



FINANCE DEPARTMENT

October 24, 2015

The Honorable Mayor Harold Weinbrecht
Members of the Town Council and Citizens
Town of Cary
316 N. Academy
Cary, North Carolina 27513

Dear Mayor, Members of the Town Council, and Citizens:

The Comprehensive Annual Financial Report of the Town of Cary, North Carolina is submitted for your review and use. This report was prepared by the Town's Finance Department, and it is the comprehensive publication of the Town's financial position and results of operations as of and for the fiscal year ended June 30, 2015. The Town, like all other local governments in the State, is required by state law to publish a complete set of financial statements within four months of the close of each fiscal year. The financial statements must be 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. This report is published to fulfill that requirement for the fiscal year ended June 30, 2015, and to provide further accountability to citizens and other interested parties by providing a more comprehensive report in lieu of the minimum basic financial statement requirements.

As a comprehensive annual financial report this document provides financial detail and historical trends beyond the basic financial statements in the **Financial Section**. The **Supplementary Information** provides details on capital project activity and the utility system enterprise fund, and the Town's internal service funds, pension trust fund and special revenue funds. The **Statistical Section** provides trend information on financial performance, revenue capacity, debt capacity, demographic and economic indicators as well as operating information. A **Compliance Section** includes documentation on federal and state grants and awards compliance, as well as revenue bond covenant compliance.

Town management is responsible for both the accuracy of the data and the completeness and fairness of the report. To ensure reliability of the information Town management has established a comprehensive framework of internal

control. Internal controls protect the Town's assets from loss, theft and misuse and help ensure that information is reliable for the preparation of this report. Because the cost of internal controls should not outweigh their benefits, the Town's controls have been designed to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements. As management, to the best of our knowledge and belief, this financial report is complete, accurate and reliable in all material respects.

As noted earlier, the Town is required by state law to have an annual independent financial audit. A compliance audit on federal and state financial assistance is also required under the Federal Single Audit Act of 1984 and the State Single Audit Implementation Act. Cherry Bekaert, LLP, Certified Public Accountants, conducted the audits and concluded in an unqualified ("clean") opinion that the financial statements present fairly in conformity with GAAP, in all material respects, the financial position and changes in financial position for the Town of Cary, North Carolina, as of June 30, 2015. The Report of the Independent Auditor on the basic financial statements is located at the beginning of the financial section of this report.

Management's discussion and analysis of the basic financial statements (MD&A) immediately follows the Report of the Independent Auditor and provides a prescribed narrative introduction, overview, and analysis of the basic financial statements. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE TOWN

Cary, incorporated in 1871, is a thriving community in the heart of the Triangle area of North Carolina. The Triangle area has repeatedly ranked among the top regions in the country to live, work, start a business, to raise a family and/or retire. Cary encompasses approximately 58 square miles in Wake and Chatham counties in the Piedmont region of the state. Cary adjoins the City of Raleigh, which is the state capital and the county seat, at the Town's eastern boundary. At the Town's northwestern boundary, the Town adjoins renowned Research Triangle Park ("RTP").

Cary is a diverse community primarily composed of young, affluent and well-educated people. According to the 2010 US census, the median age of Cary's population is 36.6 years. According to the American Community Survey over sixty percent of Cary's adult population has a college degree, and nineteen percent were born in another country. Cary's diversity and high quality of life, coupled with it being in one of the most desirable areas in the country, has resulted in continued growth in commercial and residential construction.

The Town is the seventh largest municipality in the State based on the Town's population estimate at June 30, 2015 of 153,868. This is an increase of 4,017 people (+2.7%) from June 30, 2014. Cary's population has increased by over 18,600 people (+13.8%) since the last U.S. Census on April 1, 2010. Cary is empowered by state statute to extend its corporate limits by annexation. All of

the seven annexations in fiscal year 2015, totaling 91 acres were the result of voluntary application by the property owner for annexation.

The Town has a council-manager form of government. The seven member Council is the policy-making and legislative body of Town government. Four of the seven members of the Town Council are elected from districts, and three members, including the Mayor, are elected at large. Each of the council members and the mayor serve four year staggered terms. The Council is responsible for setting overall policy, budget approval and appointing the Town Manager, Town Attorney and Town Clerk. The Town Manager is responsible for implementing Council policies and Town Ordinances, managing daily operations, and appointing department directors.

The Town provides its citizens with a full range of services, including police and fire protection, solid waste and recycling services, the construction and maintenance of streets, curbs, gutters, sidewalks and other infrastructure, recreation and cultural activities, fixed route and demand-response transit service, and water and sewer service. This report includes all of the Town's activities in delivering and administering these services.

The Cary Town Council is required to adopt a budget by July 1 of each year. The Town is empowered to levy a property tax on both real and personal property located within its boundaries. The Town's budget ordinance creates a legal limit on spending authorizations, and serves as the foundation for Cary's financial planning and control. The budget is prepared by fund and function, for example, General Fund, public safety. The Town Manager is authorized by the budget ordinance to make certain limited transfers within funds to facilitate budget execution consistent with Council intent.

LOCAL ECONOMY

Like the national and state economy, the local economy continued to slowly improve in fiscal year 2015 although the number of new construction permits and the value of the estimated construction costs both decreased from fiscal year 2014. The number of new construction permits decreased (23%) from the prior year and the value decreased 29% in total. Permits issued in fiscal year 2014 for a large non-residential property made commercial construction appear to decrease in fiscal year 2015, but the commercial construction value in fiscal year 2015 was about the same as fiscal year 2013 and twice the amount of fiscal year 2012. Although the number of residential permits decreased, the average value of single family construction increased 14%. Retail sales increased and resulted in a 9% increase in sales tax revenues over fiscal year 2014. The state government, healthcare and university employers in the area continued to provide relatively more stable employment and because the region maintained positive growth, Cary has continued to benefit from better than average economic indicators compared to the rest of the state and the nation.

Along with employment from government and four notable universities, area job opportunities are derived from a number of high technology employers within Cary borders including SAS Institute, the world's largest privately held software company, and other high technology employers in the Raleigh Durham region. A key employment base adjacent to Cary is RTP where there are approximately 50,000 jobs in high-technology fields at over 200 companies. The regional employment base is further strengthened by major health care facilities such as WakeMed, Duke University Medical Center and UNC Hospital. Other major employers within the town limits include Met Life, John Deere, HCL Corporation, Siemen's Medical Solutions USA, Lord Corporation, Oxford University Press, WakeMed Cary Hospital, and Kellogg's Snacks. This diverse group of employers in the region has historically been stable and less sensitive to economic downturns. As a result, the unemployment rate has historically been extremely low. During fiscal year 2015, the average unemployment rate was 3.8%, and Cary continues to enjoy a lower unemployment rate than the regional, state and national averages.

The historically strong employment and higher education opportunities, a warm climate, low crime rates and easy access to outstanding recreational and cultural amenities have helped make the region in which the Town is located one of the fastest growing in the country. During the fiscal year the Town issued 953 permits for new single family residential construction and permits for 252 multi-family units. Cary and the surrounding area continue to perform very well in numerous rankings such as the best places to launch a new business, best places for creating and keeping jobs, and quality of life measures.

Notable economic development in Cary in fiscal year 2015 included the following announcements:

- HCL Technologies, a global IT services provider, announced an expansion that will add 1,237 jobs in Cary by the end of 2018.
- CBC Americas announced the relocation of its US headquarters from New York to Cary which will create 67 new jobs.
- MetLife Group Inc., opened two seven story buildings totaling over 425,000 square feet, with about 1,000 employees. The 26 acre campus has space to build a third 200,000 square foot building.
- The Mayton Inn, a boutique hotel with 45 rooms and suites, broke ground in downtown Cary.
- Google and AT&T started work to provide gigabit internet service through fiber-optic networks.
- SAS opened a new 220,000 square foot office building for 600 employees and announced plans for another building of similar size, the 24th building on their Cary campus.

In fiscal year 2015, the Town continued to host popular amateur athletic events at its soccer, tennis and baseball sports venues for NCAA, ACC, USA Baseball

and USTA. The Carolina Railhawks, an American professional soccer team are at home in Cary at the WakeMed Soccer Park.

New and expanding businesses, and the jobs which they create, along with the amateur athletic visitor markets help maintain a healthy balance in the tax base that has enabled the Town to keep property tax rates the lowest in the county and water and sewer rates at moderate levels while providing the infrastructure and high level of services expected by citizens.

Council adopted a fiscal year 2016 budget based on a growth patterns similar to 2015, with slightly increasing sales tax revenues. Investment earnings have begun to increase at a modest pace. In planning for the future, the Town continues to maintain a high priority on both the delivery of quality services and financial stability.

LONG-TERM FINANCIAL PLANNING and MAJOR INITIATIVES

Cary is consistently recognized for its quality of life. Careful planning for growth has been based on values for an attractive community, a strong commitment to environmental protection, adequate public facilities in advance of growth and a variety of local recreational opportunities all while maintaining a strong financial position. The Town Council has committed to key goals and initiatives. These goals and initiatives along with Town accomplishments are discussed in the Town's annual budget document and on the Town's website at www.townofcary.org.

The Town maintains adequate unreserved fund balance sufficient to ensure consistent cash flow, generate interest income, eliminate the need for short term borrowings, and provide flexibility for unanticipated opportunities and needs during emergencies or disasters. In addition, fiscally responsible budgeting has been key in maintaining and improving the Town's outstanding bond ratings: AAA ratings from all three bond rating agencies for the Town's general obligation bonds and the Town's utility system revenue bonds.

Each year the town adopts a capital improvement budget and prepares a 10-year capital improvement plan. The Town continued to manage a number of projects including the following:

- The Western Wake Reclamation facility and supporting infrastructure was completed and full operations began in FY 2015.
- Street construction continued including a \$7 million project to widen Walnut Street bridge over US 1/64.
- Park construction began on Carpenter Park and Jack Smith Park.
- Construction on the Cary Apex Water Treatment Facility Phase 3 expansion to 56 MGD continued and work began on a third raw water pipeline.
- Construction on the downtown streetscape began. The \$8 million project will enhance pedestrian spaces, and upgrade utility service.

- Construction began to replace Fire Station #2.

Long term financial planning was enhanced in FY 2015 in preparation for the FY 2016 budget. The Town refined financial management by matching capital revenue estimates to capital project budgets for each of the first five years of the ten year capital improvement plan. Imagine Cary, a long term planning initiative, continued to progress with extensive citizen and community collaboration and includes a fiscal impact component.

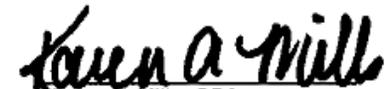
AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Cary for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the thirtieth consecutive year that Cary has received 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 (CAFR). This report must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the Town received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal years ended June 30, 1987 through 2015. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged to be proficient as a policy document, a financial plan, an operations guide, and a communications device.

This report is the work of the efficient and dedicated staff of the Finance Department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report and to the entire Town staff for their cooperation and assistance. Credit is also due to the mayor and the members of the Town Council for their unfailing support of the highest standards of professionalism in the management of Cary's finances.


Michael Bajorek
Interim Town Manager


Karen A. Mills, CPA
Director of Finance