources (Uses):					
Transfer from Electric fund	<u>100,000</u>	<u>7,500</u>	<u>92,500</u>	<u>100,000</u>	<u>-</u>
Unexpended Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,890</u>	<u>\$ 48,890</u>	<u>\$ 48,890</u>

**CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS**

Town of Tarboro, North Carolina
Comparative Schedule of Capital Assets, by Source
June 30, 2012

	<u>2012</u>	<u>2011</u>
Capital Assets:		
Land	\$ 1,909,193	\$ 1,909,193
Building	6,242,554	6,040,318
Other improvements	2,864,250	2,818,461
Infrastructure streets	49,398,399	48,892,940
Infrastructure sidewalks	549,028	549,028
Equipment	7,474,718	7,400,050
Construction in progress	-	31,937
	<u>\$ 68,438,142</u>	<u>\$ 67,641,927</u>
Capital Assets by Source:		
General Government	\$ 2,284,281	\$ 2,284,281
Public Safety	7,093,151	7,018,483
Public Works	53,403,719	52,696,235
Cultural and Recreational	5,656,991	5,642,928
	<u>\$ 68,438,142</u>	<u>\$ 67,641,927</u>
Total Capital Assets		
	<u>\$ 68,438,142</u>	<u>\$ 67,641,927</u>
Total Capital Assets by Source		
	<u>\$ 68,438,142</u>	<u>\$ 67,641,927</u>

Town of Tarboro, North Carolina
Schedule of Capital Assets, by Function and Activity
June 30, 2012

	Land	Buildings	Other Improvements	Infrastructure		CIP	Equipment	Total
				Streets	Sidewalks			
General Government								
Administration	\$ 1,550,693	\$ 353,057	\$ 187,726	\$ -	\$ -	\$ -	\$ 7,874	\$ 2,099,350
Finance	-	-	-	-	-	-	168,382	168,382
Planning	-	-	-	-	-	-	16,549	16,549
Total General Government	\$ 1,550,693	\$ 353,057	\$ 187,726	\$ -	\$ -	\$ -	\$ 192,805	\$ 2,284,281
Public Safety								
Police	\$ 8,500	\$ 1,301,780	\$ 39,338	\$ -	\$ -	\$ -	\$ 2,704,785	\$ 4,054,403
Fire	-	628,098	231,613	-	-	-	2,179,037	3,038,748
Total Public Safety	\$ 8,500	\$ 1,929,878	\$ 270,951	\$ -	\$ -	\$ -	\$ 4,883,822	\$ 7,093,151
Public Works								
Garage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,261	\$ 30,261
Buildings and grounds	-	780,902	583,304	-	-	-	708,833	2,073,039
Administration	-	-	-	-	-	-	10,637	10,637
Engineering	-	-	-	-	-	-	90,414	90,414
Streets	-	-	189,741	49,398,399	-	-	1,062,200	50,650,340
Sidewalks	-	-	-	-	549,028	-	-	549,028
Total Public Works	\$ -	\$ 780,902	\$ 773,045	\$ 49,398,399	\$ 549,028	\$ -	\$ 1,902,345	\$ 53,403,719
Cultural and Recreational								
Cultural and Recreation	\$ 350,000	\$ 3,178,717	\$ 1,632,528	\$ -	\$ -	\$ -	\$ 495,746	\$ 5,656,991
Total Capital Assets	\$ 1,909,193	\$ 6,242,554	\$ 2,864,250	\$ 49,398,399	\$ 549,028	\$ -	\$ 7,474,718	\$ 68,438,142

OTHER SUPPLEMENTAL SCHEDULES

Town of Tarboro, North Carolina
Schedule of Cash and Investment Balances
June 30, 2012

Cash and Cash Equivalents

On hand	\$ 3,225
In demand deposits	1,165,770
Certificates of deposit with maturities of 91 days or less	3,500,000
Certificates of deposit with maturities of over 91	3,550,000
North Carolina Capital Management Trust	766,570
Total	<u>\$ 8,985,565</u>

Distribution by Funds

General Fund	\$ 4,235,973
Special Revenue Funds	54,636
Capital Projects Funds	-
Enterprise Funds:	
Electric Fund	2,430,243
Water and Sewer Fund	1,901,141
Solid Waste Fund	363,572
Total	<u>\$ 8,985,565</u>

Town of Tarboro, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2012

Fiscal Year	Uncollected Balance June 30, 2011	Additions	Collections and Credits	Uncollected Balance June 30, 2012
2011-2012	\$ -	\$ 3,580,883	\$ 3,450,764	\$ 130,119
2010-2011	113,967	212,810	69,912	256,865
2009-2010	92,694	-	8,411	84,283
2008-2009	19,743	-	3,109	16,634
2007-2008	14,090	-	1,478	12,612
2006-2007	10,599	-	556	10,043
2005-2006	10,070	-	658	9,412
2004-2005	9,938	-	484	9,454
2003-2004	7,465	-	243	7,222
2002-2003	9,463	-	441	9,022
Prior years	26,500	-	23,272	3,228
	<u>\$ 314,529</u>	<u>\$ 3,793,693</u>	<u>\$ 3,559,328</u>	<u>\$ 548,894</u>

Reconcilement with Revenues:

Ad valorem taxes - General Fund	<u>\$ 3,559,208</u>
Reconciling Items:	
Interest collected	\$ (21,719)
Prior years taxes written off	23,156
Prior year releases	(2,586)
Licenses	1,269
Total Reconciling Items	<u>\$ 120</u>
Total Collections and Credits	<u>\$ 3,559,328</u>

Town of Tarboro, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
For the Fiscal Year Ended June 30, 2012

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current:					
Real estate	\$ 590,480,650	0.41	\$ 2,420,971	\$ 2,420,971	\$ -
Personal property	175,112,933	0.41	717,963	717,963	-
Gross Levy	\$ 765,593,583		\$ 3,138,934	\$ 3,138,934	\$ -
Add:					
Motor vehicles taxed at current year's rate	62,833,238	0.41	257,616	-	257,616
Other afterlists (1)	39,702,934		161,039	161,039	-
Late listing penalties			5,900	5,900	-
Licenses			42,408	1,518	40,890
	\$ 868,129,755		\$ 3,605,897	\$ 3,307,391	\$ 298,506
Deduct releases:	(6,287,097)		(25,014)	(18,634)	(6,380)
Net levy	\$ 861,842,658		\$ 3,580,883	\$ 3,288,757	\$ 292,126
Uncollected taxes at June 30, 2012			130,119	73,314	56,805
Current year's taxes collected			\$ 3,450,764	\$ 3,215,443	\$ 235,321
Current levy collection percentage			96.37%	97.77%	80.55%

(1) Includes Public Service Companies; also includes discoveries at varying tax rates.

STATISTICAL SECTION

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

Contents	Page
Financial Trends	85
<i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</i>	
Revenue Capacity	91
<i>These schedules contain information that helps the reader assess the Town's most significant local revenue source, the property tax.</i>	
Debt Capacity	98
<i>This schedule presents information to help the reader assess the affordability of the Town's ability to issue debt in the future.</i>	
Demographic and Economic Information	101
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</i>	
Operating Information	104
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual reports for the relevant year.

TOWN OF TARBORO, NORTH CAROLINA

Net Assets by Component

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Invested in capital assets, net of related debt	31,997	29,769	28,490	27,080	25,025	23,969	22,134	20,560	18,800	17,418
Restricted	-	-	4,040	3,363	836	759	333	973	2,292	1,951
Unrestricted	5,285	5,139	714	667	3,036	3,084	2,436	950	(215)	570
Total governmental activities net assets	<u>37,282</u>	<u>34,908</u>	<u>33,244</u>	<u>31,110</u>	<u>28,897</u>	<u>27,812</u>	<u>24,903</u>	<u>22,483</u>	<u>20,877</u>	<u>19,939</u>
Business Type Activities										
Invested in capital assets, net of related debt	47,308	48,543	47,940	46,729	45,835	43,879	42,450	40,408	38,195	37,230
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	9,180	6,521	5,899	5,665	5,918	5,010	4,439	4,650	5,472	5,669
Total business-type activities net assets	<u>56,488</u>	<u>55,064</u>	<u>53,839</u>	<u>52,394</u>	<u>51,753</u>	<u>48,889</u>	<u>46,889</u>	<u>45,058</u>	<u>43,667</u>	<u>42,899</u>
Primary Government										
Invested in capital assets, net of related debt	79,305	78,312	76,430	73,809	70,860	67,848	64,584	60,968	56,995	54,648
Restricted	-	-	4,040	3,363	836	759	333	973	2,292	1,951
Unrestricted	14,465	11,660	6,613	6,332	8,954	8,094	6,875	5,600	5,257	6,239
Total primary government net assets	<u>93,770</u>	<u>89,972</u>	<u>87,083</u>	<u>83,504</u>	<u>80,650</u>	<u>76,701</u>	<u>71,792</u>	<u>67,541</u>	<u>64,544</u>	<u>62,838</u>

TOWN OF TARBORO, NORTH CAROLINA

Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General Government	1,862	3,874	2,719	2,737	2,920	3,062	3,590	3,630	3,569	3,409
Public safety	3,802	3,793	3,832	2,899	3,751	3,938	4,477	4,386	4,518	4,413
Transportation	2,576	2,913	1,790	3,448	1,855	2,560	2,667	2,894	2,549	2,659
Economic and physical development	-	-	426	832	446	18	102	-	163	55
Cultural and recreation	1,266	1,386	1,260	1,267	1,198	1,166	1,247	1,102	1,139	1,139
Total governmental activities expenses	9,506	11,966	10,027	11,183	10,170	10,744	12,083	12,012	11,938	11,675
Business Type Activities:										
Water & Sewer	3,296	3,533	3,727	3,663	3,932	4,036	4,413	4,385	4,549	4,723
Electric	21,585	22,178	22,005	23,689	24,468	24,616	27,301	28,146	28,410	27,411
Solid Waste	643	782	616	644	688	924	1,024	1,033	1,063	1,159
Total business-type activities net assets	25,524	26,493	26,348	27,996	29,088	29,576	32,738	33,564	34,022	33,293
Total primary government expenses	35,030	38,459	36,375	39,179	39,258	40,320	44,821	45,576	45,960	44,968
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	55	80	1,070	1,026	1,063	1,266	1,334	1,332	1,426	1,420
Public Safety	93	189	47	218	572	71	57	103	60	88
Transportation	388	-	-	-	350	377	333	250	164	-
Cultural and recreation	128	136	156	-	247	255	194	303	221	188
Operating Grants and Contributions	186	357	369	363	101	-	107	501	590	753
Capital Grants and Contributions	(44)	94	205	-	-	103	-	-	-	69
Total governmental activities program revenues	806	856	1,847	1,607	2,333	2,072	2,025	2,489	2,461	2,518
Business Type Activities:										
Charges for services:										
Water & Sewer	2,643	2,665	2,865	3,081	2,895	2,919	3,172	3,307	4,040	4,012
Electric	21,380	22,310	22,002	23,311	24,015	23,879	26,862	28,476	29,035	27,183
Solid Waste	638	653	685	704	739	868	945	942	958	992
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	422
Capital Grants and Contributions	2,352	510	493	-	664	5	594	129	205	1,080
Total business-type activities program revenues	27,013	26,138	26,045	27,096	28,313	27,671	31,573	32,854	34,238	33,689
Total primary government revenues	27,819	26,994	27,892	28,703	30,646	29,743	33,598	35,343	36,699	36,207

(continued)

(continued)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (expense)/revenue										
Governmental activities	(8,700)	(11,110)	(8,180)	(9,576)	(7,837)	(8,672)	(10,058)	(9,523)	(9,477)	(9,157)
Business-type activities	1,489	(355)	(303)	(900)	(775)	(1,905)	(1,165)	(710)	216	396
Total primary government net expense	<u>(7,211)</u>	<u>(11,465)</u>	<u>(8,483)</u>	<u>(10,476)</u>	<u>(8,612)</u>	<u>(10,577)</u>	<u>(11,223)</u>	<u>(10,233)</u>	<u>(9,261)</u>	<u>(8,761)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Ad valorem taxes	3,113	3,101	3,082	3,073	3,039	3,039	3,035	3,239	3,194	3,822
Other taxes and licenses	114	132	136	140	144	179	205	230	241	271
Unrestricted intergovernmental	2,198	2,331	2,592	2,462	2,591	2,777	2,728	2,434	2,507	2,676
Unrestricted investment earnings	74	58	110	201	204	189	74	16	8	18
Miscellaneous	205	107	190	195	345	274	217	45	60	246
Transfers	794	1,144	1,023	1,080	111	1,129	891	1,139	1,657	1,186
Total governmental activities	<u>6,498</u>	<u>6,873</u>	<u>7,133</u>	<u>7,151</u>	<u>6,434</u>	<u>7,587</u>	<u>7,150</u>	<u>7,103</u>	<u>7,667</u>	<u>8,219</u>
Business Type Activities:										
Unrestricted investment earnings	122	76	101	181	245	170	55	17	8	21
Transfers	(794)	(1,144)	(1,023)	(1,080)	(111)	(1,129)	(890)	(1,139)	(1,657)	(1,186)
Total business-type activities net assets	<u>(672)</u>	<u>(1,068)</u>	<u>(922)</u>	<u>(899)</u>	<u>134</u>	<u>(959)</u>	<u>(835)</u>	<u>(1,122)</u>	<u>(1,649)</u>	<u>(1,165)</u>
Total primary government revenues	<u>5,826</u>	<u>5,805</u>	<u>6,211</u>	<u>6,252</u>	<u>6,568</u>	<u>6,628</u>	<u>6,315</u>	<u>5,981</u>	<u>6,018</u>	<u>7,054</u>
Change in Net Assets										
Governmental Activities	(2,202)	(2,374)	(1,048)	(2,011)	(140)	(1,085)	(2,909)	(2,420)	(1,810)	(938)
Prior period adjustment - Governmental Activities	-	-	(616)	(123)	-	-	-	-	-	-
Business-type activities	817	(1,424)	(1,224)	(1,445)	(698)	(2,864)	(2,000)	(1,831)	(1,429)	(769)
Total primary government	<u>(1,385)</u>	<u>(3,798)</u>	<u>(2,888)</u>	<u>(3,579)</u>	<u>(838)</u>	<u>(3,949)</u>	<u>(4,909)</u>	<u>(4,251)</u>	<u>(3,239)</u>	<u>(1,707)</u>

TOWN OF TARBORO, NORTH CAROLINA
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Franchise Tax	Rental Vehicle Tax	Animal Tax	Privilege License	Total
2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2003	3,078	84	3	1	26	3,192
2004	3,099	90	7	2	33	3,231
2005	3,104	96	7	2	31	3,240
2006	3,054	99	8	1	32	3,194
2007	3,021	104	9	1	30	3,165
2008	3,022	135	8	1	34	3,200
2009	3,069	169	6	1	29	3,274
2010	3,164	172	3	1	54	3,394
2011	3,154	177	3	1	59	3,394
2012	3,559	214	3	2	53	3,831

TOWN OF TARBORO, NORTH CAROLINA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)
(amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	1,712	1,146	1,535	1,173	1,584	1,329	1,504	1,543	-	-
Unreserved	3,302	3,677	2,855	3,142	2,483	2,569	1,840	1,266	-	-
Non-Spendable									68	49
Restricted									2,029	1,913
Assigned									792	897
Unassigned									617	1,456
Total General Fund	<u>5,014</u>	<u>4,823</u>	<u>4,390</u>	<u>4,315</u>	<u>4,067</u>	<u>3,898</u>	<u>3,344</u>	<u>2,809</u>	<u>3,506</u>	<u>4,315</u>
All other governmental funds										
Reserved	-	-	1	-	1	46	1	-	-	-
Unreserved, reported in:										
Special revenue funds	29	72	108	7	73	201	260	354	(36)	38
Capital projects funds	-	2	653	80	104	100	67	7	-	-
Total all other governmental funds	<u>29</u>	<u>74</u>	<u>762</u>	<u>87</u>	<u>178</u>	<u>347</u>	<u>328</u>	<u>361</u>	<u>(36)</u>	<u>38</u>

TOWN OF TARBORO, NORTH CAROLINA
Changes in Fund Balances-Governmental Funds

Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	3,192	3,231	3,240	3,194	3,166	3,200	3,274	3,394	3,395	3,830
Intergovernmental	2,746	2,898	3,158	3,142	3,542	3,258	3,168	3,115	3,232	3,473
Permits and fees	94	47	47	84	64	64	57	52	55	83
Sales and services	183	216	205	221	247	255	232	408	265	232
Investment earnings	74	58	110	201	204	189	74	16	8	17
Assessments	21	27	9	10	8	7	-	-	-	-
Miscellaneous	165	76	189	204	345	274	220	100	94	276
Charges for services	933	902	1,020	1,026	1,063	1,266	1,293	1,293	1,382	1,377
Total general fund	<u>7,408</u>	<u>7,455</u>	<u>7,978</u>	<u>8,082</u>	<u>8,639</u>	<u>8,513</u>	<u>8,318</u>	<u>8,378</u>	<u>8,431</u>	<u>9,288</u>
Expenditures										
General government	3,017	2,880	2,725	2,727	2,842	3,084	3,403	3,364	3,464	3,374
Public safety	3,152	3,268	3,381	3,454	3,582	4,047	4,304	4,250	4,041	3,932
Transportation	646	1,463	1,064	1,548	984	1,394	850	1,213	858	1,448
Culture and recreation	1,240	1,133	1,151	1,225	1,053	1,099	1,123	942	996	972
Economic Development	-	-	426	833	446	17	102	250	163	55
Capital Projects	-	-	-	-	-	-	-	-	287	74
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>8,055</u>	<u>8,744</u>	<u>8,747</u>	<u>9,787</u>	<u>8,907</u>	<u>9,641</u>	<u>9,782</u>	<u>10,019</u>	<u>9,809</u>	<u>9,855</u>
Excess of revenues over(under) expenditures	(647)	(1,289)	(769)	(1,705)	(268)	(1,128)	(1,464)	(1,641)	(1,378)	(567)
Other financing sources (uses)										
Transfers in	1,384	1,176	2,105	1,426	1,419	1,129	957	1,210	1,875	1,250
Transfers out	(590)	(32)	(1,082)	(346)	(1,308)	-	(67)	(71)	(218)	(64)
Total other financing sources (uses)	<u>794</u>	<u>1,144</u>	<u>1,023</u>	<u>1,080</u>	<u>111</u>	<u>1,129</u>	<u>890</u>	<u>1,139</u>	<u>1,657</u>	<u>1,186</u>
Net change in fund balances	<u>147</u>	<u>(145)</u>	<u>254</u>	<u>(625)</u>	<u>(157)</u>	<u>1</u>	<u>(574)</u>	<u>(502)</u>	<u>279</u>	<u>619</u>
Debt service as a percentage of noncapital expenses	-	-	-	-	-	-	-	-	-	-

TOWN OF TARBORO, NORTH CAROLINA
General Governmental Tax Revenues by Source (1)
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Licenses, Permits and Fees</u>	<u>Other Taxes and Licenses</u>	<u>Inter- governmental</u>	<u>Sales and Services</u>	<u>Interest</u>	<u>Special Assessments</u>	<u>Other</u>	<u>Total</u>
2003	3,078	94	114	2,746	183	74	21	165	6,475
2004	3,099	47	132	2,898	216	58	27	76	6,553
2005	3,104	47	137	3,158	205	108	9	190	6,958
2006	3,054	84	140	3,142	221	201	10	204	7,056
2007	3,022	64	144	3,215	247	204	8	345	7,249
2008	3,022	64	179	3,258	255	189	6	274	7,247
2009	3,068	57	205	3,168	232	74	0	220	7,024
2010	3,164	52	230	3,116	408	16	0	100	7,086
2011	3,154	56	241	3,230	265	8	0	95	7,049
2012	3,559	83	271	3,473	232	17	0	276	7,911

(1) Includes General, Special Revenue, and Capital Projects Funds

TOWN OF TARBORO, NORTH CAROLINA
Assessed Value of Property
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Real Property			Personal Property Value ¹	Public Service Co. Value ²	Total Assessed Value	Total Direct Tax Rate Base	Estimated Actual Value	Assessed Value as a Percentage of
	Assessed Value	Less Exemptions	Net Value ¹						Actual Value
2003	406,447	4,143	402,304	291,303	31,204	724,811	4.20	784,430	92.4%
2004	413,005	4,213	408,792	276,071	31,206	716,069	4.20	787,970	90.9%
2005	417,943	4,717	413,226	273,912	30,844	717,982	4.20	796,620	90.1%
2006	423,239	4,640	418,599	265,797	31,780	716,176	4.20	789,931	90.7%
2007	424,881	4,498	420,383	260,894	28,232	709,509	4.20	837,194	84.7%
2008	428,042	5,001	423,041	253,632	27,992	704,665	4.20	841,843	83.7%
2009	429,893	4,800	425,093	254,605	26,008	705,706	4.20	712,719	99.0%
2010	593,362	7,600	585,762	247,990	33,946	867,698	3.60	877,737	98.9%
2011	598,405	7,213	591,192	242,030	32,598	865,820	3.60	884,073	97.9%
2012	598,788	8,467	590,321	241,150	30,371	861,842	4.10	879,080	98.0%

Note: Real property is revalued once every eight years; the last occurred in 2009.

¹ Edgecombe Co. Tax Assessor for real and personal property value

² Public Service Co. NC Dept of Revenue

TOWN OF TARBORO, NORTH CAROLINA

Property Tax Rates

Direct and Overlapping Governments

Last Ten Fiscal Years

(rate per \$100 of assessed value)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Direct:										
Town of Tarboro	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.36	0.36	0.41
Overlapping:										
Edgecombe County	0.91	0.91	0.93	0.93	0.94	0.94	0.94	0.86	0.86	0.00

Source: Edgecombe County CAFR (6/30/11). Property was revalued in 2009.

Note: Overlapping rates are those of local and county governments that apply to property owners within the Town of Tarboro.

TOWN OF TARBORO, NORTH CAROLINA
Principal Property Taxpayers
June 30, 2012
(amounts expressed in thousands)

Taxpayer	2011-2012			2010-2011		
	Taxable	Rank	% of Total	Taxable	Rank	% of Total
	Assessed		Taxable	Assessed		Taxable
	Value		Assessed Value	Value		Assessed Value
Carolina System Technology, Inc	65,853	1	8.5%	69,274	1	9.0%
Sara Lee Bakery Co	49,166	2	6.4%	40,848	2	5.3%
Carolina Tel & Tel Company	20,116	3	2.6%	22,048	3	2.9%
Kitchens of Sara Lee Corp	17,274	4	2.2%	17,274	4	2.2%
Superior Teletec, Inc	14,584	5	1.9%	15,588	5	2.0%
Art Mortgage Borrer Prop.	10,226	6	1.3%	10,226	6	1.3%
Lowe's Home Centers Inc.	10,112	7	1.3%			
Wal-Mart Real Estate Business	8,848	8	1.1%	8,848	8	1.1%
Spongex, LLC	8,441	9	1.1%	10,368	9	1.3%
Air Systems Components LP	8,387	10	1.1%	7,789	10	1.0%
Sunrise IV Albemarle SL LLC				8,382	9	1.1%

Taxpayer	2009-2010			2008-2009		
	Taxable	Rank	% of Total	Taxable	Rank	% of Total
	Assessed		Taxable	Assessed		Taxable
	Value		Assessed Value	Value		Assessed Value
Carolina System Technology, Inc	71,614	1	8.3	66,930	1	9.5%
Sara Lee Bakery Co	31,473	2	3.7	37,408	2	5.3%
Carolina Tel & Tel Company	23,525	3	2.7	20,193	3	2.9%
Kitchens of Sara Lee Corp	17,274	4	1.0	11,000	5	1.6%
Superior Teletec, Inc	13,345	5	1.5	15,533	4	2.2%
Art Mortgage Borrer Prop.	10,226	6	1.2	-		
Lowe's Home Centers Inc.	9,125	7	1.1	-		
Wal-Mart Real Estate Business	8,848	8	1.1	7,607	10	1.1%
Spongex, LLC	8,325	9	1.0	8,242	8	1.2%
Air Systems Components LP	7,789	10	1.1	8,613	7	1.2%
Sunrise IV Albemarle SL LLC				-		
URS Real Estate LP				8,644	6	1.2%
General Foam Plastics LP				8,044	9	1.1%

(continued)

Principal Property Taxpayers (continued)

Taxpayer	2007-2008			2006-2007		
	Taxable	Rank	% of Total	Taxable	Rank	% of Total
	Assessed Value		Assessed Value	Assessed Value		Assessed Value
Carolina System Technology, Inc	66,465	1	9.4	66,334	1	9.3%
Sara Lee Bakery Co	40,687	2	5.8	47,558	2	6.7%
Carolina Tel & Tel Company	21,845	3	3.1	22,368	3	3.2%
Kitchens of Sara Lee Corp	11,000	5	2.4	11,000	5	1.6%
Superior Teletec, Inc	16,839	4	1.6	17,333	4	2.4%
Art Mortgage Borrer Prop.				-		
Lowe's Home Centers Inc.				-		
Wal-Mart Real Estate Business	6,804	10	1.0	6,913	10	1.0%
Spongex, LLC						
Air Systems Components LP	9,035	6	1.3	9,498	6	1.3%
Long Agribusiness LLC	6,956	9	1.0	7,026	9	1.0%
URS Real Estate LP	8,644	7	1.2	8,644	7	1.2%
General Foam Plastics LP	7,222	8	1.0	7,576	8	1.1%

Taxpayer	2005-2006			2004-2005		
	Taxable	Rank	% of Total	Taxable	Rank	% of Total
	Assessed Value		Assessed Value	Assessed Value		Assessed Value
Carolina System Technology, Inc	59,624	1	8.3	56,191	1	7.8%
Sara Lee Bakery Co	50,507	2	7.1	54,647	2	7.6%
Carolina Tel & Tel Company	25,886	3	3.6	24,258	3	3.4%
Kitchens of Sara Lee Corp	11,000	5	1.5	12,955	5	1.8%
Superior Teletec, Inc	14,923	4	2.1	17,630	4	2.5%
Art Mortgage Borrer Prop.						
Lowe's Home Centers Inc.						
Wal-Mart Real Estate Business	7,144	8	1.0	7,312	9	1.0%
Spongex, LLC						
Air Systems Components LP	9,298	6	1.3	9,946	6	1.4%
Long Agribusiness LLC						
URS Real Estate LP	8,644	7	1.2	8,644	7	1.2%
General Foam Plastics LP	6,989	9	1.0	7,217	10	1.0%
Glenoit Fabrics (HG) Corporation	6,919	10	1.0	8,368	8	1.2%

(continued)

Principal Property Taxpayers (continued)

Taxpayer	2003-2004			2002-2003		
	Taxable	Rank	% of Total	Taxable	Rank	% of Total
	Assessed Value		Taxable Assessed Value	Assessed Value		Taxable Assessed Value
	58,785	1	8.2	44,702	2	6.2%
Carolina System Technology, Inc	48,367	2	6.8	64,062	1	8.8%
Sara Lee Bakery Co	25,508	3	3.6	25,983	3	3.6%
Carolina Tel & Tel Company	12,941	5	1.8	12,943	6	1.8%
Kitchens of Sara Lee Corp	19,846	4	2.8	21,732	4	3.0%
Superior Teletec, Inc						
Art Mortgage Borrer Prop.						
Lowe's Home Centers Inc.	7,795	9	1.1			
Wal-Mart Real Estate Business						
Spongex, LLC	10,369	7	1.4	11,149	7	1.5%
Air Systems Components LP				10,257	8	1.4%
Fieldcrest Cannon, Inc	8,644	8	1.2	8,644	9	1.2%
URS Real Estate LP	7,421	10	1.0	7,421	10	1.0%
General Foam Plastics LP	107,661	6	1.5	20,700	5	2.9%
Glenoit Fabrics (HG) Corporation						

Source: Town of Tarboro Tax Records

TOWN OF TARBORO, NORTH CAROLINA
Property Tax Levies and Collections (1)
Last Ten Fiscal Years
June 30, 2012
(amounts expressed in thousands)

Fiscal year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	3,098	2,986	96.4%	102	3,088	99.7%
2004	3,065	2,969	96.9%	87	3,056	99.7%
2005	3,070	2,988	97.3%	69	3,057	99.6%
2006	3,065	2,974	97.0%	78	3,052	99.6%
2007	3,030	2,920	96.4%	92	3,012	99.4%
2008	3,014	2,889	95.9%	118	3,007	99.8%
2009	3,027	2,930	96.8%	72	3,002	99.2%
2010	3,219	3,054	94.9%	-	3,054	94.9%
2011	3,162	3,048	96.4%	-	3,048	96.4%
2012	3,581	3,451	96.4%	-	3,451	96.4%

Note: Includes ad valorem taxes, auto taxes and dog taxes, which are combined for billing and collection purposes

TOWN OF TARBORO, NORTH CAROLINA
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed Value	728,954	720,283	722,570	720,816	714,008	709,666	710,506	874,645	873,037	868,130
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Net Assessed Value	728,954	720,283	722,570	720,816	714,008	709,666	710,506	874,645	873,037	868,130
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for FY 2011

Assessed value	861,843
Add back: exempt real property	6,287
Total assessed value	868,130
Debt limit (8%) of total assessed value)	69,450
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	-
Legal debt margin	69,450

Note: Under state finance law, the Town of Tarboro's outstanding general obligation debt should not exceed 8 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

TOWN OF TARBORO, NORTH CAROLINA
Computation of Direct and Overlapping Bonded Debt
General Obligation Bonds (in thousands)
June 30, 2012

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u> ¹	<u>Estimated Percentage Applicable</u> ²	<u>Estimate Share of Overlapping Debt</u>
Direct:			
Town of Tarboro	\$ 0.00	0%	\$ 0.00
Overlapping:			
Edgecombe County	10,590	27.70%	2,933

¹ Edgecombe County CAFR @ 6/30/11

² The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion the Town of Tarboro's taxable assessed value that is within Edgecombe County's boundaries and dividing it by the Town's total taxable assessed value (865,820 divided by 3,124,358 equals 27.7% as of 6/30/11)

Note: Overlapping governments are those that coincide, at least in part, with the geographical boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town of Tarboro. This process recognized that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

TOWN OF TARBORO, NORTH CAROLINA
Top Ten Utility Customers
June 30, 2012

Customer	2003			2004			2005			2006			2007		
	Total Sales	% of Total	Total	Total Sales	% of Total	Total	Total Sales	% of Total	Total	Total Sales	% of Total	Total	Total Sales	% of Total	Total
Sara Lee Bakery Company	\$ -	\$ -	\$ 2,451,578	10.99%	\$ 2,556,886	11.62%	\$ 2,480,962	10.64%	\$ 2,499,965	10.41%					
Glenoit Corporation	-	-	1,152,740	5.17%	903,670	4.11%	685,828	2.94%	446,714	1.86%					
General Foam Plastics Corp.	-	-	873,289	3.91%	811,597	3.69%	904,433	3.88%	960,129	4.00%					
Nomaco	-	-	819,496	3.67%	766,024	3.48%	827,737	3.55%	765,981	3.19%					
Air System Components	-	-	579,544	2.60%	622,044	2.83%	713,883	3.06%	765,981	3.19%					
CST	-	-	742,586	3.33%	564,478	2.57%	608,185	2.61%	793,938	3.31%					
Mayo Knitting Mills	-	-	445,217	2.00%	428,378	1.95%	508,500	2.18%	506,716	2.11%					
Heritage Hospital	-	-	431,200	1.93%	425,569	1.93%	463,000	1.99%	500,672	2.08%					
Wal-mart	-	-	390,402	1.75%	392,407	1.78%	428,841	1.84%	427,768	1.78%					
Spongex	-	-	-	-	-	-	-	0.00%	-	0.00%					
Fountains/Albemarle	-	-	-	-	-	-	-	0.00%	-	0.00%					
United Refrigeration	-	0.00%	328,537	1.47%	354,542	1.61%	378,076	1.62%	370,781	1.54%					
	\$ -		\$ 8,214,589	36.82%	\$ 7,825,595	35.57%	\$ 7,999,445	34.32%	\$ 8,038,645	33.47%					
Total Revenue (Electric Fund)	-		22,309,811		22,001,588		23,310,763		24,015,002						

Customer	2008			2009			2010			2011			2012		
	Total Sales	% of Total	Total	Total Sales	% of Total	Total	Total Sales	% of Total	Total	Total Sales	% of Total	Total	Total Sales	% of Total	Total
Sara Lee Bakery Company	\$ 3,011,965	12.58%	\$ 3,360,650	12.50%	\$ 3,966,989	13.93%	\$ 3,692,937	12.74%	\$ 4,393,001	16.24%					
Glenoit Corporation	442,439	1.85%	-	0.00%	-	0.00%	-	0.00%	-	0.00%					
General Foam Plastics Corp.	752,819	3.14%	661,779	2.46%	829,547	2.91%	825,348	2.85%	763,996	2.82%					
Nomaco	764,405	3.19%	802,341	2.99%	709,850	2.49%	627,937	2.17%	509,474	1.88%					
Air System Components	846,853	3.54%	870,501	3.24%	787,819	2.77%	757,343	2.61%	853,317	3.15%					
CST	733,002	3.06%	910,757	3.39%	777,093	2.73%	765,004	2.64%	737,609	2.73%					
Mayo Knitting Mills	565,417	2.36%	527,026	1.96%	519,364	1.82%	453,308	1.56%	364,310	1.35%					
Vidant Health (Heritage Hospital)	589,647	2.46%	658,644	2.45%	694,596	2.44%	629,705	2.17%	578,809	2.14%					
Wal-mart	415,700	1.74%	475,995	1.77%	504,389	1.77%	445,233	1.54%	391,106	1.45%					
Spongex	594,134	2.48%	760,718	2.83%	589,421	2.07%	558,691	1.93%	484,435	1.79%					
Fountains/Albemarle	438,995	1.83%	464,596	1.73%	476,140	1.67%	458,602	1.58%	482,713	1.78%					
Americold LLC	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%					
United Refrigeration	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%					
	\$ 9,155,376	38.24%	\$ 9,493,007	35.32%	\$ 9,855,208	34.60%	\$ 9,214,108	31.79%	\$ 9,558,771	35.33%					
Total Revenue (Electric Fund)	23,941,497		26,876,231		28,483,434		28,982,295		27,057,402						

Source: Town of Tarboro Utility Records

TOWN OF TARBORO, NORTH CAROLINA
Demographics Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u> ³	<u>Personal Income</u> (amounts expressed in thousands)	<u>Median Income</u> ³	<u>Median Age</u> ³	<u>School Enrollment</u> ¹	<u>Unemployment Rate</u> ²
2003	11,153	249,024	22,328	38.20	7,643	11.7%
2004	11,153	266,813	23,923	38.20	7,621	9.7%
2005	10,985	279,129	25,410	37.58	7,832	9.0%
2006	10,841	276,370	25,493	37.84	7,645	8.5%
2007	10,686	284,301	26,605	38.00	7,499	7.9%
2008	10,585	307,515	29,052	38.25	7,800	8.8%
2009	10,585	355,190	33,556	35.30	7,579	14.2%
2010	11,415	395,279	34,628	38.00	7,290	15.6%
2011	11,415	383,042	33,556	38.00	6,939	16.3%
2012	11,415	409,114	35,840	42.30	6,645	15.2%

¹ Source: Edgecombe County Public Schools

² Employment Security Commission of North Carolina

³ U.S. Census Bureau - American Fact Finder (<http://factfinder2.census.gov>)

TOWN OF TARBORO, NORTH CAROLINA
Principal Employers
Current Year and Nine Years Ago
As of June 30, 2012

Name of Employer	2011-2012			2002-2003		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment ¹
Edgecombe County Schools	1100	1	16.92%	1100	1	-
Sara Lee Bakery	800	2	12.31%	935	2	-
Edgecombe County	650	3	10.00%	680	4	-
Air System Components	475	4	7.31%	287	7	-
Heritage Hospital	470	5	7.23%	489	5	-
Keihin CST	400	6	6.15%	430	6	-
Barnhill Contracting	275	7	4.23%	735	3	-
Superior Essex	260	8	4.00%	222	8	-
Town of Tarboro	174	9	2.68%	212	9	-
Nomaco, Inc	150	10	2.31%			
General Foam Plastics				200	10	-

¹ Historical information not available

Source: Carolinas Gateway Partnership, Edgecombe County CAFR

TOWN OF TARBORO, NORTH CAROLINA
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Administration	3	3	3	3	3	3	3	3	3	3
Finance	9	9	9	9	9	9	9	8	8	8
Planning	3	3	3	2	2	2	2	2	2	2
Public Safety										
Police										
Officers	29	29	29	29	29	29	29	29	29	29
Civilians	6	6	6	6	6	6	6	6	6	6
Fire	22	22	22	22	22	22	22	22	22	22
Public Works										
Administration	2	2	2	2	2	2	2	2	2	2
Buildings and Grounds	12	12	12	12	12	12	17	17	14	14
Animal Control									1	1
Engineering	2	2	2	2	2	2	2	2	2	2
Garage	4	4	4	4	4	4	4	4	4	4
Streets	14	14	14	14	14	14	14	14	12	12
Recreation	18	18	16	15	16	18	13	13	13	13
Water and Sewer	28	28	28	28	28	28	28	28	28	28
Electric	21	20	20	20	21	21	21	21	19	19
Solid Waste	9	9	9	9	9	9	9	9	9	9
	<u>182</u>	<u>181</u>	<u>179</u>	<u>177</u>	<u>179</u>	<u>181</u>	<u>181</u>	<u>180</u>	<u>174</u>	<u>174</u>

Source: Town of Tarboro annual budget documents.

TOWN OF TARBOR, NORTH CAROLINA
Operating Indicators by Function
Last Ten Fiscal Years

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Physical arrests	2,721	3,055	3,193	2,538	2,538	2,414	1,855	1,565	1,330	1,446
Parking violations	449	419	408	657	533	233	335	505	440	581
Traffic violations	3,823	4,123	3,537	3,693	4,634	5,168	3,903	3,923	3,310	3,494
Fire										
Number of calls answered	312	271	246	267	307	237	191	227	285	286
Inspections	950	734	737	807	771	777	812	808	770	760
Streets										
Street resurfacing (miles)	10.36	-	-	6.45	0.05	-	2.95	5.19	5.19	5.19
Potholes repaired	10	10	10	10	40	-	-	5	-	-
Sanitation										
Refuse collected (tons/day)	14.86	12.20	15.41	12.27	12.05	11.83	11.33	11.78	12.01	12.26
Recyclables collected (tons/day)	0.56	0.56	0.54	0.55	0.44	0.45	0.43	0.47	0.71	0.71
Recreation										
Community center admissions	n/a	n/a	1,926	2,153	1,876	2,074	2,083	1,410	1,114	1,139
County Gym passes	n/a	n/a	47	50	65	70	252	105	101	85
Water										
New connections	68	74	80	52	52	42	15	20	11	17
Water main breaks	4	1	1	3	8	7	5	2	6	4
Average daily consumptions (thousand of gallons)	2,547	2,598	2,413	2,476	2,634	2,755	2,478	2,239	2,779	2,913
Wastewater										
Average daily sewage treatment (thousand of gallons)	2,300	2,300	2,143	2,077	2,364	1,880	1,736	2,136	1,760	2,030

Sources: Various town departments

TOWN OF TARBORO, NORTH CAROLINA
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Officers	29	29	29	29	29	29	29	29	29	29
K-9 Units	4	4	4	4	4	4	4	4	4	4
Fire Stations	2	2	2	2	2	2	2	2	2	2
Sanitation										
Collection trucks	4	4	4	4	4	4	4	4	4	4
Streets										
Street (miles)	94.2	94.0	94.0	94.0	94.1	95.2	95.2	96.0	96.0	96.0
Street lights	1,289	1,312	1,312	1,386	1,396	1,397	1,401	1,438	1,438	1,438
Traffic signals	32	32	29	29	29	30	30	32	32	32
Recreation										
Park acreage	273	273	273	273	273	273	273	273	273	273
Parks	11	11	11	11	11	11	11	11	11	11
Lakes	1	1	1	1	1	1	1	1	1	1
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	8	8	8	8	8	8	8	8	8	8
Community Centers	4	4	4	4	4	4	4	4	4	4
Museums/art centers	1	1	1	1	1	1	1	1	1	1
Ball Fields	9	9	9	9	9	9	9	9	9	9
Water										
Water mains (miles)	119.0	125.3	125.3	125.3	125.4	125.4	126.0	129.4	129.4	129.4
Fire Hydrants	550	571	571	572	578	578	587	587	587	587
Maximum daily capacity (thousands of gallons)	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Sewer										
Sanitary sewers (miles)	89.5	89.9	89.9	89.9	90.4	90.4	92.2	90.4	90.4	90.4
Storm sewers (miles)	38.0	38.0	38.0	38.0	38.0	38.0	38.0	38.0	38.0	38.0
Maximum daily treatment capacity (thousands of gallons)	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Electric										
Number of Substations	4	4	5	5	5	5	5	5	5	5
Square miles of service lines	10.5	10.5	10.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5

Sources: Various town departments

COMPLIANCE SECTION

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the Honorable Mayor and Members of the Town Council
Town of Tarboro, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the Town of Tarboro, North Carolina, as of and for the year ended June 30, 2012, which collectively comprises the Town of Tarboro's basic financial statements, and have issued our report thereon dated November 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Town of Tarboro is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Tarboro's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Tarboro's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Town of Tarboro in a separate letter dated November 6, 2012.

This report is intended solely for the information and use of management, others within the entity, members of the Town Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Flowers & Stanley, LLP

Tarboro, North Carolina
November 6, 2012

Flowers & Stanley, L.L.P.

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Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 And the State Single Audit Implementation Act

Independent Auditor's Report

To the Honorable Mayor and Members of the Town Council
Town of Tarboro, North Carolina

Compliance

We have audited the Town of Tarboro, North Carolina, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Tarboro's major federal programs for the year ended June 30, 2012. The Town of Tarboro's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Tarboro's management. Our responsibility is to express an opinion on the Town of Tarboro's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Tarboro's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Tarboro's compliance with those requirements.

In our opinion, the Town of Tarboro complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Town of Tarboro is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Tarboro's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Tarboro's internal control over compliance.

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

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

This report is intended solely for the information and use of management, others within the entity, members of the Town Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Flowers & Stanley, LLP

Tarboro, North Carolina
November 6, 2012

Flowers & Stanley, L.L.P.

Certified Public Accountants

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Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act

Independent Auditor's Report

To the Honorable Mayor and Members of the Town Council
Town of Tarboro, North Carolina

Compliance

We have audited the Town of Tarboro, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012. The Town of Tarboro's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major State programs is the responsibility of the Town of Tarboro's management. Our responsibility is to express an opinion on the Town of Tarboro's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Town of Tarboro's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Tarboro's compliance with those requirements.

In our opinion, the Town of Tarboro complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, others within the entity, members of the Town Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Flowers & Stanley, LLP". The signature is written in a cursive, flowing style.

Tarboro, North Carolina
November 6, 2012

**Town of Tarboro
Tarboro, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? __yes X no
- Significant deficiency (ies) identified that are not considered to be material weaknesses __yes X none reported

Noncompliance material to financial statements noted __yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? __yes X no
- Significant deficiency (ies) identified that are not considered to be material weaknesses __yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unqualified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 __yes X no

**Town of Tarboro
Tarboro, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name</u>
14.228	NC Small cities CDBG and Neighborhood Stabilization Program
97.036	(FEMA) Public Assistance Grant Program For Infrastructure Support

Dollar threshold used to distinguish
between Type A and Type B Programs \$ 300,000

Auditee qualified as low-risk auditee X yes no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? yes X no
- Significant deficiency (ies) identified that are not considered to be material weaknesses yes X none reported

Type of auditor's report issued on compliance
for major State programs: Unqualified.

Any audit findings disclosed that are required
to be reported in accordance with the State
Single Audit Implementation Act yes X no

Identification of major State programs:

<u>Program Name</u>
Non-State System Street – Aid Allocation (Powell Bill)

Rural Center Grant

**Town of Tarboro
Tarboro, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Section II - Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – State Award Findings and Questioned Costs

None reported

**Town of Tarboro
Tarboro, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2012**

Section II - Financial Statement Findings

N/A

Section III – Federal Award Findings and Questioned Costs

N/A

Section IV – State Award Findings and Questioned Costs

N/A

**Town of Tarboro
Tarboro, North Carolina
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2012**

Finding 11-1

Status: Corrected

Town of Tarboro
Tarboro, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2012

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures	State Expenditures
FEDERAL GRANTS:			
U.S. Department of Housing and Urban Development:			
Passed-through the N.C. Department of Commerce:			
North Carolina Small Cities CDBG and Neighborhood Stabilization Program	14.228	\$ 614,147	\$ -
U.S. Department of Justice:			
Bureau of Justice Assistance:			
Bulletproof Vest Partnership Program	16.607	\$ 8,028	\$ -
U.S. Department of Transportation:			
Passed-through the N.C. Department of Transportation:			
Governor's Highway Safety Program	20.600	\$ 2,169	\$ -
U.S. Department of Energy:			
Passed-through the N.C. Department of Commerce:			
Recovery Act - Energy Efficiency and Conservation Block Grant	81.128	\$ 39,917	\$ -
U.S. Department of Homeland Security:			
Passed-through the N.C. Department of Crime Control and Public Safety:			
Division of Emergency Management:			
(FEMA) Public Assistance Grant Program for Infrastructure Support	97.036	\$ 384,484	\$ -
U.S. Department of Health and Human Services:			
Passed-through the N.C. Department of Health and Human Services:			
Passed-through Upper Coastal Plain Council of Government:			
Access:			
90% State Funds	N/A	\$ -	\$ 4,528
Title III-B	93.044	5,383	317
Congregate Nutrition:			
Title III-C1	93.045	35,877	2,110
Senior Center Development	N/A	-	12,205
NSIP Supplement (USDA)	10.570	10,381	-
Total U.S. Department of Health and Human Services		<u>\$ 51,641</u>	<u>\$ 19,160</u>
 Total Federal Awards and State Matches		<u>\$ 1,100,386</u>	<u>\$ 19,160</u>

(continued)

Town of Tarboro
Tarboro, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2012

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures	State Expenditures
STATE GRANTS:			
N.C. Department of Environment and Natural Resources:			
Division of Environmental Health:			
State Aid for Mosquito Control			\$ 2,220
N.C. Department of Agriculture & Consumer Services:			
Veterinary Division, Animal Welfare Section:			
NC Spay Neuter Program			\$ 3,724
N.C. League of Municipalities			
NCLM Safety Grant			\$ 2,500
N.C. Department of Public Safety:			
North Carolina Governor's Crime Commission:			
NC Street Gang Prevention			\$ 352
N.C. Department of Insurance:			
Seniors' Health Insurance Information Program (SHIIP)			\$ 4,086
N.C. Department of Transportation:			
Non-State System Street - Aid Allocation (Powell Bill)			\$ 555,267
N.C. Rural Economic Development Center:			
Rural Center Grant			\$ 412,191
N.C. Department of Commerce:			
N.C. Energy Division:			
State Energy Grant			\$ 57,148
N.C. Department of Crime Control and Public Safety:			
Division of Energy Management:			
Public Assistance Program			\$ 128,161
Total State Awards			\$ 1,184,809
Total Federal Awards		\$ 1,100,386	

(continued)

Town of Tarboro
Tarboro, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2012

Grantor/Pass-Through	Federal	Federal	State
Grantor/Program Title	CFDA	Expenditures	Expenditures
	Number		

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1

Basis of Presentation

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