

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Cary, we offer readers of the Town's financial statements this narrative overview and analysis of the financial position and activities of the Town as of and for the fiscal year ended June 30, 2015. We encourage readers to consider 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 Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by approximately \$1.52 billion (*net position*). Of this amount, \$225.6 million (*unrestricted*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's net position increased by \$64.3 million in fiscal year 2015. The Governmental net position increased \$34 million and the business-type net position increased by \$30.3 million. The increases in governmental and business-type net positions are the result of General Fund and Utility Systems Enterprise Fund revenues that exceeded expenses and the increase in capital assets, both from Town constructed assets and the donation of infrastructure from developers.
- The Town implemented a new pension accounting standard that created a change in accounting principle that resulted in a \$10.9 million reduction in beginning Net Position (\$9 million for Governmental and \$1.9 million for Business-Type). This new standard also created a Pension Asset of \$7.7 million (\$6.4 million for Governmental and \$1.3 million for Business-type), in addition to new deferred outflows and inflows.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$226.8 million, an increase of \$5.2 million from the prior year. The total fund balance in the General Fund increased \$7.7 million. Total fund balance in the Capital Project Fund increased \$3.6 million partially as a result of a bond issuance to fund street, parks and fire capital projects. The fund balances in the four special revenue funds increased a total of \$9 million. A discussion pertaining to the composition of governmental fund balance is available in the Notes to the Financial Statements.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$64.5 million, or 50% (6 months) of total general fund expenditures for the 2015 fiscal year.
- The Town issued \$53.785 million of Combined Enterprise System Revenue and Revenue Refunding Bonds, Series 2015 in March 2015. Of the total issued, \$37,995,000 was new money for the expansion of the Cary/Apex

Water Treatment Plant and \$15,790,000 was for refinancing a portion of the Series 2007 Revenue Bonds. The refinancing portion yielded a net present value savings in future debt service to the Utility Fund of \$1,334,335. The Town repaid \$21 million of bond principal and installment financing principal during the year net of contractual capital project partner governments' shares.

- The Town maintained its outstanding AAA bond ratings from all three major rating agencies for general obligation bonds and revenue bonds. The Town has the highest rating possible from all three rating agencies for all three types of debt.
- The Town's total investment earnings during the year were \$2.8 million, an increase of \$.2 million from the prior year. Realized investment earnings increased about \$675,000 from fiscal year 2014, however due to the mark to market adjustment a smaller increase in earnings is shown. The average yield on the investment portfolio increased from .45% to .59%. The average yield on other deposits decreased from .17% to .15%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Cary's basic financial statements. The Town's basic financial statements consist of three components: 1) entity-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report contains other supplemental information in addition to the basic financial statements themselves.

Entity-Wide Financial Statements

The entity-wide financial statements, a *statement of net position* and a *statement of activities*, are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. The entity-wide statements provide short and long-term information about the Town's financial status as a whole.

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

Both of the entity-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include most of the Town's basic services such as police, fire, solid waste and recycling, facilities and operations maintenance, planning, transportation and facilities, building inspections, parks, recreation and cultural

programs as well as the administrative support functions. The business-type activity of the Town primarily consists of water and sewer utility services.

The Cary Economic Development Corporation is the Town's only component unit, but has no assets, liabilities or other activity to be recorded. This corporation exists in order for the Town to issue and manage certificates of participation. In accordance with the Governmental Accounting Standards Board criteria for inclusion in the reporting entity, the Town of Cary has no reportable component units.

The entity-wide financial statements are Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's major funds. Funds are the accounting tools used to track specific sources of funding such as those required by law or for specific purposes. The Town of Cary, like all other governmental entities in North Carolina, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, such as the North Carolina General Statutes, the Town's budget ordinance or revenue bond covenants. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds: Most of the Town's basic services are included in governmental funds which are essentially the same functions reported as governmental activities in the entity-wide financial statements. However, unlike the entity-wide financial statements, governmental fund financial statements focus on how cash and other assets are and can be used for near-term spending as well as on balances of resources available for spending at the end of the fiscal year. This information may be useful in evaluating the Town's resources for near-term financial requirements.

Because the focus of governmental funds is narrower than that of the entity-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the entity-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Exhibit F describes the differences in the statement of revenues, expenditures, and changes in fund balances of governmental funds to the entity-wide statement of activities.

The Town of Cary maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each of these funds. The General Fund and the Capital Project Fund are considered to be major funds. Although the Transit Special Revenue Fund, the

Emergency Telephone System Special Revenue Fund, the CDBG Special Revenue Fund, and the Economic Development Special Revenue Fund are not considered to be major funds, they are being presented separately as major funds in the fund financial statements to provide more information.

The Town of Cary adopts an annual appropriated budget for its General Fund. Annual budgets have also been adopted for the Transit Special Revenue Fund, the Emergency Telephone System Special Revenue Fund, the Economic Development Special Revenue Fund, and the General Capital Reserve Fund, a sub-fund of the Capital Project Fund. Multi-year budgets are maintained for the CDBG Special Revenue Fund and all of the sub-funds of the Capital Project Fund except the Capital Reserve sub-fund, which is mentioned above.

The basic governmental fund financial statements can be found on Exhibits C through J.

Proprietary Funds: The Town's business type activities are reported in proprietary funds. The Town of Cary maintains two different types of proprietary funds. An enterprise fund is used to report the same function presented as business-type activities in the entity-wide financial statements, which for the Town is the water and sewer utility service. Internal service funds are used to accumulate and allocate costs internally among the Town's various functions. The Town uses internal service funds to account for its fleet maintenance services and employee health insurance. Because both of these services predominantly benefit the governmental rather than business-type functions, their net positions have been included within governmental activities in the entity-wide financial statements.

Proprietary funds provide the same type of information as the entity-wide financial statements, only in more detail. The utility systems enterprise fund is considered to be a major fund of the Town of Cary. Because the internal service funds are not major funds, both internal service funds are combined in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in combining statements in the supplementary information section of this comprehensive annual financial report.

The basic proprietary fund financial statements can be found on Exhibits K through M of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. The Town has a fiduciary fund to account for the Pension Trust Fund for the Law Enforcement Separation Allowance. Fiduciary funds are not reflected in the entity-wide financial statements because the resources of those funds are not available to support the Town's own programs. Accounting for fiduciary funds is much like the accounting used for proprietary funds.

The basic fiduciary fund financial statements can be found on Exhibits N and O of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the information provided in the entity-wide and fund financial statements.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress toward funding its obligation to provide pension benefits to its law enforcement officers pension plan, the Local Government Employee Retirement System and other post-employment benefit plan with the last two benefiting all qualified employees.

The combining statements are presented immediately following the required supplementary information.

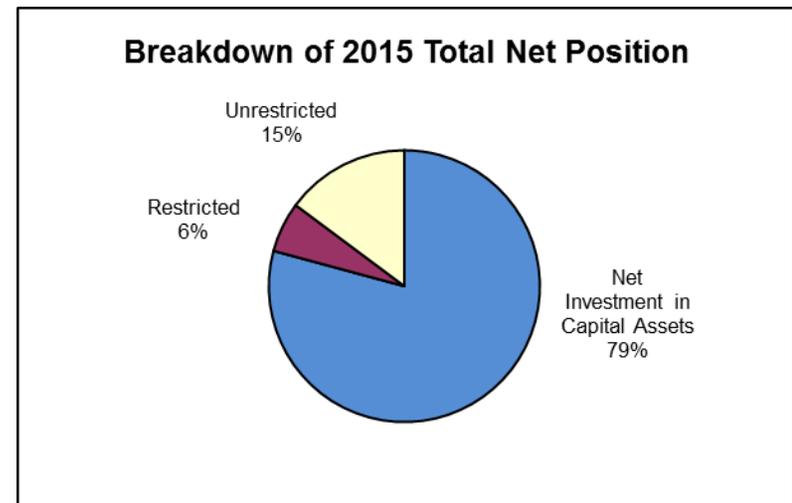
Entity-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. As of June 30, 2015, assets exceeded liabilities by \$1.52 billion.

The following tables reflect net position in millions of dollars.

Town of Cary's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$275.4	262.5	281.6	265.3	557.0	527.8
Capital Assets	799.0	781.3	750.9	707.3	1,549.9	1,488.6
Deferred outflows of resources	5.7	1.8	3.5	1.9	9.2	3.7
Total Assets	1,080.1	1,045.6	1,036.0	974.5	2,116.1	2,020.1
Long-Term Liabilities	200.2	207.0	326.2	295.0	526.4	502.0
Other Liabilities	31.3	30.6	16.7	18.2	48.0	48.8
Deferred inflows of resources	15.9	.2	3.3	---	19.2	.2
Total Liabilities	247.4	237.8	346.2	313.2	593.6	551.0
Net Position:						
Net Investment in Capital Assets	735.8	714.6	469.9	441.8	1,205.7	1,156.4
Restricted	59.6	55.3	31.6	17.9	91.2	73.2
Unrestricted	37.3	37.8	188.3	201.7	225.6	239.5
Total Net Position	\$832.7	807.7	689.8	661.4	1,522.5	1,469.1



Town of Cary Changes in Net Position

By far, the largest portion of the Town's net position (\$1.2 billion or 79%) represents the Town's investment in capital assets (land, buildings, machinery, and equipment), less any related outstanding debt or existing obligations that are related to those assets. The Town of Cary uses these capital assets to provide services to citizens and customers; consequently, these assets are not available for future spending. Although the Town of Cary's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be reasonably used to liquidate these liabilities.

An additional portion of the Town's net position (\$91.2 million or 6%) are resources that are subject to external restrictions on how they may be used. Restrictions include Stabilization by State Statute as dictated by North Carolina General Statutes; unspent grant or other revenues with restrictive purposes; unspent debt proceeds and an endowment related to the Steven's Nature Center. The remaining balance (\$225.6 million or 15%) is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town has positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation has held true for the past ten fiscal years since the net position was first computed for the entity-wide statements.

The Town's net position increased by \$64.3 million for the fiscal year ended June 30, 2015. This change included the \$10.9 million reduction in the beginning Net Position for a change in accounting principle related to the new pension accounting standard. The overall increase is primarily the result of the General Fund and Utility System Enterprise Fund revenues exceeding expenses and the increase in capital assets, both from Town constructed assets and the donation of infrastructure from developers. Assets donated by developers during the year are valued at \$30.3 million for streets, land, and other general infrastructure and \$11.5 million for utility infrastructure.

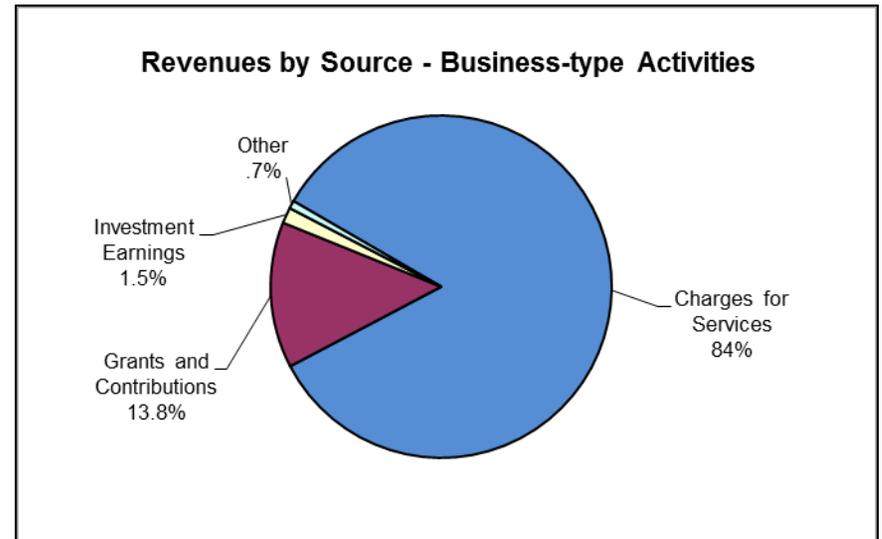
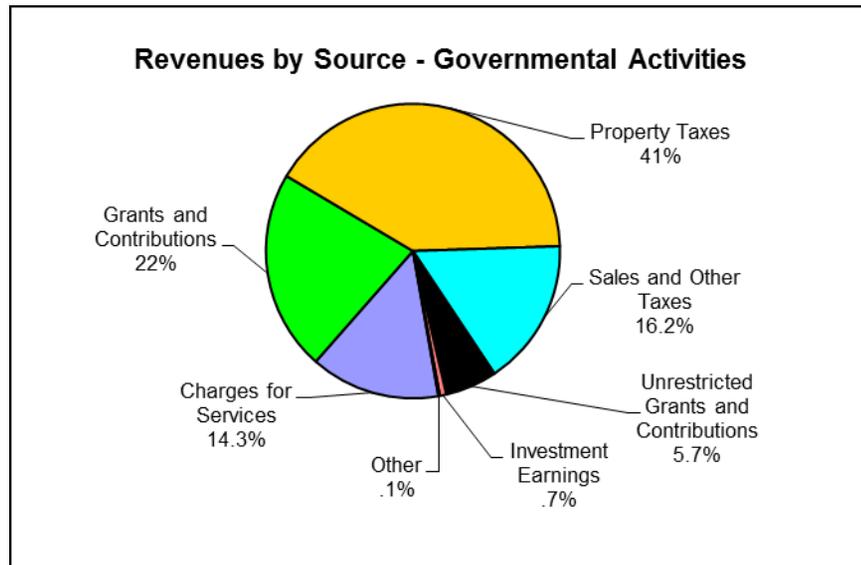
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	\$27.8	29.5	79.1	78.9	106.9	108.4
Operating Grants and Contributions	4.9	5.7	---	---	4.9	5.7
Capital Grants and Contributions	38.0	23.9	13.0	13.0	51.0	36.9
General Revenues:						
Property Taxes	79.8	78.9	---	---	79.8	78.9
Sales Tax	28.2	25.9	---	---	28.2	25.9
Occupancy Tax	1.0	0.9	---	---	1.0	0.9
ABC Revenue	0.8	0.6	---	---	0.8	0.6
Privilege License Revenue	1.5	1.7	---	---	1.5	1.7
Other Taxes	0.1	0.1	---	---	0.1	0.1
Grants and contributions not not restricted to specific programs	11.1	8.4	---	---	11.1	8.4
Investment Earnings	1.4	1.2	1.4	1.4	2.8	2.6
Other	0.2	0.2	0.7	---	0.9	0.2
Total Revenues	<u>194.8</u>	<u>177.0</u>	<u>94.2</u>	<u>93.3</u>	<u>289.0</u>	<u>270.3</u>
Expenses:						
General Government	19.1	18.8	---	---	19.1	18.8
Public Safety	46.3	45.6	---	---	46.3	45.6
Public Works	27.9	29.2	---	---	27.9	29.2
Parks, Recreation and Culture	18.2	17.2	---	---	18.2	17.2
Development	8.4	7.4	---	---	8.4	7.4
Infrastructure	37.0	32.1	---	---	37.0	32.1
Interest on Long-Term Debt & Fees	3.9	2.5	---	---	3.9	2.5
Water and Sewer	---	---	63.9	63.2	63.9	63.2
Total Expenses	<u>160.8</u>	<u>152.8</u>	<u>63.9</u>	<u>63.2</u>	<u>224.7</u>	<u>216.0</u>
Increase in Net Position	34.0	24.2	30.3	30.1	64.3	54.3
NET POSITION - Beginning of Year	807.7	783.5	661.4	631.3	1,469.1	1,414.8
Change in Accounting Principle - Pensions	(9.0)	---	(1.9)	---	(10.9)	---
NET POSITION - Beginning of Year, restated	<u>798.7</u>	<u>783.5</u>	<u>659.5</u>	<u>631.3</u>	<u>1,458.2</u>	<u>1,414.8</u>
NET POSITION - End of Year	<u>\$832.7</u>	<u>807.7</u>	<u>689.8</u>	<u>661.4</u>	<u>1,522.5</u>	<u>1,469.1</u>

Governmental Activities: Governmental activities increased the Town's net position by \$34 million, accounting for 53% of the total growth in net position of the Town of Cary. Key elements of this increase are as follows:

- Property taxes, the largest single revenue source, increased by \$.9 million (1.1%). The tax rate remained the same; therefore, the increase was due to an increase in tax base which primarily resulted from new development.
- Charges for services decreased by \$1.7 million (5.7%) partially resulting from decreases in revenue from residential and commercial building permit activity and transportation development fees.
- Capital grants and contributions revenue increased \$14.1 million (59%) as a result of an increase in developer donated streets and other infrastructure.
- Sales tax revenue increased \$2.3 million (8.9%) partially due to tax reform that increased the sales tax base and Amazon.com's decision to collect use tax on sales to North Carolina residents.
- Investment earnings increased \$.1 million (16.7%). This increase is due to an increase in the earnings rate on the investment portfolio and the mark to market adjustment; realized earnings were up slightly.
- Expenses increased \$8 million (5.2%) partially due to personnel related costs (salaries, benefits and other post-employment benefit expense netted with a pension expense credit), increased depreciation on capital assets and increased construction expenditures on transportation and parks, recreation and cultural resources capital projects.

Business-type Activities: Business-type operational activities increased the Town of Cary's net position by \$30.3 million, accounting for 47% of the total growth in the Town's net position. Key elements of the Business-type increase are as follows:

- Charges for services increased \$.2 million. Revenue from a utility rate increase of 3.7% for a typical residential customer was offset by a decrease in water and sewer development fee revenue. The utility rates were increased due to increased operating costs and debt service for capital infrastructure. The water and sewer development fee revenue decrease is a result of decreased permitting activity for both residential and commercial construction.
- Investment earnings increased slightly. This increase is due to an increase in the earnings rate on the investment portfolio and the mark to market adjustment; realized earnings were up slightly.
- Water and sewer expenses increased \$.7 million (1.1%) from the prior year primarily due to the start of operations at the Western Wake Regional Water Reclamation Facility.



Financial Analysis of the Town's Funds

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

Governmental Funds: The focus of the Town of Cary's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, available fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year. Available fund balance excludes nonspendable portions and the amount restricted for stabilization by statute, and may include funds otherwise restricted, committed or assigned for specific purposes, but available for appropriation.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$226.8 million, an increase of \$5.2 million compared to the prior year. Total governmental fund balance consists of 1) \$2.1 million of nonspendable funds due to the nature of the balances, 2) \$17 million restricted for stabilization per state statute, 3) \$42.4 million restricted for specific purposes, but available for appropriation by Council, 4) \$89 million already committed by Council for specific activities and projects (commitments can be changed by Council), 4) \$11.8 million assigned to specific activities and areas that can be appropriated by Council and 5) \$64.5 million unassigned funds that are available for appropriation by Council. For a complete breakout and explanation of fund balance categories, see Exhibit C and the Notes to the Basic Financial Statements.

The General Fund is the chief operating fund of the Town of Cary. At the end of the current fiscal year, total fund balance in the General Fund was \$96 million. Of this total, \$77.8 million (81%) constitutes available fund balance in the General Fund, which is legally available for spending at the Cary Town Council's discretion per state statute. Available fund balance in the General Fund consists of \$6.2 million appropriated in the fiscal year 2016 budget, \$7.1 million of restricted, committed or assigned funds for specific purposes and \$64.5 million of unassigned funds. For more details on General Fund balance, see the Notes to the Basic Financial Statements.

The fund balance of the Town's general fund increased by \$.7 million during the 2015 fiscal year. Key components of this change are as follows:

- Property taxes, the largest revenue source, increased by \$1.2 million (1.5%) primarily due to a modest increase in the tax base as a result of moderate growth.
- Other taxes increased \$2.4 million (8.2%) over the prior year as a result of an increase in sales tax revenue.

- Unrestricted intergovernmental revenue increased \$2.7 million due to an increase in Utility & Piped Natural Gas Sales Tax revenue received from the State. Beginning July 1, 2014, the State implemented new methods of both taxing the sale of electricity and piped natural gas and distributing the tax receipts to municipalities.
- Restricted intergovernmental revenue decreased \$.8 million primarily due to a decrease in federal equitable sharing revenue.
- Operational expenditures increased \$4.8 million from the prior year due to expenditures for expanded/enhanced programs and facilities and increased personnel costs.

The Capital Projects Fund includes street, downtown, parks and recreation, fire, and general government capital projects. At the end of the current fiscal year, total fund balance was \$128.2 million, an increase of \$3.7 million from the prior year mostly due to decreased expenditures associated with capital projects.

Proprietary Funds: The Town's proprietary funds provide the same type information found in the entity-wide financial statements, but in more detail.

Although the total Net Position of the Utility Systems Enterprise Fund increased \$30.3 million as compared to previous year, the unrestricted net position decreased \$13.6 million (6.8%), from \$201.4 million at June 30, 2014 to \$187.7 million at June 30, 2015. This decrease is primarily due to the transfer of unrestricted amounts to projects. This increased focus on capital areas (such as the Western Wake Water Reclamation Facility and the upgrade to the Cary/Apex Water Treatment plant) caused net investment in capital assets to increase \$28.1 million. The Town issued \$53.785 million of Combined Enterprise System Revenue and Revenue Refunding Bonds, Series 2015 in March 2015. Approximately \$16.8 million of the proceeds received was for expenses previously reported, therefore it became unrestricted upon receipt. Refer to the discussion of the Town's business-type activities for the other primary factors that created the various fluctuations.

General Fund Budgetary Highlights

During the year, there was a \$7.6 million increase in appropriations between the original and final amended budget, primarily due to a transfer to the streets capital project fund for the Morrisville Parkway interchange at NC540 project in partnership with the North Carolina Department of Transportation. The Town maintains fund balance in excess of minimal requirements as a fiscal tool to support Town goals in several ways. Timely financial flexibility is afforded by the balances as evidenced in fiscal year 2015. The original adopted budget for fiscal year 2015 anticipated an appropriation from fund balance of \$9.6 million. Budget adjustments, discussed above, throughout the year increased authorized spending by \$7.6 million. Net variances in revenues and expenditures resulted in an increase in fund balance of \$.7

million. Due to economic conditions, the Town was very conservative in estimating numerous revenues for fiscal year 2015, including ad valorem taxes, other taxes and unrestricted intergovernmental revenue which together were \$7.3 million more than the budgeted amount. Total expenditures were under the revised budget by \$11.9 million. Both the conservative measures in estimating revenues and the efforts to reduce expenditures helped to compensate for negative variances in a few miscellaneous revenue accounts.

Capital Asset and Debt Administration

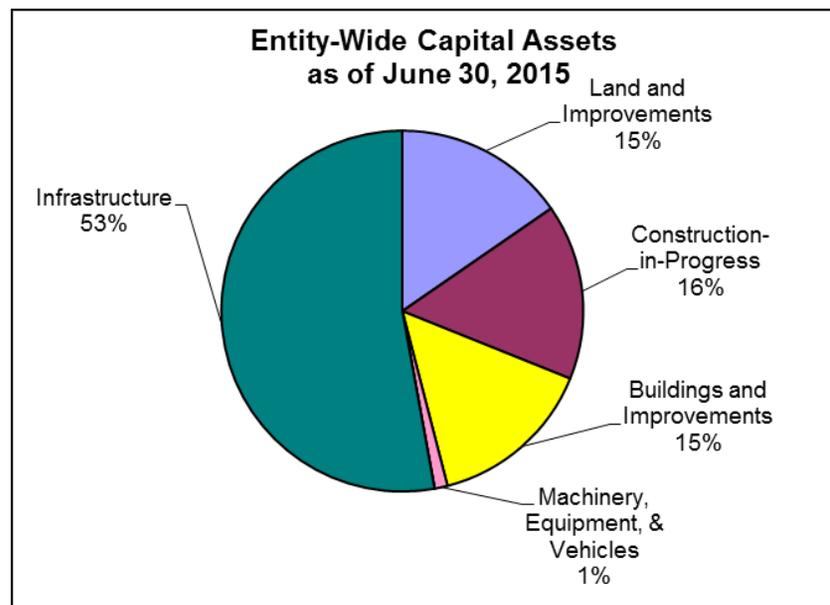
Capital assets: The Town of Cary’s investment in capital assets for its governmental and business-type activities as of June 30, 2015, totals \$1.55 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, roads, bridges, machinery and equipment, vehicles, park facilities, utility plants, water distribution systems and wastewater collection systems. Starting in fiscal year 2010, the Town began accounting for certain intangible assets, such as software, in order to comply with Governmental Accounting Standards Board Statement No. 51, “Accounting and Financial Reporting for Intangible Assets”. The increase in total capital assets, net of depreciation, over the prior fiscal year was \$61.3 million (4.1%). Of this increase, 28.8% was in governmental activities and 71.2% in business-type activities.

Major capital asset changes during the year included the following:

- Addition of general infrastructure and land assets of \$30.3 million for developer donated streets and park land;
- Construction-in-progress increases for parks, downtown, general government and utility projects (the largest was the Cary/Apex Water Treatment Plant Expansion); and
- Addition of utility infrastructure assets of \$11.5 million such as water lines, sewer collection lines and sewer pump stations.

**Town of Cary Capital Assets, in millions
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land and Improvements	\$214.4	192.8	23.7	23.6	238.1	216.4
Construction-in-Progress	62.1	73.9	181.8	232.9	243.9	306.8
Buildings and Improvements	87.5	80.3	143.2	56.3	230.7	136.6
Machinery and Equipment	6.0	6.3	2.8	2.4	8.8	8.7
Vehicles	8.3	8.9	0.7	0.7	9.0	9.6
Infrastructure	420.3	418.3	398.8	391.4	819.1	809.7
Intangible Assets	0.3	0.8	---	---	0.3	0.8
Total Assets	\$798.9	781.3	751.0	707.3	1,549.9	1,488.6



Additional information on the Town’s capital assets can be found in Note 5 of the Basic Financial Statements.

Long-term Debt: As of June 30, 2015, the Town of Cary had total debt outstanding of \$416.5 million (\$446.2 net of deferred adjustments). Of this, \$190.7 million is debt backed by the full faith and credit of the Town in the form of general obligation bonds. \$83.1 million of the general obligation debt is born by the Utility system revenues although the Town's taxing authority is the true security to the bond holders. \$20.2 million in debt is in the form of asset backed debt and is secured by the town hall campus and other property. The \$165.1 million of revenue bonds are secured solely by the utility system revenues. State Revolving Loans from the State of North Carolina represent both federal and state financing for wastewater and water utility projects. As of June 30, 2015, the amount due for these loans totaled \$40.5 million, which is net of interlocal agreements with the Town of Apex and the Town of Holly Springs to share in project costs and loan repayment. Total debt is adjusted for deferred balances related to discounts, premiums and refunding accounting losses associated with specific debt issuances.

**Town of Cary's Outstanding Debt, in millions
General Obligation Bonds, Installment Purchases,
Revenue Bonds, and State Revolving Loans**

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$107.6	115.3	83.1	88.8	190.7	204.1
Limited Obligation Bonds	19.8	22.3	---	---	19.8	22.3
Certificates of Participation and Installment Purchase Contracts	0.4	0.6	---	---	0.4	0.6
Revenue Bonds	---	---	165.1	129.3	165.1	129.3
State Revolving Loans, net	---	---	40.6	43.5	40.6	43.5
Total	127.8	138.2	288.8	261.6	416.6	399.8
Deferred Adjustments, net	6.4	6.9	23.2	19.7	29.6	26.6
Total, net	\$134.2	145.1	312.0	281.3	446.2	426.4

The Town refinanced \$15.79 million of revenue bonds to ensure \$1,334,335 in present value debt service savings to business-type activities. The Town also issued \$37.995 million in new money for water projects. The total issuance was \$53.785 million, financed over 25 years with interest rates ranging from 3% to 5%.

The Town of Cary maintained "AAA" ratings from Standard & Poors, Moody's Investors Service, and Fitch Ratings for both the general obligation bonds and the Town's revenue bonds. These bond ratings are a clear indication of the sound

financial condition of the Town of Cary. The Town of Cary is one of few municipalities in the country that maintains the highest ratings possible for all types of debt issued from all three major rating agencies. This achievement is a primary factor in keeping interest costs low on the Town's outstanding 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 Town's boundaries. The legal debt margin for Town of Cary is \$1.5 billion. Practically, these statutory limits exceed the Town's realistic debt capacity. The Town has additional voter debt authorization of \$43.6 million in wastewater bonds, \$40.21 million in street bonds, \$5.43 million in parks and recreation bonds and \$1.44 million in fire bonds resulting from 2005 and 2012 referenda that remain unissued at June 30, 2015. Of the \$90.68 million total in general obligation debt authorized but unissued at June 30, 2015, \$63.8 million has been appropriated to capital projects.

Additional information regarding the Town of Cary's long-term debt can be found in Note 8 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The Town's June, 2015 unemployment rate is 4.1%. Cary's unemployment rate compares favorably to the state's average unemployment rate of 6.1%. The Town's estimated population at June 30, 2015, was 153,868, an increase of 4,017 during the year. The number of both single family residential and multi-family residential new construction permits issued decreased from the prior year. Likewise, the number of all nonresidential building permits issued decreased 4.1%. These factors were considered in preparing the Town's budget for fiscal year 2016.

The tax rate in the fiscal year 2016 General Fund budget increased \$.02 to \$.37 per hundred dollars valuation of taxable property. This increase was approved by voters in a 2012 Community Investment Bond Referendum to fund transportation, parks and fire capital projects. The solid waste fee increased \$1 to \$16 per month for residential service.

Other key items to note in the fiscal year 2016 budget include:

- an appropriation of \$4.6 million from General Fund fund balance primarily comprised of transfers to governmental capital projects;
- an increase of 25.25 positions as a result off six specific community goals developed during Priority Based Budgeting; and
- increases in some water and sewer rates to cover increased costs of related capital infrastructure improvements. For a typical 5,000 gallon per month residential customer, these rate changes will increase a monthly utility bill by

3.8%. This increase will help fund a third raw water pipeline to increase water treatment capacity and reliability.

Given the current economic climate and future debt service obligations, the limited capital budget for fiscal year 2016 includes \$72.7 million in funding for the following purposes in addition to the current \$638.4 million ongoing capital project authorizations:

- \$11.1 million for transportation projects;
- \$3.5 million for parks and recreation projects;
- \$4.9 million for general government;
- \$.9 million for fire projects;
- \$.8 million for downtown projects;
- \$35.1 million (net of partner reimbursements) for water projects; and
- \$16.4 million for sewer projects, primarily related to pump station and sewer line extension projects.

The Town's capital improvement plan for ten years beyond fiscal year 2016 totals \$646.4 million.

Requests for Information

This report is designed to provide a general overview of the Town's finances for those with an interest in the Town of Cary's finances. Questions concerning any of the information found in this report or requests for additional financial information should be directed to Karen Mills, Director of Finance, Town of Cary, Post Office Box 8005, Cary, North Carolina 27512-8005; (919) 469-4110 or karen.mills@townofcary.org.